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**1. LEGISLATIVE BACKGROUND**

In compliance of section 72 of the Municipal Finance Management Act (MFMA); *“the accounting officer of a municipality must by 25 January each year, assess the performance of the municipality during the first half of the financial year, considering:*

- *The monthly statements referred to in section 71 for the first half of the financial year;*
- *The municipality’s service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;*
- *The past year’s annual report and progress on resolving problems identified in the annual report; and*
- *The performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities”.*
- *Furthermore, “the accounting officer must, as part of the review, make recommendations as to whether an adjustments budget is necessary; and recommend revised projections for revenue and expenditure to the extent that it may be necessary”.*

**2. COMPLIANCE**

a) Mid-year Budget and Performance Assessment

Due Date (MBRR, reg 35)	23 January 2026
Date Submitted	23 January 2026
Was the correct format used? (MBRR, reg 33) (Annexure A)	Yes

b) mSCOA data strings & uploading on GoMuni Portal

	Yes / No	Comments
M01–M06 Successfully submitted	Yes	Information not credible
Mid-year report uploaded to portal	Yes	
Council resolution of report uploaded to portal	Yes	
Mid-year presentation	No	

**3. MID-YEAR ASSESSMENT**

The evaluation is based on the information submitted by the Municipality on the monthly in-year reporting (S71 reports) and the data strings uploaded.

The information contained in the mid-year budget and performance assessment report **does not correspond** to the data strings.

**The quality and credibility of the information reported remains a concern.**

**3.1 Operating Budget**

**Table: 1 Operating Revenue**

Free State: Maluti-a-Phofung (FS194) - Table C4 Monthly Budgeted Financial Performance ( All ) for period ending (M06) 31 December 2025						
Description	Budget year 2025/26					%
	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	YTD Actual	
<b>R thousands</b>						
<b>Revenue</b>						
<b>Exchange Revenue</b>						
Service charges - Electricity	739 063	739 063	88 948	87 049	175 997	23,8%
Service charges - Water	95 159	95 159	25 385	24 647	50 032	52,6%
Service charges - Waste Water Management	51 422	51 422	13 889	13 244	27 133	52,8%
Service charges - Waste Management	51 184	51 184	13 722	13 095	26 817	52,4%
Sale of Goods and Rendering of Services	6 743	6 743	798	667	1 465	21,7%
Agency services						0,0%
Interest						0,0%
Interest earned from Receivables	125 181	125 181	17 376	36 118	53 495	42,7%
Interest earned from Current and Non Current Assets	12 764	12 764	4 500	3 873	8 373	65,6%
Dividends						0,0%
Rent on Land	1 000	1 000				0,0%
Rental from Fixed Assets	3 992	3 992	351	526	876	22,0%
Licence and permits						0,0%
Special rating levies						0,0%
Operational Revenue	11 772	11 772	333	601	933	7,9%
<b>Non-Exchange Revenue</b>						
Property rates	110 363	110 363	26 226	32 537	58 762	53,2%
Surcharges and Taxes						0,0%
Fines, penalties and forfeits	2 396	2 396	441	243	683	28,5%
Licences or permits	1 663	1 663				0,0%
Transfer and subsidies - Operational	882 846	882 846	366 381	283 839	650 220	73,7%
Interest	41 693	41 693	6 821	13 990	20 811	49,9%
Fuel Levy						0,0%
Operational Revenue						0,0%
Gains on disposal of Assets						0,0%
Other Gains	7	7		6	6	87,2%
Discontinued Operations						0,0%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2 137 247</b>	<b>2 137 247</b>	<b>565 171</b>	<b>510 434</b>	<b>1 075 604</b>	<b>50,3%</b>

Source: LG database

Table 1 shows the operating revenue. Total revenue generated up to the month of December amounted to R1.075 billion or 50.3% aligning with the straight line projection.

However, the following poor performance was noted:

# FS194 Maluti-a-Phofung

## Mid-year Budget & Performance Assessment – 2025/26

### Evaluation Report

#### **Exchange revenue:**

- Service charges - Electricity 23.8%
- Sale of Goods and Rendering of Services 21.7%
- Rental from Fixed Assets 22%
- Operational Revenue 7.9%

#### **Non-exchange revenue:**

- Fines, penalties and forfeits 28.5%

The budget should be adjusted downwards where the expected revenue will not be realized.

Furthermore, some items' performance were significantly higher than the straight-line projection, which might indicate under budgeting. These revenue items should be adjusted in the adjustment budget:

- Interest earned from Current and Non-Current Assets 65.6%
- Gains from disposal of Assets 87.2%

**Table 2: Operating Expenditure**

Free State: Maluti-a-Phofung (FS194) - Table C4 Monthly Budgeted Financial Performance ( All ) for period ending (M06) 31 December 2025						
Description	Budget year 2025/26					%
	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	YTD Actual	
<b>R thousands</b>						
<b>Expenditure</b>						
Employee related costs	722 554	722 554	180 119	193 820	373 939	51,8%
Remuneration of councillors	36 529	36 529	8 040	8 013	16 053	43,9%
Bulk purchases - electricity	1 114 944	1 114 944	320 672	367 707	688 378	61,7%
Inventory consumed	69 277	69 277	6 519	11 477	17 997	26,0%
Debt impairment	13 280	13 280				0,0%
Depreciation and amortisation	75 930	75 930				0,0%
Interest	51 662	51 662	23 052	21 438	44 490	86,1%
Contracted services	203 440	203 440	26 323	27 570	53 894	26,5%
Transfers and subsidies	198 043	198 043	31 336	31 153	62 489	31,6%
Irrecoverable debts written off	23 120	23 120	609	412	1 022	4,4%
Operational costs	129 590	129 590	9 161	21 577	30 738	23,7%
Losses on disposal of Assets						0,0%
Other Losses				2	2	0,0%
<b>Total Expenditure</b>	<b>2 638 370</b>	<b>2 638 370</b>	<b>605 832</b>	<b>683 169</b>	<b>1 289 000</b>	<b>48,9%</b>

Source: LG database

The total expenditure is below the straight-line projection with poor performance noted on:

- Inventory consumed 26%
- Transfer and subsidies 26.5%
- Irrecoverable debts Written Off 31.6%
- Operational Costs 23.7%

# FS194 Maluti-a-Phofung

## Mid-year Budget & Performance Assessment – 2025/26

### Evaluation Report

No reporting on 'depreciation & amortisation' and 'debt impairment'. **This might result in unauthorized expenditure** if the expenditure is not recorded monthly.

Possible overspending noted on 'interest' (86.1%) and electricity bulk purchases (61.7%) which exceeded the straight-line projection. Should the spending trend continue, overspending will occur. The budget should be amended to prevent overspending on items.

### 3.2 Capital Budget

**Table 3: Capital expenditure**

Free State: Maluti-a-Phofung (FS194) - Table C5 Monthly Budgeted Capital Expenditure by Functional Classification and Funding for period ending (M06) 31 December 2025						
Description	Budget year 2025/26					
	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	YTD Actual	%
<b>R thousands</b>						
<b>Capital Expenditure - Functional</b>						
<i><b>Municipal governance and administration</b></i>	<b>5 000</b>	<b>5 000</b>	<b>402</b>	<b>283</b>	<b>685</b>	<b>13,7%</b>
Executive and council	500	500				0,0%
Finance and administration	4 500	4 500	402	283	685	15,2%
Internal audit						
<i><b>Community and public safety</b></i>	<b>27 373</b>	<b>27 373</b>	<b>2 233</b>	<b>8 145</b>	<b>10 378</b>	<b>37,9%</b>
Community and social services	4 061	4 061	745	1 015	1 760	43,3%
Sport and recreation	13 212	13 212	1 488	7 130	8 618	65,2%
Public safety	10 000	10 000				
Housing	100	100				
Health						
<i><b>Economic and environmental services</b></i>	<b>60 418</b>	<b>60 418</b>	<b>2 413</b>	<b>9 217</b>	<b>11 630</b>	<b>19,2%</b>
Planning and development	4 500	4 500				0,0%
Road transport	55 918	55 918	2 413	9 217	11 630	20,8%
Environmental protection						
<i><b>Trading services</b></i>	<b>223 890</b>	<b>223 890</b>	<b>20 000</b>	<b>64 542</b>	<b>84 542</b>	<b>37,8%</b>
Energy sources	44 958	44 958	6 967	11 822	18 789	41,8%
Water management	93 518	93 518	11 404	22 821	34 225	36,6%
Waste water management	84 915	84 915	1 629	29 899	31 528	37,1%
Waste management	500	500				0,0%
<i><b>Other</b></i>						<b>0,0%</b>
<b>Total Capital Expenditure - Functional</b>	<b>316 681</b>	<b>316 681</b>	<b>25 049</b>	<b>82 187</b>	<b>107 236</b>	<b>33,9%</b>
<b>Funded by</b>						
National Government	286 417	286 417	24 396	77 571	101 967	35,6%
Provincial Government						
District Municipality						
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)						
<b>Transfers recognised - capital</b>	<b>286 417</b>	<b>286 417</b>	<b>24 396</b>	<b>77 571</b>	<b>101 967</b>	<b>35,6%</b>
<b>Borrowing</b>						
<b>Internally generated funds</b>	<b>30 264</b>	<b>30 264</b>	<b>652</b>	<b>4 616</b>	<b>5 269</b>	<b>17,4%</b>
<b>Total Capital Funding</b>	<b>316 681</b>	<b>316 681</b>	<b>25 049</b>	<b>82 187</b>	<b>107 236</b>	<b>33,9%</b>

Source: LG database

# FS194 Maluti-a-Phofung

## Mid-year Budget & Performance Assessment – 2025/26

### Evaluation Report

A significant underperformance was noted on the capital spending, which amounted to 33.9% against the adopted budget.

The spending per project is as follows:

			2026		
			ORGB	Actual YTD	Variance
Account Name	INDIVIDUAL PROJECTS	Account Name			
Capital:Infrastructure:Existing:Renewal:Water Supply Infrastructure:Distribution	WATER PUMP STATION - MIG R&M	MIG	9 010 576	3 928 054	5 082 522
Capital:Infrastructure:New:Electrical Infrastructure:HV Substations	UPGRADING OF E-ROSS SUBSTATION- PHASE 1	INEP	39 958 000	14 455 684	25 502 316
Capital:Infrastructure:New:Water Supply Infrastructure:Pump Station	UPGRADING OF WATER PUMP STATIONS	MIG	14 890 626		14 890 626
Capital:Infrastructure:New:Water Supply Infrastructure:Bulk Mains	IMPROVING WATER REVENUE	INEP	34 543 676	6 040 527	28 503 149
Capital:Infrastructure:New:Water Supply Infrastructure:Bulk Mains	MAKHOLOKWENG BULK AND SEWER NETWORK	WSIG	15 000 000	13 165 173	1 834 827
Capital:Infrastructure:New:Water Supply Infrastructure:Distribution	THABA BOSIU WATER PIPELINE	MIG	3 218 118	2 869 347	348 771
Capital:Infrastructure:New:Water Supply Infrastructure:Distribution	HA SETHUNYA WAT RETIC 500 PHASE 2	MIG	14 670 600	6 322 110	8 348 490
Capital:Infrastructure:New:Sanitation Infrastructure:Pump Station	SEWER PUMP STATION - MIG R&M	MIG	9 000 000	5 004 463	3 995 537
Capital:Infrastructure:New:Sanitation Infrastructure:Reticulation	NAMAHADI:CONSTRUCTION SEWER NETWORK	MIG	8 314 660	1 197 044	7 117 616
Capital:Infrastructure:New:Sanitation Infrastructure:Reticulation	UPGRADE BLUEGUN BOSCH SEWER	MIG	16 469 134	8 429 217	8 039 917
Capital:Infrastructure:New:Sanitation Infrastructure:Reticulation	TLHOLONG EXT WD/WC	WSIG	2 184 324	1 899 412	284 912
Capital:Infrastructure:New:Sanitation Infrastructure:Outfall Sewers	TSHAME UPGRADE OF SEWER SYSTEM	MIG	26 205 843	6 659 588	19 546 255
Capital:Infrastructure:New:Sanitation Infrastructure:Toilet Facilities	QWAQWA: CONSTR 3500 VIP TOILETS-PH13C	MIG	24 924 941	10 237 965	14 686 976
Capital:Infrastructure:New:Roads Infrastructure:Roads	FIKA PATS03KM PAVED ROAD	MIG	10 945 833	3 690 855	7 254 978
Capital:Infrastructure:New:Roads Infrastructure:Road Structures	INTAB/H/SMITH: EXT 3 NEW SURF RD PH1 (MIS:190544)	MIG	10 298 119		10 298 119
Capital:Infrastructure:New:Roads Infrastructure:Road Structures	MAKWANE PAVED ROADS PHASE 1	MIG	17 389 627	6 471 360	10 918 267
Capital:Infrastructure:New:Roads Infrastructure:Road Structures	QHOLOSING PAVED ROADS - PHASE 1	MIG	12 720 628	1 217 776	11 502 852
Capital:Non-Infrastructure:New:Community Assets:Community Facilities:Halls	PHUTHADITJHABA: UPGRADING OF TOWN HALL	MIG	3 360 728	1 760 166	1 600 562
Capital:Non-Infrastructure:New:Community Assets:Community Facilities:Taxi Ranks/Bus Terminals	HOUSING	NDPG	100 000		100 000
Capital:Non-Infrastructure:New:Community Assets:Sport and Recreation Facilities:Indoor Facilities	NEW SWIMMINGPOOL PLATBERG STAT	MIG	7 474 031	5 677 660	1 796 371
Capital:Non-Infrastructure:New:Community Assets:Sport and Recreation Facilities:Outdoor Facilities	REFURB CHARLES MOPEDI STADIUM PH 2	MIG	5 737 901	2 940 540	2 797 361
			<b>316 680 865</b>	<b>107 235 568</b>	<b>209 445 297</b>

**3.3 Cash Flow Budget**

**Table 4: Cash flow**

Free State: Maluti-a-Phofung (FS194) - Table C7 Monthly Budgeted Cash Flows ( All ) for period ending (M06) 31 December 2025

Description	Budget year 2025/26					%
	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	YTD Actual	
<b>R thousands</b>						
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Property rates	91 512	91 512	41 475	11 357	52 832	57,7%
Service charges	740 715	740 715	119 756	134 948	254 704	34,4%
Other revenue	(197 652)	(197 652)	(96 072)	(93 126)	(189 198)	95,7%
Transfers and Subsidies - Operational	882 846	882 846	369 828	283 519	653 347	74,0%
Transfers and Subsidies - Capital	291 250	291 250	44 597	121 719	166 316	57,1%
Interest	10 979	10 979	3 940	1 900	5 840	53,2%
Dividends						
<b>Payments</b>						
Suppliers and employees	(982 302)	(982 302)	(326 635)	(257 823)	(584 458)	59,5%
Finance charges						
Transfers and Subsidies						0,0%
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>837 349</b>	<b>837 349</b>	<b>156 890</b>	<b>202 494</b>	<b>359 384</b>	<b>42,9%</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	10 000	10 000	315	274	589	0,0%
Decrease (increase) in non-current receivables						0,0%
Decrease (increase) in non-current investments						0,0%
<b>Payments</b>						
Capital assets	(316 681)	(316 681)	(26 601)	(94 515)	(121 116)	38,2%
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(306 681)</b>	<b>(306 681)</b>	<b>(26 286)</b>	<b>(94 241)</b>	<b>(120 527)</b>	<b>39,3%</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Short term loans						
Borrowing long term/refinancing						
Increase (decrease) in consumer deposits	31	31	385	221	606	0,0%
<b>Payments</b>						
Repayment of borrowing						0,0%
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>31</b>	<b>31</b>	<b>385</b>	<b>221</b>	<b>606</b>	<b>1946,4%</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>530 700</b>	<b>530 700</b>	<b>130 989</b>	<b>108 474</b>	<b>239 463</b>	<b>45,1%</b>
Cash/cash equivalents at the year begin:	41 833	41 833	665 927	796 916	665 927	1591,9%
Cash/cash equivalents at the year end:	572 533	572 533	796 916	905 390	905 390	158,1%

Source: LG database

The following was noted in the cash flow statement:

- Cash flow transactions are not recorded correctly.
- Net Cash from Operating Activities
  - o Other revenue recorded as a credit (which understates the receipts)
  - o Suppliers and employees understated. Payments reflected as debits on 'employee related costs' and 'council remuneration' and 'other expenditure'. No payments recorded on inventory consumed and contracted services.
- Net Cash from investing activities
  - o Capital assets understated

# FS194 Maluti-a-Phofung

## Mid-year Budget & Performance Assessment – 2025/26

### Evaluation Report

- Positive closing balance of R905.3 million is not credible.

### 3.4 Conditional grants

FS194 Maluti-a-Phofung				
Conditional Grant	Allocations	Received	Spend	% Spent on Allocation
		Mun	Mun	
PWPG	3 127	782	183	5,9%
FMG	3 000	3 000	472	15,7%
INEG	39 958	25 973	5 222	13,1%
MIG	199 464	100 615	10 437	5,2%
WSIG	51 728	39 728	13 399	25,9%
<b>Total</b>	<b>297 277</b>	<b>170 098</b>	<b>29 714</b>	<b>10,0%</b>

- Spending on MIG does not align to transferring department.
- Low spending on all the grants.

### 2024/25 Roll overs / Unspent

- **Unspent amount of R9.318 million**
  - o FMG (R2.3 million)
  - o WSIG (R7 million)
  - o EPWP (R97 thousand)

### 3.5 Outstanding Debtors

Table 5: Outstanding debtors

FS194 Maluti-a-Phofung										
Debtors Age Analysis By Income Source	0-30 Days		31-60 Days		61-90 Days		Over 90 Days		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
	Trade and Other Receivables from Exchange Transactions - Water	9 152	1,0%	14 814	1,6%	9 135	1,0%	869 064	96,3%	902 165
Trade and Other Receivables from Exchange Transactions - Electricity	465	0,1%	43	0,0%	–	0,0%	318 300	99,8%	318 808	10,1%
Receivables from Non-exchange Transactions - Property Rates	8 517	1,3%	9 414	1,4%	7 070	1,0%	655 281	96,3%	680 281	21,5%
Receivables from Exchange Transactions - Waste Water Management	4 874	1,3%	5 140	1,4%	4 912	1,4%	348 075	95,9%	363 001	11,5%
Receivables from Exchange Transactions - Waste Management	4 672	1,3%	4 642	1,3%	4 961	1,3%	355 055	96,1%	369 331	11,7%
Receivables from Exchange Transactions - Property Rental Debtors	–	0,0%	–	0,0%	–	0,0%	–	0,0%	–	0,0%
Interest on Arrear Debtor Accounts	12 364	2,7%	24 938	5,5%	12 509	2,8%	403 692	89,0%	453 503	14,4%
Recoverable unauthorised, irregular or fruitless and wasteful Expenditure	–	0,0%	–	0,0%	–	0,0%	–	0,0%	–	0,0%
Other	723	1,0%	3 516	4,9%	596	0,8%	66 570	93,2%	71 404	2,3%
<b>Total By Income Source</b>	<b>40 766</b>	<b>1,3%</b>	<b>62 507</b>	<b>2,0%</b>	<b>39 183</b>	<b>1,2%</b>	<b>3 016 037</b>	<b>95,5%</b>	<b>3 158 494</b>	<b>100,0%</b>
Debtors Age Analysis By Customer Group	0-30 Days		31-60 Days		61-90 Days		Over 90 Days		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
	Organs of State	7 085	1,3%	10 669	2,0%	6 196	1,2%	501 831	95,4%	525 782
Commercial	9 184	1,4%	14 699	2,2%	7 306	1,1%	637 012	95,3%	668 201	21,2%
Households	24 300	1,3%	33 901	1,8%	25 542	1,3%	1 846 070	95,7%	1 929 812	61,1%
Other	197	0,6%	3 238	9,3%	139	0,4%	31 124	89,7%	34 699	1,1%
<b>Total By Customer Group</b>	<b>40 766</b>	<b>1,3%</b>	<b>62 507</b>	<b>2,0%</b>	<b>39 183</b>	<b>1,2%</b>	<b>3 016 037</b>	<b>95,5%</b>	<b>3 158 494</b>	<b>100,0%</b>

Source: LG database

# FS194 Maluti-a-Phofung

## Mid-year Budget & Performance Assessment – 2025/26

### Evaluation Report

Table 5 illustrates the total outstanding debtors as at 31 December 2025. The total outstanding debtors amount to R3.158 billion of which the larger portion (61.1%) relates to debt from households.

Outstanding debtors reported on the monthly section 71 reports have increased significantly year-on-year:

				2021	2022	2023	2024	2025	2026
Cat Code	Demarc Code	Demarcation Description	Item Description	Total	Total	Total	Total	Total	Total
B	FS194	Maluti a Phofung	Total By Income Source	1 957 019	2 173 865	2 371 821	2 636 136	2 969 602	3 158 494
			% Increase year-on-year		11.1%	9.1%	11.1%	12.6%	6.4%

Source: LGDRS - monthly data strings

### 3.6 Outstanding Creditors

**Table 6: Outstanding Creditors**

FS194 Maluti-a-Phofung

Creditors by type	0-30 Days		31-60 Days		61-90 Days		Over 90 Days		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
Bulk Electricity	86 761	1,0%	102 664	1,2%	110 905	1,3%	8 182 518	96,5%	8 482 848	90,9%
Bulk Water	-	0,0%	-	0,0%	-	0,0%	500 336	100,0%	500 336	5,4%
PAYE deductions	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
VAT (output less input)	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Pensions / Retirement deductions	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Loan repayments	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Trade Creditors	-	0,0%	21 006	6,0%	20 659	5,9%	308 256	88,1%	349 922	3,7%
Auditor General	-	0,0%	-	0,0%	-	0,0%	43	100,0%	43	0,0%
Other	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Medical Aid deductions	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
<b>Total Debt</b>	<b>86 761</b>	<b>0,9%</b>	<b>123 670</b>	<b>1,3%</b>	<b>131 564</b>	<b>1,4%</b>	<b>8 991 154</b>	<b>96,3%</b>	<b>9 333 149</b>	<b>100,0%</b>

Source: LG database

Table 6 indicates the total outstanding creditors as at 31 December 2025, which amounts to R9.333 billion and majority is bulk services Eskom (R8.483 billion) account and bulk water (R500 million).

According to the Bulk Service providers' report (Section 41 reports) submitted for December 2025, the municipality owes:

- Eskom = R9.662 billion
- DWS = R501 million

# FS194 Maluti-a-Phofung

## Mid-year Budget & Performance Assessment – 2025/26

### Evaluation Report

99.1% of the outstanding amount is owed for longer than 30 days, indicating the municipality is not complying with Section 65 of the MFMA (payment of creditors within 30 days).

Outstanding creditors are increasing year-on-year:

				2021	2022	2023	2024	2025	2026
Cat Code	Demarc Code	Demarcation Description	Item Description	Total	Total	Total	Total	Total	Total
B	FS194	Maluti a Phofung	Total	6 084 388	3 771 770	5 209 881	6 487 259	8 280 343	9 333 149
			% Increase year-on-year		-38.0%	38.1%	24.5%	27.6%	12.7%

Source: LG database

### 3.7 Cost containment

**Table 7: Cost containment**

COST CONTAINMENT ITEMS (MCCR / MFMA CIRCULAR 97)

Items	2025 ADJB	2024 Actual YTD	%	2026 ORGB	M01	M02	M03	M04	M05	M06	Actual YTD	Variance	YTD %	% increase / decrease from 2024/2025
Overtime	48 759	70 454	144.5%	55 536	5 771	9 573	7 712	9 572	7 639	9 227	49 493	6 043	89%	13.9%
Catering	70	-	0.0%	675	-	24	20	26	-	23	93	582	14%	864.3%
Consultants & Professional Services	53 932	33 107	61.4%	37 591	940	2 453	4 374	18	542	372	8 700	28 892	23%	-30.3%
Travel & Subsistence	2 070	614	29.7%	5 205	68	55	97	148	122	39	529	4 676	10%	151.5%
Foreign Travel	-	-	0.0%	-	-	-	-	-	-	-	-	-	0%	0.0%
Communication	3 812	2 394	62.8%	4 670	-	257	244	-	240	258	999	3 671	21%	22.5%
Conferences	-	-	0.0%	-	-	-	-	-	-	-	-	-	0%	0.0%

When analyzing cost containment items, the following was noted:

-Overtime:

- Although the budget increased by 13.9% from the previous year, the current spending is 89% against the budget. Should the spending trend continue, an overspending will occur on this item. This is an indication that the municipality has not implemented measures to curb overtime expenditure.

-Catering:

- The budget increased by 864.3%, the current spending is reported at 14%.

-Consultants:

- The budget decreased by -30.3%, the current spending is reported at 23%.

-Travel and subsistence:

- Increased by 151.5% from the previous year, however the spending reported amounts 10% against the budget.

### 4. PERFORMANCE AGAINST TARGETS IN SDBIP

The service delivery performance during the first half of the financial year was not submitted and therefore no evaluation could be made for alignment.

The municipality should ensure that all targets are met within the financial year.

**5. AUDIT OUTCOMES FOR 2024/25**

The municipality an outstanding audit report for 2024/25 audit, due to late submission.

<b>Auditee</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Maluti-a-Phofung	Disclaimer	Disclaimer	Outstanding

2024/25 Audit Action Plan not uploaded yet on the site.

**6. ADJUSTMENT BUDGET FOR 2025/26**

The municipality indicated that budget adjustments will be made to certain items. However, the municipality is advised to include:

- Corrections as highlighted in the analysis of the adopted budget

**7. mSCOA IMPLEMENTATION**

		mSCOA Road Map Draft	mSCOA Road Map Final	Quarterly mSCOA Implementation Progress Report-Q1	Quarterly mSCOA Implementation Progress Report-Q2
		2026	2026	2026	2026
Maluti-a-Phofung	FS194	2025/10/02		2025/10/29	

The mSCOA road map was not uploaded, ultimately the quarterly progress reports would also not be available.

The findings of the data string analysis (budget and monthly) is submitted to the municipality, however corrective actions are not implemented. The following salient findings are amongst others:

1. Transacting on the line items without or exceeding budget	Budget checks on the financial system not implemented
2. Equitable share not allocated	Impacts on tariff setting of trading services
3. Debt impairment – reversal of debt impairment not budgeted and not expensed monthly	Debt impairment should be expensed monthly and provision must be made for the reversal of debt impairment
4. Depreciation not expensed monthly	Depreciation should be calculated and expensed monthly
5. Unauthorized expenditure - Actual without budget / exceed budget 158 line-items - possible unauthorized	Budget checks on the financial system not implemented

expenditure that amounts to R42.587 million	
6. Water Inventory (Current Assets) and Inventory consumed	Segments not used correctly
7. Cash flow statement (Table C7 & SC30) not populated correctly	Recording of transactions not done according to mSCOA circular 11

**8. RECOMMENDATIONS**

- Budgeting errors identified in the ORGB, and monthly data strings must be corrected.
- mSCOA – correct segment usage (i.e linking of function to corresponding item and funding segments)
- The budget should be adjusted on the line items where transactions occurred without or exceeding the budget to prevent unauthorized expenditures (virements).
- Cost reflective tariffs should be implemented (phased in) during 2026/27 draft budget.
- Capital Expenditure – The municipality should ensure that it spends its capital budget and allocation in line with the conditions of DoRA.
- The municipality must ensure that information in the data strings vs information submitted to Council (A, B and C schedules) align.
- The municipality did not include the SDBIP in the mid-year report. Measures should be put in place to ensure that all KPI's are achieved in the financial year. Should further support be needed on performance improvement, CoGTA can be contacted for support.
- The findings/recommendations must be incorporated in the adjustment budget which must be tabled by 28 February 2026.