

Council: 2026-01-29

A15 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT FOR THE PERIOD
ENDING DECEMBER 2025 6/1/1- (2025/2026)

Report: Executive Mayor:: 2026-01-20

1. PURPOSE

1.1. The report is submitted to ensure that Council is able to exercise its oversight responsibility over the financial management of the municipality.

2. BACKGROUND

The mid-year budget and performance assessment report (section 72 report) is compiled in terms of section 72 of the Municipal Finance Management Act, 2003; which stipulates as follows:

72. (1) *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, taking into account-*
(i) *the monthly statements referred to in section 71 for the first half of the financial year.*
(ii) *the municipality's service delivery performance during the first half of the financial year, and the service deliver targets and performance indicators set in the service delivery and budget implementation plan.*
(iii) *the past year's annual report, and progress on resolving problems identified in the annual report; and*
(b) *submit a report on such assessment to-*
(i) *the mayor of the municipality;*
(ii) *the National Treasury; and*
(iii) *the relevant provincial treasury.*
(2) *The statement referred to in section 71(1) for the sixth month of a financial year*
(3) *The accounting officer must, as part of the review:*
(a) *make recommendations as to whether an adjustments budget is necessary: and*
(b) *recommend revised projections for revenue and expenditure to the extent that this may be necessary.*

In response to the indicated requirements, this Report will incorporate the following main elements:

- (1) An analysis of the budget performance of the Municipality, as reflected in its section 71 budget reports for the first six months of the 2025/26 financial year; and
- (2) An interpretation and assessment of the indicated analyses by the Accounting Officer; including subsequent recommendations and actions envisaged to improve the Municipality's planned service delivery and budget performance.

3. DISCUSSION

The content and format of this report for the Mid-year assessment ending 31st December 2025 is based upon the consolidated monthly electronic reports submitted to the Provincial and National Treasury. The statement contains the following statements:

- Statement of Operating Revenue & Expenditure – Part 1;
- Actual Capital Acquisition –Part 2;
- Cash Flow Statement – Part 3;
- Age Analysis of Debtors & Debtors Payment Statistics – Part 4;
- Age Analysis of Creditors – Part 5;
- External Investments – Part 6;
- Supply Chain Report (Deviations) – Part 7; and
- Grants & Subsidies – Part 8.
- Non-financial SDBIP Performance – Part 9
- Outstanding matters on the past year’s annual report – Part 10

Statement of Operating Revenue & Expenditure – Part 1

The statement is assessed by summarizing how the municipality incurs its revenues and expenses through both operating and none operating activities. It also shows the net profit or loss incurred over a specific accounting period.

A Profit & Loss statement provides information on the operation of the municipality. These include service charges and the various expenses incurred during the processing as well as the rendering the services

The statement is prepared on a similar basis to the prescribed budget format which details revenue by source type and expenditure by category and/or input type.

The total operating revenue for the reporting period ending December 2025 amounts to R785 185 281. This is a modest increase of R10 036 717 in revenue generation when compared to the same time in the prior year. The revenue generated for the reporting period consists of property rates R129 951 561, electricity amounting to R300 434 900 , water R46 774 822, sanitation services R39 112 359, refuse removal R35 279 490, interest earned on arrears R79 953 633, grants & subsidies received R147 431 000 and other revenue R455 967. Revenue generated increased by R10 036 717 when compared to the revenue generated as at 31st December 2025 of R775 148 564.

The operating expenditure for the first half of the financial year ending December 2025 amounts to R894 511 510. The operating expenditure consists of employee related costs and remuneration for councillors respectively amounting to R178 017 029 and R8 013 682, finance charges (interest on bulk purchases) amounting to R77 745 285, bulk purchases R432 519 313, provision for debt impairment amounting R62 869 998, provision for depreciation amounting to R31 278 000, contracted services and operating expenditure amounting to R65 949 854 and R37 085 823 respectively. The operating expenditure increased by R117 907 617 when compared to the operating expenditure of R716 603 893 for the period ended December 2024.

MP305 Lekwa - Budget Statement - Financial Performance (revenue & expenditure) - December 2025

	2024/25 Pre Audit Outcome	Approved Budget 2025 - 2026 MTREF	Prior Year Mid YTD Movement Dec 2024	Mid YTD Actual Dec 2025	Mid Year Variance	YTD Actual	YTD Budget	YTD variance	YTD variance
R thousands									%
Revenue By Source									
Property rates	219 697 425	262 462 000	125 760 726	129 951 561	4 190 835	129 951 561	131 231 000.00	(1 279)	-1%
Service charges - electricity revenue	507 625 739	577 060 000	281 119 581	300 434 900	19 315 319	300 434 900	288 530 000.00	11 905	4%
Service charges - water revenue	78 121 519	90 424 000	40 423 093	46 774 822	6 351 729	46 774 822	45 212 000.00	1 563	3%
Service charges - sanitation revenue	71 223 041	86 385 000	41 427 336	39 112 359	(2 314 977)	39 112 359	43 192 500.00	(4 080)	-9%
Service charges - refuse revenue	53 900 286	66 005 000	30 247 034	35 279 490	5 032 456	35 279 490	33 002 500.00	2 277	7%
Service charges - other			-		-	-	-	-	
Rental of facilities and equipment	2 849 400	2 726 000	1 031 437	1 185 071	153 634	1 185 071	1 363 000.00	(178)	-13%
Interest earned - external investments	1 077 750	1 078 000	1 053 055	1 260 625	207 570	1 260 625	539 000.00	722	134%
Interest earned - outstanding debtors	122 354 075	86 969 000	114 323 714	79 953 633	(34 370 081)	79 953 633	43 484 500.00	36 469	84%
Fines	2 864 915	4 510 000	841 874	3 345 853	2 503 979	3 345 853	2 255 000.00	1 091	48%
Transfers recognised - operational	185 567 550	196 023 000	137 752 000	147 431 000	9 679 000	147 431 000	98 011 500.00	49 420	50%
Other revenue	1 947 618	263 000	1 168 714	455 967	(712 747)	455 967	131 500.00	324	247%
Total Revenue (excluding capital transfers and contributions)	1 247 229 318	1 373 905 000	775 148 564	785 185 281	10 036 717	785 185 281	686 952 500	98 233	14%
Expenditure By Type									
Employee related costs	338 790 606	350 916 000	167 895 155	178 017 029	10 121 874	178 017 029	175 458 000.00	2 559	1%
Remuneration of councillors	14 434 660	16 377 000	7 728 028	8 013 682	285 654	8 013 682	8 188 500.00	(175)	-2%
Debt impairment	206 985 762	125 740 000	68 995 256	62 869 998	6 125 258	62 869 998	62 870 000.00	(0)	0%
Depreciation & asset impairment	57 510 698	62 556 000	19 170 232	31 278 000	12 107 768	31 278 000	31 278 000.00	-	
Finance charges	68 256 000	126 006 000	39 991 056	77 745 285	37 754 229	77 745 285	63 003 000.00	14 742	23%
Bulk purchases Electricity	574 872 000	647 881 000	298 298 992	432 519 313	134 220 321	432 519 313	323 940 500.00	108 579	34%
Bulk purchases Water	-		-	-	-	-	-	-	
Other materials	91 411 047	53 245 000	195 088	193 305	1 783	193 305	26 622 500.00	(26 429)	-99%
Contracted services	121 181 233	145 118 000	43 069 188	65 949 854	22 880 666	65 949 854	72 559 000.00	(6 609)	-9%
Transfers and grants	77 653 815	70 440 000		839 221	839 221	839 221	35 220 000.00	(34 381)	-98%
Other expenditure	70 822 801	76 185 000	71 260 898	37 085 823	34 175 075	37 085 823	38 092 500.00	(1 007)	-3%
Loss on disposal of PPE					-	-	-	-	
Total Expenditure	1 621 918 622	1 674 464 000	716 603 893	894 511 510	177 907 617	894 511 510	837 232 000	57 280	7%

- The municipality incurred huge expenditure on electricity bulk purchases when compared to the same period in the prior year with a variance of R134 220 321 (44%), this increase is as a result of high Eskom tariffs to municipalities compounded by the high demand for electricity by communities during the winter season. It is important for the municipality to put in controls to restrict unauthorized consumption of electricity.
- The finance charges increased as a result of the inability of the municipality to service the Eskom
- Employee related costs increased by 10 121 874 (6%) when compared to the same time in the prior period, this increase can be attributed to the 5.4% annual salary increase and the appointment of new employees made in the first semester.
- The increase in contracted is largely due to repairs and maintenance expenses incurred by the municipality, e.g. maintenance of transformers and sewer infrastructure.

Actual Capital Acquisition –Part 2

Capital expenditure for the reporting period amounts to R24 476 717.97. Retention withheld in the first semester of the year amounted to R479 245.79. No retention has been paid during the reporting quarter.

Project Description	Source of Funding	Approved Budget Capital Projects 2025/2026	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Retention Withheld VAT incl	Retention paid back	Retention owed	YTD	Remaining Budget
Refurbishment/Installation of boreholes in rural/farm areas	MIG 02/2526	R 725 061,00			R 1 640 084,31	R 2 900 191,00			R -			R 4 540 275,31	-R 3 815 214,31
Rehabilitation of Morgenzen landfill Site	MIG 03/2526	R 8 203 079,00										R -	R 8 203 079,00
Rehabilitation of tarred roads Hlongwane Drive Phase2	MIG 04/2526	R 12 117 055,00	R 764 168,17	R 120 216,33				R 3 472 438,59	R 163 166,25		R 163 166,25	R 4 519 989,34	R 7 597 065,66
Development of Thuthukani Cemetery	MIG 05/2526	R 3 666 205,00	R 1 223 033,11	R 1 822 932,76					R -		R 316 079,54	R 3 362 045,41	R 304 159,59
Construction of 11Kv, SWS at Rooikoppen	INEP 01/2526	R 5 000 000,00	R -	R 1 843 935,86			R 1 603 775,94	R 1 091 818,98	R 121 313,22		R 366 008,87	R 5 026 852,87	-R 26 852,87
Construction of 6km, 11KV line from Substation A to Rooikoppen	INEP 02/2526	R 5 000 000,00											R 5 000 000,00
Implementation of energy efficiency and energy demand within Lekwala	EEDSM 01/2526	R 4 000 000,00				R 2 530 000,00						R 2 530 000,00	R 1 470 000,00
Keeping Lekwa Clean	EPWP01/2526	R 2 203 000,00	R 347 015,65	R 247 816,52	R 240 886,51	R 242 217,30	R 241 551,87				R -	R 1 319 487,85	R 883 512,15
Procurement of servers	Internal Funding	R 800 000,00										R -	R 800 000,00
Renovation of offices	Internal Funding	R 2 000 000,00				R 213 790,00						R 213 790,00	R 1 786 210,00
Procurement of Laptops	Internal Funding	R 1 152 088,00			304,35							R 304,35	R 1 151 783,65
Procurement of Vehicles(new)	Internal Funding	R 3 000 000,00				R 2 024 638,25				R -	R -	R 2 024 638,25	R 975 361,75
Procurement of Furniture	Internal Funding	R 1 000 000,00			19281,07	R 256 879,30	R 51 923,40					R 328 083,77	R 671 916,23
Development of Thuthukane Cemetery	Internal Funding	R 611 250,82	R 550 125,74								R 61 125,08	R 611 250,82	
		R 49 477 738,82	R 1 987 201,28	R 4 684 226,34	R 1 907 486,25	R 7 909 505,76	R 1 897 916,64	R 4 805 809,44	R 284 479,47	R -	R 906 379,74	R 24 476 717,97	R 25 001 020,85

Retention as at 31 December 2025

CONTRACTOR	PROJECT	CONTRACT AMOUNT	RETENTION WITHHELD	RETENTION PD BAC	RETENSION OWED
Soyamba	Installation of Sanitation Services in Rural Areas	R 1,189,732.00	R 91,546.05	R 45,773.03	R 45,773.03
Tsoga Moephatusi	Construction and Upgrade of Stormwater Network Phase 3	R 3,400,000.00	R 292,035.82	R 153,659.75	R 138,376.07
ML Sakhile	Standerton Water Works & bulk water Supply Refurbishment	R 1,900,562.00	R 190,056.18	R 95,028.09	R 95,028.09
ZMG	Installation of Bulk Water Infrastructure and Replacement of AC pipes Lekwa Local Municipality	R 15,000,000.00	R 1,099,212.78	R 598,786.01	R 500,426.77
Ngani JV TK Vuwani	Upgrade of Standerton Sewer treatment works	R 24,609,498.00	R 1,797,900.90	R 654,978.77	R 1,142,922.13
Workman Construction and Projects(Tum Key Service Provider)	Installation of water services to informal settlements	R 1,961,400.00	R 196,137.00	R 98,068.50	R 98,068.50
Three I Developments (PTY) LTD	Supply & Installation of Electricity Network for 350 Households Extension 8	R 5,075,000.00	R 194,866.66	R -	R 194,866.66
Wanga Projects	Station and Construction of the Booster Pump Station within a Pumping Main (Sakhile Extension 4)	R 11,922,814.94	R 1,116,799.00	R -	R 1,116,799.00
ERMSA	Electrification of 35 Houses	R 1,925,000.00	R 189,600.99	R -	R 189,600.99
Thapiwe	Refurbishment and upgrading of combined recycling system at Standerton waste	R 11,810,400.00	R 1,291,268.62	R 1,365,119.16	R -73,850.54
Mbako Projects	Upgrade of Rooskop sewer	R 6,999,687.75	R 898,855.81	R 349,982.83	R 548,872.98
Workman Construction and Projects	Refurbishment and upgrade of portions of Standerton water treatment plant	R 2,288,201.58	R 228,177.25	R 114,088.63	R 114,088.62
Zedek	Refurbishment and/or upgrade of the Standerton Waste Water Treatment Works	R 12,751,117.89	R 1,275,111.69	R 1,275,111.78	R -0.09
TM Consortium	Refurbishment and/or upgrade of Morgenzon & Sivukile Water Treatment Works	R 2,036,397.00	R 156,176.53	R -	R 156,176.53
Mavutha Electrical	Contractor For The Provision of Energy Efficiency Solution For High Masts; Streets	R 5,340,000.00	R 531,892.25	R 531,892.26	R -0.01
ASDU Trading and Projects.	Maintenance of existing windmills and hand pumps on an as and when required basis	R 1,000,000.00	R 100,050.69	R 99,543.79	R 506.90
Ngcebo Holdings	Maintenance of existing windmills and hand pumps on an as and when required basis	R 1,000,000.00	R 100,002.97	R 99,913.26	R 89.71
Hlahlathela	Installation of security systems for vulnerable Water, Sanitation and Electricity Infrastructure	R 1,576,126.75	R 157,612.39	R 157,612.75	R -0.36
Zedek	Refurbishment & Upgrade of Morgenzon Sports Facility	R 6,455,757.23	R 645,575.72	R -	R 645,575.72
Capital Power Projects	Electrification of 30 rural Houses	R 3,850,273.34	R 370,775.45	R -	R 370,775.45
ASDU Trading and Projects.	drilling and installation of boreholes	R 1,718,790.00	R 171,879.00	R 171,879.00	R -
ASDU Trading and Projects.	The supply deliver and install precast concrete palisade fencing to the morgenzon cemetery	R 1,647,143.85	R 155,657.10	R 164,714.39	R -9,057.29
Mrazane	Construction of a booster Pumping System for the Sivukile Low Pressure Supply Area for Morgenzon	R 2,432,380.10	R 130,308.70	R 93,821.04	R 36,487.66
Mrazane	Installation of Water Services to informal settlements within Lekwa LM	R 860,000.00	R 86,499.07	R -	R 86,499.07
Asgne Africa (Pty)LTD	Rehabilitation of roads in Lekwa LM	R 7,735,960.56	R 773,596.05	R 773,596.05	R -

Totobela Rloutona	DRILLING OF BOREHOLES AND INSTALLATION OF WINDMILLS WITHIN LEKWA	R 1,312,981.38	R 131,298.04	R 65,649.02	R 65,649.02
Pulefuhlala	Refurbishment and Upgrading of Standerton Bulk Water Supply System.	R 7,411,766.10	R 328,893.92	-	R 328,893.92
Ntleno	Refurbishment of Muller, Johan, TLC and Vaal Sewer Pump Stations .	R 6,967,326.01	R 516,357.73	-	R 516,357.73
Vusaka Consulting	Refurbishment and Upgrading of Morgenzon and Sivukile Bulk Water Supply.	R 5,216,421.74	521,512.64	521,512.64	-
Emwa *	Electrification of 128 RDP in Standerton Extension 8	R 2,038,307.15	R 203,656.84	R 203,656.84	-
Emwa	Construction of 1o MVA switching station at Standerton Extension 8	R 11,124,859.70	R 904,855.79	R 904,855.79	-
Big Family	Refurbishment and upgrade of Mahala Park Soccerfield	R 1,425,136.35	R 102,373.00	-	R 102,373.00
Big Family	The supply and installation of high security clear view fencing at the standerton square reservoir	R 2,149,476.00	R 214,947.60	R 247,994.63	R -33,047.03
Hlahlathela	The supply , delivery & Installation of High Security Clear View Fencing	R 1,775,737.42	R 177,572.70	R 177,572.68	R 0.02
Zedek	Supply, delivery & Install Precast concrete palisade fencing of the Rooikoppen Cemetry	R 1,906,982.00	R 190,698.15	R 190,698.18	R -0.03
TM & S Construction	Upgrading of the Standerton Bulk Water Supply System Phase 2 Construction of Kieser Pressuer Tower	R 35,462,276.62	R 3,529,502.55	-	R 3,529,502.55
TM & S Construction	Coligny Sewer Line Upgrade	R 21,142,201.21	R 2,114,220.01	R 2,114,220.06	R -0.05
TCM Developments	Refurbishments of Rural VIP Toilets	R 961,515.00	-	-	-
Mizana Engineering Services	Refurbishment of Standerton Wastewater Treament Works Phase 2:	R 15,250,437.37	R 1,808,942.58	R 1,808,942.58	-
Enhanced Innovations	Upgrading and Operations of the Standerton Landfill Site	R 19,606,614.50	R 1,957,846.59	R 978,922.33	R 978,924.26
Umakon	Manufacture, testing at Contractor works, supply, directory direct access (DDP), Installation, Testing at Site and Commissions of one fully functional three phase 20MVA 33/11 KV Power Transformer for Lekwa Local Municipality's A sub-station	R 8,388,789.12	R 838,778.99	R 419,439.46	R 419,339.53
Ngcebo Holdings	Supply & installation of VIP toilets rural /farm areas	R 842,774.62	R 84,277.46	R 84,277.46	-
Shandis West	Installation of new VIP Toilets at Ward 12 and 13	R 1,329,940.50	R 132,994.05	R 132,994.06	R 0.01
Mudoita	Drilling of Boreholes at Ward 9,12 and 13	R 998,085.50	R 99,808.50	R 99,808.50	-
2MC Consulting	Maintenance Part 1 issued observed. Construon of wing walls and extention of reno mattress or constrution of gabions for embarkment downstrem. (Sakhile ward 11) protection on both sides of the bridge . Cleaning of river and culvert	R 500,000.00	R 39,103.12	R 39,103.12	-
2MC Consulting	Maintenance Part 2 issued observed. Construon of wing walls and extention of reno mattress or constrution of gabions for embarkment downstrem. (Sakhile ward 11) protection on both sides of the bridge . Cleaning of river and culvert	R 2,439,222.72	R 196,998.18	R 196,998.35	R 0.17
2MC Consulting	Rehabilitation of Rooikopen sewer purp station number 3	R 1,000,000.00	R 65,619.70	-	R 65,619.70
2MC Consulting	regravelling of est 8	R 642,447.04	R 71,383.00	-	R 71,383.00
F-TECH SERVICES	Installation of 26 High Mast Lighting in different wards	R 15,318,149.28	R 1,531,814.92	-	R 1,531,814.92
Izinjomane	Construction of 6km,11kv line from Substation A to Rooikoppen	R12,543,909	R 733,908.39	-	R 733,908.39
Mudoita	Installation of new VIP Toilets at Ward 9, 12 and 13	R2,017,000	R 201,700.00	R 100,850.00	R 100,850.00
TJM GREENTECH	Implementation of Energy Efficiency and Renewable Energy Projects at Risk	R4,000,000	-	-	-
KENFORE ENGINEERING	Construction of 11kv Switching Station	R17,642,773	R 1,451,722.00	-	R 1,451,722.00
NOTHA CIVILS	Rehabilitation of Vry Street	9187717.83.00	R 949,547.29	-	R 949,547.29
BIDWIN	Drilling of Boreholes at Ward 9,12 and 13	R806,794	R 74,297.51	-	R 74,297.51
UBUNTU SONKE ENGINEERING	THUTHUKANI CEMETRY FENCING	R11,040,501	R 1,104,050.09	R 552,025.04	R 552,025.05
ISOYI HOLDING (PTY) LTD	REHABILITATION OF 1.2KM HLONGWANE DRIVE	R13,886,364	R 163,166.25	-	R 163,166.25
			R 32,683,442.27	R 15,683,089.83	R 17,000,352.44

Cash Flow Statement – Part 3

The purpose of this statement is to keep an account of the different activities of Council. It also provides information on the mode of generation of funds required for repayment. The cash flow statement also helps to analyse the amount of cash that would be required to meet the operating costs.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

The actual receipt (cash) received in the first semester ending 31 December 2025 amounts to R620 215 482. The amount includes revenue collected from Property Rates R46 143 886, Electricity R234 957 445, Water R20 625 018, sanitation R9 696 385, Refuse R6 544 567, rental of facilities R3 199 507, Interest on outstanding debtor R3 812 745, fines and penalties R2 765 862, transfer receipts – operational R147 431 000, other revenues amounting to R450 627 and Transfer Receipts – operational R17 575 000.

The actual payments made in the first semester ending December 2025 amount to R620 640 576. The amount includes payment for employee related costs (employees) and councillors amounted to R179 456 932 and R7 964 821 respectively, bulk purchases electricity R35 568 056, Bulk water R1 000 000, contracted services amounting to R65 949 854 as well as Capital expenditure amounted to R23 328 038, and general expenses amounted to R37 085 822.

The Municipality's cash flow status for all bank accounts reflects a favourable bank balance of R12 028 284,95 including a favourable closing balance on primary account of R2 448 713,38. It should be noted that though the municipality has a favourable bank balance at the end of the reporting month there were still outstanding creditors of R4 billion and outstanding debtors of R2,7 billion as disclosed in the age analysis below.

MONTHLY CASH FLOWS		Budget Year 2025/2026										
Rands	July Actual	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	Total Revenue Collected	February Actuals	March Actuals	April Actuals	May Actuals	June Actuals
Cash Receipts By Source												
Property rates	7 760 294	8 269 922	7 381 953	8 105 604	8 176 987	6 449 126	46 143 886					
Service charges - electricity revenue	40 041 604	38 005 038	43 924 298	40 736 537	36 641 984	35 607 984	234 957 445					
Service charges - water revenue	3 369 254	3 316 687	3 302 445	3 228 311	3 970 413	3 437 908	20 625 018					
Service charges - sanitation revenue	1 717 333	1 672 620	1 385 938	1 410 016	2 027 455	1 483 023	9 696 385					
Service charges - refuse revenue	1 069 676	1 242 904	1 079 173	1 022 623	1 230 628	899 563	6 544 567					
Rental of facilities and equipment	2 125 500	164 495	169 950	182 900	197 634	359 028	3 199 507					
Interest earned - external investments	151 022	308 883	251 506	179 385	129 191	72 586	1 092 573					
Interest earned - outstanding debtors	576 915	689 707	631 691	730 059	763 726	420 647	3 812 745					
Fines, penalties and forfeits	107 561	705 971	610 857	945 517	66 839	329 117	2 765 862					
Transfer receipts - operational	79 050 000	3 350 000	-		1 791 000	63 240 000	147 431 000					
Inter Accounts Transfers	29 432 954	36 706 737	15 950 084	500 000	18 403 776	24 927 316	125 920 867					
Other revenue	11 208	16 548	10 883	360 601	6 794	44 593	450 627					
Cash Receipts by Source	165 413 321	94 449 512	74 698 778	57 401 553	73 406 427	137 270 891	602 640 482					
Other Cash Flows by Source							-					
Transfer receipts - capital	4 500 000	1 500 000		7 350 000		4 225 000	17 575 000					
Total Cash Receipts by Source	169 913 321	95 949 512	74 698 778	64 751 553	73 406 427	141 495 891	620 215 482					
	July Actual	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	Total Expenditure Payments	February Actuals	March Actuals	April Actuals	May Actuals	June Actuals
Cash Payments by Type							-					
Employee related costs	30 343 809	30 376 296	28 934 393	28 845 317	29 985 638	30 971 479	179 456 932					
Remuneration of councillors	1 300 544	1 332 065	1 380 926	1 273 399	1 321 798	1 356 089	7 964 821					
Bulk purchases - Electricity	13 445 040	2 785 511	3 027 438	3 719 611	2 540 456	10 050 000	35 568 056					
Bulk purchases - Water	500 000			500 000			1 000 000					
Other materials	29 695	3 617	39 908	49 932	42 279	241 714	407 145					
Contracted services	6 416 772	6 925 725	16 035 993	14 145 512	9 447 504	12 978 348	65 949 854					
Inter Accounts Transfers	113 031 272	42 815 694	18 281 563	210 743	24 232 351	71 308 285	269 879 908					
Other expenditure	5 985 792	5 950 475	2 991 660	6 127 205	7 945 073	8 085 617	37 085 822					
Cash Payments by Type	171 052 924	90 189 383	70 691 881	54 871 719	75 515 099	134 991 532	597 312 538					
Other Cash Flows/Payments by Type							-					
Capital assets	2 123 094	4 684 226	1 907 486	7 909 506	1 897 917	4 805 809	23 328 038					
Repayment of borrowing							-					
Other Cash Flows/Payments							-					
Total Cash Payments by Type	173 176 018	94 873 609	72 599 367	62 781 225	77 413 016	139 797 341	620 640 576					
							-					
NET INCREASE/(DECREASE) IN CASH HELD	- 3 262 677	1 075 903	2 099 411	1 970 328	- 4 006 589	699 549						
Cash/cash equivalents at the month/year begin:	3 872 788	610 111	1 686 014	3 785 425	5 755 753	1 749 164.00						
Cash/cash equivalents at the month/year end:	610 111	1 686 014	3 785 425	5 755 753	1 749 164	2 448 713						

Debtors Age Analysis & Debtors Payment Statistics – Part 4 a & b

The debtor's age analysis analyses amount owed by customers for services rendered by the municipality according to the length of time that those amounts have remained unpaid.

The debtors' balance for the reporting month amounts to R2,7 billion. Outstanding Debtors that are older than 90 days' amounts to R2,4 billion of the total outstanding debts. This shows an increase of R500 million when compared to the prior year of R2,2 billion.

The debt from households amounts to R2,1 billion, government to R80 million while business owed R276 million, and other customers owed an amount of R176 million. Electricity contributes R281 million of the outstanding debt, Property assessment rates R514 million, Water R431 million, Wastewater R289 million, refuse R218 million, income from other sources R137 million while interest on arrears amounts to R731 million.

MP305 Lekwa - Supporting Table SC3 Monthly Budget Statement - aged debtors - December 2025

Budget Year 2025/2026													
Description	NT Code	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	13,134	6,264	5,117	4,870	4,942	5,943	25,680	365,322	431,272	406,757		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	49,834	12,926	10,328	10,464	9,159	9,196	49,726	229,807	381,440	308,352		
Receivables from Non-exchange Transactions - Property Rates	1400	32,989	13,572	11,892	11,485	11,186	10,967	62,144	360,094	514,329	455,877		
Receivables from Exchange Transactions - Waste Water Management	1500	13,222	6,971	6,467	6,356	6,289	5,578	32,761	211,720	289,364	262,705		
Receivables from Exchange Transactions - Waste Management	1600	9,378	4,671	4,581	4,501	4,478	4,160	24,497	162,344	218,610	199,980		
Receivables from Exchange Transactions - Property Rental Debtors	1700									-	-		
Interest on Arrear Debtor Accounts	1810	27,659	13,566	13,327	13,063	13,113	13,041	74,578	562,955	731,301	676,750		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-								-	-		
Other	1900	(6,663)	(1,488)	2,426	3,390	2,939	1,234	(10,138)	145,956	137,656	143,381		
Total By Income Source	2000	139,552	56,483	54,137	54,130	52,106	50,120	259,249	2,038,197	2,703,973	2,453,801		
2019/20 - totals only										-	-		
Debtors Age Analysis By Customer Group													
Organs of State	2200	988	1,259	5,114	5,810	4,719	2,618	(2,958)	63,203	80,754	73,393		
Commercial	2300	44,032	10,066	4,420	4,580	4,349	5,421	30,706	173,248	276,822	218,304		
Households	2400	83,213	40,897	40,182	38,996	38,966	38,261	210,217	1,679,132	2,169,864	2,005,572		
Other	2500	11,319	4,261	4,421	4,744	4,072	3,819	21,283	122,613	176,533	156,532		
Total By Customer Group	2600	139,552	56,483	54,137	54,130	52,106	50,120	259,249	2,038,197	2,703,973	2,453,801		

Debtors Breakdown per Ward

WARD		Current	30 Days	60 Days	90 Days	120 Days	150 Days	180 Days	210 Days	240 Days	270 Days	300 Days	330 Days	360 Days	390 + Days	Total
Opening balance		R 56,797,925.53	R 23,536,481.21	R 26,426,851.33	R 26,007,913.73	R 26,638,993.32	R 24,504,216.35	R 23,902,035.41	R 24,134,640.29	R 22,759,603.15	R 1,969,662.62	R 24,463,283.14	R 25,949,659.32	R 22,656,006.49	R 788,525,541.26	R 1,118,272,813.15
WARD 1		R 1,681,845.92	R 1,661,405.44	R 1,791,236.44	R 1,749,355.73	R 1,737,426.67	R 1,728,257.64	R 1,851,846.54	R 1,563,131.02	R 1,557,154.40	R 1,529,796.61	R 1,534,226.20	R 1,535,706.03	R 1,505,417.71	R 105,830,986.69	R 127,257,793.04
WARD 2		R 1,771,731.73	R 1,715,886.59	R 1,883,268.79	R 1,853,359.51	R 1,807,605.44	R 1,792,875.50	R 1,780,088.99	R 1,621,195.63	R 1,619,116.34	R 1,603,576.36	R 1,607,835.46	R 1,600,799.83	R 1,574,763.35	R 100,673,142.75	R 122,905,246.27
WARD 3		R 2,284,939.66	R 2,143,178.77	R 2,464,823.16	R 2,386,661.22	R 2,452,649.96	R 2,736,157.34	R 2,355,206.40	R 1,808,022.60	R 2,058,706.25	R 2,022,863.18	R 1,976,975.33	R 1,984,752.76	R 2,005,366.84	R 85,755,705.99	R 114,436,009.46
WARD 4		R 7,230,192.61	R 1,870,351.94	R 1,911,119.17	R 1,250,267.70	R 1,767,816.12	R 1,562,595.55	R 1,651,231.82	R 104,111.83	R 1,510,604.98	R 1,483,052.43	R 1,485,862.43	R 1,402,543.46	R 1,445,040.67	R 59,202,964.32	R 83,877,755.03
WARD 5		R 2,472,013.92	R 2,418,561.75	R 2,654,116.21	R 2,612,409.44	R 2,572,237.67	R 2,557,572.62	R 2,569,218.02	R 2,311,240.31	R 2,297,888.57	R 2,276,707.48	R 2,263,002.16	R 2,263,560.57	R 2,229,400.47	R 152,653,510.86	R 184,151,440.05
WARD 6		R 1,381,997.79	R 1,356,635.66	R 1,446,520.57	R 1,424,578.72	R 1,403,230.18	R 1,400,014.55	R 1,407,111.04	R 1,257,605.73	R 1,254,632.07	R 1,237,888.77	R 1,235,318.94	R 1,244,921.15	R 1,228,656.26	R 86,131,368.43	R 103,410,479.86
WARD 7		R 903,760.38	R 902,352.22	R 1,139,267.30	R 1,111,796.13	R 1,080,893.27	R 1,049,852.11	R 1,080,811.79	R 900,205.02	R 895,435.40	R 888,494.17	R 888,926.51	R 890,516.32	R 872,766.18	R 47,598,240.50	R 60,203,317.30
WARD 8		R 7,521,789.16	R 3,889,904.45	R 3,905,068.28	R 3,517,721.52	R 3,364,825.46	R 3,382,602.70	R 2,756,576.30	R 2,580,980.99	R 2,728,108.57	R 2,693,954.66	R 2,577,733.78	R 2,624,807.64	R 2,886,813.77	R 51,454,723.35	R 95,885,610.63
WARD 9		R 339,153.31	R 37,133.21	R 52,004.53	R 52,024.23	R 52,712.66	R 50,879.40	R 50,995.61	R 43,964.86	R 43,963.68	R 43,489.57	R 43,435.09	R 43,585.91	R 43,620.48	R 1,307,543.45	R 2,204,505.99
WARD 10		R 4,159,678.87	R 1,413,215.84	R 2,865,811.97	R 2,015,156.40	R 1,571,501.16	R 1,478,131.27	R 870,642.43	R 264,094.86	R 1,953,787.23	R 476,849.54	R 32,465.73	R 299,924.06	R 310,259.46	R 17,778,310.12	R 35,489,828.94
WARD 11		R 3,463,038.20	R 3,417,514.66	R 3,659,737.16	R 3,906,565.92	R 3,673,114.91	R 3,672,295.90	R 3,712,095.55	R 3,334,426.54	R 3,277,779.32	R 3,292,552.25	R 3,264,683.73	R 3,297,133.77	R 3,264,174.27	R 172,070,260.32	R 217,305,372.50
WARD 12		R 111,422.99	R 102,288.30	R 112,748.40	R 100,862.12	R 106,675.41	R 109,510.90	R 106,530.84	R 98,715.45	R 99,701.62	R 99,271.97	R 97,647.35	R 101,257.86	R 98,811.62	R 6,746,512.58	R 8,091,957.41
WARD 13		R 4,065.58	R 2,848.37	R 2,838.19	R 2,828.00	R 2,817.81	R 2,820.68	R 2,720.36	R 2,722.93	R 2,712.66	R 2,702.40	R 2,692.12	R 2,705.20	R 2,683.02	R 121,350.29	R 158,507.61
WARD 14		R 2,310,745.47	R 4,548,836.75	R 2,479,384.65	R 2,479,121.83	R 2,282,854.70	R 2,502,571.52	R 2,467,566.22	R 2,255,262.64	R 2,238,805.45	R 2,206,266.11	R 2,173,040.07	R 2,373,531.04	R 2,364,368.05	R 179,271,699.97	R 202,856,380.97
WARD 15		R 3,801,618.92	R 3,397,308.34	R 3,688,051.13	R 3,666,477.18	R 3,614,243.06	R 3,575,784.65	R 3,555,211.79	R 3,217,909.20	R 3,206,578.49	R 3,152,849.09	R 3,163,320.84	R 3,198,532.50	R 3,153,704.00	R 183,074,817.56	R 227,466,406.75
TOTAL		R 96,235,920.04	R 43,316,230.00	R 56,482,847.28	R 54,137,099.38	R 54,129,597.80	R 52,106,138.68	R 50,119,889.11	R 45,498,229.90	R 47,504,578.18	R 24,979,977.21	R 46,810,448.88	R 48,813,937.42	R 45,641,852.64	R 2,038,196,678.44	R 2,703,973,424.96

Transfer & Grants Subsidies (Indigent support)

To date 3400 households are active on registered households for indigent support. The current outstanding debt balances of the registered indigent households amounted to R168, 908 ,850.87 (including pensioners) as of December 2025 while subsidies for the current month amounted to R 2,699,760.32. This is an increase of 615 registered households compared to the prior financial year of 2785 households.

(including pensioners)

Wards No.	Number of Active Indigents	Number of Active Indigents
	December 2024	December 2025
Ward 1	259	247
Ward 2	277	274
Ward 3	347	384
Ward 4	130	161
Ward 5	368	370
Ward 6	160	174
Ward 7	274	339
Ward 8	63	102
Ward 9	12	27
Ward 10	94	122
Ward 11	256	393
Ward 12	6	3
Ward 13	2	2
Ward 14	307	357
Ward 15	337	429
Total Indigents	2785	3400

The municipality has embarked on a program to register indigent households in all wards.

Debtors Payment Statistics – Part 4 (b)

Reporting Month	Total Billing	Total Adjustment on Billing	Revenue Movement	Revenue Collected	Collection Rate
July-2025	R 107 423 494	(R3 960 776)	R94 763 212	R50 728 245	54%
August-2025	R102 432 648,24	(R800 298,01)	R101 632 350,23	R47 099 427,42	46%
September-2025	R121 807 763,60	(R472 569,43)	R121 335 194,20	R62 731 480,78	52%
October-25	R113 655 315,19	(R14 210 509,36)	R99 444 805,83	R64 398 041,86	65%
November-25	R104 310 702,67	(R2 197 030,36)	R102 113 672,31	R54 551 627,08	53%
December-25	R 107 131 610,12	(R6 049 194,74)	R101 082 415,38	R47 080 361,87	47%
Total	R656 761 533,82	(R27 636 378,14)	R620 371 649,95	R326 589 484,01	53%

Creditors Age Analysis– Part 5

The creditors age analysis indicates an analysis of unpaid received invoices, aged by due date. The creditors are broken down into eight ageing periods.

The Creditors Age Analysis shows an outstanding amount of R4 billion of which R3,3 billion is owed to Eskom. The municipality has taken several initiatives to ensure that the arrears amount owed to Eskom is paid. The latest outstanding amount for Department of Water and Sanitation is R658 million.

The Municipality's outstanding trade creditors amounts to R9 million. The Municipality has an outstanding payment to Auditor General an amount of R million. The Municipality owes R17 million on retention withheld for the reporting period.

The Municipality owes SARS R37 million relating to PAYE deductions and VAT of R14. The Municipality does not maintain sufficient working capital thus resulting in statutory payments and some other creditors not being paid timeously. The outstanding creditors are continuously increasing thus indicating that the Municipality is entering into obligations that it's unable to service. Unless all interventions are implemented (Revenue enhancement strategy, financial recovery, cost curtailments & installation of smart meters) the Municipality will face a severe financial sustainability issues & distress, that might require the Municipality to consider interventions as entrenched within the Municipal Finance Management Act.

MP305 Lekwa - Supporting Table SC4 Monthly Budget Statement - Creditors age analysis -December 2025

Description		NT Code	Budget Year 2025/2026								
R thousands			0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Creditors Age Analysis By Customer Type											
Bulk Electricity	100	63,835,639.16	79,156,676.08	77,921,497.17	3,097,321,381.45	-	-	-		3,318,235,193.86	
Bulk Water	0200	-	-	-	-	658,679,116.70	-		-	658,679,116.70	
PAYE deductions	0300				46,783.40	26,970,944.80			10,695,543.20	37,713,271.40	
VAT (output less input)	0400	4,594,966.66	810,878.47	9,503,897.58	-	-			-	14,909,742.71	
Pensions / Retirement deductions	0500	-		-	-	-	-	-	-	-	
Trade Creditors	0700	5,485,290.00	1,143,905.00	2,600,466.00	210,400.00			-	-	9,440,061.00	
Auditor General	0800				-					-	
Other	0900	-	-	-	-	-	-	-	-	-	
Retention		178,197.33	565,016.16	1,188,956.72	136,590.18	278,721.25	2,094,505.21	512,688.14	12,045,677.45	17,000,352.44	
Total By Customer Type	1000	74,094,093.15	81,676,475.71	91,214,817.47	3,097,715,155.03	685,928,782.75	2,094,505.21	512,688.14	22,741,220.65	4,055,977,738.11	

External Investment (Call accounts) – Part 6

The Closing balance call accounts as of 31 December 2025 amounts to R7,997,708.56. Municipality for the reporting month capitalized R72,585.93 interest on call accounts.

Account name	Account Number	Opening Balance	Deposits	Interest Capital	Withdrawals	Closing Balance
GRANTS ACCOUNT	3788153059	13967348.94	38,000,000	72585.93	- 43,969,640.38	7,997,708.56
			38,000,000.00	-	- 43,969,640.38	7,997,708.56

Grants & Subsidies – Part 8 Received & Expenditure – Part 8

The municipality has received R 177 050 000 to date from grants and subsidies.

	Approved Budget 2025/2026	Revised Budget 2025/2026	YTD Allocation Received July 2025- June 2026	Opening Balance	Outstanding Allocation
Municipal Infrastructure Grant	R 26,012,000.00		R 21,619,000.00		R 4,393,000.00
Local Government Financial Management Grant	R 2,800,000.00		R 2,800,000.00		R -
Expanded Public Works Programme Integrated Grant for Municipalities	R 2,203,000.00		R 1,541,000.00		R 662,000.00
Equitable shares	R 189,719,000.00		R 142,290,000.00		R 47,429,000.00
Energy Efficiency Demand Side Management Integrated National Electrification Programme Grant	R 4,000,000.00		R 2,300,000.00		R 1,700,000.00
	R 10,000,000.00		R 6,500,000.00		R 3,500,000.00
	R 234,734,000.00	R -	R 177,050,000.00	R -	R 57,684,000.00

The Municipality has to date spent the amount of R 24 149 974.20 on conditional grants received.

Type of Grant	Unspent Grant 2024 - 25 Financial Year	YTD Allocation Received July - June 2025	YTD Expenditure July - June 2025	Remaining Balance
Municipal Infrastructure Grant	R -	R 21,619,000.00	R 13,631,773.58	R 7,987,226.42
Local Government Financial Management Grant		R 2,800,000.00	R 1,641,859.90	R 1,158,140.10
Expanded Public Works Programme Integrated Grant for Municipalities		R 1,541,000.00	R 1,319,487.85	R 221,512.15
Energy Efficiency Demand Side Management	R -	R 2,300,000.00	R 2,530,000.00	R (230,000.00)
Integrated National Electrification Programme (Municipal) Grant		R 6,500,000.00	R 5,026,852.87	R 1,473,147.13
	R -	R 34,760,000.00	R 24,149,974.20	R 10,610,025.80

12. CAPITAL PROGRAMME PERFORMANCE

The capital grant performance is at 53% expenditure for the reporting month.

Capital Fund Description	Total Allocation	Actual expenditure as of 31 December 2025	% expenditure by 31 December 2025	Balance remaining
MIG	R 26 012 000	R13 631 773.58	52%	R12 380 226.42
INEP	R10 000 000	R5 026 852.87	50%	R 4 973 147.13
EPWP	R2 203 000	R1 319 487.85	60%	R883 512.15
EEDSM	R4 000 000	R2 530 000	63%	R1 470 000
TOTAL	R42 215 000	R22 508 114.30	53%	R 19 706 885.70

MUNICIPAL INFRASTRUCTURE GRANT (MIG)

Item	Project Name	Budget	Expenditure	Progress
1	Refurbishment/Installation of boreholes in rural/farm areas	R725 061	R4 540 275.31	The project budget will be adjusted during adjustment budget
2	Rehabilitation of Morgenzon Landfill site	R8 203 079		The project has not yet commenced
3	Rehabilitation of tarred roads – Hlongwane Drive – Phase 2	R12 117 055	R4 519 989.34	Contractor appointed project at 26% complete
4	Development of Thuthukani Cemetery	R3 666 205	R3 362 045.41	Contractor appointed project 91% complete
5	Project Management Unit	R1 300 600	R1 209 463.52	Expenditure comprises of Manager and 3 Technicians
	Total	R 26 012 000	R13 631 773.58	52% expenditure

INTEGRATED NATION ELECTRIFICATION PROGRAMME (INEP)

Item	Project Name	Budget	Expenditure	Progress
1	Construction of 6km, 11KV from Substation to Rooikoppen	R5 000 000		Contractor appointed site establishment and procured material and work in progress 50% physical progress the contractor progress moving at fast pace the municipality is now paying from its own funding however, council resolution to write for additional funding.
2	Construction of 11Kv, SWS at Rooikoppen (pre- Eng)	R5 000 000	R 5 026 852.87	100% Complete
	Total	R10 000 000	R 5 026 852.87	50% Complete

ENERGY EFFIECINCY DEMAND SIDE GRANT (EEDSM)

No	Project Name	Budget	Expenditure	Progress
1	Implementation of energy efficiency and energy demand management within Lekwa LM	R4 000 000	R 2 530 000	63% Complete
	Total	R4 000 000		63% Complete

13. MID- TERM ASSESSMENTS

Having fully assessed the financial position, performance and cashflow of the municipality for the first semester, it is necessary that the council consider tabling an adjustments budget on the basis that:

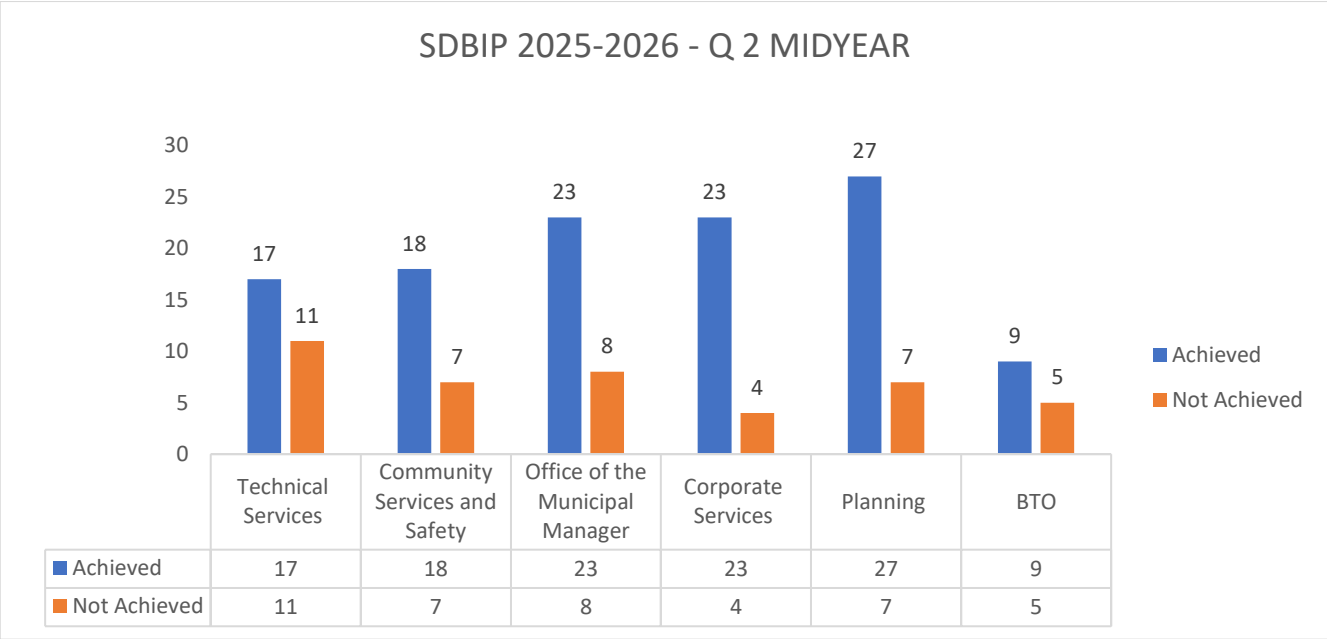
1. The municipality's tight financial situation remains a challenge
2. The municipality's operating expenditures exceeds the revenue generated from its different sources, this resulted in an operating deficit of R109 326 229 when considering the operating revenue generated in the first half of the year of R785 185 281 and the operating expenditure of R894 511 510.
3. The average collection rate as at December 2025 was 53%, this is below the 85% collection projected in the original budget.
4. It is worth mentioning that despite the above listed challenges the municipality has seen a huge improvement in revenue generation and as a result municipal actual revenue generated surpasses the projected/expected revenue by R98 232 781 considering the actual revenue generated in the first semester of 785 185 281 against the expected revenue of R689 952 500.
5. The performance of the capital grants is at 53% with some capital projects at an advanced stages of completion, however the municipality need to develop acceleration plans where performance below the expected levels.

14. Non-financial SDBIP Performance – Part 9

- a. The table below is a summary of performance per Department for the midyear for the period ended 31st December 2025:

DEPARTMENT	KPIs ACHIEVED	% KPIs ACHIEVED	KPIs NOT ACHIEVED	% KPIs NOT ACHIEVED
Office of the Municipal Manager	23	74	8	26
Technical Services	17	61	11	39
Community Services & Safety	18	72	7	28
Corporate Services	23	85	4	15
Planning & Economic Development	27	79	7	21
Budget & Treasury	9	64	5	36

- b. The following is a graphic representation of performance per Department as at the midyear ended 31st December 2025:

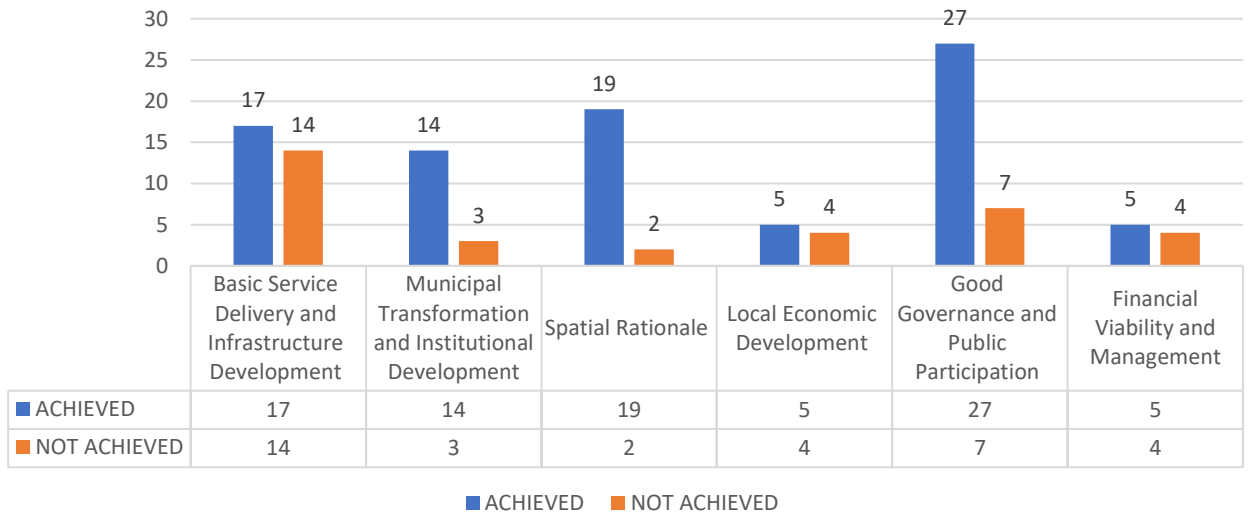


- i. The midyear performance is based on the audited performance reports and herewith is a summary of the audited performance information per Key Performance Area (KPA):

KPAs	KPIs ACHIEVED	% KPIs ACHIEVED	KPIs NOT ACHIEVED	% KPIs NOT ACHIEVED	KPIs FOR REPORTING IN MIDYEAR
Basic Service Delivery and Infrastructure Development	17	55	14	45	3
Municipal Transformation & Institutional Development	14	82	3	18	17
Spatial Rationale	19	90	2	10	21
Local Economic Development	5	56	4	44	9
Good governance and Public Participation	27	79	7	21	34
Financial Viability and Management	5	56	4	44	9
TOTALS	87	70%	34	30%	121

- ii. The following is a graphic representation of performance per KPA as at the midyear of the 2025/2026 financial year:

SDBIP 2025-2026 Q2 MIDYEAR



iii. In respect of overall performance, the following is noted:

- (a) Overall midyear performance against targets is at 70%, which is 87 out of 121 targets achieved for reporting period;
- (b) 34 (30%) targets were not achieved;
- (c) The overall performance at 70% is lower than the 85% achieved for the midyear of the 2024/2025 financial year;
- (d) Key observations regarding targets not achieved are the following:
 - (i) A number of operational targets across all KPAs were not achieved or underperformed against the planned quarterly target with no reasons for challenges and corrective measures;
 - (ii) KPA: Service Delivery recorded a number of targets that were not achieved, with stated reasons varying from:
 - procurement process being delayed, still underway or submitted to supply chain;
 - shortage of staff and vehicles;
 - no funding available from current operational budgets, which aligns to below average collection rate under KPA: Financial Viability;
 - Isolated, project-specific issues (borehole sites not identified and variation orders)
 - (iii) A tracking report has been developed where targets not achieved will be tracked, with acceleration plans to be developed by the relevant Departments, with clear timeframes to ensure implementation of targets not achieved;
 - (iv) Funding sources, both human and financial will also be monitored in order to proactively inform any necessary budget adjustments after the midyear assessment.

iv. The midyear SDBIP performance report is attached to the report as **Annexure “A”**;

15. Outstanding matters on the past year’s annual report – Part 10

- (a) As prescribed in terms of section 72(1)(a)(iii) of the MFMA the Accounting Officer must also assess the performance of the municipality in the first 6 months taking into account the past year’s Annual Report, and progress on resolving the problems identified in the Annual Report. The

Report of the auditor-general to the Mpumalanga Provincial and the council on the Lekwa Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Lekwa Local Municipality set out on pages ... to..., which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actuals amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Lekwa Local Municipality as at 30 June 2025, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (GRAP), the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) the Division of Revenue Act 24 of 2024 (Dora).

Basis for qualified opinion

Irregular expenditure

3. The municipality did not include all instances of irregular expenditure in the financial statements, as required by section 125(2)(d) of the MFMA, as the municipality did not have adequate systems to identify all prior year's irregular expenditure. I was unable to determine whether any further adjustments were necessary to the closing balance of irregular expenditure for the current and prior year. Consequently, I was unable to determine the full extent of the understatement of irregular expenditure stated at R1,07 billion (2023-24: R1,04 billion) in note 56 to the financial statements, as it was impracticable to do so.

Receivables from exchange transactions

4. The provision for impairment of debtors was not calculated in accordance with the Standards of GRAP 104, *Financial Instruments*. A general rate was applied for all the debtors in calculating the impairment provision, without assessing the credit risk for a group or subgroup of debtors. Additionally, the data used to calculate the impairment included accounts belonging to the municipality. Consequently, I was unable to determine the impact on debt impairment stated at R182,18 million (2023-24: R206,78 million) in note 35 to the financial statements and receivable from exchange transactions R579,58 million (2023-24: R459,33 million) in note 3 to the financial statements, as it was impracticable to do so.

Receivables from non-exchange transactions

5. The provision for impairment of debtors was not calculated in accordance with the Standards of GRAP 104, *Financial Instruments*. A general rate was applied for all the debtors in calculating the impairment provision, without assessing the credit risk for a group or subgroup of debtors. Additionally, the data used to calculate the impairment included accounts belonging to the municipality. Consequently, I was unable to determine the impact on debt impairment stated at R182,18 million (2023-24: R206,78 million) in note 35 and receivable from non-exchange transactions R301,46 million (2023-24: R289,53 million) in note 4, as it was impracticable to do so.

Bad debt written

6. The municipality did not account for bad debt written off in accordance with GRAP 1, *Presentation of financial statements*. The bad debt written off in the current and previous year was not accounted for and disclosed in the financial statement. As a result, the expenditure was understated by R19, 44 million (2023-24: R 123,96 million), and I was unable to determine the full extent of receivables from exchange and non-exchange transactions as it was impractical to do so. Additionally, there was an impact on the deficit for the period and the accumulated surplus.

Contracted services

7. The municipality did not have adequate systems to account for contracted services in accordance with GRAP 1, *Presentation of financial statements*, as contracted services was not recorded in correct accounting period. This resulted in contracted services being overstated by R22,28 million. Additionally, there was an impact on the deficit for the period.

VAT output accrual

8. The municipality did not have adequate systems to account for vat output accrual in accordance with GRAP 104, *Financial Instrument*. The municipality control accounts for the effects of receipts received and debt write-offs. Consequently, I was unable to determine the full extent of the overstatement of VAT output accrual stated at R 905, 81 million (2023-24: R 777, 79 million) in note 14 to the financial statements, as it was impracticable to do so.

VAT input accrual

9. The municipality did not have adequate systems to account for vat input accrual in accordance with GRAP 104, *Financial Instrument*. The municipality did not account for the effects of payments made. Consequently, I was unable to determine the full extent of the overstatement of VAT input accrual stated at R 905, 81 million (2023-24: R 777, 79 million) in note 6 to the financial statements, as it was impracticable to do so.

Cash flow statement

Service charges and property rates, other services

10. The municipality's service charges and property rates, other services in the current and prior year were not correctly prepared and disclosed as required Standards of GRAP 2, *Cash flow statements*. This was due to multiple errors in the calculations. I was not able to determine the

full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so.

Interest received from current and non-current asset

11. The municipality's interest received from current and non-current assets in the current and prior year were incorrectly disclosed due to multiple errors in the calculation which constitute a departure from *GRAP 2, Cash flow statement*. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so.

Employee costs

12. The municipality's employee costs were incorrectly disclosed due to multiple errors in the calculation which constitute a departure from *GRAP 2, Cash flow statement*. Consequently, I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so.

Suppliers

13. The municipality's suppliers in the current year and prior year were incorrectly disclosed due to multiple errors in the calculation which constitute a departure from *GRAP 2, Cash flow statement*. Consequently, I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so.

Purchase of property plant and equipment

14. The municipality's Purchase of property plant and equipment was incorrectly disclosed due to multiple errors in the calculation which constitute a departure from *GRAP 2, Cash flow statement*. Consequently, I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so.

Cash generated from operating activities

15. Cash generated from operating activities note was not correctly disclosed as various movements were not correctly accounted for due to state of accounting records, which constitute a departure from *GRAP 2, Cash flow statement*. Consequently, I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so.

Context for opinion

16. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
17. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

In respect of the audit of the annual performance report, which is included on the audit report as other matters and does not impact the audit outcome, the following key findings were raised that will be attended to as part of the post-midyear adjustment process, in line with the audit action plan developed:

- (a) The accuracy of 10 indicators could not be determined as the indicators were not well-defined and the methods and processes used to measure reported achievements could not be verified;
- (b) Four indicators, reported achievement did not agree to actual achievement reported;
- (c) Three indicators, measured provided aimed at improving underperformance, adequate supporting evidence was not provided
- (d) In respect of material misstatements, in the annual performance report, were not all corrected and thus reported as material findings in the management report.

Other issues relating to the previous annual report will be more comprehensively dealt with in the item on the tabling of the draft 2024/2025 annual report and the supporting audit action plan.

RECOMMENDATIONS BY THE CHIEF FINANCIAL OFFICER (MANAGER BUDGET & FINANCIAL REPORTING)

- (1) That the Report of the Chief Financial Officer (Manager Budget & Financial Reporting) regarding the mid-year assessment report for the first semester ending in December 2025 BE NOTED.
- (2) That an adjustments budget be drafted in terms of the mid-year budget and performance assessment.
- (3) The proposed adjustments budget be tabled to council by no later than 28 February 2026 in line with section 28 of the Municipal Management Act, Act 56 of 2003.
- (4) That the mid-year performance assessment report be submitted to National and Provincial Treasury

Quality Certificate

I..... **M JIYANE**,..... Municipal Manager of **Lekwa Local Municipality**, hereby certify that the Mid-Year Assessments Report and the supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Acting Municipal Manager of Lekwa Local Municipality MP305

Name: M JIYANE

Signature: _____

Date: _____