

Pixley Ka Seme District Municipality

*Annual
Report
2020/21*



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Chapter 1: Mayor's Foreword and Executive Summary

Component A: Mayor's Foreword

The local government sphere in South Africa has a clear constitutional, legislative and regulatory mandate on how to achieve sustainable and quality services in the country, as well as the developmental nature of local government. To



this end Section B of The White Paper on Local Government (1998), identified the four interrelated characteristics of developmental local government as being the following:

-  Maximizing social development and economic growth.
-  Integrating and coordinating
-  Democratizing development
-  Leading and learning

The 2020-2021 Annual Report of Pixley ka Seme District Municipality will respond to the abovementioned mandate as captured in The White Paper on Local Government(1998) and other legislative and regulatory prescripts, to report honestly on what was planned and eventually achieved by the institution, from 1 July 2020 until 30 June 2021.

The period covered by this annual report corresponds with the first year since the first incident of COVID19 was announced in the country. COVID19 compelled government and society to become innovative in the manner in which issues are addressed. Some of the innovation included conducting government and society's business virtually, as well as an increase in social media activities. Whilst COVID19 reduced physical contact through its' many prevention measures, it also served to reduce public sector expenditure on subsistence and traveling. It further highlighted the serious socio-economic plight of the vast majority of the citizens of the country, and the need for government and the relevant stakeholders to increase the effectiveness of their programmes in response to the needs of the poor, unemployed and the destitute. Pixley ka Seme District Council and the entire senior management team contributed financially towards the social relief of the people in the district, by contributing towards the Disaster Relief Fund established by President Ramaphosa.

Pixley ka Seme District Municipality also participated in all intergovernmental relations structures in the district, provincially and nationally, on the virtual platform. These IGR engagements mostly focused on the COVID19 pandemic and the relief programme embarked upon by the government at the different spheres. The pandemic demonstrated that it is possible for the government to operate seamlessly, in that the artificial silo's were actively undermined. Government could mobilize human and financial resources and implemented relief programmes, through the IGR operations. The Executive Mayor of Pixley ka Seme served as the Chairperson of the District Command Council, which convened regular meetings on the impact of COVID19 in the district.

The municipal council, through the Office of the Executive Mayor, was also successful in the implementation of its' own community outreach programmes, in the form of food parcel, blanket and PPE distribution. These community outreach programmes targeted the most vulnerable in society, in all municipalities. Pixley ka Seme District Municipality achieved this through stakeholder mobilization, coordination and proper management of the available. Sector departments that played an active role in this regard were Social Development, Basic Education, SASSA, Agriculture and Land Reform, South African Police Services, Health, as well as certain private sector partners in the renewable energy space.

The negative impact of COVID19 on the global economy must also be reported on. The fact that the world went into a total shutdown, resulted in the most severe restrictions placed on the movement of humans and goods. This resulted in many people losing their employment globally, leaving many dependent on the social relief programmes implemented by the different governments. The global economic meltdown affected the developing world most, resulting in increased levels of resource depletion in the developing world. This also demonstrated the need for closer global multilateral engagement, and the need for renewed focus on assistance to poorer countries.

The municipal council and the mayoral committee convened all its' planned meetings virtually, as a result of the restrictions put on physical meetings by the COVID19 pandemic. This once again proved that technological development can be utilized to ensure that government reaches its' goals and adopted programmes. The municipal council had to revise its' budget to provide for the purchasing of data for its' councilors to participate in the virtual meetings.

Pixley ka Seme District Municipality maintained its' Unqualified Opinion With Matters of Emphasis for the 2020-2021 financial year, with reduced matters.

UR Itumeleng

EXECUTIVE MAYOR

Component B: Executive Summary

Municipal Manager's Overview



Chapter 7(152)(1) of the Constitution of the RSA outlines the Objects of local government, to which objects all municipalities must adhere to. These objects are as follow:

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

The compilation and publication of this annual report will serve to account to the community and stakeholders, both in the district and beyond the district, complying to the local government mandate as outlined in the Constitution, 1996.

The operations of the Internal Audit Department and the Audit Committee have been found to provide adequate assurance by the Auditor-General, which must be welcomed by the Pixley ka Seme District Municipality as an indicator that the Auditor-General might be able to rely on the quarterly audit findings generated by the Internal Audit function in future. Likewise, the Auditor-General also declared the records management process, in relation to financial management and performance as credible, for the 2020-2021 financial year.

Pixley ka Seme District Municipality also appointed a total of 32 service providers during 2020-2021, through transparent and competitive supply chain management processes. This served to ensure that businesses both in the district and elsewhere in the province and country were given a fair opportunity to trade with the Pixley ka Seme District Municipality.

Pixley ka Seme District Municipality also implemented a successful EPWP initiative in both Siyathemba and Kareeberg local municipalities. This programme sought to remove alien vegetation, eg prosopis trees. This programme afforded job opportunities to 80 beneficiaries, in 2020-2021.

The Annual Report consists of 6 chapters, which chapters will provide detailed account of the performance of the Pixley ka Seme District Municipality, for the financial year 2020-2021:

- ✿ Chapter 1: Mayor's Foreword and Executive Summary
- ✿ Chapter 2: Governance
- ✿ Chapter 3: Service Delivery Performance
- ✿ Chapter 4: Organisational Development
- ✿ Chapter 5: Financial Performance
- ✿ Chapter 6: Auditor-General Audit Findings

Mr RE Pieterse

MUNICIPAL MANAGER

1.2 Municipal Overview

This report addresses the performance of the Pixley Ka Seme District Municipality in the Northern Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2020/21 Annual Report reflects on the performance of the Municipality for the period 1 July 2020 to 30 June 2021. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

1.2.1 Vision and Mission

The Municipality committed itself to the vision and mission of:

Vision:

“Developed and Sustainable District for Future Generations”

Mission:

- ✿ Supporting our local municipalities to create a home for all in our towns, settlements and rural areas to render dedicated services;
- ✿ Providing political and administrative leadership and direction in the development planning process;
- ✿ Promoting economic growth that is shared across and within communities;
- ✿ Promoting and enhancing integrated development planning in the operations of our municipalities; and
- ✿ Aligning development initiatives in the district to the National Development Plan.

Strategic Objectives:

- ✿ Administer finances in a sustainable manner and strive to comply with legislative requirements to achieve a favorable audit outcome;
- ✿ Compliance with the tenets of good governance as prescribed by legislation and best practice;
- ✿ Guide local municipalities in the development of their IDP's and in spatial development;
- ✿ Monitor and support local municipalities to enhance service delivery;
- ✿ Promote economic growth in the district;
- ✿ To provide a professional, people-centered human resources and administrative service to citizens, staff and Council;
- ✿ To provide an independent and objective internal audit assurance and consulting service to add value and to improve the administrative operations of all the municipalities in the district through an approach that is systematic and disciplined;
- ✿ To provide disaster management services to the citizens; and
- ✿ To provide municipal health services to improve the quality of life of the citizens.

1.2.2 Municipal Area at a Glance

Total municipal area	103 410 km ²		Demographics (Stats SA Estimates 2019)				
			Population	203 788	Households	58 975	
Selected statistics							
Total population intercensal growth rate (2011-2016)	1.05%		Population density(persons/km ²)		1,9		
Matric pass rate 2020	66% (Northern Cape) 67.3% (District)		Proportion of households earning less than R4500 per annum in 2019		11.51%		
Access to basic services- minimum service level*							
Water	99%	Sanitation	89%	Electricity	89.8%	Refuse removal	74.2%
Education							
Persons aged 20 years+ who have completed grade 12 (2016)	34 929		Higher education		5.4%		
Economy			Labour Market in 2011				
GDP Northern Cape in 2011	2.2%		Unemployment rate		28.3%		
GDP South Africa in 2011	3.5%		Youth unemployment rate (ages 15 to 34)		35.4%		
Largest sectors (using the relative size of the provincial economy by industry)							
Finance and business services	Mining		Government services		Wholesale, retail and motor trade; catering and accommodation		
11.6%	26.7%		12.8%		9.9%		
Health in Pixley Ka Seme District							
Health care facilities (hospitals/clinics /hospice)	Immunisation rate%		HIV prevalence rate		Teenage pregnancies - delivery rate to women U/18%		
44	69.9%		2.6%		21.8%		
Top Crimes in the District (2019/20)							
1	2	3	4	5			
Burglaries (Residential and business)	Stock theft		Assault (GBH and Common)		Theft (General)	Malicious Damage to Property	

Table 1: Municipal Area at a Glance

1.2.3 Geographical Context

Spatial Location

The jurisdiction of the Pixley ka Seme District Municipality (as a category C Municipality) covers an area of 103 410km², which is also 27,7% of the total area that constitutes the Northern Cape province.

This district municipal area is the eastern-most district Municipality within the Northern Cape, and borders on the Western Cape, Eastern Cape and Free State provinces.

The map below indicates the location of the Municipality in the province:

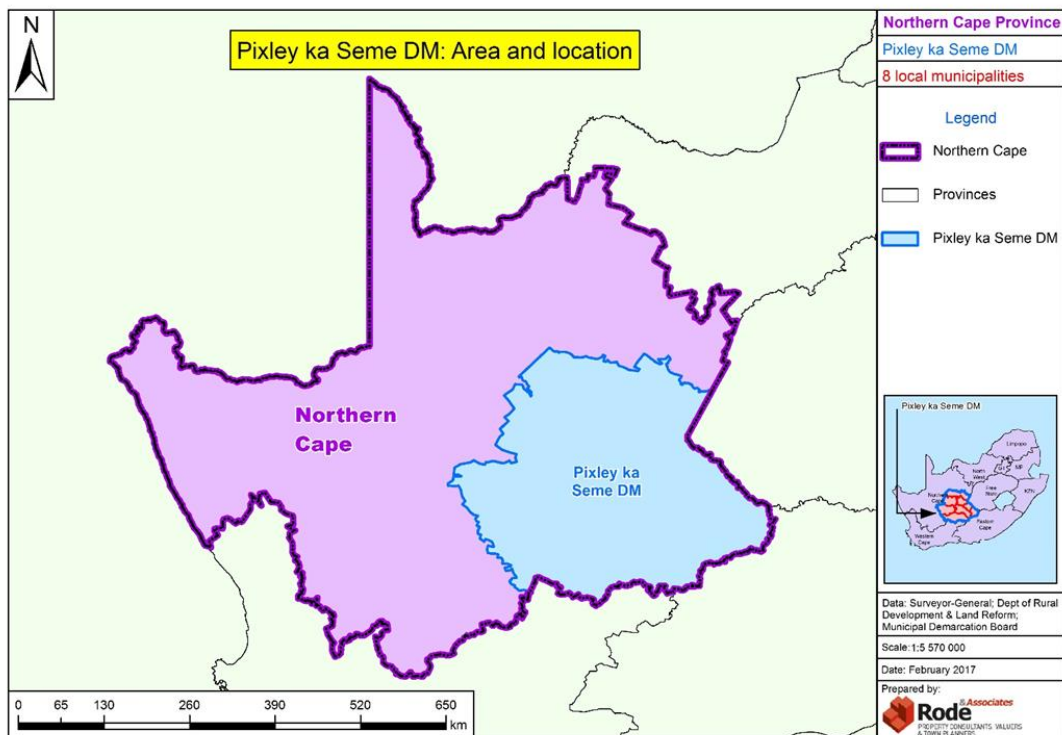


Figure 1 Locality map

There are 8 category B municipalities within the municipal area, viz. Emthanjeni, Kareeberg, Renosterberg, Siyancuma, Siyathemba, Thembelihle, Ubuntu and Umsobomvu. The following main towns in these category B municipalities represent an even spread throughout the district as central places and agricultural service centers: Douglas, Prieska, Carnarvon, Victoria West, Colesberg, Hopetown and De Aar. De Aar is the ‘largest’ of these towns. The closest major city to these towns is Bloemfontein in the Free State province.

Emthanjeni Municipality: comprising of the three towns De Aar, Britstown and Hanover. De Aar is the second most important railway junction in the country. When the railway line was built from Cape Town to Kimberley, the administration bought a large portion of the farm, De Aar, meaning coincidentally “artery”, after underground water supply, envisaged as large life-giving veins of water.

Kareeberg Municipality: This Municipality comprises of three towns, that is, Carnarvon, Van Wyksvlei and Vosburg. The municipal area is the heart of the Karoo and the predominant economic activity is livestock farming. The possibilities of having Kilometre Array Telescope benefit the landscape of the Municipality that is characterised by clear skies and less pollution. This Municipality is an entry point to the Western Cape Province from the Northern parts of the country.

Renosterberg Municipality: The Municipality is located on the banks of the Orange River. The Municipality was formed through the amalgamation of three towns, that is, Petrusville, Vanderkloof and Phillipstown.

The Municipality covers approximately 553 000 ha of land and forms about 5% of the total area of the district.

Siyancuma Municipality: This Municipality hosts the confluence of the Vaal and the Orange River. It comprises in the main of three towns, that is, Campbell, Douglas and Griekwastad and has densely populated rural settlement called Smitchdrift. The municipal area is richly endowed with precious and semi-precious stones, that is, diamonds and tiger’s eye. Beneficiation of tiger’s eye is on the high impact project identified in the District Growth and Development Strategy. The Municipality has a great tourism potential.

Siyathemba Municipality: This Municipality is located on the banks of the Orange River and boasts with massive and high scale irrigation farming, the river not only adds agricultural value to the Municipality but also boosts massive tourism and economic potential. The Municipality comprises of three towns, that is, Marydale, Prieska and Niekershoop. The Municipality has massive potential for mining activities of both precious and semi-precious stones. The Municipality also has the Alkantpan testing area where international and national ammunition testing is done.

Thembelihle Municipality: This Municipality is also located on the banks of the Orange River. The Municipality was formed through the amalgamation of three towns, that is, Hopetown, Strydenburg and Orania. The outcome of the dispute regarding Orania has not yet been decided upon and the uncertainty still exists as to where Orania is demarcated. N12 cuts through this municipal area and is a major boost to the economies of Hopetown and Strydenburg.

Ubuntu Municipality: The Municipality comprises of three towns that is Victoria West, Loxton and Richmond. The N12 and N1 pass through this Municipality and have a great tourism potential. The preliminary study in the district’s Mining Strategy highlights that the Municipality is endowed with uranium deposits.

Umsobomvu Municipality: This Municipality comprises of three towns, that is, Colesberg, Norvalspont and Noupoot. N1 and N9 traverse through the Municipality. It shares borders with other municipalities in the Eastern Cape and Free State Provinces. In the district this Municipality is among the municipalities that hold massive tourism potential.

Two of the abovementioned towns, viz. Prieska and Carnarvon have in recent years changed character from small rural towns to potentially regional hubs as a result of investments in renewable energy generation and the Square Kilometre Array radio telescope project, respectively.

The map below indicates the municipal area divided into local municipalities with their main towns:

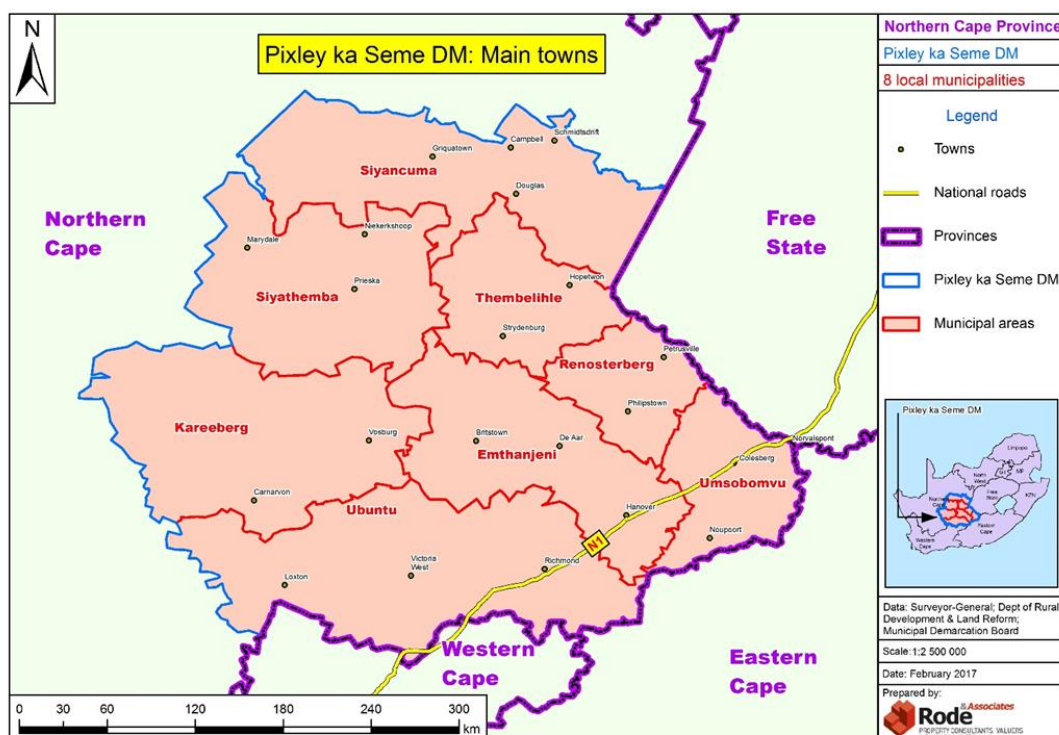


Figure 2 District Municipal Area Divided into Local Municipalities

1.2.4 Demographic Profile

Population

The table below indicates both an increase in the population size and the number of households between 2011 and 2019:

Indicator		2011	2016	2019
Population		186 351	195 595	203 788
Households		49 193	56 309	58 795
People per household		3,8	3,5	3,5
Gender breakdown	Males	92 068 (49,4%)	97 594 (49.9%)	Data not currently available
	Females	92 284 (50,6%)	98 001 (50.1%)	
Age breakdown	0 - 14	31,6%	25.8%	
	15 - 64	62,4%	68.2%	
	65+	6,1%	6.0%	
Race Composition	Black-African	31,5%	30.0%	
	Coloured	59,2%	63.3%	
	White	8,1%	6.3%	
	Asian	0,6%	0.4%	

Source: Statistics Census 2011, Community Survey 2016 - Statistical Release & Stats SA Estimates 2019

Table 2: Demographic Profile

As mentioned above, the Pixley ka Seme District Municipality area consists of 8 local municipalities, where Ubuntu Municipality being the largest area and Emthanjeni Municipality having the highest population. The table below provides the km² area and total population per local Municipality:

Local Municipality	Area (km ²)	Population	Households
Emthanjeni	13 472	45 404	12 668
Kareeberg	17 702	12 772	3 868
Renosterberg	5 527	11 818	3 563
Siyancuma	16 753	35 941	11 150
Siyathemba	14 725	23 075	6 620
Thembelihle	8 023	16 230	4 736
Ubuntu	20 389	19 471	6 615
Umsobomvu	6 819	30 883	9 575
Total	103 410	195 595	58 795*

Source: Community Survey 2016 & Municipal Own Data 2019*. Data not currently available for population per town for 2019.

Table 3: Total Area and Population per Local Municipality

1.2.5 Economic Profile

The economy in the Pixley ka Seme municipal area is characterised by the following:

- ✿ High levels of poverty and low levels of education;
- ✿ It is a small to medium-town sub-region with a low level of development despite the strategic location in terms of the national transport corridors;
- ✿ Sparsely populated towns with a number of larger towns serving as “agricultural service centres”; spread evenly throughout the district as central places;

- ✿ High rate of unemployment, poverty and social grant dependence;
- ✿ Prone to significant environmental changes owing to long-term structural changes (such as climate change, energy crises and other shifts);
- ✿ Geographic similarity in economic sectors, growth factors and settlement patterns;
- ✿ Economies of scale not easily achieved owing to the relatively small size of towns;
- ✿ A diverse road network with national, trunk, main and divisional roads of varying quality;
- ✿ Potential and impact of renewable energy resource generation; and
- ✿ Potential and impact of radio telescope initiatives, e.g. Square Kilometre Array radio telescope project.

Employment Status

The employment status of the available workforce/economically active group in the Pixley ka Seme municipal area is listed in the table below. It indicates that the overall results with regard to the employment status of the workforce/potential economically active group in the municipal area have improved from the 2001 figure of 63,1% employed and 36,9% unemployed. In 2011, the number of unemployed individuals was almost 8% below what it was in 2001. However, any unemployment rate, irrespective of how large, has serious repercussions for the ability of the residents to pay for their daily needs and for municipal services. Owing to the high numbers of unemployed persons, other main sources of income are pension/welfare payments:

Employment status	2001	% 2001	2011	% 2011
Employed	36 921	63,1%	43 664	71,7%
Unemployed	21 632	36,9%	17 203	28,3%
Not economically active	101 886	42,5%	116 201	47,6%

Source: Statistics SA 2001 and 2011 Census

Table 4: Employment Status

Economic Sector Contributor

The economic activities in the Northern Cape Province are dominated by mining, agriculture, manufacturing and construction, contributing to the provincial GDP, i.e. 22%, 7%, 3% and 2% respectively. Note that the Northern Cape only contributed about a share of 2% to the national GDP in 2014 and which contribution fluctuated around that mark since 2004. Between 2011 and 2014, the annual growth in the agriculture and mining sectors was about 4,2% and 5,2%, respectively.

The economic activities in the Pixley ka Seme municipal area are dominated by agriculture, social and personal services, financial services, tourism and transport and lately, retail and construction activities emanating from the establishment of the Square Kilometre Array project.

Household Income

According to Census 2011, almost 11 % of all households within the municipal area have no income, whilst another 3,4% of households earn between R0 and R4800 per annum. In the context of housing delivery, these people as well as another 50% of all households will be beneficiaries of housing programmes, i.e. the RDP and BNG programmes with ownership as the tenure type, and the CRU programme with rental as tenure type. In total, almost 61% of all households in the municipal area will qualify for these housing options owing to a monthly household income of less than R3500. Another segment of the population, viz. 24,8% earns below 'R15 000' per month, and for this group it

would not possible to qualify for a (commercial) home loan. These people would then rely of housing subsidies (to gain ownership of a house) or social housing (to rent a dwelling).

It is accepted that, on average, South African households have an annual income of R138 168, viz. a monthly income of R11 514. Hence, more than 90% of the households living in the Pixley ka Seme municipal area have a monthly income below the average for a South African household

1.3 Service Delivery Highlights and Challenges

1.3.1 Service Delivery Highlights

Highlight	Description
Implementation of Municipal Health services BY Law	Environmental Health Practitioners Implemented MHS By-Law as adopted by the Municipal Council. This will be developed as an additional income steam for Municipality.

Table 5: Services Delivery Highlights

1.3.2 Service Delivery Challenges

Service Area	Challenge	Actions to address
Shared Services: Local Municipalities	Failure by most Local Municipalities to settle SLA Commitments timeously.	To meet with the identified municipalities to address this matter.

Table 6: Services Delivery Challenges

1.4 Financial Health Overview

1.4.1 Financial Viability Highlights

Highlight	Description
100% Spending of conditional grants	RRAMS, EPWP and Cleaning projects funds spent in full.
Improved collection rate in terms of Shared Services rendered	Seven out of eight Local Municipalities paid their 2020/2021 Shared Services subscriptions fully.
Zero complaints received regarding tenders and quotations awarded.	SCM processes followed to the latter.
No major creditors outstanding at financial year end	AG and other major creditors-including contractual agreements-fully honoured at financial year end.
No financial reports outstanding towards NT and other Government departments	All applicable MFMA reports submitted timeously to relevant institutions hence all gazetted allocations received for 2020/2021.

Table 7: Financial Viability Highlights

1.4.2 Financial Viability Challenges

Challenge	Description
Municipal Fincial Sustainability	The grant dependancy of the Municipality
Installation of MSCOA compliant server	National Treasury's inability to respond to our request (SCM process to be followed) to migrate to SOLAR.
One municipality's inability to honour Shared Services Agreement	Renosterberg Local Municipality failure to for the past three consecutive financial years to pay for Shared Services rendered to them.
Stagnated AG opinion	DM received for the 8th consecutive financial year an unqualified with matters audit opinion from AG - emphasis of matters decreased however.
Lack of funding for services rendered on behalf of Coghta	DM rendered EDM and Housing functions on behalf of Provincial Coghta for which the funding received do not justify the expenditure incurred by the DM.

Table 8: Financial Viability Challenges

1.4.3 National Key Performance Indicators - Municipal Financial Viability and Management (Ratios)

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

KPA & Indicator	Unit of Measurement	2019/20	2020/21
Financial viability measured in terms of the available cash to cover fixed operating expenditure by 30 June 2017 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash	1.11	0.15
Financial viability measured in terms of the municipality's ability to meet it's service debt obligations by 30 June 2017 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% of debt coverage	11%	13.66%

Table 9: National KPI's for financial viability and management

1.4.4 Financial Overview

Details	2018/19	2020/21		
		Original budget	Adjustment Budget	Actual
R				
Income				
Grants (Operating + Capital)	63 453 351	59 341 000	63 946 000	63 798 066
Taxes, Levies and tariffs	0	0	0	0
Other	8 887 524	3 953 700	6 367 585	4 519 635
Sub Total	72 340 875	60 260 700	66 879 585	68 317 701
Less Expenditure	61 472 728	63 872 167	76 083 733	75 277 509
Net surplus/(deficit)	10 868 147	(577 467)	(5 770 148)	(6 959 808)

Table 10: Financial Overview

1.4.5 Operating Ratios

Detail	Expected norm	Actual %	% Variance	Actual %	% Variance
		2019/20		2020/21	
Employee Cost	30%	64.76%	34.76%	66.20%	36.20%
Repairs & Maintenance	9%	0.92%	8.08%	1.14%	7.86%
Finance Charges & Depreciation	18%	5.94%	12.06%	5.94%	12.06%

Note: Repairs and Maintenance on basic services are not applicable as the municipality as a District Municipality is not responsible for the delivery of basic services

Table 11: Operating ratios

Employee cost is 36.20% higher than the norm of 30% as the municipality is a district municipality which mainly provide services and support to local municipalities that involve mostly human resources. The municipality do not deliver and/or maintain any basic infrastructure services. This is also the reason for the variance on repairs and maintenance.

Finance charges and depreciation are 12.06% lower than the norm of 18% which is a positive and can mainly be attributed to the low level of borrowing by the municipality.

1.5 Organisational Development Overview

1.5.1 Municipal Transformation and Organisational Development Highlights

Highlight	Description
Youth Council	The Office of the Executive Mayor conducted successful youth councils (Philipstown high School & Hanover Intermediate School)
Career Exhibition	The Office of the Executive Mayor conducted successful Career EXPO (Siyathemba High School& Phakamisa High School)

Table 12: Municipal Transformation and Organisational Development Highlights

1.5.2 Municipal Transformation and Organisational Development Challenges

Challenge	Actions to address
Internal Policy Environment: Lack of implementation of consequence management	To develop Consequence Management Policy by the Office of the Municipal Manger

Table 13: Municipal Transformation and Organisational Development Challenges

1.6 Auditor-General Report

The Municipality received an unqualified report with findings by the Auditor-General for 2020/2021.

This audit opinion means that the financial statements present fairly, in all material respects, the financial position and its financial performance and cash flows in accordance with applicable laws, regulations and standards. Matters of emphasis were highlighted by the Auditor-General and are listed in Chapter 6 of this report.

The audit outcomes received for the past four years are indicated in the table below:

Year	2016/17	2017/18	2018/19	2019/20	2020/21
Status	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings

Table 14: Audit Outcomes

CHAPTER 2: Governance

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

2.1 Good Governance and Public Participation Highlights

Highlight	Description
Distribution of PPE's, Food parcels and Blankets	The office of the Executive Mayor & Councilors distributed the mentioned goods as part of the fight against COVID19 to poor households.

Table 15: Good Governance and Public Participation Performance Highlights

2.2 Good Governance and Public Participation Challenges

Description	Description
Impact of COVID 19 on Council meets the People	CMP's could not continue as planned because of the restrictions on public meetings, Covid 19

Table 16: Good Governance and Public Participation Challenges

Component A: Political and Administrative Governance

2.3 Political Governance Structure

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, councillors are also actively involved in community work and the various social programmes in the municipal area.

2.3.1 Council

The Council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, councillors are also actively involved in community work and the various social programmes in the municipal area. The tables below categorise the councillors within their specific political parties for the 2020/21 financial year:

Council Members	Capacity	Political Party	Representative or Proportional
GL Nkumbi	Executive Mayor	ANC	Proportional
CC Jantjies	Speaker	ANC	Proportional
UR Itumeleng	Member Mayoral Committee/Chairperson Finance	ANC	Proportional
AT Sintu	Member Mayoral Committee/Chairperson Infrastructure, Development, Housing and Planning	ANC	Proportional
K Gous	Member Mayoral Committee/Chairperson Corporate Services and Council Matters	ANC	Proportional
R Smith	Member Finance Committee	DA	Proportional

Council Members	Capacity	Political Party	Representative or Proportional
H Marais	Chairperson of MPAC (Jan 2020)	DA	Proportional
MA Matebus	Councillor	EFF	Proportional
PP Mhlauli	Councillor	ANC	Representative
J Hoffman	Councillor	DA	Representative
JEJ Hoorn	Councillor	ANC	Representative
CP Hugo	Councillor	ANC	Representative
A Oliphant	Councillor	ANC	Representative
D Smous	Councillor	DA	Representative
JT Yawa	Councillor	ANC	Representative
S Swartling	Councillor	ANC	Representative
CJ Pieterse	Councillor	ANC	Representative
E Humphries	Councillor	ANC	Representative
NJ Batties	Councillor	DA	Representative

Table 17: Council

Below is a table which indicates the Council meetings and attendance for the 2020/21 financial year:

Meeting date	Number of items submitted	Number of Councillors Present	Number of Apologies Submitted
5 August 2020	1	17	2
30 September 2020	29	17	2
11 December 2020	23	11	6
26 February 2021	14	10	7
30 March 2021	18	15	4
26 May 2021	28	16	3

Table 18: Council meetings

2.3.2 Executive Mayoral Committee

The Executive Mayor of the Municipality, assisted by the Mayoral Committee, heads the executive arm of the Municipality. The Executive Mayor is at the centre of the system of governance, since executive powers are vested in him to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Mayor, delegated by the Council, and as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Executive Mayor operates in concert with the Mayoral Committee.

The name and portfolio of each Member of the Mayoral Committee is listed in the table below:

Name of member	Meeting Dates
Cllr GL Nkumbi- Chairperson Mayoral Committee	<ul style="list-style-type: none"> ✿ 15 September 2020 ✿ 6 November 2020 ✿ 30 November 2020
Cllr UR Itumeleng - Finance Committee	<ul style="list-style-type: none"> ✿ 17 February 2021 ✿ 16 March 2021 ✿ 28 April 2021
Cllr K Gous- Corporate Services and Council Support	<ul style="list-style-type: none"> ✿ 18 May 2021 ✿ 22 June 2021

Name of member	Meeting Dates
Cllr AT Sintu - Infrastructure Development, Housing and Planning	

Table 19: Executive Mayoral Committee

2.3.3 Portfolio Committees

In terms of section 80 of the Municipal Structures Act, 1998, if a council has an executive committee; it may appoint in terms of section 79 committees of councillors to assist the executive committee or executive mayor. Section 80 committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues. They advise the executive committee on policy matters and make recommendations to Council.

The composition of the portfolio committees are stipulated in the tables below:

Finance

Name of Member	Meeting Dates
Cllr UR Itumeleng- Chairperson	✿ No meetings were held
Cllr PP Mhlauli	
Cllr R Smit	
Mr BF James (CFO)	

Table 20: Finance Portfolio Committee

Infrastructure Development, Housing & Planning

Name of Member	Meeting Dates
Cllr AT Sintu- Chairperson	✿ No meetings were held
Cllr JEJ Hoorn	
Cllr NJ Batties	
Cllr JT Yawa	
Mr HP Greeff	
Mr E McKenzie	
Mr A Sibeko	
Mr Z Dingile	

Table 21: Infrastructure Development, Housing & Development Portfolio Committee

Corporate Services and Council Support

Name of Member	Meeting Dates
Cllr K Gous -Chairperson	✿ 30 September 2020 ✿ 11 December 2020 ✿ 30 March 2021 ✿ 26 May 2021
Cllr CP Hugo	
Cllr J Hoffman	
Mr TA Loko	
Mr S Foster	
Mr C Menziwa	
Mr MK Mfazwe	

Name of Member	Meeting Dates
Mr S Nkondeshe	
Ms L De Leeuw	
Ms M Mukoma	
Ms BT Bosch	

Table 22: Corporate Services and Council Support Portfolio Committee

Rules Committee

Name of Member	Meeting Dates
Cllr CC Jantjies- Chairperson	✿ No meetings were held
Cllr UR Itumeleng	
Cllr H Marais	
Cllr MA Matebus	
Mr TA Loko	

Table 23: Rules Committee

Municipal Public Accounts Committee

Name of Member	Meeting Dates
Cllr H Marais- Chairperson	✿ No meetings were held
Cllr A Oliphant	
Cllr E Humphries	
Cllr S Swartling	
Cllr D Smous	
Cllr MA Matebus	
Mr D Fourie	

Table 24: Municipal Public Accounts Committee

2.4 Administrative Governance Structure

The Municipal Manager is the Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reportees, which constitutes the Senior Management Team, whose structure is outlined in the table below:

Name of Official	Department	Performance Agreement Signed
		(Yes/No)
RE Pieterse	Municipal Manager	Yes
BF James	Financial Services	Yes
TA Loko	Corporate Services	Yes
H Greeff	Infrastructure, Planning, Development & Housing	Yes
R Sors	Internal Audit	Yes

Table 25: Administrative Governance Structure

Component B: Intergovernmental Relations

2.5 Intergovernmental Structures

In terms of the Constitution of South Africa, all spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another; inform and consult one another on matters of common interest; coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

To adhere to the principles of the Constitution as mentioned above the municipality actively participates in the following intergovernmental structures:

Name of Structure	Members	Outcomes of Engagements/Topics Discussed
District IGR Forum	All Mayors	General service delivery challenges affecting local communities, sharing of best-practice, etc. Seeks to improve on local service delivery. Provides report to PIGRF
District Aids and Health Forum	All Mayors, sector departments led by Department of Health, Civil Society, Office of the Premier	District health report, e.g. NHI, HIV/AIDS, status of health-facilities, etc. Seeks to enhance the delivery of health services in the district, comprehensive approach in dealing with HIV/AIDS, impact of poor health of communities on municipal service delivery. Provides report to Provincial Council on Aids
District Communication Forum	Pixley ka Seme DM, GCIS, sector departments, state-owned enterprises etc.	Improvement and coordination of government communication and messaging, alignment of government programmes in the district
Technical IGR Forum	All MM's, CFO's, Pixley Ka Seme DM senior managers, regional heads of sector departments, private sector service providers, SOE's, SALGA	Government service delivery challenges, including local government challenges, sharing best practice, presentations by private sector service providers, etc. Provides technical advice and report to DIGRF
MM\CFO Forum	All MM's and CFO's	Technical financial matters and related challenges, e.g. mSCOA, budgeting, ESKOM, shared services, audit outcomes by AG

Table 26: Intergovernmental Structures

2.6 Joint Projects with Sector Departments

All the functions of government are divided between the different spheres namely National, Provincial and Local. The municipality therefore share their area and community with other spheres of government and their various sector departments and has to work closely with national and provincial departments to ensure the effective implementation of various projects and functions.

The table below provides detail of such projects:

Name of Project/ Function	Expected Outcome/s of the Project	Sector Department/s involved	Contribution of Sector Department
Career exhibition	A more informed youth, reduction of general unemployment	Siyathemba LM, Dept of Basic Education, Dept of Labour, Dept Home Affairs, mining companies	Mobilization, catering, presentations, human resources.
Adoption of schools	Functional schools, improved levels of education and teaching	Department of Basic Education, School Governing Bodies	Identification of needy schools

Table 27: Joint Projects with Sector Departments

Ubuntu MIG Project

Background

Ubuntu LM has been identified by MIG since 2016/17 financial year as unstable municipality as administration utilized grant funding for operational purposes. Subsequently the MIG administration both Provincial and National together with Ubuntu municipality resolved that the MIG funds will be administered by the District Municipality until the municipality's administration and management has improved. Thus, Pixley ka Seme DM became involved administering Ubuntu Municipality MIG funds for the 2018/19 cycle.

On the 1st of February 2018, PKS DM received Ubuntu Municipality council resolution that Pixley ka Seme will administer the MIG for the 2018/19 year, followed by the MOU which was only signed in July 2018. Pixley ka Seme District Municipality appointed a Professional Service Provider, IX Engineers to assist with the implementation of the project and the first meeting was held in August 2018 where the scope of works was identified by officials of Ubuntu Municipality.

Project Registration

The scope of the existing registered project did not cover all aspects and was the service provider requested to amend the business plan. The revised project was registered on the MIG system early in 2019 for an amount of R 30 million.

MIG 2018/19 Allocation

The MIG allocation for the 2018/19 financial year amounts to **R9 862 000** and was transferred to the district municipality towards the end of March 2019. A roll-over application was submitted and approved by National Treasury, so project implementation proceeds with the balance of the MIG funds in the 2019/20 financial year. The original allocation could not be spent due to the Covid-19 pandemic and a roll-over application was submitted again in order to implement the remainder of the works. The district was unsuccessful with the application and returned the unspent funds to National Treasury and handed the project implementation to Ubuntu Municipality.

Component C: Public Accountability and Participation

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- ✿ the preparation, implementation and review of the IDP
- ✿ establishment, implementation and review of the performance management system
- ✿ monitoring and review of the performance, including the outcomes and impact of such performance
- ✿ preparation of the municipal budget

2.7 Public Meetings

Nature and purpose of meeting	Date of events	Local Municipality & Number of Community members attending	
Council Meeting the People	16 September 2020	Kareeberg Local Municipality (Vosburg)	45
	10 December 2020	Emthanjeni Local Municipality (Hanover)	92
	10 December 2020	Emthanjeni Local Municipality (De Aar)	52
	22 February 2021	Renosterberg Local Municipality (Philipstown)	57
	25 February 2021	Siyathemba Local Municipality (Niekershoop)	44
	6 May 2021	Ubuntu Local Municipality (Richmond)	50
Budget and IDP	16 March 2021	Renosterberg Local Municipality (Petrusville)	54
	17 March	Siyancuma Local Municipality (Griekwastad)	107
AG Outcomes (2019-2020)	13 April 2021	Thembelihle Local Municipality (Strydenburg)	51
	4 May 2021	Emthanjeni local Municipality (Britstown)	71

Table 28: Public Meetings

2.8 Representative Forums

Local Labour Forum

The table below specifies the members of the Local Labour forum for the period under review:

Name of Representative	Capacity	Meeting Dates
Clr. K Gous	Council Representative	<ul style="list-style-type: none"> ✿ 25 June 2021 ✿ 30 April 2021 ✿ 3 February 2021 ✿ 10 December 2020 ✿ 29 September 2020 ✿ 31 August 2020
Clr. Itumeleng	Council Representative	
Clr. Sintu	Council Representative	
Mr TA Loko	Employer Representative	
Miss S Antonnie	Imatu Representative	
Mr. E Mackenzie	Imatu Representative	
Mr. P Demas	SAMWU Representative	
Mr. C Valla	SAMWU Representative	
Miss Y Mabedla	SAMWU Representative	
Mr. S Ntamehlo	LLF Secretary	
Mr C Valla	LLF Chairperson (SAMWU)	

Table 29: Local Labour Forum

IDP Forum







Name of Representative/ Organisation Presenting	Capacity	Meeting Dates
Mr. Greeff and MR. Baas - Planning Unit	Pixley ka Seme District Municipal Steering Committee	 18 August 2020  8 February 2021
Mr. Greeff and Mr Baas- Planning Unit	Pixley ka Seme District Municipal IDP Representative Forum Meeting	 10 December 2020  25 February 2021
Mayor and Councilors, - Mayor's office Mr. Greeff and MR Baas - Planning Unit	Pixley ka Seme District Municipal IDP Public Engagement Session in Petrusville and Griekwastad	 16 March 2021  17 March 2021

Table 30: IDP Forum

District and Local AIDS Committee Meetings





Name of Municipality and Town	Type of Committee Meeting	Meeting Dates
Sector Departments, Civil Society, local Municipalities, Non-Governmental Organizations and Office of the Premier	Managers, Chairpersons and Secretaries, Local Mayors and District Coordinators	 25 September 2020  13 November 2020  11 March 2021  8 June 2021

Table 31: District and Local AIDS Council

District Communication Forum




Name of Municipality and Town	Type of Committee Meeting	Meeting Dates
Pixley ka Seme District Municipality, De Aar	District Communication Forum	 10 September 2020  30 March 2021  14 June 2021
Pixley ka Seme District Municipality, De Aar	District Communication Forum	26 May 2021
Thembehle Local Municipality, Hopetown	Local Communication Forum	2 June 2021
Umsobomvu Local Municipality, Colesberg	Local Communication Forum	27 May 2021
Siyancuma Local Municipality, Douglas	Local Communication Forum	2 June 2021
Siyathemba Local Municipality, Prieska	Local Communication Forum	25 May 2021

Table 32: District Communication Forum

2.9 Shared Services

2.9.1 Planning

The Planning Section falls under the Infrastructure Development and Housing Department and is charged with the responsibility of planning for the district. This planning function is multidimensional focusing on spatial planning and integrated development planning for the district as a whole.

Part B of Schedules 4 and 5 of the Constitution of the Republic of South Africa, Act 108 of 1996, places the function of town planning on local municipalities. However, taking the abilities of the local municipalities in consideration, Council has decided that Pixley ka Seme District Municipality should provide hands on support to all its local municipalities, in adherence to the prescripts of the Local Government: Municipal Structures Act, 117 of 1998.

Support was rendered in the following activities:

-  Processing of building plan applications in order for applicants to get building permits in time.

- Assist local municipality with land development applications e.g. zoning, residential layout and removal of restrictions

During the year the following achievements were made in this field:

- 149 building applications were received of which 56 were approved and 92 were not approved due to incompliance issues in terms of the Title Deed of the property or Municipal Scheme Regulations or National Building Regulation and Building Standards Act. The quality of the building plans remains a challenge for the section and is a major contributor to the non-approval of building plans.

Spatial Plan Land Use Management Act

SPLUMA came into effect from 1 July 2015 and since council has decided to establish a District Municipal Planning Tribunal (DMPT), the planning unit drove the process in order to establish the DMPT.

The DMPT met 4 times during the 2020/21 financial year considering 49 applications of which 43 were approved, 5 were withdrawn for corrections and 1 application was rejected.

Integrated Development Planning

The Municipal Systems Act requires municipalities to review and adopt their IDPs annually to guide development within their areas of jurisdiction to ensure sustainable development, poverty eradication and a better life for all. The Municipality adopted its reviewed IDP for the 2021/22 in May 2021. The District must assist our nine local municipalities on proper municipal planning to ensure alignment and objective driven IDP's.

The IDP is a strategic planning tool for addressing developmental challenges, the plan sets out some strategic agendas and focus for development and service delivery in years to come. The strategic development agendas are premised on five key performance areas as set out by the Department of Cooperative Governance, Human Settlements and Traditional Affairs. The said five key performance areas are basic service delivery, good governance and public participation, municipal transformation and institutional development, municipal financial viability and management and local economic development.

2.9.2 Internal Audit

Section 165 of the MFMA prescribes that each municipality must have an Internal Audit Department. The Internal Audit Charter defines the service and function as follows: Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve PKSDM's operations. It helps PKSDM to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- Develop a Risk-Based Audit Plan (RBAP), incorporating any risks or control concerns identified by management and submit the plan to the Audit and Performance Committee (APC) for review and approval.
- Implement the annual internal audit plan, as approved covering Section 165(2) of the MFMA and, as appropriate, any special tasks or projects requested by management and the APC.
- Advising the Municipal Manager and report to the APC on the implementation of the internal audit plan and matters relating to:
 - Internal audit
 - Internal controls
 - Accounting procedures and practices
 - Risk and risk management

- ✿ Performance management and Loss control
- ✿ Compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation
- ✿ Performing any other such duties as may be assigned to the unit by the Municipal Manager

During the 2020/2021 financial year, internal audit department rendered internal audit services to all eight (8) local municipalities within the Pixley ka Seme District in terms of the Service Level Agreement. These services were therefore rendered to the following municipalities:

- ✿ Emthanjeni Municipality
- ✿ Umsobomvu Municipality
- ✿ Siyathemba Municipality
- ✿ Siyancuma Municipality
- ✿ Kareeberg Municipality
- ✿ Thembelihle Municipality
- ✿ Ubuntu Local Municipality
- ✿ Renosterberg Municipality

Service Level Agreement expired on 30 June 2020 and new SLA's have been entered into with municipalities as from 1 July 2020 for the next three years ending 30 June 2023.

Internal audit procedures were performed based on the 2020/21 RBAP and performed as follows:

Activity	Name of Local Municipality	Date/Number
Quarterly Audits	Emthanjeni	4
	Umsobomvu	4
	Siyathemba	4
	Siyancuma	4
	Kareeberg	4
	Thembelihle	4
	Ubuntu	4
	Renosterberg	1
Audit committee meetings	Emthanjeni	3
	Umsobomvu	3
	Siyathemba	1
	Siyancuma	3
	Kareeberg	4
	Thembelihle	4
	Ubuntu	4
	Renosterberg	0
Quality Assurance Programme/ GAP Analysis	1	
Adopted Audit committee Charters	Emthanjeni	1
	Umsobomvu	1
	Siyathemba	1
	Siyancuma	1
	Kareeberg	1
	Thembelihle	1
	Ubuntu	1

Activity	Name of Local Municipality	Date/Number
	Renosterberg	0
Developed and approved Risk Based Audit Plan and three year strategic plans	Emthanjeni	1
	Umsobomvu	1
	Siyathemba	1
	Siyancuma	1
	Kareeberg	1
	Thembelihle	1
	Ubuntu	1
	Renosterberg	0

Table 33: Shared Services: Internal Audit Activities

The Internal Audit Unit also completed a number of investigations and consulting assignments - the more significant ones are listed below:

- ✿ 2019/20 Audit Action Plan
- ✿ Covid-19 expenditure
- ✿ 2018/19 Irregular Expenditure: Pixley ka Seme District Municipality
- ✿ Umsobomvu Municipality: Payroll
- ✿ Renosterberg Municipality: Alleged financial misconduct

Component D: Corporate Governance

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

2.10 Risk Management

In the absence of a dedicated Risk Management Unit, the Internal Audit Services Department assumed a coordinating role regarding the updating of the risk profile for the Municipality. The risk profile was also submitted to the Audit Committee.

The role of the service departments is to assist management in identification and review of risks in order to properly manage them. Risk management is an integral or natural part of the organisational processes and procedures. Risk management should be embedded in the organisation. It becomes an intrinsic part of business planning and decision making as there is no direction taken without looking at potential risks.

As from 01 April 2018 Pixley ka Seme District responded to the need to establish a Risk management unit and appointed a Risk Officer within the institution.

The table below include the top risks of the Municipality:

Risk	Root Cause	Risk Exposure
Compromised Financial sustainability	✿ Not honouring SLA/ Debt collection policy implementation. Grant dependency.	25
Accountability over IT	✿ "Non adherence to CGICT Framework and SALGA ICT Guidelines ✿ partial ICT Strategic documents and policies ✿ Lack ICT Contingency Plan	25

Risk	Root Cause	Risk Exposure
	<ul style="list-style-type: none"> ✿ ICT Steering committee 2 a year (4) ✿ Lack of IT Governance. (Cyber, Access Control, Password / Security, Change Management and etc) 	
Inability of the municipality achieve clean audit status.	Material impairment. Misstatements.	20
Inability of the Municipality to remain within the allocated budget (SDBIP).	✿ Ineffective monitoring and review of over and under expenditure.	12
Fraud and corruption within the municipality.	Outdated Fraud Prevention plan	15
Unusual ability to respond to disease outbreaks / pandemics	<ul style="list-style-type: none"> ✿ Delay on information on the nature of the pandemic. Delay on suitable resources for safe disposal. Information overload and confusing sources. Public not adhering to safety rules. Poor communication. Public not adhering to safety rules. ✿ Poor communication. 	12

Table 34: Top Risks

2.10.1 Risk Committee

The role of the Risk Committee is to provide timely and useful enterprise risk management reports to the Audit Committee of the municipality. The members and meeting dates of the Committee are indicated in the table below:

Name of Committee Member	Capacity	Meeting dates
Mrs. J Mafilika	Chairperson	<ul style="list-style-type: none"> ✿ 1 October 2020 ✿ 19 May 2021
Mr. RE Pieterse	Municipal Manager	
Mr. BF James	CFO	
Ms. R.A Sors	Chief Audit Executive	
Mr. H Greeff	Senior Manager Infrastructure, Development Housing and Planning	
Mr. T Loko	Senior Manager Corporate Services	
Mr. K Mokgope	Representative from Provincial Treasury	
Ms N Sindelo	Risk Officer	

Table 35: Risk Committee

2.11 Anti-Corruption and Anti-Fraud

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identifies supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

No cases of corruption were reported during the 2020/21 financial year.

Developed Strategies

Name of Strategy	Developed Yes/No	Date Adopted/Reviewed
Fraud Prevention Plan	Yes	26 May 2021

Table 36: Strategies: Anti-corruption and Anti-fraud

2.12 Audit and Performance Committee (APC)

The APC is an independent advisory body to Council and this committee was established to assist Council with the execution of its mandate.

Both the internal and external auditors had unrestricted access to the APC. The roles of the APC are set out in the Municipality's APC Charter and covers the requirements of Section 166 of the MFMA. Their main responsibilities are as follow:

- ✿ Advising Council, the political office-bearers, the Accounting Officer and the management staff of the Municipality;
- ✿ Overseeing internal controls, financial reporting and compliance with regulatory matters;
- ✿ Review the effectiveness of the Council's system of internal control and risk management;
- ✿ Review the financial reporting and financial statements;
- ✿ Review the internal audit function;
- ✿ Review the performance management system and reports;
- ✿ Review compliance to policies, regulations and procedures in terms of prescribed guidelines and applicable laws;
- ✿ Internal audit reports are submitted to the APC on a quarterly basis for review, through formal meetings; and
- ✿ The APAC is functional and their purpose is in line with the MFMA and clearly outlined in the Council approved APC Charter.

2.12.1 Members of the Audit and Performance Committee (APC)

Currently the APC comprises of four members as indicated in the table below:

Member	Term Start	Term End
Mr. J Snyders	1 June 2020	31 May 2023
Mr. A Shabalala	1 June 2020	31 May 2023
Mr. F Lotz	1 June 2020	31 May 2023

Table 37: Members of the APC

For the period under review, the APC had four formal meetings. APC minutes are kept and the Chairperson prepares a report on the performance of APC to Council on a bi-annual basis.

2.12.2 Meeting dates and attendance of the Audit and Performance Committee

The table below meeting dates and attendance of the APC meetings per member:

Meeting Dates	Member: J Snyders	Member: A Shabalala	Member: F Lotz
7 September 2020	Attended	Attended	Attended
23 October 2020	Attended	Attended	Attended
24 February 2021	Attended	Apology tendered	Attended
18 June 2021	Attended	Attended	Apology tendered

Table 38: Meeting dates and attendance of the APC

2.13 Internal Auditing

Section 165(2)(a), (b)(iv) of the MFMA requires that the internal audit unit of a municipality must -

- (a) prepare a risk based audit plan and an internal audit program for each financial year; and
- (b) advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to risk and risk management.

The municipality has an in-house Internal Audit function consisting of four auditors, four internal audit clerks, one Senior Internal Auditor and one Chief Audit Executive.

The table below indicates the detail of internal audit activities for the year under review for Pixley ka Seme itself:

Activity	2019/20	2020/21
Quarterly Audits	4	4
Adhoc assignments	2	0
Quality Assurance Programme	1	1
Reviewed and approved Internal Audit Charter	1	1
Reviewed and adopted Audit Committee Charter	1	1
Developed and approved Risk Based Audit Plan	1	1

Table 39: Internal Audit Activities

2.14 Auditor-General

The Municipality is audited by the Auditor-General of South Africa in terms of Section 188 of the Constitution and Section 4 of the Public Audit Act and Section 126 of the MFMA. The audit report for the financial year under review is in Annexure B of this report.

2.15 By-Laws and Policies

Section 11 of the MSA gives Council the executive and legislative authority to implement By-Laws and policies. The Municipal Health Services By-Law were revised during the year.

Below is a list of all the policies developed and/or reviewed during the 2020/21 financial year:

Policies Developed/ Revised	Date Adopted
Password Policy	R 2021 - 05 - 31
Policy on the Acceptable Use of PKSDM It Facilities	R 2021 - 05 - 31
IT Backup Policy	R 2021 - 05 - 31
It Governance Framework	R 2021 - 05 - 31
ICT Firewall Policy	R 2021 - 05 - 31
IT Change Management Policy & Procedure Manual	R 2021 - 05 - 31
IT Security Management Policy	R 2021 - 05 - 31
IT Disaster Recovery Plan	R 2021 - 05 - 31
ICT Patch Management Policy	R 2021 - 05 - 31
ICT User Access Management Policy	R 2021 - 05 - 31
Information Technology Strategic Management Policy	R 2021 - 05 - 31
E-mail Records Management Policy	R 2021 - 05 - 31
Records Management Policy	R 2021 - 05 - 31
Registry Procedure Manual	R 2021 - 05 - 31

Policies Developed/ Revised	Date Adopted
Terms of Reference IT Steering Committee	R 2021 - 05 - 31
Terms of Reference for the Establishment of District Infrastructure Coordination Forum	R 2021 - 05 -31
Terms of Reference for the District Waste Management Forum	R 2021 - 05 - 31
Terms of Reference - Financial Misconduct Disciplinary Board	R 2020 - 12 - 11
Terms of Reference - Standing and Other Committees of PKSDM	R 2021 - 05 - 31
Internal Audit Charter	R 2020 - 12 - 11
Risk Management Committee Charter	R 2021 - 05 - 31
Bereavement Policy	R 2020 - 09 - 30
Career Pathing and Development Policy	R 2020 - 09 - 30
Dress Code, Uniforms and Protective Clothing Policy	R 2020 - 09 - 30
Danger Allowance Policy	R 2020 - 12 - 11
Employee Health and Wellness Policy	R 2020 - 09 - 30
Employee Study Assistance Policy	R 2020 - 09 - 30
HIV / AIDS Policy	R 2020 - 09 - 30
HR Strategy	R 2020 - 09 - 30
Induction Policy	R 2020 - 09 - 30
Performance Management Framework	R 2020 - 09 - 30
Placement and Relocation Policy	R 2020 - 09 -30
Promotion and Succession Planning Policy	R 2020 - 09 -30
Recruitment Policy	R 2020 - 09 -30
Remuneration Policy	R 2020 - 09 -30
Rental Allowance Scheme Policy	R 2020 - 09 -30
Sexual Harassment Policy	R 2020 - 09 -30
Skills Development Policy and Skills Development Committee Constitution	R 2020 - 09 -30
Substance Abuse Policy	R 2020 - 09 -30
Task Job Evaluation Policy	R 2020 - 09 -30
Scare Skills Retention Policy	R 2020 - 09 -30
Organizational Structure	R 2020 - 10 - 01

Table 40: Policies Developed/ Revised

2.16 Communication

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, 1996 and other statutory enactments all impose an obligation on local government and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the municipality's programme for the year.

Below is a communication checklist of the compliance to the communication requirements:

2.16.1 Communication Activities

Description	Yes/No
Communication strategy	Yes, but not reviewed
Customer satisfaction surveys	No
Newsletters distributed at least quarterly	No, not all Quarters
Crisis Communication Procedure	No
Language Policy and Procedure	No
Media Protocol Procedure	No
Social Media	Yes
District Communication Forum	Yes
Local Communication Forums	Yes

Table 41: Communication Activities

2.16.2 Communication Unit:

Number of People in the Unit	Job Titles
4 positions, but only 2 filled.	Communications Specialist
	Field Worker (1)

Table 42: Communication Unit

2.16.3 Website

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of S75 of the MFMA and S21A and B of the Municipal Systems Act (“MSA”) as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality’s communication strategy.

The table below gives an indication of the information and documents that are published on the municipal website.

Description of information and/or document	Yes/No
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)	
Draft Budget 2020/21	Yes
Adjusted Budget 2020/21	Yes
Asset Management Policy	Yes

Description of information and/or document	Yes/No
Credit control & Debt collection Policy	Yes
Investment & Cash Management Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Travel and Subsistence Policy	Yes
Borrowing Policy	Yes
Top Layer SDBIP 2020/21	Yes
Budget and Treasury Office Structure	No
Budget and Treasury Office delegations	No
Delegations	No
Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act)	
Reviewed IDP for 2020/21	Yes
IDP Process Plan for 2020/21	Yes
Supply Chain Management (Sections 14(2), 33, 37 & 75(1)(e) & (f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation)	
List of capital assets that have been disposed	Yes
Long Term borrowing contracts	Yes
SCM contracts above R30 000	Yes
Contracts which impose a financial obligation on the municipality beyond 3 years	Yes
Service delivery agreements	Yes
Public invitations for formal price quotations	Yes
Annual Report of 2019/20	
Oversight report of 2019/20s	Yes
Mid-year budget and performance assessment of 2020/21 (Sec 72 MFMA)	Yes
Quarterly Reports (sec 52 MFMA)	Yes
Monthly Budget Statement (Sec 71 MFMA)	No
Performance Management (Section 75(1)(d) of the Municipal Finance Management Act)	
Performance Agreements for employees appointed as per S57 of Municipal Systems Act for 2020/21	Yes
Assurance Functions (Sections 62(1), 165 & 166 of the Municipal Finance Management Act)	
Internal Audit charter	Yes
Audit Committee charter	Yes
Risk Management Policy	Yes

Table 43: Information on Website

2.17 B-BBEE Compliance Performance Information

Section 121(3)(k) of the MFMA indicates that the annual report of a municipality should include any other information as may be prescribed. The Broad Based Black Economic Empowerment (B-BBEE) Act (Act 53 of 2003; as amended by Act 46 of 2013) read in conjunction with the B-BEE Regulations of 2016 states in Section 13G(1) that all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their Annual Financial Statements and Annual Reports. In accordance with the explanatory notice (Notice 1 of 2018) issued by the B-BBEE Commission the following tables provide details on the municipality's

compliance with regard to broad-based black economic empowerment to the extent where the information is currently readily available at municipal level in the specific format:

2.17.1 Senior Management

Category	Number	Race Classification	Gender	Disability
Senior Management	5	2 African 2 Colored 1 White	4 Male 1 Female	0

Table 44: B-BBEE Compliance Performance Information: Senior Management

2.17.2 Enterprise and Supplier Development

Total Number of Suppliers	32
Total Value Spend	R 5 859 698.39

Name of supplier	Total value spend	% Black Ownership	%Black women ownership
Exempt Micro Enterprises (EME's) suppliers			
OTP Logistics (Pty) Ltd	R631 062.50	100.00	100.00
Kunene Makopo Risk Solutions (Pty) Ltd	R509 753.39	100.00	0
Imvelo Centrics (Pty) Ltd	R338 419.00	100.00	100.00
Business Connexion (Pty)Ltd	R481 986.42	28.94	13.81
Acquilla Management Group (Pty)Ltd	R437 219.10	100.00	30.00
Distamai Investments & Projects CC	R1 350 000.00	100.00	0
CFAO Motors (Pty) Ltd T/A Williams Hunt GM Midrand	R1 324 257.98	25.10	5.51
Maroeng (Pty) Ltd	R787 000.00	100.00	100.00
Taycal Dynamics	R121 900,00	100	0
IT BY G3 (PTY) LTD	R185 786,76	100	0
Tshiamelo Corporation (PTY) LTD	R170 099,74	100	0
IT BY G3 (PTY) LTD	R156 109,22	100	0
Van Work (PTY) LTD	R121 000,00	100	0
Carospan (PTY) LTD T/A Nashua FS & NC	R85 053,60	30	18
Batho Bame Trade CC	R183 900,15	100	100
Sadiati Trading Enterprise	R24 564,00	100	100
G3 Group (PTY) LTD	R100 467,48	100	0
Forever Resort (PTY) LTD	R78 367,00	0	0
Tshiamelo Corporation (PTY) LTD	R96 166,62	100	0
Joy Work Solutions (PTY) LTD	R184 687,50	100	50
Emthanjeni Printers	R198 000,00	100	50
Omothaphi Import & Exports (PTY) LTD	R165 721,72	100	0
Aery CC	R119 665,12	100	100
Itumise Trading CC	R191 340,45	100	0

Name of supplier	Total value spend	% Black Ownership	%Black women ownership
Nelson Mandela University	R72 360,00	0	0
G3 Group (PTY) LTD	R117 699,42	100	0
Zipo Projects	R185 639,50	100	100
Bluetag Holdings (PTY) LTD	R65 000,00	100	0
Amantsi Trading CC	R172 500,00	100	0
Tshiamelo Corporation (PTY) LTD	R157 784,82	100	0
Joy Work Solutions (PTY) LTD	R194 400,00	100	50
Kgositadira Business Consulting (PTY) LTD	R90 000,00	100	0

Table 45: B-BBEE Compliance Performance Information: Enterprise and Supplier Development

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

Legislative requirements

The Constitution of the RSA, 1996, section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of section 195 (1) are also linked with the concept of performance management, with reference to the principles of *inter alia*:

- ✿ the promotion of efficient, economic and effective use of resources,
- ✿ accountable public administration
- ✿ to be transparent by providing information,
- ✿ to be responsive to the needs of the community, and
- ✿ to facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities. This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

In terms of section 46(1)(a) of the systems Act (Act 32 of 2000) a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with the performance of the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

Organisational performance

Strategic performance indicates how well the municipality is meeting its objectives and whether policies and processes are working effectively. All government institutions must measure and report on their strategic performance to ensure that service delivery is done in an efficient, effective and economical manner. Municipalities must therefore develop strategic plans and allocate resources for the implementation. The implementation of the plans must be monitored on an on-going basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the Strategic Objectives and performance on the National Key Performance Indicators as prescribed in terms of section 43 of the Municipal Systems Act, 2000.

Performance Management System used in the financial year 2020/21

The IDP and the Budget

The IDP and the main budget for 2020/21 was approved by Council on **26 May 2020**. As the IDP process and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

The Mayor approved the Top Layer Service Delivery Budget Implementation Plan (SDBIP) for 2020/21 on **17 June 2020**. The Top layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The indicators in the Top layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.

The actual performance achieved in terms of the KPI's was reported on quarterly. The indicators and targets were adjusted after the finalisation of the previous year budget and mid-year budget assessment. The Top Layer SDBIP was revised with the Adjustments Budget in terms of section 26 (2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by the Council on **26 February 2021** through resolution R 2021- 02- 26(9.6). The following KPI's with regard to our objective "*Monitor and support local municipalities to enhance service delivery*" were deleted from the Top Layer SDBIP. The reasons are indicated in the table below:

Ref	KPI	Unit of Measurement	Performance of 2020/21					Actual
			Targets					
			Q1	Q2	Q3	Q4	Annual	
TL44	Arrange and convene quarterly Infrastructure Forum meetings	Number of meetings arranged	1	1	1	1	4	3
	Reason/Corrective Measure	This KPI was moved from the Top Layer SDBIP to the departmental SDBIP as this meeting is mainly operational and not strategic. Only 3 meetings took place as the meeting planned for the first quarter of the financial year could not take place due to Covid-19 lockdown restrictions.						
TL46	Review the Human Settlements Sector Plan and submit to Council for approval by 31 May 2021	Reviewed Human Settlements Sector Plan submitted to council by 31 May 2021	0	0	0	1	1	0
	Reason/Corrective Measure	This KPI was deleted from the Top Layer SDBIP as the national department of Human Settlements indicated to the municipality that they must not do this revision anymore as it is not necessary. No corrective action is needed.						

Ref	KPI	Unit of Measurement	Performance of 2020/21					
			Targets					Actual
			Q1	Q2	Q3	Q4	Annual	
	Conduct housing consumer education in towns of non-accredited municipalities in the district	Number households educated	180	180	180	180	720	0
TL47	Reason/Corrective Measure	This KPI was deleted as the funding for these programmes is provided by the national department and the department changed the funding conditions to indicate in their revised allocation letter that it must not be used for consumer education programmes anymore but must be used for mass sanitation/disinfectant of identified human settlements. To cater for the new allocation letter, a new KPI (TL53) was added to the Top Layer SDBIP. No corrective action is needed.						

Table 46: Deleted KPI's: Monitor and support local municipalities to enhance service delivery

Actual Performance

The municipality utilizes an electronic web-based system on which KPI owners update actual performance on a monthly basis. KPI owners report on the results of the KPI by documenting the following information on the performance system:

- ✿ The actual result in terms of the target set.
- ✿ A performance comment.
- ✿ Actions to improve the performance against the target set, if the target was not achieved.

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

Monitoring of the Service Delivery Budget Implementation Plan

Municipal performance is measured as follows:

- Quarterly reports were submitted to council on the actual performance in terms of the Top Layer SDBIP.
- Mid-year assessment and submission of the mid-year report to the Mayor in terms of section of Section 72(1) (a) and 52(d) of the Local Government Municipal Finance Management Act to assess the performance of the municipality during the first half of the financial year.

PERFORMANCE REPORT PART I

3.1 Introduction

This section provides an overview of the key service achievements of the municipality that came to fruition during 2020/21 in terms of the deliverables achieved against the strategic objectives of the IDP.

3.2 Strategic Service Delivery Budget Implementation Plan

This section provides an overview on the achievement of the municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer SDBIP assists with documenting and monitoring of the municipality's strategic plan and shows the strategic alignment between the IDP, Budget and Performance plans.

In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI's applicable to 2020/21 in terms of the IDP strategic objectives.

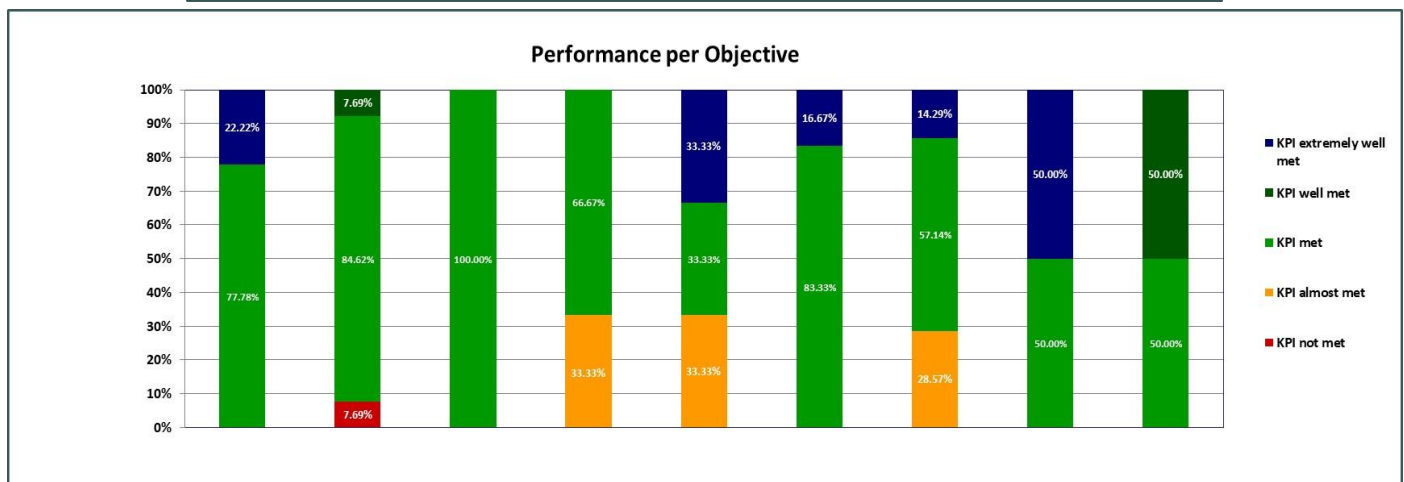
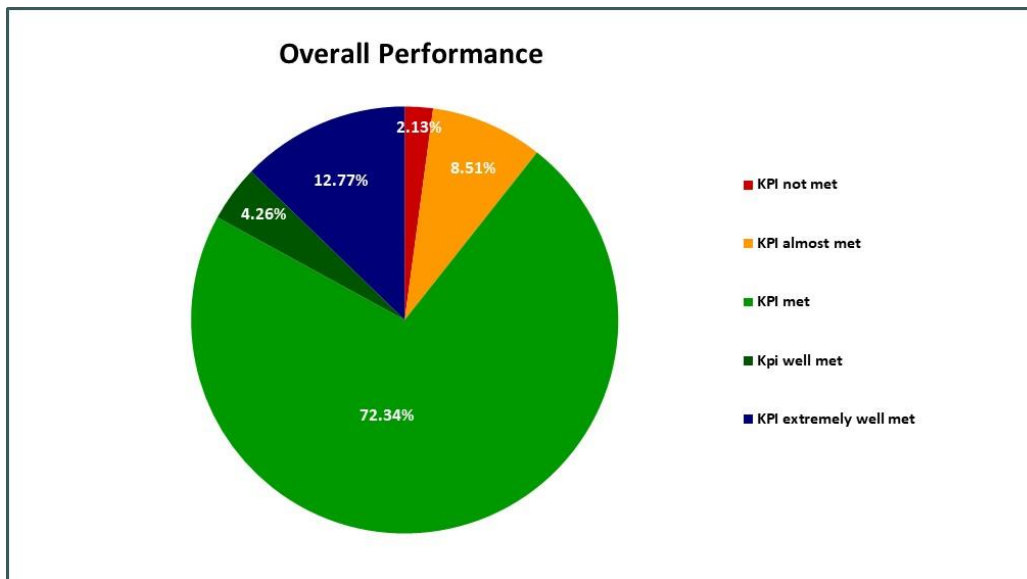
The following table explains the method by which the overall assessment of the actual performance against the targets set for the key performance indicators (KPI's) of the SDBIP are measured:

Category	Colour	Explanation
KPI Not Yet Measured	n/a	KPI's with no targets or actuals in the selected period
KPI Not Met	R	0% > = Actual/Target < 75%
KPI Almost Met	O	75% > = Actual/Target < 100%
KPI Met	G	Actual/Target = 100%
KPI Well Met	G2	100% > Actual/Target < 150%
KPI Extremely Well Met	B	Actual/Target > = 150%

Figure 3 SDBIP measurement criteria

3.2.1 Overall Performance as per Top Layer SDBIP

The overall performance results achieved by the Municipality in terms of the Top Layer SDBIP are indicated in the tables and graphs below:



Measurement Criteria	Administer finances in a sustainable manner and strive to comply with legislative requirements to achieve a favorable audit outcome	Compliance with the tenets of good governance as prescribed by legislation and best practice	Guide local municipalities in the development of their IDP's and in spatial development	Monitor and support local municipalities to enhance service delivery	Promote economic growth in the district	To provide a professional, people-centered human resources and administrative service to citizens, staff and Council	To provide an independent and objective internal audit assurance and consulting service to add value and to improve the administrative operations of all the municipalities in the district through an approach that is systematic and disciplined	To provide disaster management services to the citizens	To provide municipal health services to improve the quality of life of the citizens
KPI Not Met	0	1	0	0	0	0	0	0	0
KPI Almost Met	0	0	0	1	1	0	2	0	0
KPI Met	7	11	2	2	1	5	4	1	1
KPI Well Met	0	1	0	0	0	0	0	0	1
KPI Extremely Well Met	2	0	0	0	1	1	1	1	0
Total	9	13	2	3	3	6	7	2	2

Graph 1: Top Layer SDBIP Performance per objective

Actual performance as per Top Layer SDBIP according to objectives

Administer finances in a sustainable manner and strive to comply with legislative requirements to achieve a favorable audit outcome

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						
				Targets					Actual	
				Q1	Q2	Q3	Q4	Annual		
TL22	Compile and submit an Audit Action Plan to Council by 30 April 2021 to address the issues raised by the AG	Audit Action Plan compiled and approved by 30 April 2021	1	0	0	0	1	1	1	G
TL23	Report quarterly to council on meetings with and correspondence to defaulting municipalities on debt relating to services rendered	Number of reports submitted	3	1	1	1	1	4	4	G
TL24	Prepare and submit the draft budget to Council by 31 March 2021	Draft budget submitted by 31 March 2021	1	0	0	1	0	1	1	G
TL25	Prepare and submit the final budget to Council by 31 May 2021	Final budget submitted by 31 May 2021	1	0	0	0	1	1	1	G
TL26	Prepare and submit the adjustments budget to Council by the 28 February 2021	Adjustments budget submitted by 28 February 2021	1	0	0	1	0	1	1	G
TL27	Submit the annual financial statements to the Auditor-General by 31 October 2020	Statements submitted to the AG by 31 October 2020	1	0	1	0	0	1	1	G
TL28	Co-ordinate the District MM/CFO forums on a bi-annual basis	Number of meetings coordinated	3	0	1	0	1	2	2	G
TL29	Financial viability measured in terms of the Municipality's ability to meet its service debt obligations by 30 June 2021 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% debt coverage as at 30 June 2021	11%	0.00%	0.00%	0.00%	45.00%	45.00%	13.66%	B

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						
				Targets					Actual	
				Q1	Q2	Q3	Q4	Annual		
TL30	Financial viability measured in terms of the available cash to cover fixed operating expenditure by 30 June 2021 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash as at 30 June 2021	1.11	0	0	0	0.01	0.01	0.15	B

Table 47: Administer finances in a sustainable manner and strive to comply with legislative requirements to achieve a favorable audit outcome

Compliance with the tenets of good governance as prescribed by legislation and best practice

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						
				Targets					Actual	
				Q1	Q2	Q3	Q4	Annual		
TL1	Submit a report to council by 31 May 2021 on the monitoring and evaluation of community participation	Report submitted to council by 31 May 2021	1	0	0	0	1	1	1	G
TL3	Host commemorative days as per the approved list by the Municipal Manager and Mayor	Number of commemorative days hosted	3	2	1	1	1	5	5	G
TL4	Facilitate the meeting of the District HIV/AIDS council	Number of meetings held	3	1	1	1	1	4	4	G
TL5	Facilitate the meeting of the Youth Council	Number of meetings held	0	0	1	0	1	2	2	G
TL7	Facilitate the meeting with relevant stakeholders on the Street Children and Fetal Alcohol Syndrome	Meeting facilitated by 30 June 2021	0	0	0	0	1	1	1	G

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						Actual	
				Targets					Actual		
				Q1	Q2	Q3	Q4	Annual			
	Special Programme by 30 June 2021										
TL10	Facilitate the quarterly meetings of the Technical District Intergovernmental Forum	Number of meetings facilitated	5	1	1	1	1	4	4	G	
TL11	Sign 57 performance agreements with all directors by 31 July 2020	Number of performance agreements signed by 31 July 2020	5	4	0	0	0	4	4	G	
TL13	Facilitate the quarterly meetings of the Political District Intergovernmental Forum	Number of meetings facilitated	4	1	1	1	1	4	4	G	
TL14	Complete the Risk Assessment and submit the updated risk register to the Risk Management Committee by 31 March 2021	Risk Analysis completed and updated risk register submitted to the Risk Management Committee by 31 March 2021	0	0	0	1	0	1	0	R	
	Reason & Corrective Measure	Meeting will be schedule as planned for the next financial year and will be conved as planned.									
TL31	Submit the Top layer SDBIP for approval by the Mayor within 21 days after the budget has been approved	Top Layer SDBIP submitted annually to Mayor within 21 days after the budget has been approved	1	0	0	0	1	1	1	G	
TL32	Submit the draft Annual Report to Council annually by 31 March 2021	Draft annual report submitted annually to council by 31 March 2021	1	0	0	1	0	1	1	G	
TL43	Purchase two vehicles by 30 June 2021	Number of vehicles purchased by 30 June 2021	New Key Performance Indicator for 2020/21	0	0	0	2	2	2	G	
TL52	Facilitate "Council meets the People" meetings for each municipality by 30 June	Number of meetings facilitated	New Key Performance Indicator for 2020/21	0	0	0	8	8	10	G2	

Table 48: Compliance with the tenets of good governance as prescribed by legislation and best practice

Guide local municipalities in the development of their IDP's and in spatial development

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						Actual	
				Targets					Annual		
				Q1	Q2	Q3	Q4				
TL48	Review the IDP and submit draft to Council by 31 March 2021	Draft reviewed IDP submitted to Council by 31 March 2021	1	0	0	1	0	1	1	G	
TL49	Compile an IDP framework by 31 August 2020 to guide local municipalities	IDP framework completed by 31 August 2020	1	1	0	0	0	1	1	G	

Table 49: Guide local municipalities in the development of their IDP's and in spatial development

Monitor and support local municipalities to enhance service delivery

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						Actual	
				Targets					Annual		
				Q1	Q2	Q3	Q4				
TL12	Report quarterly to council on Shared Services	Number of reports submitted	3	1	1	1	1	4	4	G	
TL45	Submit quarterly progress reports to the Portfolio Committee on the activities in the department including expenditure on all MIG projects of local municipalities in the district and infrastructure grants/allocations implemented by the district municipal	Number of reports submitted	2	1	1	1	1	4	4	G	
TL53	Spent 100% of the approved budget allocation by June 2021 for mass sanitation/disinfectant of identified human settlements as indicated in the allocation letter [(Total actual expenditure on the allocation/ Approved budget allocation) x100]	% of budget spent by 30 June 2021	New Key Performance Indicator for 2020/21	0.00%	0.00%	0.00%	100.00%	100.00%	77.00%	O	
	Reason & Corrective Measure	An expenditure amount of R60 305.63 was wrongly allocated to the project and the mistake was only discovered with the compilation of the Annual Financial Statement. Additional materials will be bought for the disinfection programme during the new financial year.									

Table 50: Monitor and support local municipalities to enhance service delivery

Promote economic growth in the district

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						Actual	
				Targets					Annual		
				Q1	Q2	Q3	Q4				
TL6	Facilitate 2 career exhibitions in the Pixley Ka Seme District area by 30 June 2021	Number of career exhibitions facilitated	0	0	1	0	1	2	2	G	
TL50	Create full time equivalents (FTE's) through the Expanded Public Works Programme (EPWP) by 30 June 2021 [Person days / FTE (230 days)]	Number full time equivalents (FTE's) created by 30 June 2021	40.7	0	0	0	14	14	25	B	
TL51	Facilitate quarterly LED forum meetings	Number of meetings Facilitated	New Key Performance Indicator for 2020/21	1	1	1	1	4	3	O	
	Reason & Corrective Measure	The LED Forum for the first quarter could not be held due to Covid-19 National Lockdown Regulation - forbidding gatherings. LED Forum will be convened in the next financial year.									

Table 51: Promote economic growth in the district

To provide a professional, people-centered human resources and administrative service to citizens, staff and Council

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						Actual	
				Targets					Annual		
				Q1	Q2	Q3	Q4				
TL33	Spent 1% of personnel budget on training by 30 June 2021 (Actual total training expenditure divided by total personnel budget)	% of the personnel budget spent	1.09%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	G	
TL34	Submit a business proposal to LGSETA for discretionary grant to avail funds to train employees and unemployed by 30 April 2021	Proposal submitted by 30 April 2021	1	0	0	0	1	1	1	G	
TL35	Implement the WPSP measured by the % of identified employees that completed training as identified in WPSP by 30 June 2021 (Total number of officials that received training as was identified in the WPSP for	% of identified employees that completed training as identified in WPSP by 30 June 2021	90%	0.00%	0.00%	0.00%	90.00%	90.00%	90.00%	G	

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						Actual	
				Targets					Annual		
				Q1	Q2	Q3	Q4				
	2020/21/total number of officials that were iden										
TL36	Limit the vacancy rate of all funded and vacant posts to 10% of funded posts by 30 June 2021 so that 90% of posts are filled ((Number of funded posts vacant/Total number of funded posts)x100)	% vacancy rate of funded posts (Number of funded posts vacant/Total number of funded posts)x100	10%	0.00%	0.00%	0.00%	10.00%	10.00%	10.00%	10.00%	G
TL37	Review the Workplace Skills Plan and submit to the LGSETA by 30 April 2021	Plan submitted to the LGSETA by 30 April 2021	1	0	0	0	1	1	1	1	G
TL38	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan by 30 June 2021	Number of people employed (newly appointed)	4	0	0	0	1	1	2		B

Table 52: To provide a professional, people-centered human resources and administrative service to citizens, staff and Council

To provide an independent and objective internal audit assurance and consulting service to add value and to improve the administrative operations of all the municipalities in the district through an approach that is systematic and disciplined

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						Actual	
				Targets					Annual		
				Q1	Q2	Q3	Q4				
TL15	Submit a Quality Assurance Plan for Pixley Ka Seme District Municipality to the Audit Committee by 30 June 2021	Quality Assurance Plan submitted annually by 30 June 2021	1	0	0	0	1	1	1	1	G
TL16	Submit internal audit reports to the local municipalities in terms of the Service Level Agreements	Number of reports submitted	18	8	8	8	8	32	29		O

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						Actual
				Targets						
				Q1	Q2	Q3	Q4	Annual		
	Reason & Corrective Measure	No reports could be submitted during the first quarter of the financial year due to the National Lockdown that occurred from March 2020 as the auditors could not go out to do the fieldwork. All efforts will be made to ensure the target is met in the new financial year.								
TL17	Compile the Risk Based Audit Plan (RBAP) for Pixley Ka Seme District Municipality and submit to the Audit Committee for consideration by 30 June 2021	RBAP submitted by 30 June 2021	1	0	0	0	1	1	1	G
TL18	Compile the Risk based audit plans (RBAP) for the local municipalities in terms of the Service Level Agreements and submit to the local municipalities by 30 June 2021	Number of plans submitted by 30 June 2021	6	0	0	0	8	8	12	B
TL19	Review the 3 year Strategic Audit Plan for Pixley Ka Seme District Municipality and submit to the Audit Committee by 30 June 2021	Revised 3 year Strategic Audit plan submitted to the AC by 30 June 2021	1	0	0	0	1	1	1	G
TL20	Review the 3 year Strategic Audit Plan for the Local Municipalities in terms of the Service Level Agreements and submit to the to the Audit Committee by 30 June 2021	Revised 3 year Strategic Audit plan submitted to the AC by 30 June 2021	6	0	0	0	8	8	6	O
	Reason & Corrective Measure	Strategic Audit Plan for Siyathemba LM could not be submitted as they did not respond or confirm to any proposed meeting dates. The plan for Renosterberg LM could not be submitted as they do not have an Audit and Performance Committee in place yet. The plans will be submitted in the new financial year.								
TL21	Facilitate the quarterly Audit Committee meetings during the 2020/21 financial year for Pixley Ka Seme District Municipality	Number of Audit Committee meetings facilitated	3	1	1	1	1	4	4	G

Table 53: To provide an independent and objective internal audit assurance and consulting service to add value and to improve the administrative operations of all the municipalities in the district through an approach that is systematic and disciplined

To provide disaster management services to the citizens

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21						Actual	
				Targets					Annual		
				Q1	Q2	Q3	Q4	Annual			
TL39	Host training session by 31 May 2021 to train volunteers into Disaster Management	Training sessions hosted by 31 May 2021	3	0	0	0	1	1	3	B	
TL40	Review the Disaster Management Plan annually and submit to Council by 31 May 2021	Reviewed plan annually submitted to council by 31 May 2021	1	0	0	0	1	1	1	G	

Table 54: To provide disaster management services to the citizens

To provide municipal health services to improve the quality of life of the citizen

Ref	KPI	Unit of Measurement	Actual performance 2019/20	Performance of 2020/21					Actual	
				Targets				Annual		
				Q1	Q2	Q3	Q4			
TL41	Compile monthly water quality analysis reports to local municipalities in terms of the Water Quality Monitoring Programme	Number of reports compiled	114	24	24	24	24	96	137	G2
TL42	Submit quarterly reports to Council on municipal health services rendered	Number of reports submitted	4	1	1	1	1	4	4	G

Table 55: To provide municipal health services to improve the quality of life of the citizen

3.3 Service Providers Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement:

- Service provider means a person or institution or any combination of persons and institutions which provide a municipal service
- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

During the year under review the municipality did not appoint any service providers who provided a municipal service to or for the benefit of the local community on behalf of the municipality and therefore this report contains no such

details. All other contract appointments are regularly monitored and ensured, that the requirements of the contract are complied with.

3.4 Municipal Functions

The table below indicates the functional areas that the municipality are responsible for in terms of the Constitution:

Municipal Function	Municipal Function Yes / No
Constitution Schedule 4, Part B functions:	
Air pollution	Yes
Building regulations	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal health services	Yes
Trading regulations	Yes
Constitution Schedule 5, Part B functions:	
Control of public nuisances	Yes
Licensing and control of undertakings that sell food to the public	Yes

Table 56: Functional areas

COMPONENT A: BASIC SERVICES

3.5 Housing

Pixley ka Seme DM, a level 2 accredited housing service delivery agent is delivering the housing service as a shared service to seven of the seven local municipalities in the district. The strategic objectives in terms of housing delivery for the institution are:

- 🏠 Promote integrated sustainable human settlements;
- 🏠 Align housing projects to existing IDP development priorities;
- 🏠 Develop and implement a programmed approach to land development for housing;
- 🏠 Develop and implement efficient land identification and land release strategies;
- 🏠 Ensure effective planning and servicing of identified land;
- 🏠 Improve skills and capacity building within the municipalities; and
- 🏠 Implement IGR goals and objectives related to housing.

Highlights: Housing

Highlight	Description
Disinfection Programme	The Housing Unit requested the Municipal Health unit to implement the programme as the housing unit does not have the capacity to this effect. The memorandum to this effect was forwarded to Corporate Services.
Disinfection Expenditure	100% of the funds received was spent

Table 57: Housing Highlights

Challenges: Housing

Challenge	Action to Address
Implementation Protocol 2021/22	The contents of the Implementation Protocol indicate the Municipality as the Developer. The matter has been recorded as a concern with the HOD and further if no response the matter will be escalated to National.
Housing Sector Plan Funding	The Provincial Department is committed to assist with the compilation after we requested their intervention

Table 58: Housing Challenges

Service Statistics: Housing

A summary of houses built, includes:

Financial year	Number of houses built	Number of sites serviced
2017/18	150 (Victoria West) 20 (Richmond) 55 (Marydale) 47 (Niekerkshoop)	63 (Strydenburg) 201 (Hopetown)
2018/19	15 (Prieska Fairview) 14 (Noupoort) 140 (Hanover)	364 (Prieska Fairview) 475 (Hanover)
2019/20	200 Hanover 85 Prieska (Fairview)	0
2020/21	0	0

Table 59: Houses built and Sites Serviced

Employees: Housing

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	5	4	1	20
7 - 9	0	0	0	0
10 - 12	2	1	1	50
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	8	6	2	25

As at 30 June 2021

Table 60: Employees Housing

Capital Expenditure: Housing

No capital funding is allocated to the district. The provincial department assigns implementation of housing projects to their appointed Project Management Unit (PMU).

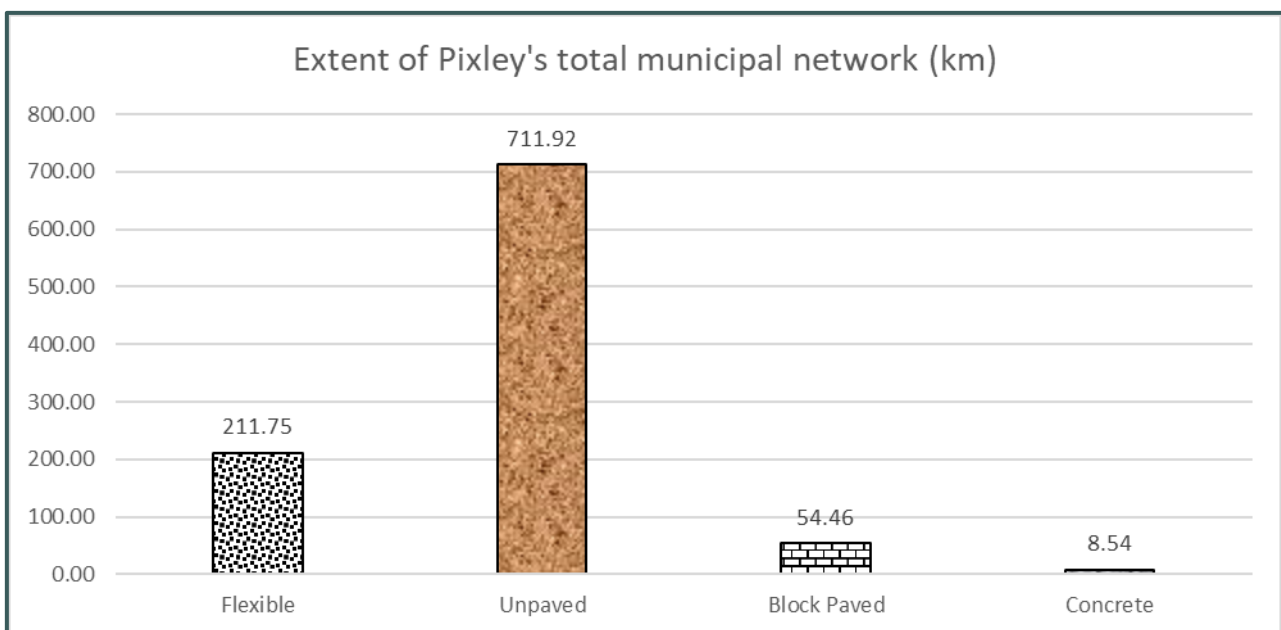
COMPONENT B: ROAD TRANSPORT

3.6 Roads

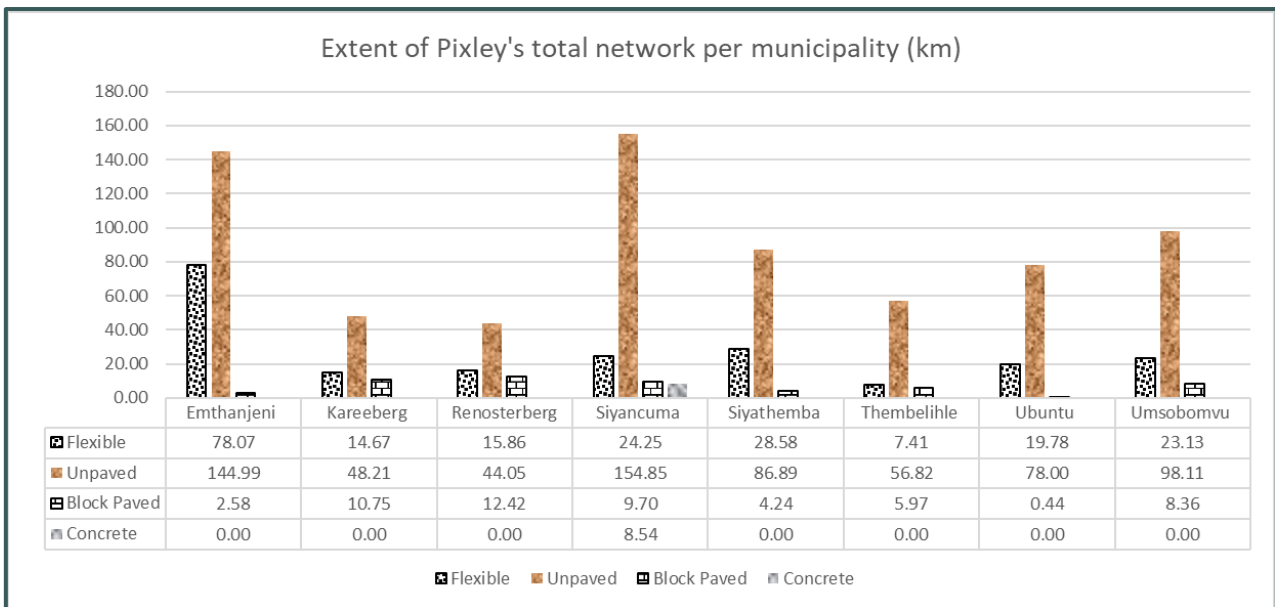
The District Municipality does not have any road assets to maintain, however the municipality is involved with the Rural Road Asset Management which entails the condition assessment of municipal streets, traffic analysis and condition assessment of bridges within the district which is funded by the National Department of Transport.

3 civil engineering graduates and 2 data capturers were employed in order to implement the programme with the available funding. Lidwala Consulting (Pty) Ltd provide technical assistance as and when needed with the implementation of the programme.

The diagrams below illustrates the network per road typed assessed and the overall condition of the network assessed during the period.

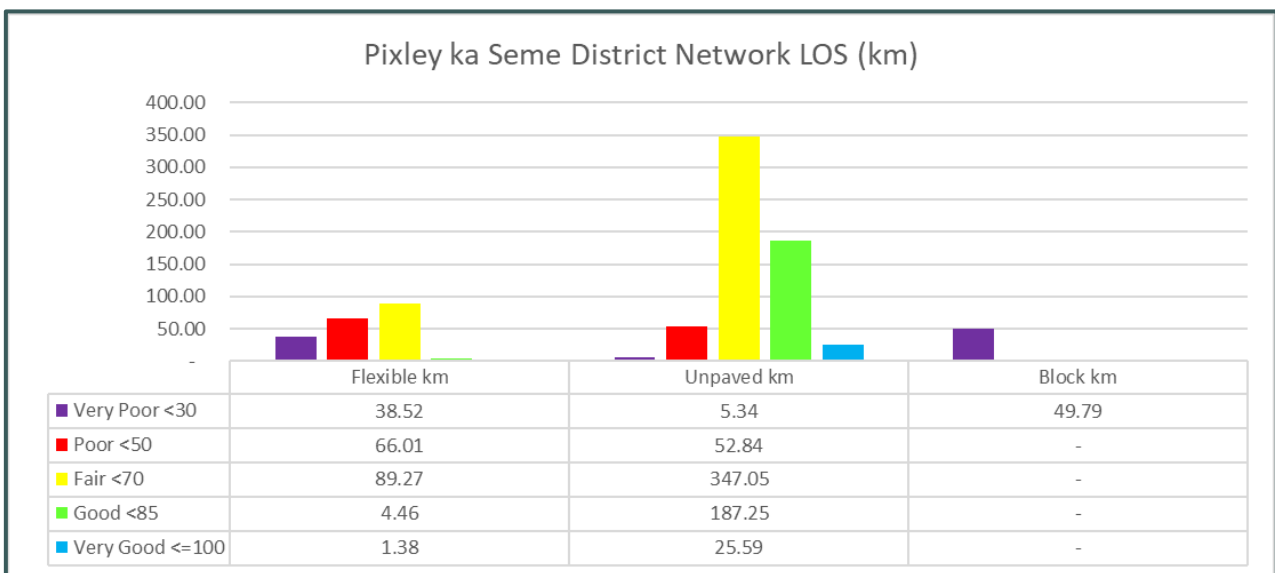


Graph 2: Extent: Total Municipal Road Network



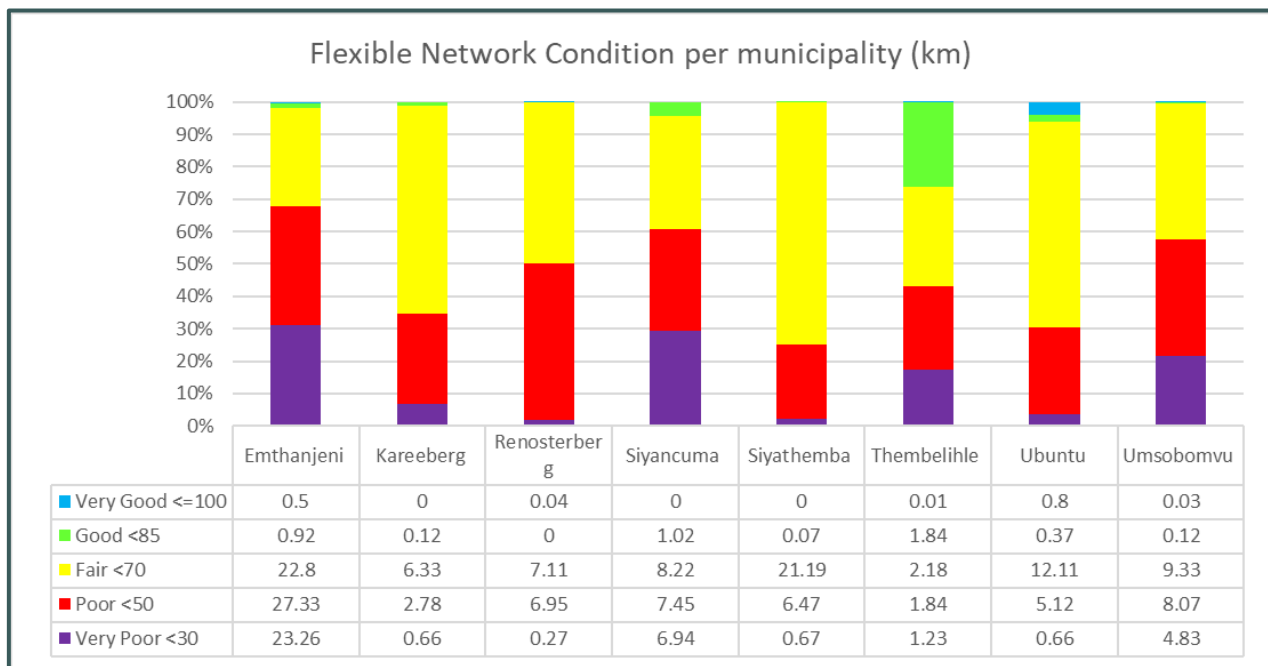
Graph 3: Extent: Road Type per Municipality (km)

The visual condition index (VCI) for the different road types in the district can be summarised as follows:



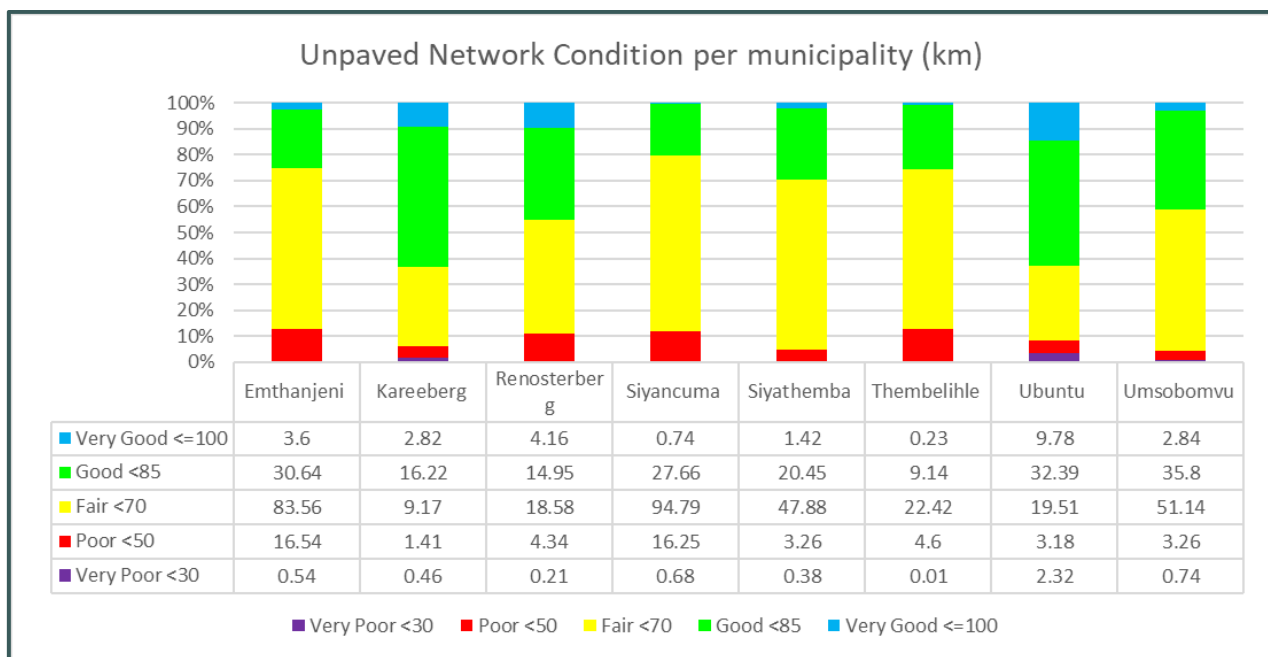
Graph 4: Total Pixley ka Seme Road Network LOS (km)

The VCI for the paved roads in the municipalities can be summarised as follows:



Graph 5: Paved Road Condition 2020/21 (km)

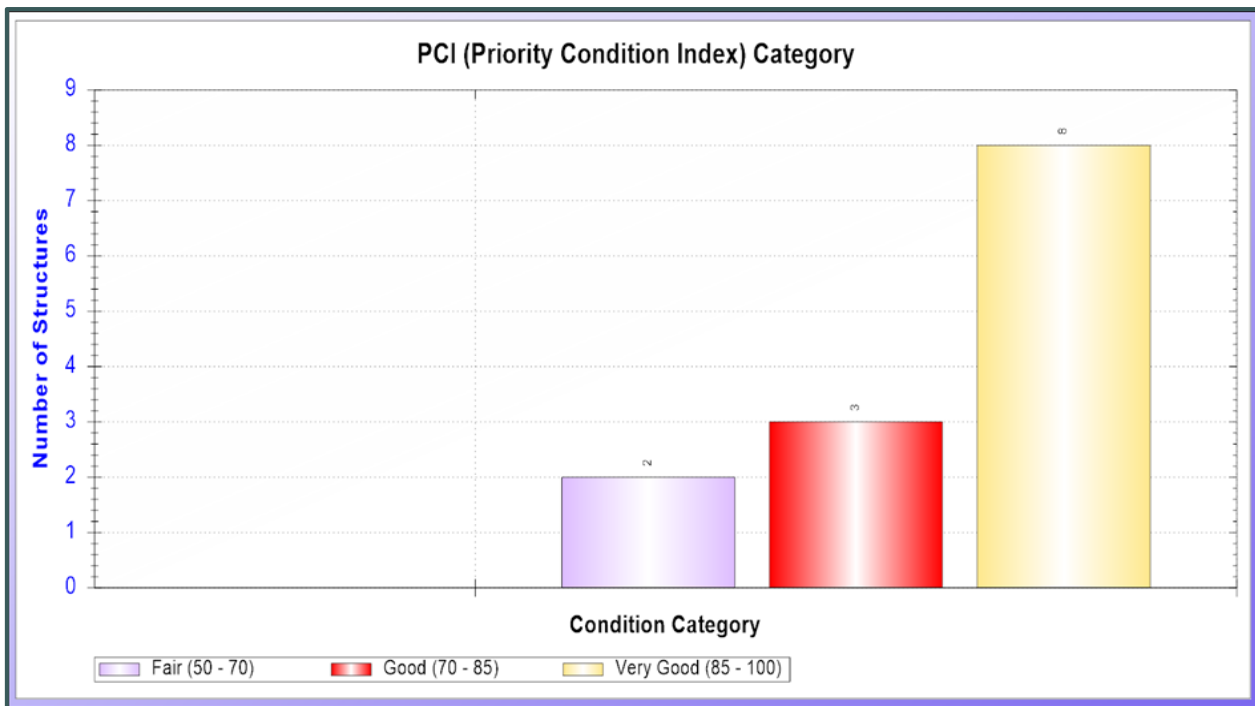
The VCI for the unpaved roads in the municipalities can be summarised as follows:



Graph 6: Unpaved Roads Condition 2020/21 (km)

Pixley Ka Seme District has adopted the Struman Bridge Management System developed by the CSIR for the investigation of their local bridges. All structures were assessed according to TMH19 by an accredited structural engineer.

The average condition index (ACI) of bridges / culverts is determined based on the severity and extent of defects in elements. In general, ACI is evaluated the STRUMAN software based on routine bridge inspection defects ratings considering the severity of dominant defects.



Graph 7: Priority Condition Index Category Bridges/Culverts

Highlights: Roads

Highlight	Description
Road Asset Management Plan	The institution was able to compile and submit the Road Asset Management Plan with the TMH18 compliant data set to National Department of Transport with the assistance of the appointed service provider.
Vehicles	Pixley ka Seme District Municipality has purchase two LDV for the implementation of the programme for the next three years.

Table 61: Roads Highlights

Employees: Roads

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	2	2	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	2	2	0	0

As at 30 June 2021

Table 62: Employees - Roads

Capital Expenditure: Roads

There was no capital expenditure for the 2020/21 financial year.





COMPONENT C: PLANNING AND DEVELOPMENT

3.7 Planning

Sustainable economic development in a region is firstly only possible if there is a balance between the urban-rural and larger-smaller town developments (thus, if there is spatial development balance). Secondly, it requires sufficient protection of all dimensions of the natural environment and, thirdly, the different elements of the physical infrastructure have to develop at a sufficient pace.

These three areas are easily taken for granted in the daily efforts of private enterprises to make a profit, break even or fulfil their short-term goals vs the objectives of public policy to protect and allocate resources to ensure long term sustainability.

The functions of the planning unit consist of:

-  The processing of building plan applications on behalf of local municipalities in the district
-  Assisting local municipalities with zoning and residential layout plans
-  Assist local municipalities with land rezoning and removal of restrictions
-  Establishment of all structures to give effect for the implementation of the Spatial Planning Land Use Management Act (SPLUMA).

Highlights: Planning

Highlight	Description																																								
Processing of building plan applications	The district is considering building plan applications for some municipalities (Kareeberg, Renosterberg, Thembelihle, Siyancuma, Siyathemba and Ubuntu) in the district. During the financial year the planning unit assessed 149 building plan applications. The table below provides more information of the number of applications from the relevant municipalities.																																								
	<table border="1"> <thead> <tr> <th>Municipality</th> <th>Kareeberg</th> <th>Siyathemba</th> <th>Ubuntu</th> <th>Siyancuma</th> <th>Thembelihle</th> <th>Renosterberg</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Approved</td> <td>3</td> <td>29</td> <td>7</td> <td>4</td> <td>5</td> <td>8</td> <td>56</td> </tr> <tr> <td>Not Approved / Referred Back</td> <td>9</td> <td>38</td> <td>14</td> <td>16</td> <td>9</td> <td>6</td> <td>92</td> </tr> <tr> <td>Pending</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>1</td> </tr> <tr> <td>Grand Total</td> <td>12</td> <td>68</td> <td>21</td> <td>20</td> <td>14</td> <td>14</td> <td>149</td> </tr> </tbody> </table>	Municipality	Kareeberg	Siyathemba	Ubuntu	Siyancuma	Thembelihle	Renosterberg	Total	Approved	3	29	7	4	5	8	56	Not Approved / Referred Back	9	38	14	16	9	6	92	Pending	0	1	0	0	0	0	1	Grand Total	12	68	21	20	14	14	149
	Municipality	Kareeberg	Siyathemba	Ubuntu	Siyancuma	Thembelihle	Renosterberg	Total																																	
	Approved	3	29	7	4	5	8	56																																	
	Not Approved / Referred Back	9	38	14	16	9	6	92																																	
	Pending	0	1	0	0	0	0	1																																	
Grand Total	12	68	21	20	14	14	149																																		
Building plan applications are assessed according to the National Building Regulations and Building Standards Act No. 103 of 1977, the scheme regulations of the relevant municipality and Title deed conditions. More than 60% of the applications did not conform to some of these conditions therefore the high percentage of applications that are not approved. 81% of the applications were addressed within the 30-day period as prescribed by the Act.																																									
District Municipal Planning Tribunal (DMPT) was established in terms of Spatial Planning and Land Use Management Act (SPLUMA) to decide on Land Development Applications	<p>The DMPT met 4 times during the financial year, considering 49 applications.</p> <table border="1"> <thead> <tr> <th>Quarter</th> <th>Date of meeting</th> <th>Number of applications</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>3 September 2020</td> <td>19 applications were tabled and 17 were approved and 2 were withdrawn</td> </tr> <tr> <td>2</td> <td>19 November 2020</td> <td>6 applications were considered, 5 were approved and 1 was withdrawn</td> </tr> <tr> <td>3</td> <td>3 & 4 February 2021</td> <td>10 applications were considered, 8 were approved, 1 was rejected and 1 was withdrawn</td> </tr> <tr> <td>4</td> <td>7 June 2021</td> <td>14 applications were considered, 13 were approved and 1 was withdrawn</td> </tr> <tr> <td>Total</td> <td>2020/21</td> <td>49 applications were tabled before the DMPT, 43 were approved and 1 was rejected</td> </tr> </tbody> </table>	Quarter	Date of meeting	Number of applications	1	3 September 2020	19 applications were tabled and 17 were approved and 2 were withdrawn	2	19 November 2020	6 applications were considered, 5 were approved and 1 was withdrawn	3	3 & 4 February 2021	10 applications were considered, 8 were approved, 1 was rejected and 1 was withdrawn	4	7 June 2021	14 applications were considered, 13 were approved and 1 was withdrawn	Total	2020/21	49 applications were tabled before the DMPT, 43 were approved and 1 was rejected																						
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4	7 June 2021	14 applications were considered, 13 were approved and 1 was withdrawn																																							
Total	2020/21	49 applications were tabled before the DMPT, 43 were approved and 1 was rejected																																							

Highlight	Description
Improved IDP Stakeholder and community engagements	Four meetings were conducted during the financial year in reviewing the IDP. These includes IDP Steering committee meetings 18 August 2020 and 8 February 2021; IDP Representative Forums - 10 December 2020 and 25 February 2021, and IDP Public Participation meeting on 16 March 2021 in Petrusville and 17 March 2021 in Griekwastad.
IDP Review support to Municipalities through IDP working group sessions	Support was rendered to Emthanjeni Municipality during their IDP review process, by attending IDP Representative Forum Meetings.
Adoption of the process plans and IDP framework, draft and final IDP's	The IDP framework and IDP process plan was compiled and adopted by council the 28 August 2020.

Table 63: Planning Highlights

Challenges: Planning

Description	Actions to address
Capacity within the unit	The unit is responsible for 2 crucial strategic functions of the municipality thus IDP and Spatial Planning. 2 Planning interns are needed 1 should be responsible for IDP while the other for town planning matters.

Table 64: Planning Challenges

Employees: Planning

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	1	1	0	0

As at 30 June 2021

Table 65: Employees - Planning

Capital Expenditure: Planning

There was no capital expenditure for the 2020/21 financial year.

3.8 Local Economic Development

The purpose of Local Economic Development is to build up the sustainable development capacity of a local area to improve its economic future and the quality of life for all. It is a process by which government, the private sector, labour and civil society work collectively to create better conditions for economic growth, investment and employment generation.

The National LED policy framework 2018-2028 therefore focuses on the following LED Policy Pillars/Thrusters:

- ✿ Building a Diverse and innovation driven local economies.
- ✿ Developing Learning and Skillful Local Economies.
- ✿ Developing Inclusive Economies.
- ✿ Enterprise development and Support.
- ✿ Economic governance and infrastructure.
- ✿ Strengthening local innovation system.

As the Pixley ka Seme district, our economy is predominantly primary sector focused with manufacturing and tourism also contributing to the district economy. In the coming years, the sector contributions will fluctuate with the contributions by the social and personal services sector (including tourism) and the agriculture sector expected to increase and decrease respectively. This is owing to a very low growth rate in certain sectors but a sharp increase in the others, mainly as a result of, as mentioned, the investment in renewable energy generation and the SKA project. We are furthermore excited about the mining prospects coming to the district with the copper mine set to open in Copperton.

The economy in the Pixley ka Seme municipal area is characterised by the following:

- ✿ High levels of poverty and low levels of education.
- ✿ It is a small-town sub-region with a low level of development despite the strategic location in terms of the national transport corridors
- ✿ Sparsely populated towns with a number of larger towns serving as “agricultural service centres”; spread evenly throughout the district as central places
- ✿ High rate of unemployment, poverty and social grant dependence
- ✿ Prone to significant environmental changes owing to long-term structural changes (such as climate change, energy crises and other shifts)
- ✿ Geographic similarity in economic sectors, growth factors and settlement patterns
- ✿ Economies of scale not easily achieved owing to the relatively small size of towns
- ✿ A diverse road network with national, trunk, main and divisional roads of varying quality, and
- ✿ Potential and impact of in renewable energy resource generation.
- ✿ Retail continues to be the leading employment sector outside government in the district.
- ✿ Various mining opportunities that are currently being explored in the district i.e., Copper & Tiger’s eye.

Highlights: LED

Highlight	Description
PKSDM Development Fund	We managed to fulfil our first PKSDM Development Fund initiative with each local municipality having a beneficiary.
Inaugural PKSDM Global Entrepreneurship Week	As the Pixley ka Seme District Municipality, we participated in our first Global Entrepreneurship Week program where we initiated various development events in 5 different LMs in the district.

Highlight	Description
Establishment of Business Chambers in Local Municipalities	With a lack of business unity and information dissemination, the establishment of four (4) Business Chambers has seen businesses receive development opportunities quicker and efficiently.
District LED Forums	LED Forums continue to grow and shape the SMMEs in the district through mobile services offered on the day and empowerment opportunities shared during this platform.
Public. Private Sector Training	Cellphone Repairs training for SMMEs and Toolkit and Certification awarding
Annual Workshop to support SMMEs with registration	As a rural district some resources like SARS, CIPC are hard to access and this workshop is intended to bridge this gap and bring services to the people.

Table 66: LED Highlights

Challenges: LED

Description	Actions to address
Local LED Municipality Capacitation	Majority of the Local Municipalities in the district continue not to have designated LED Officials making it difficult to fulfill the development to its full potential.
Budget constraints	The PKSDM Development Fund budget to be increased to reach more SMMEs in the district with
Limited Funding Development Institution District Offices	Resources and information dissemination remain a challenge to the SMMEs because of lack of offices for Funding Development Institutions.

Table 67: LED Challenges

LED Objectives

LED includes all activities associated with economic development initiatives. The municipality has a mandate to provide strategic guidance to the municipality's integrated development planning and economic development matters and working in partnership with the relevant stakeholders on strategic economic issues. The LED strategy identifies various issues and strategic areas for intervention such as:

Objectives	Strategies
Enabling Infrastructure	Support local municipal, national & provincial government initiatives
Impacts on regional planning	Make inputs in regional forums and conferences
Land use management practices	Participates in IDP and SDF review processes
Attracts investors	Highlights the competitive and comparative advantages

Table 68: LED Objectives and Strategies



Thembelihle Business Forum newly elected executive with PKSDM and Thembelihle Municipal Officials



Executive Mayor of Pixley, Honorable L. Nkumbi opening the PKSDM Global Entrepreneurship Week



Stakeholder from NC SMME Trust, Ms. Sefali giving information on their services during a LED Forum



Annual Workshop for SMMEs in Carnarvon, SMMEs applying for SEFA funding schemes

Extended Public Works Programme (EPWP)

The table below indicates the number of projects and jobs created with the EPWP:

Job creation through Extended Public Works Programme (EPWP) projects		
Year	Number of Projects	Number of Job Opportunities Created
2017/18	3	112
2018/19	3	62
2019/20	3	86
2020/21	3	54

Table 69: Job creation through EPWP projects

EPWP Projects

The Council approved the implementation of the following projects in the 2020/21 financial year.

Renovation of offices and paving of parking area at Pixley ka Seme DM

This phase of the programme consists of two activities e.g. Paving of the parking area and employment of support staff. The district municipality has embarked on a programme to renovate the offices in phases since 2014/15. For this year the priority was to pave of the driveway between the two carports as mud is deposited on the driveway and when dry it become dusty causing a health risk to officials. Support staff appointed in the Pixley ka Seme district under the EPWP programme are the communications field worker, EPWP data capturer and tourism field worker. **(15 Beneficiaries)**

Upgrading of gravel streets in Schmidtsdrift to paved streets

The allocation for 2020/21 was a continuation of the current phase of the project which commenced in March 2018 which entails the construction of storm water control measures in order to prevent and to drain flooding in the low laying areas. The project entails the excavation and installation of storm water pipes that were purchased during 2018/19 financial year with the necessary storm water catch pits and excavation of V-drains. Construction work commences in March 2019 and has continued into this financial year due to delays experienced due to the Covid-19 pandemic. *(17 Beneficiaries)*



Refurbishment of Municipal facilities in Renosterberg Municipality

Various community halls and other public facilities e.g. Municipal Clinics are in a dilapidated condition and need to be refurbished. Council initiated the project which entails the refurbishment of municipal facilities within the

district. A condition assessment of all community halls was completed and a report was tabled before council identifying the worst facilities in the district. The community hall in Philipstown was identified as one of the high priority halls and council approve the project. The works entails the cleaning, painting of buildings interior and exterior as well as refurbishment of toilets, wash basins, doors and ceilings. **(22 beneficiaries)**.

Job Creation Projects

EPWP Cutting of Prosopis Tree Project

Pixley ka Seme District Municipality was successful in obtaining additional funding from the Department of Economic Development for the implementation of an environmental orientated EPWP project in the district. The district municipality has embarked on a programme to eradicate invasive alien vegetation in some local municipalities within the district. The aim is also to provide work opportunities for unemployed persons within the municipality especially women and youth. The project was implemented in Siyancuma and Kareeberg Municipalities in the following towns: Marydale, Carnarvon and Vanwyksvlei.

The project entails of training of the workers in different aspects e.g. vegetation control in cutting/eradication methods of invasive alien vegetation, handling and applying herbicides, storing of raw tools, equipment and raw materials.

The project started in 2020/21 financial year and it will continue in the 2021/22 as another allocation was solicit for the programme. **(80 beneficiaries)**

Employees: LED

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	1	1	0	0
<i>As at 30 June 2021</i>				

Table 70: Employees - LED

Capital Expenditure: LED

There was no capital expenditure for the 2020/21 financial year.

COMPONENT D: MUNICIPAL HEALTH

3.9 Environmental Health

According to the Constitution of the Republic of South Africa 1996, the Local Government, Municipal Structures Act No.117 of 1998 and the National Health Act, No 61 of 2003, it is the statutory responsibility of a District Municipality and Metropolitan Municipality to render Municipal Health Services.

Section 24 of the Constitution entrenches the right of all citizens to live in an environment that is not harmful to their health or well-being. Section 1 of the National Health Act, 2003 (Act 61 of 2003), defines municipal health services and clearly stipulates the responsibilities of municipalities in the performance of such services.

Environmental Health

Environmental health transects several areas of human interaction and existence and is defined by the World Health Organization (WHO) as addressing the physical, chemical and biological factors external to a person and all the related factors impacting behaviours. It encompasses the assessment and control of those environmental factors that can potentially affect public health.

Environmental Health Services

In Pixley Ka Seme DM it is still an unfortunate reality that a large proportion of diseases can be attributed to preventable environmental health conditions and it is often the marginalized communities who tend to be worse affected. Protecting the public's health through the protection of the environment is one of Pixley Ka Seme DM's core legislative mandates by the rendering of municipal health services.

The Role and Function of the Municipal Health Services & Environmental Management Unit

Municipal health services are rendered to ensure protection of public health in the district, it is essential that effective municipal health services are implemented. Pixley Ka Seme DM have nine (10) Environmental Health Practitioners (EHP's) to ensure effective rendering of municipal health services, such officials ensure that the services are rendered in accordance with the National Health Act (Act 61 of 2003).

Key Performance Areas of Municipal Health are:

- ✿ Water quality monitoring
- ✿ Waste management
- ✿ Food control
- ✿ Health surveillance of premises
- ✿ Disposal of the dead
- ✿ Chemical safety
- ✿ Environmental pollution control
- ✿ Vector control
- ✿ Surveillance and prevention of communicable diseases excluding immunization
- ✿ Air Quality Monitoring

EHP's work together to provide situation analysis and need based risks affecting public health. Routine inspections reveal that new and evolving risks and exposures continuously place demands on our Municipal Health Services and to respond to these risks, Gazetting of Municipal Health Services was done and implementation generating an income

for the running of the service, continuous appointment of EHP's are done to respond/address such risks through awareness campaigns, clean-up programs and indoor air quality.

The District identified seven Key Priority Areas:

- ✿ Municipal Health Services By-law 2019 Implementation.
- ✿ Revenue generation
- ✿ Water Quality Monitoring
- ✿ Food Safety Control
- ✿ Surveillance of premises Early Childhood Development (ECD) Centre's, clinics, hospitals and schools etc.
- ✿ Disposal of the dead
- ✿ Air Quality Monitoring

Highlights: Municipal Health

Highlight	Description
R1,3 million revenue collected	Revenue collected through charging on Municipal Health Services rendered.
Certificates of Acceptability	Food Premises complying with food requirements issued with certificates of acceptability.
Health Certificates	Complying premises issued with Health Certificates with Municipal Health Services By-Law requirements such as Schools, Early childhood center & accommodation establishments.
Permits Issued	Permits issued on scheduled used activities as listed under Municipal Health Services By-Law.
Environmental Health Practitioner Trained as Law Enforcement Officers	6 x Environmental Health Practitioners trained as Law Enforcement Officer.

Table 71: Municipal Health Highlights



Challenges: Municipal Health

Description	Actions to address
Shortage of Staff	Appointment of additional Environmental Health Practitioners to comply with 1:10 00 National Norm as per National Health Policy.
Manual System to render service	Introduction of an electronic system to render Municipal Health & Environmental Management Services
Lack of administrative support at satellite offices	Provision of admin support for satellite offices in the organizational structure.
Security Threats	Satellite offices to receive security for protection.

Description	Actions to address
Lack of Office Accommodation	Procurement of additional office accommodation in Siyancuma, Umsobomvu & Ubuntu Local satellite offices.

Table 72: Municipal Health Challenges

Service Statistics: Municipal Health

Type of service	2019/20	2020/21
Water quality monitoring by conducting monthly sampling to determine compliance to SANS 241-2011	1 687	2142
Inspections of food premises	1 418	1756
Inspection to landfill sites	39	61
Inspection of funeral undertakers (disposal of the dead)	467	96
Inspection of non-food premises e.g., schools, crèches, hospitals and clinics (i.e., Surveillance premises)	477	867
Health and Hygiene Promotion Campaigns	1 283	772
Training on funeral Undertaker	370	70
Illegal Dumping Campaign	526	729
Chemical safety Campaigns	584	729
Training on food safety for food handlers	578	729

Table 73: Service Statistics: Municipal Health

Employees: Municipal Health

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	19	11	8	42
13 - 15	2	2	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	21	13	8	38

As at 30 June 2021

Table 74: Employees - Municipal Health

Capital Expenditure: Municipal Health

There was no capital expenditure for the 2020/21 financial year.

COMPONENT E: PUBLIC SAFETY

3.10 Disaster Management

The Disaster Management Act provides for:

- ✿ An integrated and coordinated Disaster Management Policy that focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters, and post-disaster recovery.
- ✿ The establishment of a District Municipal Disaster Management Centre.
- ✿ Disaster management volunteers.
- ✿ Awareness programs.
- ✿ Matters relating to these issues.

Highlights: Disaster Management

Highlights	Description
Training of volunteer in 6 local municipalities	Basic Fire Fighting Training were provided
Covid 19 awareness campaigns and education	Were done in the district
District Command Council and JOC's attended	Were done in the district
District Advisory Forums convened Virtually	Were done in Pixley Ka Seme
Emergency Services	Control Centre in Pixley Ka Seme District Municipality

Table 75: Disaster Management Highlights

Challenges: Disaster Management

Description	Actions to address
Covid- 19 Pandemic	To adhere to all Covid-19 health protocols
Poor communication between role players and stake holders	To improve communication
Poor attendance to Disaster Management Forums	High level management engagements
Insufficient and delays in funding	Enough funds
Capacity in the Disaster Management division	Appointments

Table 76: Disaster Management Challenges

Activities - Disaster Management

The table below reflects some of the matters addressed by Disaster Management within the Pixley Ka Seme District Municipal Area:

Items	2019/20	2020/21
Campaigns	2	8
Firefighting training sessions	2	6
Number of volunteers trained	50	150

Table 77: Activities: Disaster Management

3.11 Covid-19

On 15 March 2020 President Cyril Ramaphosa declared South Africa Covid-19 epidemic a national state of disaster under the Disaster Management, (Act 57 of 2002)(DMA). This was done primarily, as the President stated it to enable the government to “have an integrated and coordinated disaster management mechanism that will focus on preventing and reducing the outbreak of this virus.” The declaration enabled the government to issue a slew of regulations, directions, and guidelines to contain and mitigate the impact of the pandemic.

During a state of disaster, the DMA allows the government to issue regulations to restrict, inter alia, movement of persons and goods “to, from or within the disaster-stricken or threatened area, ... the suspension or limiting of the sale, dispensing or transportation of alcoholic beverages in the disaster-stricken or threatened area.... [or] any other steps that may be necessary to prevent an escalation of the disaster, or to alleviate, contain and minimise the effects of the disaster...” (section 27(2).)

Similarly, the Disaster Management Regulations of 2004 (DMR) (as amended) state that:

“any Minister may issue and vary directions, as required, within his or her mandate, to address, prevent and combat the spread of COVID-19, from time to time, as may be required, including...steps that may be necessary to prevent an escalation of the national state of disaster, or to alleviate, contain and minimise the effects of the national state of disaster.” (section 10(8).)

These regulations and the pandemic itself have had a major impact on the basic service delivery and operations of local government, who had to adjust with immediate effect not only identified risks, projects, manpower but also budgets.

Covid-19 Committee

On 30 April 2020, the Pixley Ka Seme District Municipality established the Covid-19 Response Committee. The committee comprises of members from all spheres of government.

The Covid-19 committee has the following functions:

- Mitigate implementation of Disaster
- Educate and awareness campaigns
- Prevention

The table below indicates the members that serve on the Covid-19 Response Committee which held weekly meetings:

Name	Representing
Mr R.E Pieterse	Municipal Manger Pixley ka Seme District Municipality

Table 78: Covid-19 Response Committee

The District JOC is the meeting composed of the Senior Officials from all Sector Departments and Local Municipalities, processing the programmes and report on Covid 19 before presenting to the District Command Meeting.

Name	Representing
Executive Mayor (PKSDM) L.G Nkumbi	District Command Council Coordinator

Table 79: District Command Council

The District Command Council is composed of all Local Mayors and Senior officials from Sector Departments and Local Municipalities adopting programmes and Reports on Covid 19.

Covid-19 Activities and Actions

The table below provide the actions implemented/activities to address the COVID-19 associated risks:

Activity	Risk	Action implementation
Business operational hours	Emthanjeni local Municipality 07:00- 19:00	Issued operational Notices
Curfew	20:00-05:00	Awareness campaign to community
Movement of community members without permit	Transmission & contracting COVID-19	Enforcement of the regulations
Funerals	Funeral with more than 50 people	<ul style="list-style-type: none"> ☼ Community notice ☼ Screening. ☼ Enforcement of the regulation. ☼ Infectious control. ☼ Health & Hygiene promotion. ☼ Funeral Services SOP educated to families five days before the funeral by all stakeholders led by the relevant Local municipality
Shops	Social distancing	<ul style="list-style-type: none"> ☼ Marking of 1.5 M spaces outside the shops ☼ Queue marshals ☼ Enforcement of the regulations ☼ District Cluster JOC
	Number of people & number of workers in the shops	Control of access in the shops
	Hand sanitizers	Hand sanitizer marshal at doors
	Transportation of food	Enforcement of the regulations
	Informal traders	Screening of shoppers
	Adhering to complying with PPE requirement by shop officials (Wearing of mask, disinfecting of counters)	Enforcement of the regulations
	Tuckshops	Certification of vehicles transporting food
District Borders	People from high risks areas	District border control

Table 80: Covid-19 Activities and Actions

Employees: Disaster Management

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	14	10	4	29
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	15	11	4	27
As at 30 June 2021				

Table 81: Employees - Disaster Management

Capital Expenditure: Disaster Management

There was no capital expenditure for the 2020/21 financial year.

COMPONENT F: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.12 Office of the Mayor

This division include Communication, Community Liaison and Special Programmes

Highlights: Office of the Mayor

Highlights	Description
Handing over Food Parcels, Blankets and Hygiene packs.	To assist the poor households with food and to promote Hygiene during covid 19 pandemic

Table 82: Office of the Mayor Highlights

Employees: Office of the Mayor

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	1	1	0	0
7 - 9	2	1	1	50
10 - 12	2	2	0	0
13 - 15	2	2	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	7	6	1	14

As at 30 June 2021

Table 83: Employees - Office of the Mayor

Capital Expenditure: Office of the Mayor

There was no capital expenditure for the 2020/21 financial year.

3.13 Office of the Municipal Manager

Highlights: Office of Municipal Manager

Highlights	Description
Risk Management	Appoint of the Risk Officer to manage the institution risk and develop Risk Framework.
Municipal Finance Disciplinary Board	Appointment of the MFDB to investigate instances of UIF & Wasteful Expenditure.

Table 84: Office of the Municipal Manager Highlights

Challenges: Office of the Municipal Manager

Challenge	Actions to address
Municipal Fincial Sustainability	The grant dependency of the Municipality

Table 85: Office of the Municipal Manager Challenges

Employees: Office of the Municipal Manager

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	1	1	0	0
10 - 12	1	1	0	0
13 - 15	1	0	1	100
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	3	2	1	33

As at 30 June 2021

Table 86: Employees - Office of the Municipal Manager

Capital Expenditure: Office of the Municipal Manager

There was no capital expenditure for the 2020/21 financial year.

3.14 Financial Services

Financial Services is responsible for budgeting, revenue, expenditure and supply chain management.

Service Statistics: Supply Chain Management (SCM)

The table below indicates the service statics for the division:

Description	2019/20		2020/21	
	Total No	Total No	Total No	Monthly Average
Orders processed	635	53	680	56.667
Extensions	0	0	2	0.16
Bids received (number of documents)	18	1.5	169	14.083
Bids awarded	3	0.3	8	0.67
Bids awarded ≤ R200 000	13	1.0	30	2.5
Appeals registered	0	0	0	0
Successful Appeals	0	0	0	0

Table 87: Statistics SCM

Total Employees - Financial Services

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	4	4	0	0
7 - 9	2	2	0	0
10 - 12	3	3	0	0
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	0	0	0	0
Total	10	10	0	0

As at 30 June 2021

Table 88: Total employees - Financial Services

Capital Expenditure: Financial Services

Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
R					
Transport Assets	750 000	2 000 000	1 938 529	1 188 529	1 938 529
Furniture and Equipment Assets	100 000	750 000	711 538	611 538	711 538
Computer Equipment	500 000	525 000	614 808	114 808	614 808
Buildings	150 000	150 000	124 428	(25 572)	124 428
Machinery and Equipment	0	25 000	10 256	10 256	10 256

Table 89: Capital Projects: Financial Services

3.15 Support Services

Highlights: Support Services

Highlights	Description
Capacitation of the Registry Leaner	Mr Eugene Stamboel in the Registry Office, was permanently employed at the Municipality
Capacitation of the IT Leaner	Mr. Stephan Myburgh has been appointed as an IT Leaner to strengthen the IT Unit and ensure better IT relations.
Purchase of new vehicles	Six new vehicles were purchased to ensure better service delivery.
Internet Connection	Wireless points in the entire municipal building to ensure employees to be able to work at any point in the building.

Table 90: Support Services Highlights

Challenges: Support Services

Challenge	Description
Strong room capacity	The strongroom of Registry is too small to store all closed files at the Archives as regulated by the National Archive Act.

Challenge	Description
Capacitation of Registry and IT clerks	Lack of training from SALGA

Table 91: Support Services Challenges

Employees: Support Services

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	6	6	0	0
4 - 6	5	5	0	0
7 - 9	0	0	0	0
10 - 12	3	3	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	15	15	0	0

As at 30 June 2021

Table 92: Employees - Support Services

Capital Expenditure: Support Services

There was no capital expenditure for the 2020/21 financial year.

3.16 Human Resources

Highlights: Human Resources

Highlights	Description
Filling of funded vacant posts	The Municipality managed within the financial year to fill all vacant and funded posts.
Bursaries to PKSDM Employees	In the period under review the municipality managed to assist 18 employees.

Table 93: Human Resources Highlights

Challenges: Human Resources

Challenge	Actions to address
Growing number of employees interested to further their studies vs our limited training budget	Municipality applied for a LGSETA discretionary Grant to assist employees who wish to further their studies.
Covid 19 and LGSETA on Discretionary grants that were not paid for the financial year	The municipality used the window period and formed partnerships with the private sector to apply for Discretionary Grant.

Table 94: Human Resources Challenges

Employees: Human Resources

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	1	1	0	0
7 - 9	0	0	0	0
10 - 12	1	1	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	3	3	0	0

As at 30 June 2021

Table 95: Employees - Human Resources

Capital Expenditure: Human Resources

There was no capital expenditure for the 2020/21 financial year.

3.17 Legal Services & Labour Division

Highlights: Legal Services & Labour Division

Highlights	Description
Recommended and successfully defended the summary of dismissal of Emthanjeni employee facing allegation of serious misconduct.	This saved the Municipality +/- R600 000. As well as possible litigation for vicarious liability.
Defending Renosterberg Local Municipality against a possible court order.	If the court order was obtained this would have resulted in the attachments of the municipality movable property.
Renegotiated a vehicle lease agreement for Renosterberg Local Municipality.	The original Agreement had unfavourable terms for the municipality with the renegotiation, this has saved the Municipality R4 Million.

Table 96: Legal Services & Labour Division Highlights

Challenges: Legal Services & Labour Division

Challenge	Actions to address
Presiding Officers remain the biggest obstacle in our environment and will probably remain an issue until municipal officials can be trained as prosecutors and presiding officers.	Training of Municipal officials to equip them with the necessary skills in taking up those roles.

Table 97: Legal Services & Labour Division Challenges

Employees: Legal Services & Labour Division

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	1	1	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	2	2	0	0

As at 30 June 2021

Table 98: Employees - Legal Services & Labour Division

Capital Expenditure: Legal Services & Labour Division

There was no capital expenditure for the 2020/21 financial year.

3.18 Internal Audit

Highlights: Internal Audit

Key projects that were achieved during the financial year:

Project	Description	Duration/Time
Development and execution of the RBAP	APC approved the Risk Based Audit Plan for execution by internal audit	2020/21
Development of Internal Audit and Audit Committee Charters	APC approved the Internal Audit Charter and APC Charter	<ul style="list-style-type: none"> ✿ 29 June 2020 ✿ 7 September 2020
Continuous training of IA officials	<p>We are committed to training of IA staff in order to ensure best quality of internal audit services. Officials attended the following trainings/conferences during the year:</p> <ul style="list-style-type: none"> ✿ 10 officials attended CIGFARO Risk management training (Virtual) ✿ 10 officials attended IIA(SA) Navigating change - AN Unprecedented Challenge ✿ 5 officials wrote PIA exams 	<ul style="list-style-type: none"> ✿ 13 November 2020 ✿ 25 - 27 November 2020 ✿ 8-9 April 2021
Professional development	One (1) official successfully completed the PIA exams.	8-9 April 2021

Table 99: Internal Audit Highlights

Challenges: Internal Audit

Challenge	Actions to address
External Quality Assessment Review	Initiated the process to conduct an external QAR for the internal audit activity by conducting a GAP Analysis first. The department is currently addressing issues highlighted through the GAP Analysis in preparation for the External Quality Assessment.

Table 100: Internal Audit Challenges

Employees: Internal Audit

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	Number			%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	4	4	0	0
10 - 12	0	0	0	0
13 - 15	5	5	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	9	9	0	0

As at 30 June 2021

Table 101: Employees - Internal Audit

Capital Expenditure: Internal Audit

There was no capital expenditure for the 2020/21 financial year.

COMPONENT G: ORGANISATIONAL PERFORMANCE SCORECARD AND INDIVIDUAL PERFORMANCE

This component includes the Annual Performance Scorecard Report for the current year.

3.19 Development and Service Delivery Priorities for 2021/22

The main development and service delivery priorities for 2021/22 are included in the Municipality's Top Layer SDBIP for 2021/22 and the Key Performance Indicators to achieve the service delivery priorities:

Administer Finances in a Sustainable Manner and Strive to Comply with Legislative Requirements to Achieve a Favourable Audit Outcome

Internal Ref	KPI	Unit of Measurement	Target
TL23	Compile and submit an Audit Action Plan to Council by 31 January 2022 to address the issues raised by the AG	Audit Action Plan compiled and approved by 31 January 2022	1
TL24	Report quarterly to council on meetings with and correspondence to defaulting municipalities on debt relating to services rendered	Number of reports submitted	4
TL25	Prepare and submit the draft budget to Council by 31 March 2022	Draft budget submitted by 31 March 2022	1
TL26	Prepare and submit the final budget to Council by 31 May 2022	Final budget submitted by 31 May 2022	1
TL27	Prepare and submit the adjustments budget to Council by the 28 February 2022	Adjustments budget submitted by 28 February 2022	1
TL28	Submit the annual financial statements to the Auditor-General by 31 August 2021	Statements submitted to the AG by 31 August 2021	1
TL29	Co-ordinate the District MM/CFO forums on a bi-annual basis	Number of meetings coordinated	2

Internal Ref	KPI	Unit of Measurement	Target
TL30	Financial viability measured in terms of the Municipality's ability to meet its service debt obligations by 30 June 2022 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% debt coverage as at 30 June 2022	45.00%
TL31	Financial viability measured in terms of the available cash to cover fixed operating expenditure by 30 June 2022 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fixed operating expenditure with available cash as at 30 June 2022	0.01

Table 102: Service Delivery Priorities for 2021/22- Administer Finances in a Sustainable Manner and Strive to Comply with Legislative Requirements to Achieve a Favourable Audit Outcome

Compliance with the Tenets of Good Governance as Prescribed by Legislation and Best Practice

Internal Ref	KPI	Unit of Measurement	Target
TL1	Submit a report to council by 31 May 2022 on the monitoring and evaluation of community participation	Report submitted to council by 31 May 2022	1
TL2	Host commemorative days as per the approved list by the Municipal Manager and Mayor	Number of commemorative days hosted	5
TL3	Facilitate the meeting of the District HIV/AIDS council	Number of meetings held	4
TL4	Facilitate the meeting of the Youth Council	Number of meetings held	2
TL6	Facilitate the meeting with relevant stakeholders on the Street Children and Fetal Alcohol Syndrome Special Programme by 30 June 2022	Meeting facilitated by 30 June 2022	1
TL7	Facilitate "Council meets the People" meetings for each municipality by 30 June 2022	Number of meetings facilitated	8
TL8	Facilitate the meeting of the District Communication Forum	Number of meetings held	4
TL9	Compile and distribute the District Municipality's external newsletter on a quarterly basis	Number of newsletters compiled and distributed	4
TL10	Review the Social Media Policy and submit to Council by 31 May 2022	Social Media Policy submitted to council by 31 May 2022	1
TL11	Facilitate the quarterly meetings of the Technical District Intergovernmental Forum	Number of meetings facilitated	4
TL12	Sign 57 performance agreements with all directors by 31 July 2021	Number of performance agreements signed by 31 July 2021	4
TL14	Facilitate the quarterly meetings of the Political District Intergovernmental Forum	Number of meetings facilitated	4
TL15	Complete the Risk Assessment and submit the updated risk register to the Risk Management Committee by 31 March 2022	Risk Analysis completed and updated risk register submitted to the Risk Management Committee by 31 March 2022	1
TL32	Submit the Top layer SDBIP for approval by the Mayor within 21 days after the budget has been approved	Top Layer SDBIP submitted annually to Mayor within 21 days after the budget has been approved	1

Internal Ref	KPI	Unit of Measurement	Target
TL33	Submit the draft Annual Report to Council annually by 31 January 2022	Draft annual report submitted annually to council by 31 January 2022	1
TL44	Purchase two vehicles by 30 June 2022	Number of vehicles purchased by 30 June 2022	2
TL50	Review the Spatial Development Framework and submit to Council by 31 May 2022	Reviewed Spatial Development Framework submitted to Council by 31 May 2022	1

Table 103: Services Delivery Priorities for 2021/22- Compliance with the Tenets of Good Governance as Prescribed by Legislation and Best Practice

Guide Local Municipalities in the Development of their IDP's and in Spatial Development

Internal Ref	KPI	Unit of Measurement	Target
TL51	Compile the IDP and submit draft to Council by 31 March 2022	Draft IDP submitted to Council by 31 March 2022	1
TL52	Compile an IDP framework by 31 August 2021 to guide local municipalities	IDP framework completed by 31 August 2021	1

Table 104: Services Delivery Priorities for 2021/22- Guide Local Municipalities in the Development of their IDP's and in Spatial Development

Monitor and Support Local Municipalities to Enhance Service Delivery

Internal Ref	KPI	Unit of Measurement	Target
TL13	Report quarterly to council on Shared Services	Number of reports submitted	4
TL48	Submit quarterly progress reports to the Portfolio Committee on the activities in the department including expenditure on all MIG projects of local municipalities in the district and infrastructure grants/allocations implemented by the district municipal	Number of reports submitted	4
TL49	Conduct housing consumer education in towns of non-accredited municipalities in the district	Number households educated	720

Table 105: Services Delivery Priorities for 2021/22- Monitor and Support Local Municipalities to Enhance Service Delivery

Promote Economic Growth in the District

Internal Ref	KPI	Unit of Measurement	Target
TL5	Facilitate 2 career exhibitions in the Pixley Ka Seme District area by 30 June 2022	Number of career exhibitions facilitated	2
TL53	Create full time equivalents (FTE's) through the Expanded Public Works Programme (EPWP) by 30 June 2022 [Person days / FTE (230 days)]	Number full time equivalents (FTE's) created by 30 June 2022	14
TL54	Facilitate quarterly LED forum meetings	Number of meetings Facilitated	4

Table 106: Service Delivery Priorities for 2021/22- Promote Economic Growth in the District

To Provide a Professional, People-Centred Human Resources and Administrative Service to Citizens, Staff and Council

Internal Ref	KPI	Unit of Measurement	Target
TL34	Spent 1% of personnel budget on training by 30 June 2022 (Actual total training expenditure divided by total personnel budget)	% of the personnel budget spent	1.00%
TL35	Submit a business proposal to LGSETA for discretionary grant to avail funds to train employees and unemployed by 31 May 2022	Proposal submitted by 31 May 2022	1
TL36	Implement the WPSP measured by the % of identified employees that completed training as identified in WPSP by 30 June 2022 (Total number of officials that received training as was identified in the WPSP for 2020/21/total number of officials that were iden	% of identified employees that completed training as identified in WPSP by 30 June 2022	90.00%
TL37	Limit the vacancy rate of all funded and vacant posts to 10% of funded posts by 30 June 2022 so that 90% of posts are filled ((Number of funded posts vacant/Total number of funded posts)x100)	% vacancy rate of funded posts (Number of funded posts vacant/Total number of funded posts)x100	10.00%
TL38	Review the Workplace Skills Plan and submit to the LGSETA by 30 April 2022	Plan submitted to the LGSETA by 30 April 2022	1
TL39	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan by 30 June 2022	Number of people employed (newly appointed)	1
TL45	Review the organizational structure of the district Municipality and submit to council by 31 May 2022	Reviewed Organizational Structure submitted to council by 31 May 2022	1
TL47	Review the ICT Strategy and submit to Council by 31 May 2022	Reviewed ICT Strategy submitted to Council by 31 May 2022	1

Table 107: Service Delivery Priorities for 2021/22- To Provide a Professional, People-Centred Human Resources and Administrative Service to Citizens, Staff and Council

To Provide an Independent and Objective Internal Audit Assurance and Consulting Service to Add Value and to Improve the Administrative Operations of all the Municipalities in the District through an Approach that is Systematic and Disciplined

Internal Ref	KPI	Unit of Measurement	Target
TL16	Submit a Quality Assurance Plan for Pixley Ka Seme District Municipality to the Audit Committee by 30 June 2022	Quality Assurance Plan submitted annually by 30 June 2022	1
TL17	Submit internal audit reports to the local municipalities in terms of the Service Level Agreements	Number of reports submitted	32
TL18	Compile the Risk Based Audit Plan (RBAP) for Pixley Ka Seme District Municipality and submit to the Audit Committee for consideration by 30 June 2022	RBAP submitted by 30 June 2022	1
TL19	Compile the Risk based audit plans (RBAP) for the local municipalities in terms of the Service Level Agreements and submit to the local municipalities by 30 June 2022	Number of plans submitted by 30 June 2022	8
TL20	Review the 3 year Strategic Audit Plan for Pixley Ka Seme District Municipality and submit to the Audit Committee by 30 June 2022	Revised 3 year Strategic Audit plan submitted to the AC by 30 June 2022	1

Internal Ref	KPI	Unit of Measurement	Target
TL21	Review the 3 year Strategic Audit Plan for the Local Municipalities in terms of the Service Level Agreements and submit to the to the Audit Committee by 30 June 2022	Revised 3 year Strategic Audit plan submitted to the AC by 30 June 2022	8
TL22	Facilitate the quarterly Audit Committee meetings during the 2021/22 financial year for Pixley Ka Seme District Municipality	Number of Audit Committee meetings facilitated	4

Table 108: Service Delivery Priorities for 2021/22- To Provide an Independent and Objective Internal Audit Assurance and Consulting Service to Add Value and to Improve the Administrative Operations of all the Municipalities in the District through an Approach that is Systematic and Disciplined

To Provide Disaster Management Services to the Citizens

Internal Ref	KPI	Unit of Measurement	Target
TL40	Host training session by 31 May 2022 to train volunteers ito Disaster Management	Training session hosted by 31 May 2022	1
TL41	Review the Disaster Management Plan annually and submit to Council by 31 May 2022	Reviewed plan annually submitted to council by 31 May 2022	1
TL46	Submit application for increased funding for disaster management to COGHSTA by 31 March 2022	Application submitted by 31 March 2022	1

Table 109: Service Delivery Priorities for 2021/22- To Provide Disaster Management Services to the Citizens

To Provide Municipal Health Services to Improve the Quality of Life of the Citizens

Internal Ref	KPI	Unit of Measurement	Target
TL42	Compile monthly water quality analysis reports to local municipalities in terms of the Water Quality Monitoring Programme	Number of reports compiled	96
TL43	Submit quarterly reports to Council on municipal health services rendered	Number of reports submitted	4

Table 110: Service Delivery Priorities for 2021/22- To Provide Municipal Health Services to Improve the Quality of Life of the Citizens

3.20 Municipal Manager and Managers directly accountable to the Municipal Manager

The Municipal Systems Act, 2000 (Act 32 of 2000) prescribes that the municipality must enter into performance-based agreements with the all s57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements of the senior managers for the 2020/21 financial year were signed as prescribed. The appraisal of the actual performance in terms of the signed agreements takes place twice per annum as regulated. The final evaluation of the 2019/20 financial year (1 January 2020 to 30 June 2020) took place on **24 November 2020** and the mid-year performance of 2020/21 (1 July 2020 to 31 December 2020) took place on **12 March 2021**.

Chapter 4: Organisational Development Performance

Performance Report Part II

4.1 National Key Performance Indicators - Municipal Transformation and Organisational Development

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area - Municipal Transformation and Organisational Development.

KPA& Indicators	2019/20	2020/21
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	4	2
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	1.09%	1.00%

Table 111: National KPIs- Municipal Transformation and Organisational Development

4.2 Introduction to the Municipal Workforce

The Pixley Ka Seme District Municipality currently employs **86** permanent officials as at 30 June 2021, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

4.3 Employment Equity

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan"

Employment Equity Targets/Actual within the 3 highest levels

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
2	4	1	0	0	0	0	0

Table 112: 2020/21 EE targets/Actual by racial classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
1	2	100%	1	2	100%	0	0	100%

Table 113: 2020/21 EE targets/actual by gender classification

Occupational Levels - Race

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
MM & MSA section 57 & 56	2	1	0	1	0	1	0	0	5
Managers (Unit heads)	5	1	0	2	1	1	0	0	10
Professionals and Middle management	6	2	0	0	10	1	0	0	19
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	4	2	0	0	5	2	0	0	13
Semi - skilled	8	7	0	1	9	5	0	0	30
Unskilled and defined decision making	1	2	0	0	2	2	0	0	7
Total permanent	26	15	0	4	39	12	0	0	86
Non- permanent employees	5	3	0	1	4	7	0	0	20
Grand total	31	18	0	5	43	19	0	0	106

Table 114: Occupational Levels - Race

Departments - Race

The following table categories the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Office of the Municipal Manager	1	0	0	0	2	0	0	0	3
Office of the Executive Mayor	3	0	0	0	2	1	0	0	6
Finance	1	3	0	1	3	3	0	0	11
Corporate Services	14	8	0	1	17	5	0	0	45
Infrastructure, Housing, Planning & Development	7	1	0	1	3	0	0	0	12
Internal Audit	1	3	0	1	2	2	0	0	9
Total permanent	27	15	0	4	29	11	0	0	86
Non- permanent employees	5	3	0	1	4	7	0	0	20
Grand total	32	18	0	5	33	18	0	0	106

Table 115: Departments - Race

4.4 Vacancy Rate

The approved organogram for the municipality has **102** posts. The actual positions filled are indicated in the tables below by post level and by functional level. **16** posts were vacant at the end of 2020/21, resulting in a vacancy rate of **15.68%**.

Below is a table that indicates the vacancies within the municipality:

Department	Filled	Vacant
Office of the Municipal Manager	7	1
Office of the Executive Mayor	6	1
Finance	10	0
Corporate Services	44	12
Infrastructure, Housing, Planning & Development	10	2

Department	Filled	Vacant
Internal Audit	9	0
Total	86	16

Table 116: Vacancy rate per post and functional level

4.5 Turnover rate

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the turnover rate within the municipality. The turnover rate for 2019/20 was **10.1%** and decreased to **3.9%** in 2020/21.

The table below indicates the turn-over rate over the last two years:

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2018/19	80	17	6	7.5%
2019/20	79	13	8	10.1
2020/21	86	13	3	3.9%

Table 117: Turnover rate

4.6 Managing the Municipal Workforce

Managing the municipal workforce refers to analysing and coordinating employee behaviour.

Injuries

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The table below indicates the total number of injuries within the different departments:

Department	2019/20	2020/21
Office of the Municipal Manager	0	0
Office of the Executive Mayor	0	0
Finance	0	0
Corporate Services	0	0
Infrastructure, Housing, Planning & Development	0	0
Internal Audit	0	0
Total	0	0

Table 118: Injuries

Sick Leave

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken.

The total number of employees that have taken sick leave during the 2020/21 financial year shows an increase when comparing it with the 2019/20 financial year.

The table below indicates the total number sick leave days taken within the year:

Year	Total number of sick leave days taken within the year
2018/19	835
2019/20	590
2020/21	777

Table 119: Sick Leave

HR Policies and Plans

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the HR policies and plans that are approved:

Approved policies	
Name of policy	Date approved/revised
Recruitment and Selection Policy	30 September 2020
Skills Development Policy	30 September 2020
Career Pathing Policy	30 September 2020
Study Assistance Policy	30 September 2020
Staff Induction Policy	30 September 2020
Bereavement Policy	30 September 2020
Code of Conduct for Municipal Officials	Local Government: Municipal Systems Act
Dress Code Policy	30 September 2020
Employee Health and Wellness Policy	30 September 2020
Employment Equity Plan	30 September 2020
HIV/Aids Policy	30 September 2020
Human Resources Strategy	30 September 2020
Placement Policy	30 September 2020
Performance Management Framework	30 September 2020
Promotion and Succession Planning Policy	30 May 2019
Remuneration Policy	30 May 2019
Rental Allowance Scheme Policy	30 May 2019
Substance Abuse Policy	30 May 2019
Organisational Structure	28 May 2019

Table 120: HR policies and plans

4.7 Capacitating the Municipal Workforce

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Skills Matrix

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training
MM and S57	Female	1	1
	Male	2	1
Legislators, senior officials and managers	Female	1	0
	Male	2	2
Associate professionals and Technicians	Female	1	1
	Male	2	2
Professionals	Female	8	8
	Male	3	3
Clerks	Female	10	0
	Male	3	0
Elementary occupations	Female	2	0
	Male	2	0
Sub total	Female	23	10
	Male	14	8
Total		37	18

Table 121: Skills Development: Training provided

MFMA Competencies

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, “(1) No municipality or municipal entity may, with effect 1 January 2013 (exempted until 30 September 2015 as per Government Notice 179 of 14 March 2014), employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations.”

The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				
Accounting officer	1	Yes	1	1
Chief financial officer	1	Yes	1	1
Senior managers	3	Yes	3	3
Any other financial officials	7	No	n/a	7

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Supply Chain Management Officials				
Heads of supply chain management units	1	No	n/a	1
Supply chain management senior managers	0	No	n/a	0
TOTAL	12	n/a	4	13

Table 122: Financial competency development: Progress report

Skills Development - Budget allocation

The table below indicates that a total amount of **R617 700** was allocated to the workplace skills plan and that **99.9%** of the total amount was spent in the 2020/21 financial year:

Year	Total Expenditure Salary and Allowances	Total Allocated	Total Spend	% Spent
	R			
2019/20	39 810 880	450 000	461 613	102.58
2020/21	45 223 316	617 700	617 118	99.90

Table 123: Budget allocated and spent for skills development

4.8 Managing the Municipal Workforce Expenditure

Section 66 of the MSA states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years:

Financial year	Total Expenditure Salary and Allowances	Total Operating Expenditure	Percentage
	R		%
2019/20	39 810 880	61 472 728	64.8
2020/21	45 223 316	75 277 509	60.07

Table 124: Personnel Expenditure

Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2019/20	2020/21		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R			
Councillors (Political Office Bearers plus Other)				
Executive Mayor	853 462	915 903	872 900	793 704
Deputy Executive Mayor	0	0	0	0
Mayoral Committee Members	2 660 610	2 062 581	1 965 800	2 761 011
Speaker	699 488	733 921	710 300	699 488
Councillors	314 961	1 121 260	847 000	184 083
Sub Total - Councillors	4 528 521	4 833 665	4 396 000	4 438 286
% increase/ (decrease)	-	6.7	(9.0)	0.9
Senior Managers of the Municipality				
Annual Remuneration	4 291 898	4 501 000	4 256 100	4 270 320
Acting Allowance	0	0	0	0
Car Allowance	420 000	425 311	337 829	430 000
Settlement Payment	0	0	0	0
Bonus & Long Service Bonus	271 813	0	357 000	280 000
Performance Bonus	737 841	1 100 651	738 000	767 125
Contribution to UIF, Medical & Pension	59 140	8 925	10 788	50 920
Housing Subsidy	0	0	0	0
Telephone Allowance	0	0	0	0
Leave Pay-Out	0	0	0	0
Other	546 024	523 042	498 135	544 823
Sub Total - Senior Managers of Municipality	6 326 716	6 558 929	6 208 640	6 343 188
% increase/ (decrease)	-	3.7	(5.3)	2.1
Other Municipal Staff				
Basic Salaries and Wages	23 811 424	24 277 801	26 206 852	25 720 009
Pension Contributions	3 588 637	4 420 026	4 552 459	4 202 855
Medical Aid Contributions	1 020 373	1 232 000	1 431 290	1 280 386
Motor vehicle allowance	1 036 737	1 297 153	1 392 704	1 374 910
Cell phone allowance	200 668	195 200	216 700	258 995
Housing allowance	217 542	335 640	250 719	255 516
Overtime	1 554 374	800 000	880 000	484 443
Other benefits or allowances	2 054 409	2 023 451	2 138 491	5 303 014
Sub Total - Other Municipal Staff	33 484 164	34 581 271	37 069 215	38 880 128
% increase/ (decrease)	-	3.3	7.2	4.9

Table 125: Personnel Expenditure

Chapter 5: Financial Performance

Component A: Statements of Financial Performance

The Statement of financial performance provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

5.1 Financial Summary

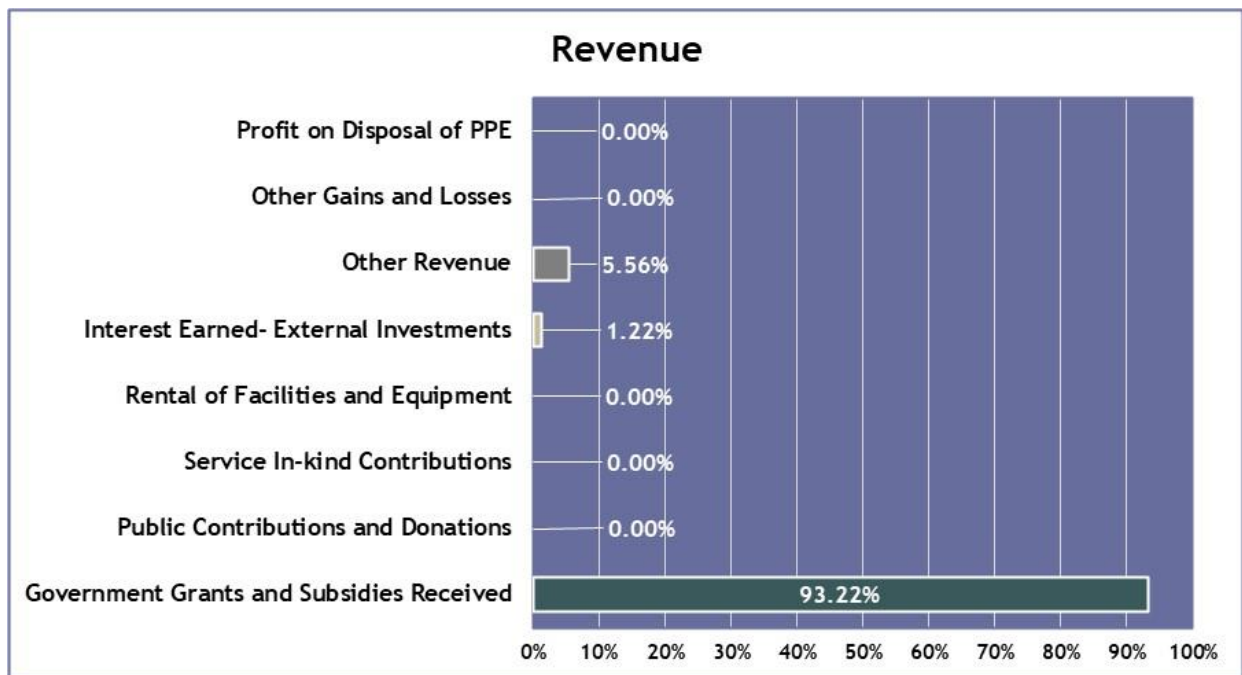
The table below indicates the summary of the financial performance for the 2020/21 financial year:

Description	2019/20	2020/21		2020/21 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
	R'000				%	
Financial Performance						
Government Grants and Subsidies Received	63,453	56,307	60,912	60,764	7.34	-0.24
Public Contributions and Donations	0	0	0	0	0.00	0.00
Service In-kind Contributions	0	0	0	0	0.00	0.00
Rental of Facilities and Equipment	0	0	0	0	0.00	0.00
Interest Earned- External Investments	1,350	500	801	796	37.19	-0.57
Other Revenue	6,159	3,454	5,567	3,622	4.65	-53.70
Other Gains and Losses	0	0	0	0	0.00	0.00
Profit on Disposal of PPE	1,379	0	0	0	0.00	0.00
Total Revenue (excluding capital transfers and contributions)	72,341	60,261	67,280	65,182	7.55	-3.22
Employee costs	39,811	41,140	43,717	45,223	9.03	3.33
Remuneration of councillors	4,529	4,834	4,396	4,438	-8.91	0.95
Depreciation & asset impairment	2,141	2,000	1,023	1,020	-96.11	-0.35
Impairment losses	(15)	0	1,320	868	100.00	-51.99
Repairs and Maintenance	267	1,824	780	779	-134.24	-0.13
Materials	0	0	2,955	650	100.00	-354.50
Finance charges	1,515	0	82	1,790	100.00	95.42
Contracted Services	0	2,605	2,029	0	0.00	0.00
Transfers and grants	0	750	618	0	0.00	0.00
Other expenditure	12,924	10,720	12,683	15,125	29.12	16.14
Loss on Disposal of PPE	0	0	6,481	4,934	29.12	16.14
Total Expenditure	61,173	63,872	76,084	74,828	14.64	-1.68
Surplus/(Deficit)	11,168	(3,611)	(8,804)	(9,646)	62.56	8.72
Transfers recognised - capital	0	3,034	3,034	3,034	0.00	0.00
Contributed assets	0	0	0	0	0.00	0.00
Loss on foreign exchange	0	0	0	0	0.00	0.00
Fair value adjustment	0	0	0	0	0.00	0.00
Actuarial gains / (losses)	0	0	0	0	0.00	0.00
Surplus/(Deficit)	11,168	(577)	(5,770)	(6,612)	91.27	12.73
Capital expenditure & funds sources						

Description	2019/20	2020/21		2020/21 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
	R'000				%	
Capital expenditure						
Transfers recognised - capital (incl Housing Development Fund)	7,474	3,034	3,034	3,034	0.00	0.00
Public contributions & donations	0	0	0	0	0.00	0.00
Borrowing	0	0	0	0	0.00	0.00
Internally generated funds	0	0	0	0	0.00	0.00
Total sources of capital funds	7,474	3,034	3,034	3,034	0.00	0.00
Financial position						
Total current assets	16,285	2,481	69,313	7,995	68.97	-766.96
Total non-current assets	15,485	16,368	18,518	12,711	-28.77	-45.69
Total current liabilities	14,679	31,474	99,468	9,985	-215.23	-896.21
Total non-current liabilities	11,015	0	0	11,256	100.00	100.00
Community wealth/Equity	6,077	(577)	(5,770)	(535)	-7.97	-978.90
Cash flows						
Cash/cash equivalents at the year begin	12,048	0	606	12,058	100.00	94.97
Net cash from (used) operating	3,691	0	2,411	(168)	100.00	1,537.74
Net cash from (used) investing	(1,465)	0	(2,150)	(3,180)	100.00	32.38
Net cash from (used) financing	(2,216)	0	0	(2,333)	100.00	100.00
Cash/cash equivalents at the year end	12,058	0	868	6,378	100.00	86.40
Cash backing/surplus reconciliation						
Cash and investments available	10,805	0	0	5,982	100.00	100.00
Application of cash and investments	0	0	0	0	0.00	0.00
Balance - surplus (shortfall)	10,805	0	0	5,982	100.00	100.00
Asset management						
Asset register summary (WDV)	15,485	15,216	15,216	12,710	-19.72	-19.72
Depreciation & asset impairment	2,141	2,000	1,023	1,020	-96.11	-0.35
Renewal of Existing Assets	4,677	1,500	3,450	3,400	55.88	-1.48
Repairs and Maintenance	267	1,824	780	779	-134.24	-0.13

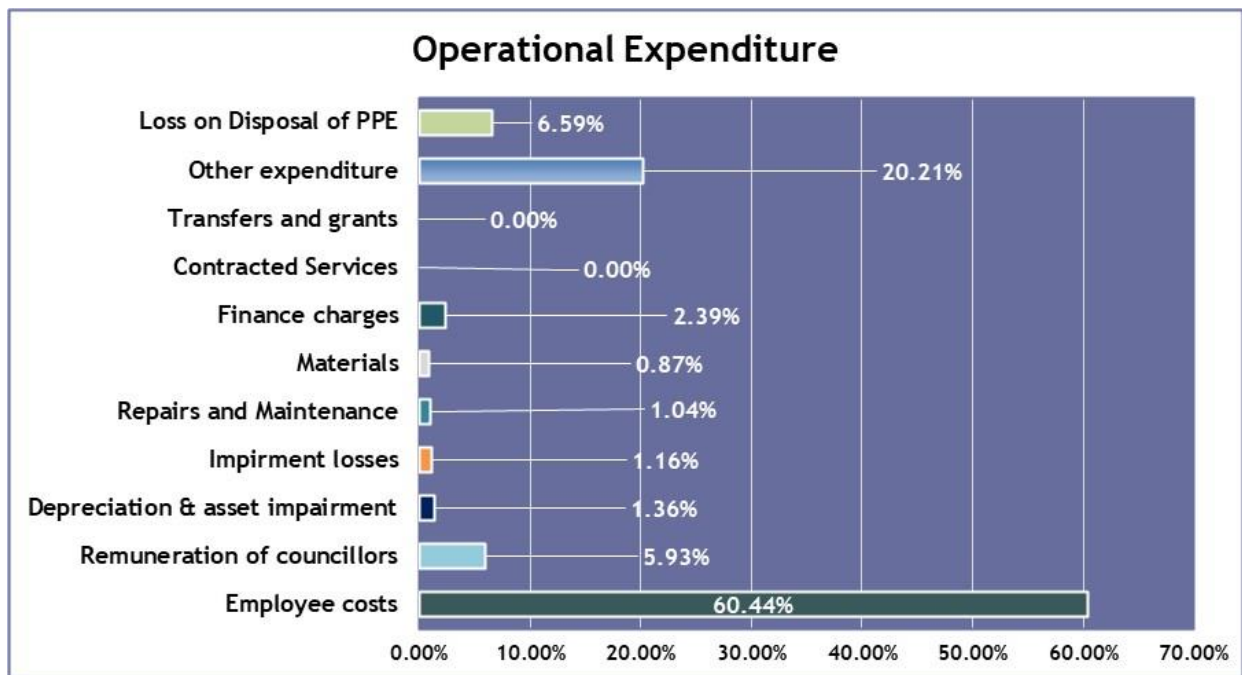
Table 126: Financial Performance

The following graph indicates the various types of revenue received in 2020/21:



Graph 8: Revenue

The following graph indicates the various types of expenditure items in 2020/21:



Graph 9: Operating Expenditure

The table below shows a summary of performance against budgets:

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	(R'000)				(R'000)			
2019/20	70,809	72,341	1,532	0.02	70,432	61,473	(8,959)	-0.13
2020/21	63,295	68,216	4,921	0.08	63,872	74,828	10,956	0.17

Table 127: Performance against budgets

5.1.1 Revenue Collection by Vote

The table below indicates the Revenue collection performance by vote

Vote Description	2019/20	2020/21			2020/21 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
	R'000			%		
Mayor & Council	3,484	3,484	4,059	3,585	2.83	-13.21
Municipal Manager	0	0	0	0	0.00	0.00
Budget and Treasury Office	57,863	54,527	57,451	56,826	4.05	-1.10
Corporate Service	0	0	0	0	0.00	0.00
Internal Audit	0	0	0	0	0.00	0.00
Development & Infrastructure	0	0	0	0	0.00	0.00
IDP	9,088	4,034	6,354	5,997	32.74	-5.94
Health	1,318	1,250	2,000	1,384	9.71	-44.47
Housing	297	0	450	423	100.00	-6.48
Public Safety	291	0	0	0	0.00	0.00
Total Revenue by Vote (Including capital transfers and contributions)	72,341	63,295	70,314	68,216	7.21	-3.07

Table 128: Revenue collection by vote

5.1.2 Revenue Collection by Source

The table below indicates the Revenue collection performance by source for the financial year:

Description	2019/20	2020/21			2020/21 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000			%		
Government Grants and Subsidies received	63,453	59,341	63,946	63,798	6.99	-0.23
Public Contributions and donations	0	0	0	0	0.00	0.00
Service In-kind Contributions	0	0	0	0	0.00	0.00
Rentals of facilities and equipment	0	0	0	0	0.00	0.00
Interest earned - external investments	1,350	500	801	796	37.19	-0.57
Other revenue	6,159	3,454	5,567	3,622	4.65	-53.70
Other Gains and Losses	0	0	0	0	0.00	0.00
Profit on disposal of Property Plant and Equipment	1,379	0	0	0	0.00	0.00
Total Revenue (excluding capital transfers and contributions)	72,341	63,295	70,314	68,216	7.21	-3.07

Table 129: Revenue collection by source

5.2 Financial Performance per Municipal Function

5.2.1 Housing

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	720	0	450	423	100.00
Expenditure:					
Employees	2,389	2,279	2,246	2,241	-1.72
Repairs and Maintenance	0	0	0	0	0.00
Other	160	229	363	361	36.54
Total Operational Expenditure	2,549	2,508	2,610	2,602	3.58
Net Operational (Service)	(1,829)	(2,508)	(2,160)	(2,179)	-15.12

Table 130: Financial Performance: Housing

5.2.2 Planning, Infrastructure and Development

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	4,881	5,661	6,354	5,997	5.61
Expenditure:					
Employees	398	4,903	4,396	6,449	23.97
Materials	841	234	651	650	64.05
Finance cost	0	0	82	82	0.00
Other	6,489	3,637	3,970	1,771	-105.40
Total Operational Expenditure	7,729	8,774	9,099	8,952	1.99
Net Operational (Service)	(2,848)	(3,113)	(2,745)	(2,954)	-5.37

Table 131: Financial Performance: Planning, Infrastructure and Development

5.2.3 Public Safety

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	291	0	0	0	0.00
Expenditure:					
Employees	3,185	3,247	3,196	3,194	-1.67
Repairs and Maintenance	0	30	8	0	0.00
Other	24	295	261	267	-10.36
Total Operational Expenditure	3,209	3,572	3,464	3,462	-3.21
Net Operational (Service)	(2,918)	(3,572)	(3,464)	(3,462)	-3.21

Table 132: Financial Performance: Public Safety

5.2.4 Municipal Health Service

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	1,321	1,250	2,000	1,384	9.71
Expenditure:					
Employees	5,175	6,300	5,778	5,767	-9.24
Repairs and Maintenance	0	30	8	0	0.00
Other	1,116	1,192	808	750	-58.87
Total Operational Expenditure	6,291	7,492	6,586	6,518	-14.95
Net Operational (Service)	(4,970)	(6,242)	(4,586)	(5,133)	-21.60

Table 133: Financial Performance: Municipal Health Service

5.2.5 Council

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	3,484	3,484	4,059	3,585	2.83
Expenditure:					
Employees	2,787	3,003	3,488	3,486	13.85
Repairs and Maintenance	4,529	4,834	4,396	4,395	-9.98
Other	961	2,307	2,957	2,959	22.04
Total Operational Expenditure	8,276	10,144	10,841	10,840	6.42
Net Operational (Service)	(4,792)	(6,660)	(6,782)	(7,254)	8.20

Table 134: Financial Performance: Council

5.2.6 Office of the Municipal Manager

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	0.00
Expenditure:					
Employees	1,991	2,038	1,961	1,958	-4.07
Repairs and Maintenance	0	0	0	0	0.00
Other	142	185	128	127	-46.10
Total Operational Expenditure	2,133	2,223	2,088	2,085	-6.63
Net Operational (Service)	(2,133)	(2,223)	(2,088)	(2,085)	-6.63

Table 135: Financial Performance: Office of the Municipal Manager

5.2.7 Financial Services

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	55,175	54,527	57,451	56,826	4.05
Expenditure:					
Employees	5,972	6,311	7,164	7,164	11.92
Repairs and Maintenance	567	960	819	176	-446.11
Grants and subsidies paid	0	0	0	0	0.00
Depreciation/Amortisation	2,141	2,000	1,020	1,020	-96.11
Impairment Losses	15	0	1,320	1,318	100.00
Finance Cost	1,515	0	1,708	1,708	100.00
Contracted Services	704	784	663	661	-18.66
Other	2,114	2,633	3,849	3,635	27.56
Loss on disposal of PPE	0	0	5,382	5,155	100.00
Total Operational Expenditure	13,028	12,687	21,925	20,836	39.11
Net Operational (Service)	42,148	41,839	35,526	35,990	-16.25

Table 136: Financial Performance: Financial Services

5.2.8 Human Resources

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	0.00
Expenditure:					
Employees	8,360	7,987	9,656	9,655	17.27
Repairs and Maintenance	0	600	1,679	1,676	64.21
Other	842	1,981	2,173	2,046	3.16
Total Operational Expenditure	9,202	10,568	13,508	13,377	21.00
Net Operational (Service)	(9,202)	(10,568)	(13,508)	(13,377)	21.00

Table 137: Financial Performance: Human Resources

5.2.9 Internal Audit

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	0.00
Expenditure:					
Employees	5,972	5,072	5,357	5,353	5.25
Repairs and Maintenance	0	0	0	0	0.00
Other	573	831	808	805	-3.20
Total Operational Expenditure	6,544	5,903	6,165	6,158	4.15
Net Operational (Service)	(6,544)	(5,903)	(6,165)	(6,158)	4.15

Table 138: Financial Performance: Internal Audit

5.3 Grants

5.3.1 Grant Performance

The Municipality had a total amount of **R59,962** million for operational expenditure available that was received in the form of grants from the National and Provincial Governments during the 2020/21 financial year. The performance in the spending of these grants is indicated in the table below:

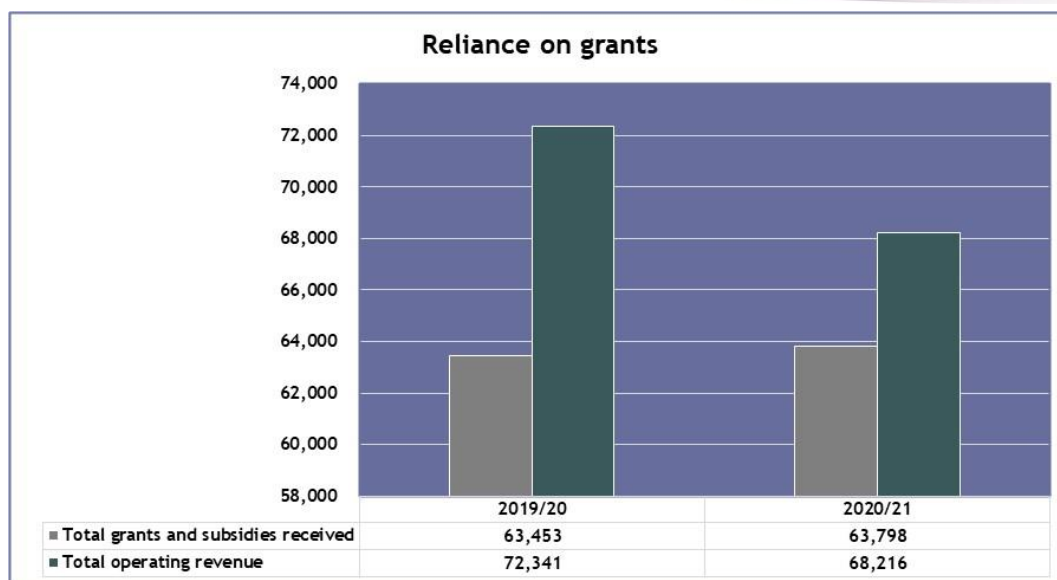
Description	2019/20	2020/21			2020/21 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
	R'000				%	
Operating Transfers and Grants						
National Government:	60,765	55,597	57,642	60,735	8.46	5.09
Equitable share	51,027	53,097	55,142	55,142	3.71	0.00
Expanded Public Works Programme	1,067	1,000	1,000	1,058	5.46	5.46
MIG - Project Management Unit	3,694	0	0	0	0.00	0.00
Finance Management Grant	1,785	1,500	1,500	1,500	0.00	0.00
Rural Road Asset Management System Grant	3,192	0	0	3,036	0.00	0.00
Provincial Government:	2,688	0	2,320	3,063	100.00	24.25
Disaster Relief Grant	291	0	0	0	0.00	0.00
Department of Roads	797	0	0	736	100.00	100.00
COGHSTA (Housing Accreditation)	297	0	2,320	423	100.00	-448.96
Disinfection	0	0	0	340	100.00	100.00
Cleaning Project	800	0	0	732	100.00	100.00
Health Subsidy	168	0	0	832	0.00	100.00
DPSA Grant	335	0	0	0	0.00	0.00
Total Operating Transfers and Grants	63,453	55,597	59,962	63,798	12.85	6.01
<i>Actual amounts represent the total revenue recognised excluding VAT on grants and subsidies</i>						

Table 139: Grant Performance

5.3.2 Level of Reliance on Grants & Subsidies

Financial year	Total grants and subsidies received	Total Operating Revenue	Percentage
	R'000		%
2019/20	63,453	72,341	87.71
2020/21	63,798	68,216	93.52

Table 140: Level of reliance on grants



Graph 10: Reliance on grants as %

5.4 Financial Ratios

5.4.1 Current Ratio

Description	Basis of calculation	2019/20	2020/21
Current Ratio	Current assets/current liabilities	1.11	0.80
Liquidity Ratio	Monetary Assets/Current Liabilities	0.08	0.64

Table 141: Liquidity Ratio

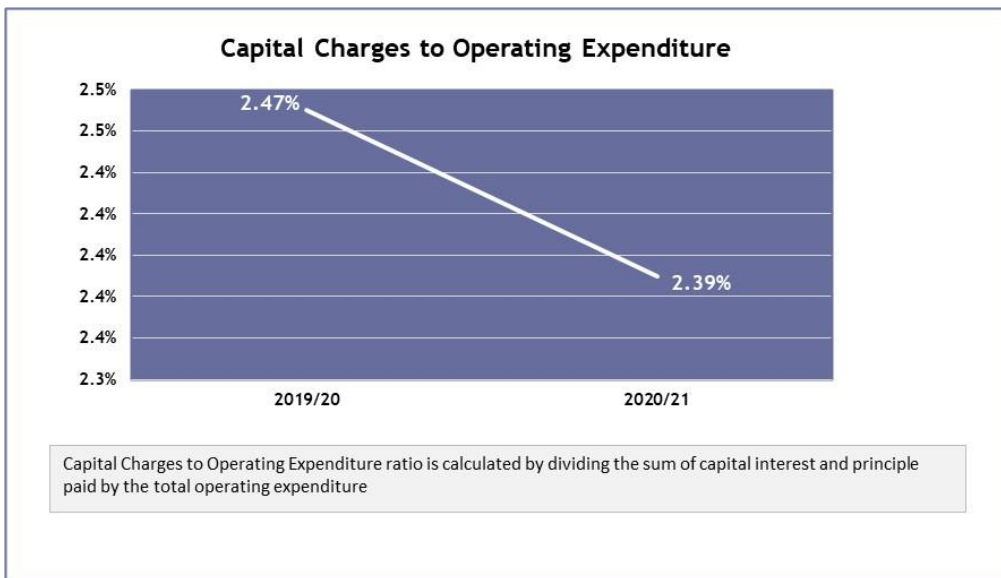
5.4.2 Performance Management Regulation Financial Viability Indicators

Description	Basis of calculation	Unit of Measurement	2019/20	2020/21
Cost Coverage	Financial viability measured in terms of the available cash to cover fixed operating expenditure by 30 June 2017 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash	0.01	0.15
Debt coverage	Financial viability measured in terms of the municipality's ability to meet it's service debt obligations by 30 June 2017 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% of debt coverage	11%	13.66%

5.4.3 Borrowing Management

Description	Basis of calculation	2019/20	2020/21
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2.47%	2.39%

Table 142: Borrowing Management

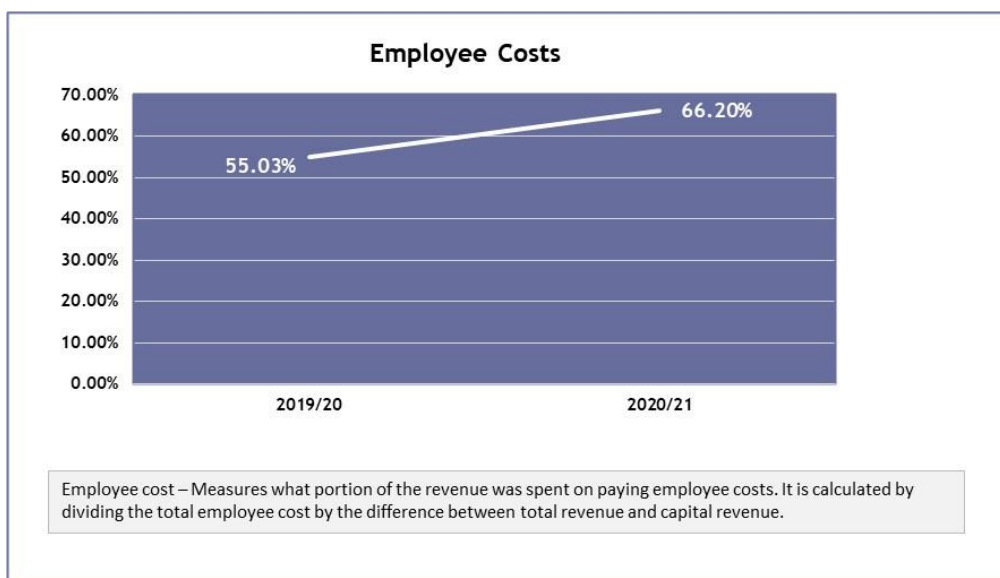


Graph 11: Capital Charges to Operating Expenditure Ratio

5.4.4 Employee costs

Description	Basis of calculation	2019/20	2020/21
Employee costs	Employee costs/(Total Revenue - capital revenue)	55.03%	66.20%

Table 143: Employee Costs

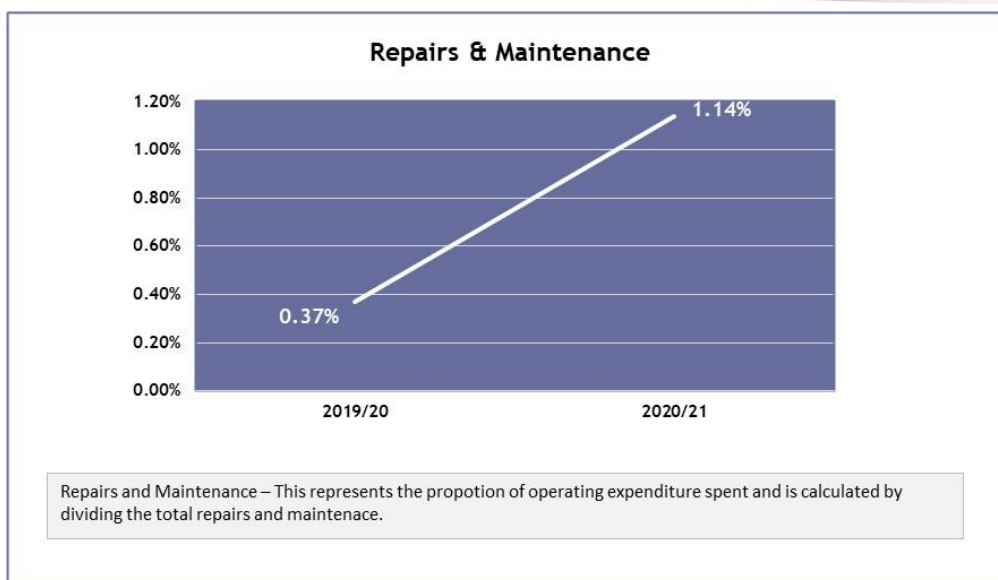


Graph 12: Employee Costs Ratio

5.4.5 Repairs & Maintenance

Description	Basis of calculation	2019/20	2020/21
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.37%	1.14%

Table 144: Repairs and Maintenance



Graph 13: Repairs and Maintenance Ratio

COMPONENT B: BORROWING & INVESTMENTS

5.5 Borrowing

5.5.1 Actual Borrowings

Instrument	2019/20	2020/21
	R'000	
Financial Leases	731	0
Total	731	0

Table 145: Actual Borrowings

5.6 Investments

5.6.1 Actual Investments

Investment type	2019/20	2020/21
	R'000	
Deposits - Bank	10,805	5,982

Table 146: Municipal Investments

5.7 Municipal Cost Containment Measures

The Municipal Cost Containment Regulations (MCCR) were promulgated on 7 June 2019, with the effective date of 1 July 2019. The objective of these Regulations, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Municipal Finance Management Act, is to ensure that the resources of a municipality are used effectively, efficiently and economically by implementing cost containment measures.

Regulation 4(1) of the MCCR require that a municipality must develop or revise and implement a cost containment policy which must -

- be adopted by the municipal council as part of its budget related policies;
- define a municipality's objectives for the use of consultants; and
- be consistent with the MFMA and these Regulations

In terms of section 15. (1) of the MCCR, cost containment measures applied by the municipality must be disclosed and included in the municipal in -year budget reports and annual costs savings in the annual report. The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution.

The following cost savings for the financial year are disclosed for the 2020/21 financial year:

Cost Containment Measure	Actual Expenditure 2019/20	Adjustment Budget 2020/21	Actual Expenditure 2020/21	Saving/(Over spending) 2020/21	Saving/(Increase) between 2019/20 and 2020/21
	R				
Consultants and Professional services	2 698 547	2 781 900	2 292 639	489 261	405 908
Vehicles used for political office -bearers	11 287	13 000	12 152	848	-865
Travel and subsistence	1 695 943	1 657 350	1 769 144	(111 794)	(73 201)
Domestic accommodation	1 014 045	958 200	1 033 143	(74 943)	(19 098)
Sponsorships, events and catering	1 030 598	1 793 500	1 799 040	(5 540)	(768 442)
Communication	156 826	224 000	222 933	1 067	(66 107)
Other related expenditure items	7 842 636	4 501 630	7 995 597	3 493 967	(152 961)
Total	12 923 882	11 929 580	15 124 648		

Table 147: Municipal Cost Containment Measures

CHAPTER 6: AUDITOR-GENERAL AUDIT FINDINGS

Component A: Auditor-General Report 2019/20

6.1 Auditor-General Report 2019/20

Main issues raised	Corrective steps implemented/ to be implemented
Emphasis of Matter	
Underspending on Budget	COVID 19 Issues
Restatement of corresponding figures	Finance leases to be disclosed as per AG's recommendation
Other Matters	
AFS Preparation	Misstatements to be corrected
Procurement and contract Management	Irregular Expenditure to be investigated
Expenditure Management	Non-Compliance issues to be addressed
Consequence Management	UIF to be investigated

Table 148: AG Report 2019/20

Component B: Auditor-General Report 2020/21

6.2 Auditor-General Report 2020/21

Main issues raised	Corrective steps implemented/ to be implemented
Emphasis of Matter	
Restatement of corresponding figures	Already addressed this matter by the new set of AFS submitted to the Auditor-General
Other Matters	
Adjustment of material misstatements	Already addressed this matter by a revised Performance Report submitted to the Auditor-General
Amendments in AFS, Performance Reports and Annual Report	AFS matters to be addressed as from January 2022
Expenditure Management	SCM Guidelines to be revised
Strategic Planning and Performance Management	Reporting timeline to be adjusted

Table 149: AG Report 2020/21

LIST OF ABBREVIATIONS

AG	Auditor-General
CAPEX	Capital Expenditure
CFO	Chief Financial Officer
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
EE	Employment Equity
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IMFO	Institute for Municipal Finance Officers
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MAYCO	Executive Mayoral Committee
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MSA	Municipal Systems Act No. 32 of 2000
NGO	Non-governmental organisation
NT	National Treasury
OPEX	Operating expenditure
PMS	Performance Management System
PT	Provincial Treasury
SALGA	South African Local Government Organisation
SAMDI	South African Management Development Institute
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework

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Annexure A: Financial Statements



Pixley-ka-Seme District Municipality (DC7)
Annual Financial Statements
for the year ended 30 June 2021
Auditor-General of South Africa (AGSA)

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	A local authority providing municipal services and maintaining the best interest of the community in the Pixley-ka-Seme district.
Members of Council	GL Nkumbi (Executive Mayor) CC Jantjies (Speaker) H Marais (MPAC Chairperson) UR Itumeleng (Member of Exco) AM Matebus (Member of Exco) K Gous (Member of Exco) TA Sintu (Member of Exco) R Smith (Member of Exco) KJ Arens (terminated) NJ Battes ME Bitterbos J Hoffman JEJ Hoorne E Humphries PP Mhlawuli A Oliphant CS Papashe-Hugo (newly appointed) CJ Pieterse (newly appointed) DV Smous S Swartling T Yawa
Accounting officer	RE Pieterse
Chief financial officer	BF James
Registered office	Culvert Road De Aar 7000
Business address	Culvert Road De Aar 7000
Postal address	Private Bag X1012 De Aar 7000
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa (AGSA)

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the member to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

RE Pieterse
Accounting Officer

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Pixley-ka-seme district and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 6,611,501 (2020: surplus R 10,868,147).

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R (534,820) and that the municipality's total assets exceed its liabilities by R (534,820).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting officer's interest in contracts

The accounting officer had no interest in any contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year:

7. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the on 31 August 2021 and were signed on its behalf by:

RE Pieterse
Accounting Officer

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note	2021	2020
Assets			
Current Assets			
Receivables from exchange transactions	3	1,616,388	4,226,964
Cash and cash equivalents	4	6,378,495	12,058,333
		7,994,883	16,285,297
Non-Current Assets			
Property, plant and equipment	5	12,709,809	15,484,147
Intangible assets	6	729	1,182
		12,710,538	15,485,329
Total Assets		20,705,421	31,770,626
Liabilities			
Current Liabilities			
Other financial liabilities	7	480,953	686,289
Finance lease obligation	8	136,500	-
Payables from exchange transactions	9	6,162,760	5,797,732
VAT payable	10	539,227	931,348
Employee benefit obligation	11	1,010,500	1,116,968
Unspent conditional grants and receipts	12	1,654,639	6,146,659
		9,984,579	14,678,996
Non-Current Liabilities			
Other financial liabilities	7	-	481,485
Finance lease obligation	8	661,762	736,104
Employee benefit obligation	11	10,593,900	9,797,360
		11,255,662	11,014,949
Total Liabilities		21,240,241	25,693,945
Net Assets		(534,820)	6,076,681
Accumulated surplus		(534,820)	6,076,681

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note	2021	2020
Revenue			
Revenue from exchange transactions			
Licences and permits	13	1,384,406	1,318,353
Other income	14	2,237,643	4,841,014
Interest received on external investments	15	796,051	1,349,525
Gain with cancellation of finance lease contracts	16	-	1,378,632
Total revenue from exchange transactions		4,418,100	8,887,524
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	17	63,798,066	63,453,351
Total revenue		68,216,166	72,340,875
Expenditure			
Employee related costs	18	(45,223,316)	(39,810,880)
Remuneration of councillors	19	(4,438,286)	(4,528,521)
Depreciation and amortisation	20	(1,019,859)	(2,141,451)
Finance costs	21	(1,789,801)	(1,515,410)
Debt impairment	22	(868,474)	14,546
Repairs and maintenance	23	(778,592)	(267,059)
Materials	24	(650,251)	(300,071)
Loss on disposal of assets and liabilities	25	(4,934,440)	-
General expenses	26	(15,124,648)	(12,923,882)
Total expenditure		(74,827,667)	(61,472,728)
(Deficit) surplus for the year		(6,611,501)	10,868,147

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	(3,983,949)	(3,983,949)
Adjustments		
Correction of errors (Note 39)	(807,517)	(807,517)
Balance at 01 July 2019 as restated*	(4,791,466)	(4,791,466)
Changes in net assets		
Surplus for the year	10,868,147	10,868,147
Total changes	10,868,147	10,868,147
Balance at 01 July 2020	6,076,681	6,076,681
Changes in net assets		
Surplus for the year	(6,611,501)	(6,611,501)
Total changes	(6,611,501)	(6,611,501)
Balance at 30 June 2021	(534,820)	(534,820)

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note	2021	2020
Cash flows from operating activities			
Receipts			
Grants and subsidies received		59,306,046	60,001,524
Interest income		796,051	1,349,525
Other receipts		4,972,029	4,481,404
		<u>65,074,126</u>	<u>65,832,453</u>
Payments			
Employee costs		(48,334,577)	(45,329,389)
Suppliers		(16,825,414)	(16,631,272)
Finance costs		(81,839)	(180,856)
		<u>(65,241,830)</u>	<u>(62,141,517)</u>
Net cash flows from operating activities	28	(167,704)	3,690,936
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(3,399,739)	(1,464,728)
Proceeds from sale of property, plant and equipment	5	220,230	-
Net cash flows from investing activities		(3,179,509)	(1,464,728)
Cash flows from financing activities			
Repayment of other financial liabilities		(686,821)	(605,532)
Finance lease payments		(1,645,804)	(1,610,785)
Net cash flows from financing activities		(2,332,625)	(2,216,317)
Net increase/(decrease) in cash and cash equivalents		(5,679,838)	9,891
Cash and cash equivalents at the beginning of the year		12,058,333	12,048,442
Cash and cash equivalents at the end of the year	4	6,378,495	12,058,333

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts	Difference	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Licences and permits	1,250,000	750,000	2,000,000	1,384,406	(615,594)	Note 47.1
Other income	2,203,700	1,363,300	3,567,000	2,237,643	(1,329,357)	Note 47.2
Interest received - investment	500,000	300,585	800,585	796,051	(4,534)	
Total revenue from exchange transactions	3,953,700	2,413,885	6,367,585	4,418,100	(1,949,485)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	59,341,000	4,605,000	63,946,000	63,798,066	(147,934)	
Total revenue	63,294,700	7,018,885	70,313,585	68,216,166	(2,097,419)	
Expenditure						
Employee related costs	(41,140,200)	(2,576,655)	(43,716,855)	(45,223,316)	(1,506,461)	
Remuneration of councillors	(4,833,665)	437,665	(4,396,000)	(4,438,286)	(42,286)	
Depreciation and amortisation	(2,000,000)	976,540	(1,023,460)	(1,019,859)	3,601	
Finance costs	-	(82,000)	(82,000)	(1,789,801)	(1,707,801)	Note 47.3
Debt Impairment	-	(1,320,000)	(1,320,000)	(868,474)	451,526	
Repairs and maintenance	(1,823,763)	1,044,163	(779,600)	(778,592)	1,008	
Contracted services	(2,604,600)	576,100	(2,028,500)	-	2,028,500	Note 47.4
Transfers and subsidies	(750,000)	132,300	(617,700)	-	617,700	Note 47.5
Materials	-	(2,955,400)	(2,955,400)	(650,251)	2,305,149	Note 47.6
Loss on disposal of assets	-	(6,481,238)	(6,481,238)	(4,934,439)	1,546,799	Note 47.7
General expenses	(10,719,939)	(1,963,041)	(12,682,980)	(15,124,648)	(2,441,668)	Note 47.8
Total expenditure	(63,872,167)	(12,211,566)	(76,083,733)	(74,827,666)	1,256,067	
Surplus for the year	(577,467)	(5,192,681)	(5,770,148)	(6,611,500)	(841,352)	

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts	Difference	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	2,480,783	(2,480,783)	-	1,616,388	1,616,388	Note 47.9
Cash and cash equivalents	-	69,312,700	69,312,700	6,378,495	(62,934,205)	Note 47.10
	2,480,783	66,831,917	69,312,700	7,994,883	(61,317,817)	
Non-Current Assets						
Investment property	1,210,000	-	1,210,000	-	(1,210,000)	Note 47.11
Property, plant and equipment	15,157,788	2,150,000	17,307,788	12,709,809	(4,597,979)	Note 47.12
Intangible assets	-	-	-	729	729	Note 47.13
	16,367,788	2,150,000	18,517,788	12,710,538	(5,807,250)	
Total Assets	18,848,571	68,981,917	87,830,488	20,705,421	(67,125,067)	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	480,953	480,953	Note 47.15
Finance lease obligation	-	-	-	136,500	136,500	Note 47.16
Payables from exchange transactions	310,548	71,335,005	71,645,553	6,162,760	(65,482,793)	Note 47.17
VAT payable	-	-	-	539,227	539,227	Note 47.18
Employee benefit obligation	-	-	-	1,010,500	1,010,500	Note 47.19
Unspent conditional grants and receipts	-	-	-	1,654,639	1,654,639	Note 47.20
Provisions	31,163,932	(3,341,782)	27,822,150	-	(27,822,150)	Note 47.21
	31,474,480	67,993,223	99,467,703	9,984,579	(89,483,124)	
Non-Current Liabilities						
Finance lease obligation	-	-	-	661,762	661,762	Note 47.16
Employee benefit obligation	-	-	-	10,593,900	10,593,900	Note 47.19
	-	-	-	11,255,662	11,255,662	
Total Liabilities	31,474,480	67,993,223	99,467,703	21,240,241	(78,227,462)	
Net Assets	(12,625,909)	988,694	(11,637,215)	(534,820)	11,102,395	
Net Assets						
Reserves						
Accumulated surplus	(12,625,909)	988,694	(11,637,215)	(534,820)	11,102,395	Note 47.22

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts	Difference	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	-	63,196,000	63,196,000	59,306,046	(3,889,954)	
Interest income	-	750,000	750,000	796,051	46,051	
Other receipts	-	3,316,700	3,316,700	4,972,029	1,655,329	
	-	67,262,700	67,262,700	65,074,126	(2,188,574)	
Payments						
Employee costs	-	(49,831,263)	(49,831,263)	(48,334,577)	1,496,686	
Suppliers	-	(14,402,290)	(14,402,290)	(16,825,416)	(2,423,126)	
Finance costs	-	-	-	(81,839)	(81,839)	Note 47.23
	-	(64,233,553)	(64,233,553)	(65,241,832)	(1,008,279)	
Net cash flows from operating activities	-	3,029,147	3,029,147	(167,706)	(3,196,853)	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	(2,150,000)	(2,150,000)	(3,399,739)	(1,249,739)	Note 47.24
Proceeds from sale of property, plant and equipment	-	-	-	220,230	220,230	Note 47.25
Net cash flows from investing activities	-	(2,150,000)	(2,150,000)	(3,179,509)	(1,029,509)	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	-	(686,821)	(686,821)	Note 47.26
Finance lease payments	-	-	-	(1,645,804)	(1,645,804)	Note 47.26
Net cash flows from financing activities	-	-	-	(2,332,625)	(2,332,625)	
Net increase/(decrease) in cash and cash equivalents	-	879,147	879,147	(5,679,840)	(6,558,987)	
Cash and cash equivalents at the beginning of the year	-	606,480	606,480	12,058,333	11,451,853	
Cash and cash equivalents at the end of the year	-	1,485,627	1,485,627	6,378,493	4,892,866	

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Investment revenue	500,000	300,585	800,585	-	-	800,585	796,051	-	(4,534)	99 %	159 %
Transfers recognised - operational	56,307,000	4,205,000	60,512,000	-	-	60,512,000	63,798,066	-	3,286,066	105 %	113 %
Other own revenue	3,453,700	2,113,300	5,567,000	-	-	5,567,000	3,622,049	-	(1,944,951)	65 %	105 %
Total revenue (excluding capital transfers and contributions)	60,260,700	6,618,885	66,879,585	-	-	66,879,585	68,216,166	-	1,336,581	102 %	113 %
Employee costs	(41,140,200)	(2,576,655)	(43,716,855)	-	-	(43,716,855)	(45,223,316)	-	(1,506,461)	103 %	110 %
Remuneration of councillors	(4,833,665)	437,665	(4,396,000)	-	-	(4,396,000)	(4,438,286)	-	(42,286)	101 %	92 %
Debt impairment	-	-	-	-	-	-	(868,474)	-	(868,474)	- %	- %
Depreciation and asset impairment	(2,000,000)	976,540	(1,023,460)	-	-	(1,023,460)	(1,019,859)	-	3,601	100 %	51 %
Finance charges	-	-	-	-	-	-	(1,789,801)	-	(1,789,801)	- %	- %
Other expenditure	(15,898,302)	(11,049,116)	(26,947,418)	-	-	(26,947,418)	(21,487,931)	-	5,459,487	80 %	135 %
Total expenditure	(63,872,167)	(12,211,566)	(76,083,733)	-	-	(76,083,733)	(74,827,667)	-	1,256,066	98 %	117 %
Surplus/(Deficit)	(3,611,467)	(5,592,681)	(9,204,148)	-	-	(9,204,148)	(6,611,501)	-	2,592,647	72 %	183 %
Transfers recognised - capital	3,034,000	400,000	3,434,000	-	-	3,434,000	-	-	(3,434,000)	- %	- %
Surplus/(Deficit) for the year	(577,467)	(5,192,681)	(5,770,148)	-	-	(5,770,148)	(6,611,501)	-	(841,353)	115 %	1,145 %

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Capital expenditure	1,500,000	1,950,000	3,450,000	-		3,450,000	3,399,739		(50,261)	99 %	227 %
Sources of capital funds											
Transfers recognised - capital	600,000	-	600,000	-		600,000	787,000		187,000	131 %	131 %
Internally generated funds	900,000	1,950,000	2,850,000	-		2,850,000	2,612,739		(237,261)	92 %	290 %
Total sources of capital funds	1,500,000	1,950,000	3,450,000	-		3,450,000	3,399,739		(50,261)	99 %	227 %
Cash flows											
Net cash from (used) operating	-	2,411,147	2,411,147	-		2,411,147	(167,704)		(2,578,851)	(7)%	- %
Net cash from (used) investing	-	(2,150,000)	(2,150,000)	-		(2,150,000)	(3,179,509)		(1,029,509)	148 %	- %
Net cash from (used) financing	-	-	-	-		-	(2,332,625)		(2,332,625)	- %	- %
Net increase/(decrease) in cash and cash equivalents	-	261,147	261,147	-		261,147	(5,679,838)		(5,940,985)	(2,175)%	- %
Balance at the beginning of the year	-	606,480	606,480	-		606,480	12,058,333		11,451,853	1,988 %	- %
Cash and cash equivalents at year end	-	867,627	867,627	-		867,627	6,378,495		(5,510,868)	735 %	- %

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Revenue recognition

Accounting policy 1.11 on Revenue from exchange transactions and accounting policy 1.12 on Revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from exchange transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting policy 1.9 on financial assets and financial liabilities classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial instruments.

Impairment of financial assets

Accounting policy 1.9 on Impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

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1.3 Significant judgements and sources of estimation uncertainty (continued)

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 3 to the annual financial statements.

Useful lives of Property, plant and equipment, Intangible assets and Investment property

As described in accounting policies 1.4, 1.5 and 1.6 the municipality depreciates its property, plant and equipment and investment property, and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Impairment: write down of Property, plant and equipment, Intangible assets and Investment property

Accounting policies 1.7 and 1.8 on Impairment of assets describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing and intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-cash generating assets and GRAP 26: Impairment of cash generating assets. In particular, the calculation of the recoverable service amount for property, plant and equipment and intangible assets involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 6 to the annual financial statements, whilst no impairments were made to intangible assets.

Defined benefit plan liabilities

As described in accounting policy 10, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 12 to the annual financial statements.

Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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1.4 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

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

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

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

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 - 100 years
Specialist vehicles	Straight line	5 - 20 years
Other vehicles	Straight line	5 - 10 years
Furniture and fixtures	Straight line	7 - 10 years
Office equipment	Straight line	3 - 7 years
IT equipment	Straight line	3 - 7 years

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

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

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

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

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

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1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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Accounting Policies

1.6 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.7 Impairment of cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

1.8 Impairment of non-cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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1.8 Impairment of non-cash-generating assets (continued)

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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

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

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

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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

A financial asset is:

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

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

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

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

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

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

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

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Unspent conditional grants and subsidies	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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Accounting Policies

1.9 Financial instruments (continued)

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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Accounting Policies

1.9 Financial instruments (continued)

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from non-exchange transactions.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Grants and receipts

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the municipality, meet the definition and criteria for recognition of an asset.

Pixley-ka-Seme District Municipality (DC7)

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Accounting Policies

1.10 Grants and receipts (continued)

A corresponding liability is recognised to the extent that the grant, transfer or donation recognised as an asset, is subject to conditions which require that the entity either consumes the future economic benefits or service potential of the asset as specified or that in the event that the conditions are breached the entity returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants, transfers or donations, are met. Grants, transfers or donations that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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1.11 Revenue from exchange transactions (continued)

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

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Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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1.14 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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Accounting Policies

1.14 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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Accounting Policies

1.15 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the entity's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.18 Value added taxation

The municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act, 1991 (Act no. 89 of 1991).

1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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Accounting Policies

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), the Municipal Systems Act, 2000 (Act no. 32 of 2000) and the Public Office Bearers Act, 1998 (Act no. 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.23 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, executive mayor, mayoral committee members, municipal manager, executive directors and all other managers reporting directly to the municipal manager or as designated by the municipal manager.

1.24 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

1.25 Budget information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2020 to 30 June 2021.

1.26 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

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Accounting Policies

1.26 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.27 Contingent assets and liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.28 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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Accounting Policies

1.28 Accounting by principals and agents (continued)

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.29 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

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1.29 Segment information (continued)

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.30 In-kind donations and contributions

In-kind donations and contributions are recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. In-kind donations and contributions are recognised at the fair value of the consideration received or receivable.

In the case of donated assets, the donation is recognised at the fair value of the asset received.

1.31 Public Private Partnerships (PPP)

A PPP can generally be described as an agreement between a public sector entity (entity) and a private sector institution (private party). In terms of this the private party assumes some substantial financial, construction, technical and operational risks in the design, financing, building and operation of a project. It typically involves a private party that supplies an asset and/or services that previously were developed or provided by an entity. The private party provides a service to the public on behalf of the entity through the use of assets and/or the management of such an asset. In return, the private party is rewarded through payments from the entity. Such payments are based on service outputs delivered to specification, charges to users of such services, or a combination of these.

The definition of a PPP agreement in the MFMA identifies two broad categories of PPP agreements - one where the private party performs an institutional function on behalf of the entity, and the other where the private party acquires the use of state property for its own commercial purposes. The PPP agreement can also be a combination of these.

The Standard of GRAP on Revenue from non-exchange transactions (taxes and transfers) (GRAP 23) states that control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives, and can exclude or otherwise regulate the access of others to that benefit. GRAP 23 requires that the ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods that all entities have access to and from which they benefit.

Under the control approach, the Municipality uses the following criteria to determine whether it controls the use of the underlying asset in the PPP agreement:

- The municipality controls or regulates what services the private party must provide with the associated asset, to whom it must provide them and at what price.
- The municipality controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the agreement.

The control approach to assets that are developed, constructed, acquired or used in terms of PPP agreements. These assets are used by the private party to perform part of an entity's service delivery or administrative functions (institutional function).

The control approach is also applied to PPP agreements where the municipality provides the private party with an existing asset, and the private party upgrades, operates and maintains the asset for a specified period of time. If the PPP agreement requires the private party to use its own asset, the municipality only recognises the asset in its financial statements if both the control approach criteria are met.

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	The impact of the standard is not material.
<ul style="list-style-type: none">GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">Guideline on Accounting for landfill sites	To be determined	Unlikely there will be a material impact
<ul style="list-style-type: none">The Application of Materiality to Financial Statements	To be determined	Unlikely there will be a material impact

3. Receivables from exchange transactions

Medical aid debtors	91,185	94,731
Payables with debit balances	-	26,757
Prepaid expenses	475,000	475,000
Shared services	960,821	3,434,549
Sundry debtors	89,382	195,927
	1,616,388	4,226,964

Trade and other receivables pledged as security

None of the receivables have been pledged as security for the municipality's financial liabilities.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Pixley-ka-Seme District Municipality (DC7)

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Figures in Rand	2021	2020
3. Receivables from exchange transactions (continued)		
Trade receivables		
Medical aid debtors		
Gross balance	91,185	94,731
Payables with debit balances		
Gross balance	26,757	26,757
Provision for impairment	(26,757)	-
	-	26,757
Prepaid expenses		
Gross balance	475,000	475,000
Property rental debtors		
Gross balance	4,182	4,182
Provision for impairment	(4,182)	(4,182)
	-	-
Shared services		
Gross balance	4,062,532	5,568,286
Provision for impairment	(3,101,711)	(2,133,737)
	960,821	3,434,549
Sundry debtors		
Gross balance	89,382	195,927
Counterparties without external credit rating		
Group 1	591,139	704,012
Group 2	95,367	92,585
Group 3	4,062,533	5,568,286
	4,749,039	6,364,883

Group 1 – new customer (less 6 months).

Group 2 – existing customer (more than 6 months) with no defaults in the past.

Group 3 – existing customer (more than 6 months) with some defaults in the past. All defaults were fully recovered.

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of trade and other receivables

Trade and other receivables	1,204,725	4,226,964
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Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

3. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 567,289 (2020: R 1,627,186) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	565,773	1,623,340
2 months past due	1,516	1,451
3 months past due	-	2,396

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R 4,181,750 (2020: R 4,737,697) were impaired and provided for.

The amount of the provision was R(3,132,650) as of 30 June 2021 (2020: R (2,137,919)).

The ageing of these debtors are as follow:

Over 6 months	3,132,650	2,137,919
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Reconciliation of provision for impairment of trade and other receivables

Opening balance	2,137,919	2,152,465
Unused amounts reversed	-	(18,728)
Amounts written off as uncollectible	994,731	4,182
	3,132,650	2,137,919

The average credit period for receivables are 30 days. No interest is charged on outstanding debtors. The municipality strictly enforces its approved credit control policy to ensure the recoverability of its receivables.

The municipality does not hold deposits or other securities for its receivables.

Management is of the opinion that the carrying value of the receivables approximate their fair values.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings, and assessing the recoverability.

In determining the recoverability, management considered any change in the credit wuality of the receivables from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the provision of impairment.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	396,673	1,253,661
Short-term deposits	5,981,822	10,804,672
	6,378,495	12,058,333

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand 2021 2020

4. Cash and cash equivalents (continued)

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

AAA	6,378,494	12,058,333
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Cash and cash equivalents pledged as collateral

The call deposits are ring-fenced and attributable to the unspent conditional grants (refer to note 12).

Call deposits are investments with a maturity period of less than 3 months and earn interest at rates that vary from 5,10% to 5,75% (2020: 5,10% to 5,75%) per annum.

For purposes of the statement of financial and the cash flow statement, cash and cash equivalents include cash on hand, cash in bank and investments in deposit accounts (money market instruments), net of outstanding bank overdrafts.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard Bank - Current Account - 04 171 8046	396,673	1,253,660	1,996,080	396,673	1,253,660	1,996,080
Standard Bank - Call Deposit - 04 887 2555	5,943,635	10,793,353	10,051,362	5,943,635	10,793,353	10,051,362
Standard Bank - Call Deposit - 08 292 9963	38,186	11,320	1,000	38,186	11,320	1,000
Total	6,378,494	12,058,333	12,048,442	6,378,494	12,058,333	12,048,442

5. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	15,387,673	(10,568,409)	4,819,264	15,263,245	(10,344,024)	4,919,221
Machinery and equipment	63,500	(49,068)	14,432	1,271,081	(954,394)	316,687
Furniture and fittings	3,756,816	(2,451,223)	1,305,593	2,244,301	(1,698,223)	546,078
Motor vehicles	6,117,379	(1,181,535)	4,935,844	4,480,399	(876,361)	3,604,038
Computer equipment	2,342,922	(1,358,624)	984,298	1,877,377	(1,258,610)	618,767
Infrastructure	-	-	-	4,768,337	-	4,768,337
Leased assets	731,231	(80,853)	650,378	731,232	(20,213)	711,019
Total	28,399,521	(15,689,712)	12,709,809	30,635,972	(15,151,825)	15,484,147

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land and buildings	4,919,221	124,428	-	-	(224,385)	4,819,264
Machinery and equipment	316,687	10,256	(33)	(310,718)	(1,760)	14,432
Furniture and fixtures	546,078	711,538	(38,600)	243,765	(157,188)	1,305,593
Motor vehicles	3,604,038	1,938,529	(301,549)	-	(305,174)	4,935,844
Computer equipment	618,767	614,808	(47,191)	67,138	(269,224)	984,298
Infrastructure	4,768,337	-	(4,768,337)	-	-	-
Leased assets	711,019	-	-	-	(60,641)	650,378
	15,484,147	3,399,559	(5,155,710)	185	(1,018,372)	12,709,809

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions: work-in-progress	Disposals	Depreciation	Total
Land and buildings	5,699,523	164,285	-	-	(944,587)	4,919,221
Machinery and equipment	238,105	138,915	-	-	(60,333)	316,687
Furniture and fittings	447,264	173,201	-	-	(74,387)	546,078
Motor vehicles	3,879,732	-	-	-	(275,694)	3,604,038
Computer equipment	563,851	257,094	-	-	(202,178)	618,767
Infrastructure	1,556,304	-	3,212,033	-	-	4,768,337
Leased assets	2,831,260	731,233	-	(2,268,680)	(582,794)	711,019
	15,216,039	1,464,728	3,212,033	(2,268,680)	(2,139,973)	15,484,147

Pledged as security

The municipality's obligations under finance leases (see note 8) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

Depreciation rates

Buildings	Straight-line	30 - 100 years
Machinery and equipment	Straight-line	3 - 7 years
Furniture and fittings	Straight-line	7 - 10 years
Motor vehicles	Straight-line	5 - 20 years
Computer equipment	Straight-line	3 - 7 years
Leased assets	Straight-line	3 - 7 years

Compensation received for losses on property, plant and equipment – included in operating profit

Motor vehicles	-	118,734
Computer equipment	4,955	6,870
	4,955	125,604

Assets subject to finance lease (Net carrying amount)

Leased assets	650,378	711,019
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Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
5. Property, plant and equipment (continued)		
Details of properties		
Old Divisional Council Workshop, Van der Merwe Street, De Aar		
Terms and conditions		
- Purchase price: 30 June 1984	300,000	300,000
- Additions since purchase or valuation	13,495,908	13,495,908
	13,795,908	13,795,908
Office Building, Culvert Road, De Aar		
Terms and conditions		
- Purchase price: 30 June 1984	610,000	610,000
Vacant Land, De Villiers Street, Hanover RD (Outspan)		
Terms and conditions		
- Deemed cost: 1 July 2009	27,000	27,000
Workshop, Wiccus Street, Philipstown		
Terms and conditions		
- Purchase price: 30 June 1984	50,000	50,000
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	-	4,768,337
Reconciliation of work-in-progress 2021		
	Included within	Total
	Infrastructure	
Opening balance	4,768,337	4,768,337
Disposed / transferred	(4,768,337)	(4,768,337)
	-	-
Reconciliation of work-in-progress 2020		
	Included within	Total
	Infrastructure	
Opening balance	1,556,304	1,556,304
Additions/capital expenditure	3,212,033	3,212,033
	4,768,337	4,768,337

Expenditure incurred to repair and maintain property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

6. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	397,692	(396,963)	729	397,691	(396,509)	1,182

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	1,182	(453)	729

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	2,659	(1,477)	1,182

Pledged as security

All of the municipality's intangible assets are held under freehold interest and no intangible assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

7. Other financial liabilities

At amortised cost

Standard Bank of South Africa Ltd 480,953 1,167,774

The loans are unsecured, bears interest at 12.25% (2020: 12.25%) and are repayable in equal monthly instalments over 36 months.

Non-current liabilities

At amortised cost - 481,485

Current liabilities

At amortised cost 480,953 686,289

Financial liabilities at amortised cost

Fair values of financial liabilities measured or disclosed at amortised cost

Class 1 480,953 1,167,774

The fair value of the annuity loans were determined after considering the standard terms and conditions of the agreements entered into between the municipality and the relevant financing institution.

Management is of the opinion that the carrying value of the other financial liabilities approximate their fair values.

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
7. Other financial liabilities (continued)		
Defaults and breaches		
The municipality did not default on any payment of its annuity loans. No terms for payment have been renegotiated by the municipality.		
8. Finance lease obligation		
Minimum lease payments due		
- within one year	1,902,073	1,886,000
- in second to fifth year inclusive	1,376,289	3,285,533
	<u>3,278,362</u>	<u>5,171,533</u>
less: future finance charges	(2,480,100)	(4,435,429)
Present value of minimum lease payments	798,262	736,104
Present value of minimum lease payments due		
- within one year	136,500	-
- in second to fifth year inclusive	661,762	736,104
	<u>798,262</u>	<u>736,104</u>
Non-current liabilities	661,762	736,104
Current liabilities	136,500	-
	<u>798,262</u>	<u>736,104</u>

It is the municipality's policy to lease certain computer equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate between 2% and 8% (2020: 2% and 8%).

Interest rates are fixed at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5.

Defaults and breaches

The municipality did not default on any payment of its finance lease liabilities. No terms for repayment have been renegotiated by the municipality.

9. Payables from exchange transactions

Trade payables	405,973	741,621
Property rental debtors (payments received in advance)	11,313	11,313
Medical aid debtors (payments received in advance)	34,381	20,228
Staff bonuses	1,168,029	1,033,924
Accrued leave	3,226,314	2,610,133
Performance bonuses	774,728	805,484
Advances from Department of Roads	58,644	240,750
Salary control accounts	34,220	116,797
Office of the Compensation Commissioner	447,492	215,816
Unknown deposits	1,666	1,666
	<u>6,162,760</u>	<u>5,797,732</u>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

9. Payables from exchange transactions (continued)

Management is of the opinion that the carrying value of the payables approximate their fair values.

10. VAT payable

VAT payable 539,227 931,348

11. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Ex-gratia benefit liability	47,400	68,328
Post-retirement health care benefit liability	11,557,000	10,846,000
	11,604,400	10,914,328

Non-current liabilities	10,593,900	9,797,360
Current liabilities	1,010,500	1,116,968
	11,604,400	10,914,328

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	10,914,328	12,784,810
Net expense recognised in the statement of financial performance	690,072	(1,870,482)
	11,604,400	10,914,328

Net expense recognised in the statement of financial performance

Interest cost	920,991	1,057,200
Actuarial (gains) losses	638,508	(2,043,277)
Expenditure incurred	(1,058,427)	(1,100,740)
Current service cost	189,000	216,335
	690,072	(1,870,482)

Ex-gratia benefit liability

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	68,328	80,094
Net expense recognised in the statement of financial performance	(20,928)	(11,766)
	47,400	68,328

Net expense recognised in the statement of financial performance

Interest cost	2,991	5,327
Actuarial (gains) losses	(9,951)	(185)
Expenditure incurred	(13,968)	(16,908)
	(20,928)	(11,766)

The municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the municipality. According to the rules of the pension funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such a pension fund on retirement, in which case the municipality is liable for a certain portion of the fund contribution. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

11. Employee benefit obligations (continued)

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2021 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Impact of Covid-19

It is difficult to estimate what impact the pandemic is likely to have on the municipality's liability as at 30 June 2021. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available.

Long-term government bond yields as at 30 June 2021 changed dramatically since the early stages of the pandemic. It is impossible to say how long-lasting this volatility in the prescribed discount rate and its consequent impact on the liability is likely to be.

The sensitivities included in the sensitivity analysis may be used to estimate the possible impact on the liability (and expenses) by an increase in the discount rate, or reduction in longevity.

The members of the ex-gratia benefit plan are made up as follows:

Continuation members (retirees, widowers and orphans)	1	2
-------------------------------------------------------	---	---

The liability in respect of past service has been estimated as follows:

Continuation members (retirees, widowers and orphans)	47,400	68,328
-------------------------------------------------------	--------	--------

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	6.16 %	4.87 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

Other information and assumptions:

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	3,498	2,453
Effect on defined benefit obligation	46,000	49,000

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	47,400	68,328	80,094	76,220	79,778
Experience adjustments on plan liabilities	47,400	68,328	80,094	76,220	79,778

Post-retirement health care benefit liability

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	10,846,000	12,704,717
Net expense recognised in the statement of financial performance	711,000	(1,858,717)
	11,557,000	10,846,000

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
11. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Interest cost	918,000	1,051,871
Actuarial (gains) losses	648,459	(2,043,091)
Expenditure incurred	(1,044,459)	(1,083,832)
Current service cost	189,000	216,335
	711,000	(1,858,717)

The municipality provides certain post-retirement health care benefits by funding the pension fund contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such a medical aid fund on retirement, in which case the municipality is liable for a certain portion of the fund contribution. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2021 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Impact of Covid-19

It is difficult to estimate what impact the pandemic is likely to have on the municipality's liability as at 30 June 2021. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available.

Long-term government bond yields as at 30 June 2021 changed dramatically since the early stages of the pandemic. It is impossible to say how long-lasting this volatility in the prescribed discount rate and its consequent impact on the liability is likely to be.

The sensitivities included in the sensitivity analysis may be used to estimate the possible impact on the liability (and expenses) by an increase in the discount rate, or reduction in longevity.

The members of the ex-gratia benefit plan are made up as follows:

Continuation members (retirees, widowers and orphans)	21	24
In-service members (employees)	45	40
	66	64

The liability in respect of past service has been estimated as follows:

Continuation members (retirees, widowers and orphans)	8,421,000	8,857,000
In-service members	3,136,000	1,989,000
	11,557,000	10,846,000

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Hosmed
- Keyhealth
- LA Health
- Samwumed

The current-service cost for the year ending 30 June 2021 is estimated to be R189 000 (2020: R216 335), whereas the cost for the ensuing year is estimated to be R293 000 (2020: R189 000).

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

11. Employee benefit obligations (continued)

The municipality expects to make a contribution of R998 000 (2020: R1 103 000) to the defined benefit plans during the next financial year.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	9.08 %	8.91 %
Health care cost inflation rate	6.35 %	5.22 %
Net effective discount rate	2.57 %	3.51 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

Other information and assumptions:

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1,257,000	985,000
Effect on defined benefit obligation	12,939,000	10,418,000

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	11,557,000	10,846,000	12,704,717	13,363,381	14,017,673
Experience adjustments on plan liabilities	10,850,000	12,775,289	13,780,922	14,496,087	15,196,793

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National: Expanded Public Works Programme (EPWP)	-	57,702
National: Municipal Infrastructure Grant (MIG)	-	3,975,930
National: Rural Roads Asset Management System (RRAMS)	25,718	27,458
Provincial: DPSA Grant	43,700	43,700
Provincial: Electrification Programme	898	898
Provincial: Expanded Public Works Programme (EPWP) De Aar	238,045	311
Provincial: Expanded Public Works Programme (EPWP) Renosterberg	11,842	11,842
Provincial: Health Grant	-	332,069
Provincial: Housing Accreditation	-	422,619
Provincial: NEAR Grant	1,274,130	1,274,130
Provincial: Housing Disinfection	60,306	-
	1,654,639	6,146,659

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 17 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
13. Licences and permits		
Health certificates	1,384,406	1,318,353
14. Other income		
Administration fees	289,882	286,780
Commission received	71,582	106,227
Insurance refunds	4,955	125,604
SETA refunds	108,284	122,071
Shared service fees	1,739,130	4,195,082
Tender documents	23,810	5,250
	2,237,643	4,841,014
15. Investment revenue		
Interest revenue		
Bank	795,469	1,349,525
Interest received - other	582	-
	796,051	1,349,525
The amount included in Investment revenue arising from exchange transactions amounted to R 796,051.		
16. Gain with cancellation of finance lease contracts		
Gain with cancellation of the finance lease contracts	-	3,647,312
Carrying value of financed leased assets replaced	-	(2,268,680)
	-	1,378,632
17. Government grants and subsidies		
Operating grants		
Equitable Share	55,142,000	51,027,000
Provincial: Health Subsidy	832,069	167,931
Provincial: DPSA Grant	-	334,830
National: Expanded Public Works Programme (EPWP)	1,057,702	1,067,157
National: Financial Management Grant (FMG)	1,500,000	1,785,000
National: Municipal Infrastructure Grant (MIG)	-	3,693,838
National: Rural Roads Asset Management Systems (RRAMS) Grant	3,035,740	3,192,001
Provincial: Disaster Relief Grant	-	291,100
Provincial: Department of Roads	735,976	797,425
Provincial: COGHSTA (Housing Accreditation)	422,619	297,381
Provincial: Disinfection	339,694	-
Provincial: Cleaning Project (De Aar)	732,266	799,688
	63,798,066	63,453,351

Equitable Share

The municipality's share of the revenue raised annually by the Local Government.

No funds were withheld.

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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17. Government grants and subsidies (continued)

Provincial: Health Subsidy

Balance unspent at beginning of year	332,069	-
Current year receipts	500,000	500,000
Conditions met - transferred to revenue	(832,069)	(167,931)
	<u>-</u>	<u>332,069</u>

Conditions still to be met - remain liabilities (see note 12).

To promote and support HIV AIDS programmes and initiatives within the municipal area.

No funds were withheld.

Provincial: DPSA Grant

Balance unspent at beginning of year	43,700	378,530
Conditions met - transferred to revenue	-	(334,830)
	<u>43,700</u>	<u>43,700</u>

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grants is to assist the municipality financially to comply with the Mscoa regulations and to upgrade its computer service, in order to be able to run GIS.

All conditions of the grant were met and no funds were withheld.

Provincial: NEAR

Balance unspent at beginning of year	<u>1,274,130</u>	<u>1,274,130</u>
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Conditions still to be met - remain liabilities (see note 12).

The grant is provided to assist with disaster management within the boundaries of the municipality.

All conditions of the grant were met and no funds were withheld.

National: Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	57,702	31,859
Current year receipts	1,000,000	1,093,000
Conditions met - transferred to revenue	(1,057,702)	(1,067,157)
	<u>-</u>	<u>57,702</u>

Conditions still to be met - remain liabilities (see note 12).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand

	2021	2020
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17. Government grants and subsidies (continued)

National: Financial Management Grant (FMG)

Current year receipts	1,500,000	1,785,000
Conditions met - transferred to revenue	(1,500,000)	(1,785,000)
	-	-

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grants also pays for the cost of the financial management internship programme.

All conditions of the grant were met and no funds were withheld.

Provincial: Electrification Grant

Balance unspent at beginning of year	898	898
--------------------------------------	-----	-----

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated to improve and upgarde the electricity infrasturcture and enhance the electricity capacity within the municipality.

All conditions of the grant were met and no funds were withheld.

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	3,975,930	7,669,768
Conditions met - transferred to revenue	-	(3,693,838)
Repayment made	(3,975,930)	-
	-	3,975,930

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions. To provide for new, rehabilitation and upgrading of infrastructure within the municipal boundaries. All conditions of the grant were met and no funds were withheld.

All conditions of the grant were met and no funds were withheld.

National: Rural Roads Asset Management System (RRAMS)

Balance unspent at beginning of year	27,458	31,459
Current year receipts	3,034,000	3,188,000
Conditions met - transferred to revenue	(3,035,740)	(3,192,001)
	25,718	27,458

Conditions still to be met - remain liabilities (see note 12).

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in road infrastructure and usage.

All conditions of the grant were met and no funds were withheld.

Pixley-ka-Seme District Municipality (DC7)

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Figures in Rand	2021	2020
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17. Government grants and subsidies (continued)

Provincial: Expanded Public Works Programme (Renosterberg)

Balance unspent at beginning of year	11,842	11,842
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Conditions still to be met - remain liabilities (see note 12).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, non-compliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

Provincial: Disaster Relief Grant

Current-year receipts	-	291,100
Conditions met - transferred to revenue	-	(291,100)
	-	-

This grant is intended to fund emergency repairs to essential basic services infrastructure, provision of temporary infrastructure, humanitarian relief and other immediate essential services following a declared state of disaster.

All conditions of the grant were met and no funds were withheld.

Provincial: Expanded Public Works Programme (De Aar)

Balance unspent at beginning of year	311	200,000
Current year receipts	970,000	600,000
Conditions met - transferred to revenue	(732,266)	(799,689)
	238,045	311

Conditions still to be met - remain liabilities (see note 12).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, non-compliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

Provincial: Department of Roads

Current year receipts	735,976	797,425
Conditions met - transferred to revenue	(735,976)	(797,425)
	-	-

The grant is allocated to the municipality for the payment of the medical aid ex-gratia contributions for personnel that is and has been on pension.

All conditions of the grant were met and no funds were withheld.

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
17. Government grants and subsidies (continued)		
Provincial: COGHSTA (Housing Accreditation)		
Balance unspent at beginning of year	422,619	-
Current year receipts	-	720,000
Conditions met - transferred to revenue	(422,619)	(297,381)
	-	422,619
Conditions still to be met - remain liabilities (see note 12).		
The grant was allocated to improve capacity within the administration of the municipality in respect to the housing department.		
All conditions of the grant were met and no funds were withheld.		
Provincial: Disinfection		
Current-year receipts	400,000	-
Conditions met - transferred to revenue	(339,694)	-
	60,306	-
Conditions still to be met - remain liabilities (see note 12).		
The grant was allocated to financial assist municipalities in their fight against the pandemic.		
All conditions of the grant were met and no funds were withheld.		
18. Employee related costs		
Basic salaries and wages	29,990,239	28,103,322
Leave pay	642,084	884,309
Service bonus	2,369,165	1,989,277
Performance bonus	736,369	763,861
Pensioners allowances	20,238	21,888
Travel allowances	1,804,910	1,456,737
Overtime payments	484,443	1,554,374
Long-service awards	92,848	-
Acting allowances	207,072	-
Housing benefits and allowances	255,516	217,542
Learnerships	197,772	203,296
Cellphone allowances	258,995	200,668
Other allowances	53,099	-
Scarcity allowances	534,306	393,808
Shift allowance	160,854	-
Council contributions: UIF	172,291	172,689
Council contributions: Bargaining council	11,375	9,840
Council contributions: Pension funds	4,202,855	3,588,637
Council contributions: Medical aid funds	1,280,386	1,020,373
Movement in employee benefit liabilities	1,748,499	(769,741)
	45,223,316	39,810,880

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
18. Employee related costs (continued)		
Remuneration of municipal manager		
Annual remuneration	924,000	927,713
Performance bonus	167,420	162,860
Service bonus	77,000	74,750
Car and other allowances	206,273	209,292
Contributions to UIF, medical aid- and pension funds	10,855	12,251
	1,385,548	1,386,866
Remuneration of chief finance officer		
Annual remuneration	840,000	845,087
Performance bonus	153,413	147,088
Service bonus	70,000	66,871
Car and other allowances	194,822	191,821
Contributions to UIF, medical aid- and pension funds	9,399	11,459
	1,267,634	1,262,326
Remuneration of infrastructure manager		
Annual remuneration	840,000	845,079
Performance bonus	153,413	147,088
Service bonus	70,000	70,000
Car and other allowances	194,822	191,831
Contributions to UIF, medical aid- and pension funds	11,800	13,421
	1,270,035	1,267,419
Remuneration of chief audit executive		
Annual remuneration	756,000	760,916
Performance bonus	139,466	133,717
Service bonus	63,000	60,192
Car and other allowances	184,404	181,360
Contributions to UIF, medical aid- and pension funds	8,832	10,533
	1,151,702	1,146,718
Remuneration of chief corporate services		
Annual remuneration	910,320	913,103
Performance bonus	153,413	147,088
Car and other allowances	194,502	191,720
Contributions to UIF, medical aid- and pension funds	10,034	11,476
	1,268,269	1,263,387
19. Remuneration of councillors		
Mayor	793,704	853,462
Speaker	699,488	699,488
Executive committee members	2,761,011	2,660,610
Councillors	184,083	314,961
	4,438,286	4,528,521

Pixley-ka-Seme District Municipality (DC7)

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
19. Remuneration of councillors (continued)		
The councillors occupying the positions of Mayor, Speaker, Chief Whip and four Mayorial Committee Members serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
Councillors may utilise official council transportation when engaged in official duties. The Mayor has use of a council owned vehicle for official duties.		
20. Depreciation and amortisation		
Property, plant and equipment	1,019,406	2,139,974
Intangible assets	453	1,477
	1,019,859	2,141,451
21. Finance costs		
Finance leases	1,707,962	1,334,556
Current borrowings	81,839	180,854
	1,789,801	1,515,410
22. Debt impairment		
Debt impairment	868,474	(14,546)
23. Repairs and maintenance		
Other assets	778,592	267,059
24. Materials		
Projects		
Other projects	650,251	300,071
25. Gain (loss) on disposal of assets and liabilities		
Proceeds on sale of assets	220,231	-
Carrying value of assets disposed	(5,155,711)	-
	(4,935,480)	-

Included in the carrying value is an infrastructure project that was transferred to the respective municipality. The carrying value of the asset amounted to R4 768 337, while no compensation was received

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
26. General expenses		
Accommodation	1,033,143	1,014,045
Administration costs	314,462	191,181
Advertising	222,933	156,826
Audit committee	75,541	46,590
Auditors remuneration	1,872,708	652,538
Bank charges	74,146	77,023
Bursaries	26,900	-
Cleaning	751,074	743,655
Computer expenses	117,642	62,870
Conferences and seminars	26,283	25,374
Consulting and professional fees	2,292,639	2,698,547
Electricity	184,708	204,576
Entertainment	1,799,040	1,030,598
Fuel and oil	524,014	645,024
Insurance	392,643	436,226
Medical expenses	14,380	-
Motor vehicle expenses	12,152	11,287
Postage and courier	39,816	26,711
Printing and stationery	740,983	347,963
Property rates	46,248	68,735
Protective clothing	442,923	1,031,150
Skills development levy	320,876	293,187
Subscriptions and membership fees	591,476	523,825
Telephone and fax	258,354	301,887
Training	617,118	510,249
Travel - local	1,769,144	1,695,943
Water samples and tests	331,627	235,203
Workmens compensation	231,675	(107,331)
	15,124,648	12,923,882
27. Auditors' remuneration		
Fees	1,872,708	652,538
28. Cash (used in) generated from operations		
(Deficit) surplus	(6,611,501)	10,868,147
Adjustments for:		
Depreciation and amortisation	1,019,859	2,141,451
Gain on sale of assets and liabilities	4,934,440	-
Gain with disposal of finance lease contracts	-	(1,378,632)
Finance costs - Finance leases	1,707,962	1,334,556
Movements in retirement benefit assets and liabilities	690,072	(1,870,482)
Non-cash movement on finance lease liabilities	-	(2,480,801)
Changes in working capital:		
Receivables from exchange transactions	2,610,576	(1,746,181)
Payables from exchange transactions	365,028	(346,094)
VAT	(392,120)	620,801
Unspent conditional grants and receipts	(4,492,020)	(3,451,829)
	(167,704)	3,690,936

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
29. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	828,762	633,613
Total capital commitments	828,762	633,613
Authorised operational expenditure		
Already contracted for but not provided for		
• Consulting fees	2,496,889	2,109,122
• Personal protective equipment (PPE)	267,323	-
	2,764,212	2,109,122
Total operational commitments	2,764,212	2,109,122
Total commitments		
Total commitments		
Authorised capital expenditure	828,762	633,613
Authorised operational expenditure	2,764,212	2,109,122
	3,592,974	2,742,735

The commitments are disclosed inclusive of VAT.

30. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1,616,388	1,616,388
Cash and cash equivalents	6,378,495	6,378,495
	7,994,883	7,994,883

Financial liabilities

	At amortised cost	Total
Other financial liabilities	(480,953)	(480,953)
Payables from exchange transactions	(6,162,760)	(6,162,760)
VAT payable	(539,227)	(539,227)
Unspent conditional grants and receipts	(2,057,122)	(2,057,122)
	(9,240,062)	(9,240,062)

Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

30. Financial instruments disclosure (continued)

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	4,226,964	4,226,964
Cash and cash equivalents	12,058,333	12,058,333
	16,285,297	16,285,297

Financial liabilities

	At amortised cost	Total
Other financial liabilities	(1,167,774)	(1,167,774)
Payables from exchange transactions	(5,797,732)	(5,797,732)
VAT payable	(931,349)	(931,349)
Unspent conditional grants and receipts	(6,549,142)	(6,549,142)
	(14,445,997)	(14,445,997)

31. Risk management

Financial risk management

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Management evaluated credit risk relating to debtors on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Market risk

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

32. Related parties

Members of council

Refer to remuneration of management

Members of key management

RE Pieterse (Municipal manager)
BF James (Chief financial officer)
HP Greeff (Technical manager)
RA Sors (Audit executive)
TA Loko (Chief corporate services)

Pixley-ka-Seme District Municipality (DC7)

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2021

2020

32. Related parties (continued)

All related party transactions are conducted at arm's length, unless stated otherwise. The municipality did not conduct any business with a party that was considered to be a related party.

Remuneration of management

Councillors

2021

Name	Basic salary	Allowances	Total
GL Nkumbi	805,496	11,210	816,706
CC Jantjies	688,688	10,800	699,488
UR Itumeleng	610,532	9,035	619,567
TA Sintu	610,532	9,035	619,567
K Gous	584,900	8,697	593,597
H Marais	349,618	3,600	353,218
AM Matebus	272,430	3,600	276,030
KJ Arens	2,890	-	2,890
R Smith	272,430	3,600	276,030
NJ Batties	17,339	-	17,339
ME Bitterbos	4,335	-	4,335
JEJ Hoorne	17,339	-	17,339
CS Papashe-Hugo	10,307	-	10,307
CJ Pieterse	10,500	-	10,500
J Hoffman	17,339	-	17,339
E Humphries	17,339	-	17,339
S Swartling	17,339	-	17,339
PP Mhlawuli	17,339	-	17,339
A Oliphant	17,339	-	17,339
DV Smous	17,339	-	17,339
T Yawa	17,339	-	17,339
	4,378,709	59,577	4,438,286

2020

Name	Basic salary	Allowances	Total
Z Monakali	841,729	11,733	853,462
CC Jantjies	688,688	10,800	699,488
UR Itumeleng	637,352	9,600	646,952
TA Sintu	637,352	9,600	646,952
GL Nkumbi	637,352	9,600	646,952
H Marais	306,324	3,600	309,924
AM Matebus	272,430	3,600	276,030
LJ Grobbelaar	140,071	1,500	141,571
R Smith	132,300	1,500	133,800
NJ Batties	17,339	-	17,339
J Hoffman	17,339	-	17,339
JEJ Hoorne	17,339	-	17,339
ME Bitterbos	17,339	-	17,339
PP Mhlawuli	17,339	-	17,339
JT Yawa	17,339	-	17,339
S Swartling	17,339	-	17,339
A Oliphant	17,339	-	17,339
SE Humphries	17,339	-	17,339
DV Smous	17,339	-	17,339
	4,466,988	61,533	4,528,521

Refer to Note 18 for the remuneration of key management.

Pixley-ka-Seme District Municipality (DC7)

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Unauthorised expenditure		
Opening balance as previously reported	251,246	251,246
Opening balance as restated	251,246	251,246
Less: Amount written off - prior	(251,246)	-
Closing balance	-	251,246

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

The unauthorised expenditure was investigated and presented to MPAC and Council. Council wrote-off / condoned the expenditure on 30 August 2021 (council resolution no. 2021-08-30 9.6).

34. Irregular expenditure

Opening balance	3,546,003	662,691
Opening balance as restated	3,546,003	662,691
Add: Irregular expenditure - current year	3,648,697	5,002,041
Less: Amount written off by council - current	(2,189,738)	(2,118,729)
Less: Amount written off by council - prior period	(3,524,003)	-
Closing balance	1,480,959	3,546,003

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Bid adjudication committee composition not adhered to	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matter is still under investigation.	1,428,959	276,595
Awards to close family members of persons in the service of the state	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matter is still under investigation.	-	22,000
Contract amount exceeded	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matter is still under investigation.	-	2,424,867
No CSD obtained (non-compliance to the SCM policy)	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matters are still under investigations.	-	189,550
Non-compliance to SCM processes	No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred.	2,219,738	2,089,029
		3,648,697	5,002,041

Pixley-ka-Seme District Municipality (DC7)

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34. Irregular expenditure (continued)

Amounts written-off

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

The irregular expenditure was investigated and presented to MPAC and Council. Council wrote-off / condoned the expenditure on 30 August 2021 (council resolution no. 2021-08-30 9.6), except for R22 000 in respect to awards to persons in the service of the state, which was referred back to the administration for further investigation.

35. Fruitless and wasteful expenditure

Opening balance as previously reported	1,021,020	1,005,894
Opening balance as restated	1,021,020	1,005,894
Add: Expenditure identified - current	-	15,126
Less: Amount written off - current	(1,021,020)	-
Closing balance	-	1,021,020

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Section 83(6) penalty	Council to condone expenditure	- 15,126

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

The fruitless and wasteful expenditure was investigated and presented to MPAC and Council. Council wrote-off / condoned the expenditure on 30 August 2021 (council resolution no. 2021-08-30 9.6).

36. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

The following deviations from the SCM stipulations in terms of the municipality's SCM policy were rectified by the municipal manager and reported to the council:

Exceptional cases (minimum required number of quotations could not be obtained)	55,708	99,170
Sole service provider	68,409	263,175
Emergency cases	152,004	-
	276,121	362,345

Pixley-ka-Seme District Municipality (DC7)

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37. Additional disclosure note in terms of the Municipal Finance Management Act, 2003 (Act. No. 56 of 2003)		
Audit fees		
Opening balance	20,631	1,423,288
Current year audit fee	2,153,614	757,480
Current year interest cost	-	(11,281)
Amount paid - current year	(2,153,614)	(725,568)
Amount paid - previous years	(20,631)	(1,423,288)
	-	20,631
PAYE, UIF and SDL		
Current year fee	8,049,166	7,485,157
Amount paid - current year	(8,049,166)	(7,485,157)
	-	-
Pension and medical aid fund contributions		
Current year payroll deductions and council contributions	9,892,668	8,656,579
Amount paid - current year	(9,892,668)	(8,656,579)
	-	-
Contributions to local government (SALGA)		
Opening balance	(475,000)	(475,000)
Current year subscriptions	475,000	475,000
Amount paid - following year (prepaid expense)	(475,000)	(475,000)
	(475,000)	(475,000)

38. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Governance and administration; Community and public safety; and Economic and environmental services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were not aggregated for reporting purposes.

The three major functional areas comprise of:

- Governance and administration which includes Executive and council, Finance and administration and Internal audit;
- Community and public safety which includes Public safety, Housing and Health; and
- Economic and environmental services which includes Planning and development.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

Pixley-ka-Seme District Municipality (DC7)

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38. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Mayor and council	Municipal manager	Budget and treasury office	Internal audit	Planning and development	Municipal health	Housing	Public safety	Total
Revenue									
Revenue from non-exchange transactions	3,585,455	-	53,792,521	-	5,997,473	-	422,619	-	63,798,068
Revenue from exchange transactions	-	-	2,237,644	-	-	1,384,406	-	-	3,622,050
Interest revenue	-	-	796,051	-	-	-	-	-	796,051
Total segment revenue	3,585,455	-	56,826,216	-	5,997,473	1,384,406	422,619	-	68,216,169
Municipality's revenue									68,216,169
Expenditure									
Salaries and wages	7,880,592	1,957,947	7,164,172	5,352,836	16,103,797	5,767,292	2,240,756	3,194,210	49,661,602
Other expenses	2,959,078	126,625	10,944,210	805,197	6,142,843	750,295	360,864	267,296	22,356,408
Depreciation and amortisation	-	-	1,019,860	-	-	-	-	-	1,019,860
Interest expense	-	-	1,707,962	-	81,838	-	-	-	1,789,800
Total segment expenditure	10,839,670	2,084,572	20,836,204	6,158,033	22,328,478	6,517,587	2,601,620	3,461,506	74,827,670
Total surplus/(deficit)									(6,611,501)
Assets									
Segment assets	-	-	20,659,728	-	-	-	-	-	20,659,728
Total assets as per Statement of financial position									20,659,728
Liabilities									
Segment liabilities	-	-	(21,194,551)	-	-	-	-	-	(21,194,551)
Total liabilities as per Statement of financial Position									(21,194,551)

Pixley-ka-Seme District Municipality (DC7)

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38. Segment information (continued)

	Mayor and council	Municipal manager	Budget and treasury office	Human resources	Internal audit	Planning and development	Municipal health	Housing
Other information								
Additions to non-current assets	-	-	3,399,739	-	-	-	-	-
Cash flows from operating activities	(7,254,211)	(2,084,573)	41,512,816	(6,158,033)	(16,331,006)	(4,212,190)	(2,179,001)	(3,461,503)
Cash flows from investing activities	-	-	(3,179,509)	-	-	-	-	-
Cash flows from financing activities	-	-	(2,332,625)	-	-	-	-	-
Non-cash items excluding depreciation and amortisation								
Non-cash revenue (included above)	-	-	6,171	-	-	-	-	-
Non-cash expenses (included above)	(101,924)	(17,818)	(7,233,314)	(125,698)	(189,550)	(881,264)	18,399	(132,174)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Pixley-ka-Seme District Municipality (DC7)

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39. Prior period errors

For the financial periods before 30 June 2019, the municipality received rental income from the Old Divisional Council Office Building, Murray Street, Colesberg, although the title deed was registered in the name of the Department of Public Works. The said rental contract came to an end in June 2019, on which date the property should have been transferred out of the books of the municipality (i.e. 1 July 2019). This was however not done as uncertainty existed over whether or not the contract will be renewed. This was however not done and the adjustment was made retrospectively.

In addition to the above, it was identified that expenditure incurred in 2019 in respect to the MIG project met the requirements of the grant and should have been accounted for as revenue during the year ended 30 June 2019.

The correction of the errors resulted in the following adjustments:

Statement of financial position

Investment property	(1,210,000)	(1,210,000)
Unspent conditional grants	402,483	402,483
Accumulated surplus - opening balance	807,517	807,517

40. Change in estimate

Property, plant and equipment

The change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned categories for the financial year:

Asset categories

Other assets	(24,957)	-
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41. Private Public Partnerships

The municipality was not a party to any Private Public Partnership during the year under review.

42. In-kind donations and assistance

The municipality did not receive any in-kind donations and assistance during the year under review.

43. Contingent liabilities

Litigation is in the process against the entity relating to a dispute with an individual who has brought a discrimination, intimidation and sexual harassment case against the entity. The individual is seeking damages of R 1,000,000. The entity's lawyers and management consider the likelihood of the action against the entity being successful as unlikely, and the case should be resolved within the next years.

44. Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving contingent assets.

45. Accounting by principals and agents

The municipality was a party to a principal-agent arrangement(s).

Details of the arrangement is as follows:

The municipality was the agent in the principal-agent arrangement with Ubuntu Local Municipality, whereby the municipality was the implementing agent for a MIG project.

The entity is the agent. Refer to note 1.28 for significant judgements applied in making this assessment.

Pixley-ka-Seme District Municipality (DC7)

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45. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The MIG funds were transferred to the municipality, which was responsible for the monitoring of the project and to make the necessary payments to the suppliers. The Ubuntu Local Municipality acted as the principal as it instructed the municipality to act as the agent, for which it received commission.

The arrangement was ended during the year ended 30 June 2021.

The corresponding infrastructure asset was transferred from the agent to the principal, including risks flowing to the entity as a result of its custodianship over the resources.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R- (2020: R3,693,838).

46. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	480,953	1,167,774
Used to finance property, plant and equipment	(480,953)	(1,167,774)
	<u>-</u>	<u>-</u>

Long-term liabilities have been utilized in accordance with the MFMA. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

47. Budget differences

Material differences between budget and actual amounts

Statement of financial performance:

1. Licences and permits: The municipality started issuing health certificates in the previous financial year. For the 2021 financial year, an aggressive approach was followed to budget for the income to be generated due to the lack of historical information. This resulted in the actual revenue not meeting management's expectations.
2. Other income: The shared services revenue decreased in comparison to that of the previous financial years due to new contacts that came to effect in the current financial year.
3. Finance cost: Management did not budget for the finance costs incurred on the finance leases.
4. Contracted services: Although the budget made provision for contracted services, this is an expense item per function and not by nature. Management therefore included the contracted services per their nature in general expenses.
5. Transfers and subsidies: Although the budget made provision for transfers and subsidies, no transfer or subsidy costs were incurred.
6. Materials: Although a budget was included for materials, this is an expense item per nature and not by function.
7. Loss on disposal of assets: The loss on disposal of assets is a non-cash flow item and management expected to incur a loss through the sale of their assets. The majority of the loss is attributable to the capital project that was handed over to the respective local municipality.
8. General expenses: As the operations of the municipality is returning back to normal, the general expenses have increased significantly. The most significant increases can be attributed to the auditor remuneration (R1 200 000); travel and entertainment expenses (R800 000); and printing and stationary (R400 000).

Pixley-ka-Seme District Municipality (DC7)

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47. Budget differences (continued)

Statement of financial position:

9. Receivables from exchange transactions: Management attempted to recover all debt owed to them during the year, and therefore budgeted for the receivables to be settled in full at year end. All outstanding debt could however not be recovered, resulting in the material fluctuation.
10. Cash and cash equivalents: Although the budget provided for a material cash balance at yearend, the settlement and decrease of a number of the municipality's creditors resulted in the decrease in the cash and cash equivalents balance.
11. Investment property: Although included in the budget, the investment property was excluded from the municipality's accounting records through a prior period error as the property does not meet the definition of an asset (refer to Note 39).
12. Property, plant and equipment: The municipality transferred a constructed infrastructure asset to the respective local municipality during the year, resulting in the material fluctuation and a loss with the disposal of assets.
13. Intangible assets: Insignificant and therefore not budgeted for.
14. Operating lease asset: Insignificant and therefore not budgeted for.
15. Other financial liabilities (non-current and current): No budgeted balances included.
16. Finance lease liabilities (non-current and current): No budgeted balances included.
17. Payables from exchange transactions: The budget provided for a material increase in the payables balance (which would have supported the material cash and cash equivalents balance), but in actual fact the municipality settled a number of its outstanding debt, which resulted in the material fluctuation and decrease of its cash balances.
18. VAT payable: No budgeted balance included.
19. Employee benefit obligation (non-current and current): No budgeted balances included.
20. Unspent conditional grants and receipts: Management anticipated that all grant funds would have been spend by year end, which was not the case and has resulted in the material fluctuation.
21. Provisions: Although budgeted for, the municipality did not have any provisions at year end.
22. Accumulated surplus: The material fluctuation is due to the material fluctuation noted in respect to the Statement of financial performance items. The main contributors to the deficit is: (i) The transfer of the constructed infrastructure asset (to the respective local municipality resulted in a loss amount of R4 768 337; (ii) The material increase of R868 474 in the provision of doubtful debt; an (iii) The material increase in the employee benefit obligation amounting to R1 748 499, due to the change in rates in comparison to those of the previous year.

Cash flow statement:

23. Finance cost: The finance cost paid in respect to the other financial liabilities and finance lease obligations were included in the payments disclosed.
24. Purchase of property, plant and equipment: Additional motor vehicles were purchased.
25. Proceeds from sale of property, plant and equipment: Although not budgeted for, the municipality disposed of certain other movable assets during the year.
26. Repayment of other financial liabilities/finance lease payments: Management did not budget for any repayments to made during the year.

48. Events after the reporting date

No events having financial implications, requiring disclosure, occurred subsequent to 30 June 2021.

Pixley-ka-Seme District Municipality (DC7)

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49. Going concern

We draw attention to the fact that at 30 June 2021, the entity had an accumulated surplus (deficit) of R (534,820) and that the entity's total assets exceed its liabilities by R (534,820).

During January 2021 the council adopted the 2020/21 adjusted budget. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) supports the ongoing delivery of municipal services to residents and reflected that the budget was cash-backed over the three-year period.

Strict daily cash management processes are embedded in the municipality's operations to manage and monitor actual cash inflows and outflows in terms of the cashflow forecast, supporting the budget. The cash management processes are complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

The unspent conditional grant balance is currently cash-backed. Certain expenses were incurred during the current and previous financial years, which did not meet the requirements of certain grants. These costs were reversed against the grant. The municipality is generating the shortfall within its own operating budget.

Due to financial constraints, the municipality is currently unable to ensure short-term debt is paid within the legislative period, as per section 65(2)(e) of the MFMA. The municipality has prioritised outstanding payments and made the necessary arrangements with the respective third parties to ensure the debt is settled.

During the current year, the municipality incurred a net deficit of R(6 611 501) (2020: surplus of R10 868 147). The deficit is due to:

- The transfer of the constructed infrastructure asset (R4 768 337) to the respective local municipality;
- The material increase of R994 731 in the provision of doubtful debt; and
- The material increase in the employee benefit obligation amounting to R1 748 499, attributable to the change in rates in comparison to the rates of the previous year.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality was affected by the Covid-19 pandemic as follow:

- It will have to fulfil its health and environmental objectives through the use of its own funds as the funding is not sufficient for all operation, with specific reference to the combat of the Covid-19 pandemic.
- The municipality will continue as a going concern in a fiscally constrained environment.

Annexure B: Report of the Auditor-General

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Pixley Ka Seme District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Pixley Ka Seme District Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Pixley Ka Seme District Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2020 (Act No. 4 of 2020) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

7. As disclosed in note 39 to the financial statements, the corresponding figures for 2020 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 2021.

Other matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

9. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality’s approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the municipality’s annual performance report for the year ended 30 June 2021:

Objective	Pages in the annual performance report
Monitor and support local municipalities to enhance service delivery	x – x

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify material findings on the usefulness and reliability of the reported performance information for the following objective:
- Monitor and support local municipalities to enhance service delivery

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph [x to x] of this report.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Monitor and support local municipalities to enhance service delivery. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipalities compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial Statements, Performance Reports and Annual Reports

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion. **[ISS5, ISS 15, ISS. 25, ISS. 27, ISS 29, ISS 32 and ISS 39]**

Expenditure Management

25. Reasonable steps were not taken to prevent irregular expenditure amounting to R3 648 697 as disclosed in note 34 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with the legislative environment of procurement processes. **[ISS. 29, ISS.5]**

Strategic Planning and Performance Management

26. The performance management system and related controls were not maintained as it did not describe how the performance reporting improvement processes should be conducted, as required by municipal planning and performance management regulation 7(1). **[ISS.13]**

Other information

27. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual report and the findings on compliance with legislation included in this report.
32. The accounting officer did not adequately review the financial statements and annual report before submitting it for auditing. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner. This resulted in repeat findings on compliance with legislation.

Kimberley

30 Novemeber 2021



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.