



2021 - 2022



ANNUAL REPORT

Vision

Quality support to deliver quality services

Mission

Centre of excellence in providing quality basic services through support to local municipalities

Core Values

- 1. Commitment to the development of people*
- 2. Integrity in the performance of our duty*
- 3. Respect for our natural resources*
- 4. Transparency in accounting for our actions*
- 5. Regularly consult with customers on the level and quality of services*
- 6. Ensure higher levels of courtesy and professionalism in the workplace*
- 7. Efficient spending and responsible utilization of municipal assets*

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LIST OF ABBREVIATIONS

AC	Audit Committee
AG	Auditor-General
AO	Accounting Officer
AG Report	Auditor General's Report
CFO	Chief Financial Officer
COA	Certificate of Acceptability
COC	Code of Conduct
COGHSTA	Cooperative Governance, Human Settlements and Traditional Affairs
CLLR	Councillor
COVID-19	Coronavirus Disease of 2019
CSD	Central Supplier Database
DDM	District Development Model
DEDaT	Department of Economic Development and Tourism
DHIS	District Health Information System
DORA	Division of Revenue Act 2 of 2013
DPSA	Department of Public Service and Administration
DTI	Department of Trade and Industry
ECD	Early Childhood Development Centre
EGDF	Economic Growth and Development Fund
EHP	Environmental Health Practitioner
EHS	Environmental Health Services
EPWP	Extended Public Works Programme
ETC.	Et Cetera
FAR	Fixed Asset Register

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FTE	Full-Time Equivalent (s)
GRAP	Generally Recognized Accounting Practice
IDP	Integrated Development Plan
IDP Rep Forum	IDP Representative Forum
IG	Incentive Grant
IGR	Intergovernmental Relations
ICT	Information and Communication Technology
IT	Information Technology
IMIS	Integrated Municipal Information System
IMQS	Infrastructure Management Query Software
KPI	Key Performance Indicators
LDA	Land Development Applications
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
LR	Labour Relations
LUPO	Land Use Planning Ordinance
LUS	Land Use Scheme
MBD	Municipal Bid Documents
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, 56 of 2003
MM	Municipal Manager
MoU	Memorandum of Understanding
MPAC	Municipal Publics Accounts Committee
MSA	Municipal Systems Act, 32 of 2000
mSCOA	Municipal Standard of Charts Accounts
NAEIS	National Atmospheric Emission Inventory System

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NCEDA	Northern Cape Economic Development Trade and Investment Promotion Agency
NEMA	National Environment Management Act
NDP	National Development Plan
NQF	National Qualifications Framework
OHS	Occupational Health and Safety
PDMC	Provincial Disaster Management Centre
PGDP	Provincial Growth and Development Plan
PMS	Performance Management System
PPP	Public-Private Partnerships
PSDF	Provincial Spatial Development Framework
RISFSA	Road Infrastructure Strategic Framework for South Africa
RRAMS	Rural Roads Asset Management System
SACPLAN	South African Council for Planners
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SEFA	Small Enterprise Finance Agency
SALGA	South African Local Government Association
SMME	Small, Micro and Medium Enterprises
SPLUMA	Spatial Planning and Land Use Management Act
UNWTO	United Nations World Tourism Organization
ZFM DM/ ZFM	ZF Mgcawu District Municipality

CHAPTER 1

EXECUTIVE MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: EXECUTIVE MAYOR'S FOREWORD



Cllr MC Basson

Executive Mayor

As the Executive Mayor of the ZF Mgcawu District Municipality, I am extremely honoured to present to our constituencies and stakeholders the 2021/2022 Draft Annual Report. The Annual Report is a pivotal legislative requirement that enables us to report on our achievements, challenges and important delivery targets.

On the 14th of December 2021, 23 Councillors took their oath of office and pledged to obey the Constitution and to perform their functions and duties as Councillors of the ZF Mgcawu District Municipality to the best of their abilities.

As we start our term of office and present our first Draft Annual Report for the year under review, I want to thank the previous Council who have allowed for a seamless and uninterrupted transfer of power. This signifies the nature of our dynamic and

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vibrant systems of democracy and governance in South Africa. As newly elected Councillors, we must never forget that we are mere servants placed here to serve our communities and we must have their best interests at heart.

The 2021/2022 Annual Report of the ZF Mgcawu District Municipality has been developed in line with the National Treasury's Circular no 63 and is submitted in compliance with various pieces of legislation, such as section 46 of the Local Government: Municipal Systems Act No. 32 of 2000 and Sections 121 and 127 (2) of the Local Government: Municipal Finance Management Act No 56 of 2003.

This Annual Report intends to reflect a District Municipality committed to transformation, development, and fostering good governance in the District and it is presented in observation of our legislative obligation to be an accountable and transparent institution of governance.

I would like to remind all of us that while we should acknowledge all we have achieved; we must remember that serving our communities is an ongoing responsibility. It is one that we have all chosen and committed to pursuing.

The District Municipality prides itself on the fact that the Political and Administrative arms of the Council work cohesively together and therefore ensuring that the resolutions of the Council are implemented. Despite difficult financial and socio-economic circumstances, the District Municipality continues to strive toward excellence in all aspects of its mandate.

The ZF Mgcawu District Municipality performed admirably well during the 2020/2021 financial year by obtaining its 8th Clean Audit.

However, the poor audit outcomes of our Local Municipalities are a clear indication that many are struggling to reach the expected standards of financial management and build public confidence in the utilization of resources by the government.

All our support efforts as stipulated in Section 83 of the Municipal Structures Act must be geared towards ensuring that Local Municipalities migrate from negative audit outcomes to more positive outcomes.

In 2019, President Cyril Ramaphosa launched the District Development Model which seeks to be a new integrated, district-based, service delivery approach aimed at fast-tracking service delivery and ensuring that Municipalities are adequately supported and resourced to carry out their mandate.

The District Development Model is designed around two fundamental pillars namely: intergovernmental coordination and local social compacts. The main aim is to address service delivery backlogs and pursue alternative Local Economic Development, which prioritizes employment creation.

The ZF Mgcawu District Municipality has actively participated in this program in collaboration with the Premier's Office. The Deputy Minister of Tourism, Honourable Fish Mahlalela was allocated as the District Development Model Champion for the ZF Mgcawu District.

The District Development Model will ensure that better coordination takes place to ensure service delivery is expedited to the benefit of our communities.

Our core values as a District Municipality are primarily shaped by the moral fibre of the administrative and political leadership of our District Municipality, guided by the

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strategic compass of the Northern Cape Provincial Government of building a “Modern, Growing, Successful Province”.

Conclusion

It is our responsibility as the Council of ZF Mgcawu District Municipality to ensure that our Municipality strives to achieve clean audits moving forward. It is also our responsibility to address challenges and put plans in place to overcome those challenges as a mandate enshrined in our constitution. As the Council, we are compelled to execute plans irrespective of the limited resources we have at our disposal.

I have witnessed the greatest cooperation between the administration and the Council. We are now working on improving service delivery and serving our communities; this can only be achieved with the continued support and cooperation between the Administration, Council and Local Municipalities of the ZF Mgcawu District.

In light of the above-mentioned, I would like to extend my gratitude to all roleplayers. May we continue working as a united force to make our District a better place to live in.

I also have to express my gratitude to the external Audit and Performance Committee for their guidance and oversight role during the year under the review.

Signed by: _____

Councillor M.C Basson

Executive Mayor

**The former Executive Mayor, Councillor M.M Louw resigned as the Executive Mayor on the 22nd of June 2022 and subsequently Councillor M.C Basson was elected as the Executive Mayor of ZF Mgcawu District Municipality with effect from 23 June 2022 and is the current incumbent in office.*

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW



Mr AK Tieties

Acting Municipal Manager

It is with pleasure that I present the Annual Report of the ZF Mgcawu District Municipality for the 2021/2022 reporting period. This Annual Report presents us with an opportunity to reflect on our achievements since the last reporting period and also to provide a detailed account of our performance as an institution against our strategic plans and resources that were at our disposal for the period under review.

This report provides an overview of the performance and progress made by the District Municipality in fulfilling its strategic objectives and priorities as aligned in the Integrated Development Plan (IDP), National Development Plan (NDP) as well as Provincial and National strategic directives.

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Audit Outcome 2020/2021

The ZF Mgcawu District Municipality obtained its 8th Clean Audit for the 2020/2021 financial year. We have proven once again that with a sterling record of good governance, sound financial management, a stable leadership structure and a well-functioning Council and Administration a lot can be achieved.

Challenges at Local Municipalities

The poor audit outcomes of our Local Municipalities are a clear indication that many are struggling to reach the expected standards of financial management and build public confidence in the utilization of resources by the government.

Municipalities with weak revenue bases cannot survive on the current Municipal Infrastructure Grant and Equitable Share funding allocations to fulfil their mandate. Such allocations are insufficient to ensure universal access to adequate services and will not enable poor and small Municipalities to deliver optimal services. Thus Municipalities with financial limitations cannot translate their IDPs into workable socio-economic programmes.

Another major challenge that faces Municipalities is the availability and shortage of the required skills. A significant number of Municipalities do not have the managerial, administrative, financial and institutional capacity to meet the rising needs of the local people. The scarcity of specialised skill sets in Local Municipalities limits their ability to render effective and efficient services.

The ZF Mgcawu District Municipality's vision of providing quality support and thereby ensuring that municipalities deliver quality services must drive us to enforce the requirements set out in Section 83(c) of the Municipal Structures Act. We cannot as the District Municipality achieve clean audits whilst our Local Municipalities struggle to achieve the same. We must build the capacity of our Local Municipalities to enable them to improve service delivery and accountability to the communities they serve.

Functionality of Council

The Local Government elections took place on the 1st of November 2021. Subsequent to the elections the ZF Mgcawu District Municipality held its inaugural Council meeting on the 14th of December 2021 in Upington.

The 2021 Local Government Elections were the watermark for the proliferation of coalition politics and governments within the space of municipalities. A coalition government has changed the course of action for municipalities in the sense that no majority party governs without a coalition partner, and this trajectory will remain the deciding factor in local government politics.

The ZF Mgcawu District Municipality has a coalition Council for the first time, however, the Council is fully functional and all compliance obligations have been met for the year under review. The Draft and Final Annual Budgets, the Integrated

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Development Plan (IDP), and the Final Annual Report amongst others have all been adopted by the Council, thereby illustrating the functionality of the Council.

Acknowledgement from the Accounting Officer

I would like to thank the Executive Mayor and the Speaker for the guidance, advice, and continued support that we enjoyed throughout the year. The support we received thus far from the political leadership is phenomenal and greatly appreciated.

I would like to extend my gratitude to the Council of the ZF Mgcawu District Municipality for instilling a sense of an accountable administration by holding us to account for the implementation of all the programs of the Council.

I also have to express my gratitude to the external Audit Committee for their guidance and oversight role.

My sincere gratitude and appreciation to the Senior Management Team for the support and commitment toward a successful 2021/2022 financial year, and to our staff, I would like to thank you sincerely for always showing a sense of urgency in dealing with the issues that we are faced with; I am humbled to be at the forefront of such a dedicated team of professionals.

Signed by: _____

Mr AK Tieties

Municipal Manager

1.2 MUNICIPAL FUNCTIONS AND ENVIRONMENTAL OVERVIEW

ZF Mgcawu District Municipality forms the mid-northern section of the province on the frontier with Botswana and comprises of the vast Kalahari Desert, Kgalagadi Transfrontier Park, and the former Bushman Land.

ZF Mgcawu District Municipality comprises of five Local Municipalities namely: Kai! Garib; Dawid Kruiper; Tsantsabane; !Kheis and Kgatelopele. Upington is the District Municipal capital where the municipal government is located.

The ZF Mgcawu District Municipality has a Constitutional mandate to:

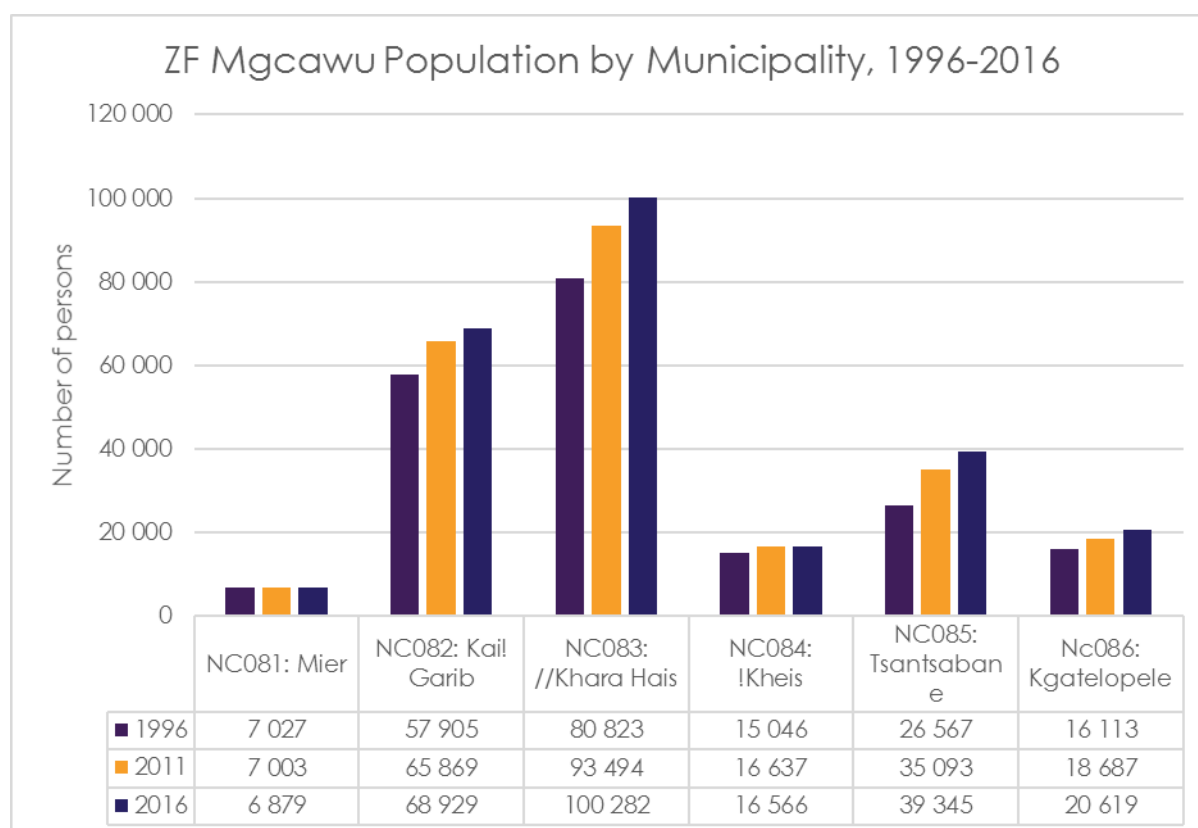
- a) provide a democratic and accountable government for local communities
- b) ensure the provision of services to communities in a sustainable manner
- c) promote social and economic development
- d) promote a safe and healthy environment
- e) encourage the involvement of communities and community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

Following the Constitution, specific powers and functions of the ZF Mgcawu District Municipality is regulated by National Legislation. The Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) in Section 84(1) sets out the following powers and functions for the ZF Mgcawu District Municipality (ZFM)

Section 84(1) states that a District Municipality has the following functions and powers:

- Integrated development planning for the District Municipality as a whole, including a framework for integrated development plans of all Municipalities in the area of the District Municipality.
- Municipal Health Services.
- Firefighting Services serve the area of the District Municipality as a whole, which includes planning, coordination, and regulation of fire services.
- Promotion of local tourism for the area of the District Municipality.
- Building the capacity of Local Municipalities in its area to perform their functions and exercise their powers where such capacity is lacking.

1.2.1 POPULATION

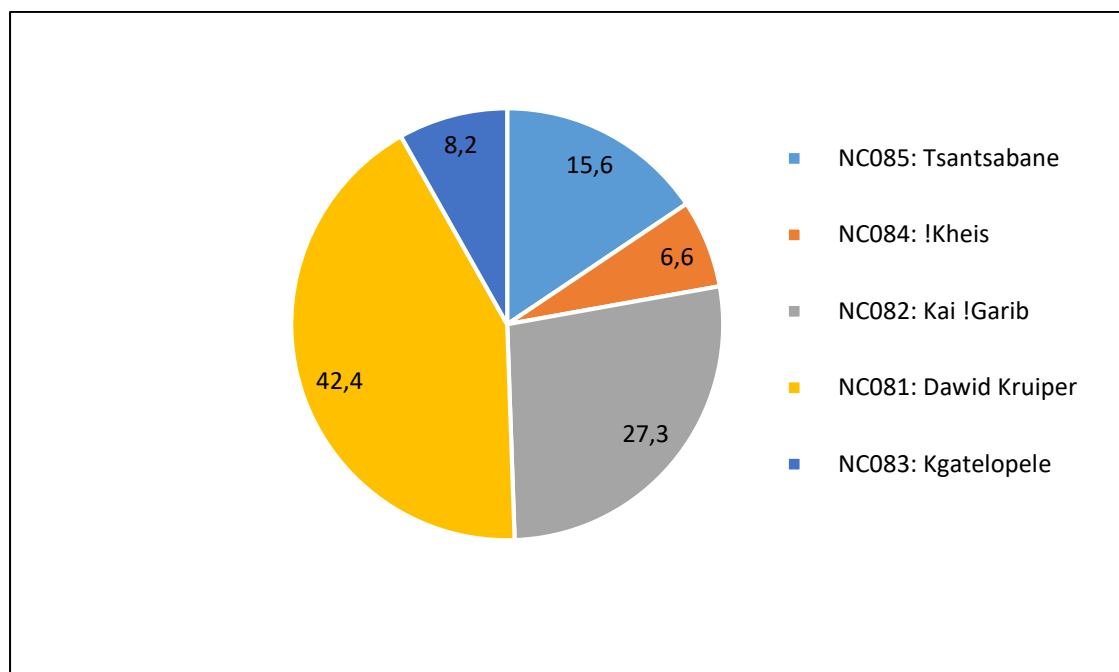


The graph above shows an increase in the population of ZF Mgcawu over the period 1996 to 2016. The population in the District increased by 33 304 persons over the period 1996 to 2011, from 203 479 persons in 1996 to 236 783 in 2011. The population further shows an increase over the period 2011 to 2016, from 236 783 persons in 2011 to 252 620 persons in 2016.

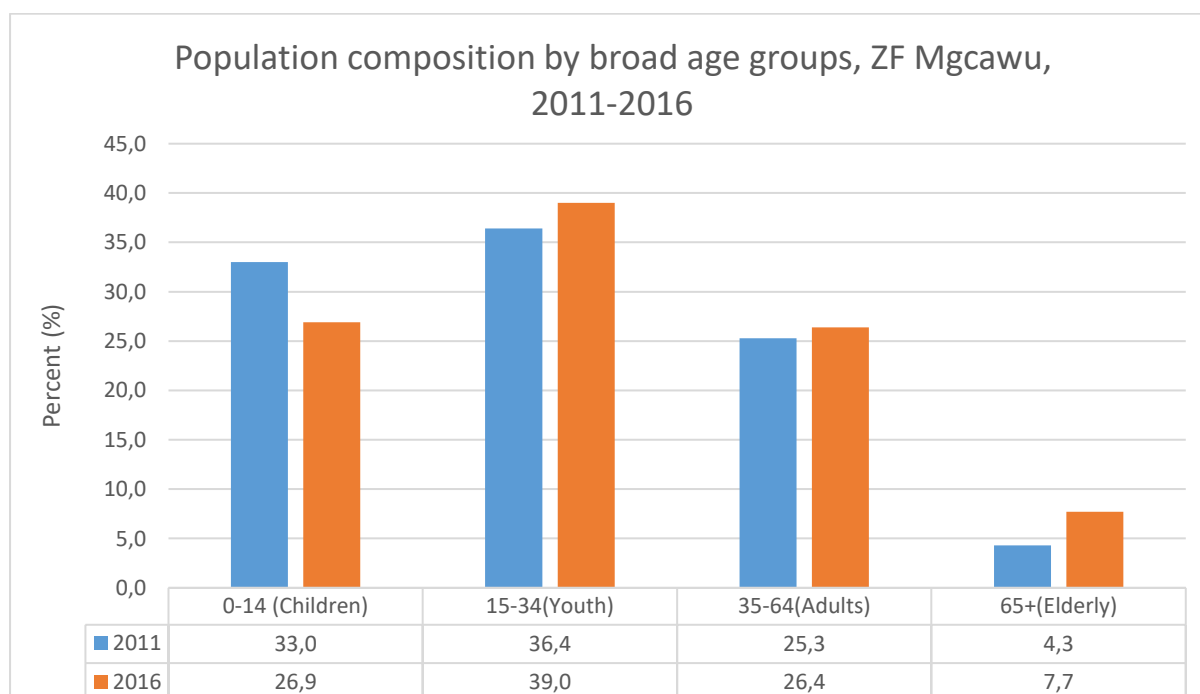
*//Khara Hais and *Mier Local Municipalities have been amalgamated into one Municipality, known as Dawid Kruiper Local Municipality, this happened as a result of the demarcation process of the Municipal Demarcation Board.

(*community survey 2016)

Distribution of the population of ZF Mgcawu District by Local Municipality, 2016

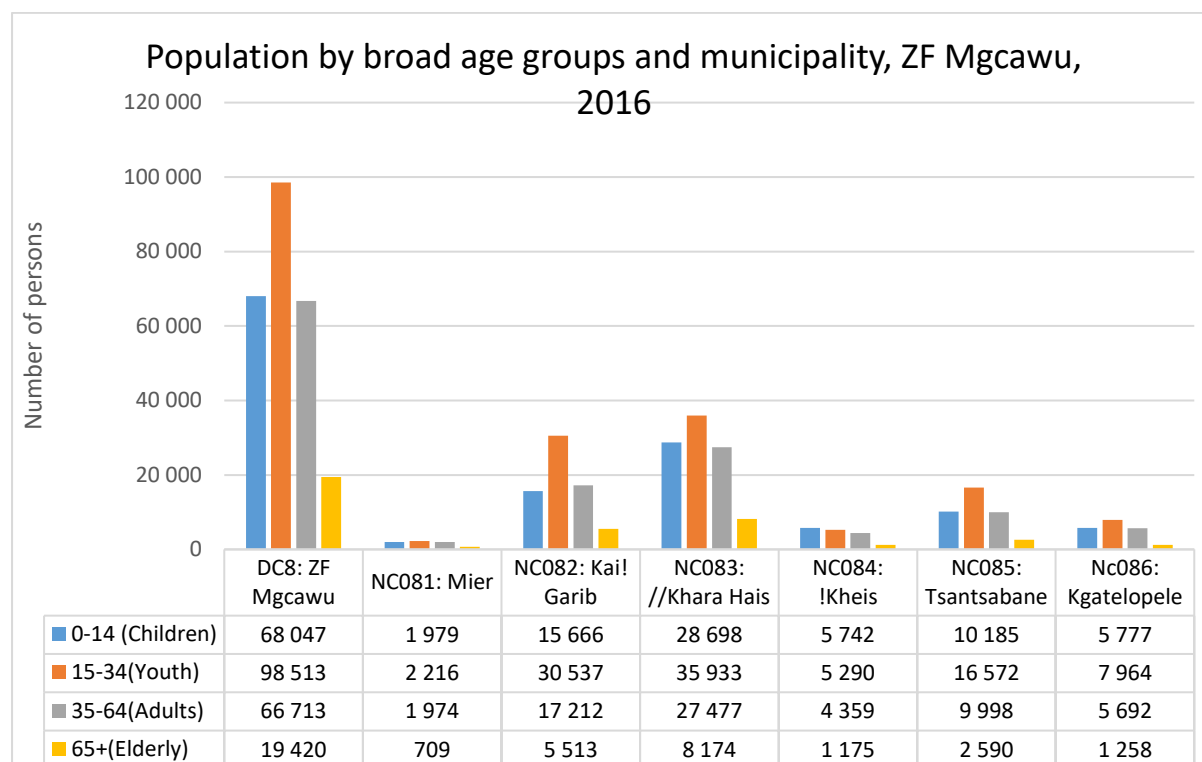


The graph above illustrates that Dawid Kruiper Local Municipality accounts for 42.4% of the total population in the District. This is followed by Kai! Garib, Tsantsabane, Kgatelopele, and !Kheis Local Municipalities accommodate 27.3%, 15.6%, 8.2%, and 6.6% of the total population in the District respectively.



- The graph above shows a change in the structure of the population in the ZF Mgcawu District over the period 2001 to 2016.

- It shows a shift towards an ageing population composition, where the proportion of children (0-14 years) in the District decreased as a proportion of the total population from 33, 0% in 2011 to 26,9% in 2016.
- The graph shows a bulge in the youth population group (15-34 years), showing a 2, 6% increase in the share of youth to the total population, from 36,4% in 2011 to 39,0% in 2016.
- The share of the elderly population (65+ years) to the total population of the District increased from 4, 3% in 2011 to 7,7% in 2016.



- The graph above shows that the majority of the population in the District mainly consists of youth with about 98 513 persons in 2016, followed by children (68 047 persons), adults (66 713 persons), and elders with 19 420 persons.
- *//Khara Hais Local Municipality, followed by Kai! Garib Local Municipality recorded the most number of persons across all age groups when compared to other Local Municipalities in the District. *Mier Local Municipality has the least population numbers across the respective age groups when compared to other Local Municipalities in the District.

*//Khara Hais and *Mier Local Municipalities have been amalgamated into one Municipality, known as the Dawid Kruiper Local Municipality, this happened as a result of the demarcation process of the Municipal Demarcation Board.

(*community survey 2016)

1.3 SERVICE DELIVERY OVERVIEW

The Constitution of the Republic of South Africa states that Municipalities have the responsibility to ensure that all citizens are provided with services to satisfy their basic needs. The provision of basic services has a direct and immediate effect on the quality of the lives of people in communities across the country.

As a District Municipality, the ZF Mgcawu District Municipality does not render direct services to households with functions such as water, sanitation, electricity, refuse, etc. These services are rendered by the Local Municipalities in the District and reporting hereon will be in the Annual Reports of the Local Municipalities in the District.

Municipal Health Services is executed in terms of the National Health Act (Act 61 of 2003) to provide and facilitate comprehensive, pro-active, and needs-related services to ensure a safe and healthy environment thereby preventing and eliminating diseases. Furthermore, the ZF Mgcawu District Municipality renders a Fire and Disaster Management Service within the District.

As part of its legislative obligation, the District Municipality renders mandatory support to all Local Municipalities in the District.

1.4 FINANCIAL HEALTH OVERVIEW

The District Municipality submitted its 2020/2021 Annual Financial Statements to the Auditor-General timeously on 31 August 2021. During the financial year, all existing budget-related policies were reviewed and approved with the adoption of the Budget for the next financial year. The 2021/2022 Annual Budget was approved by the Council on the 28th of May 2021

The ZF Mgcawu District Municipality continues to be grant-dependent and the high employee-related costs continue to put pressure on the finances of the District Municipality.

The financial health of the ZF Mgcawu District Municipality is busy deteriorating due to its high employee-related costs. Personnel costs are too high and exceed the national norm by far. Strategic plans to contain the high personnel costs have been put in place.

The District Municipality experiences a going concern crisis. To address the going concern crisis a cost containment plan had been developed and implemented to address the going concern matter.

Cash Flow Reporting takes place regularly to all stakeholders in the municipal environment. Political intervention and strategic direction are given to the Municipal Administration by the Executive Mayor of the ZF Mgcawu District Municipality to sustain the financial health of the District Municipality.

Audit risks for the 2021/2022 financial year had been identified and attended to thereby ensuring that the positive audit outcomes of the past years are maintained.

The unfunded budget of the ZF Mgcawu District Municipality is a matter of great concern and a plan has been compiled and tabled to Council to address this crisis.

1.5 ORGANIZATIONAL DEVELOPMENT OVERVIEW

The organizational structure was approved by the Council annually and as a living document, it continues to be amended as the need arises. The objectives of an organizational structure are to establish accountability, information flow, authority, and distribution of responsibilities.

The organizational structure was approved to support efforts and initiatives to enhance the District Municipality's financial sustainability and efficient service delivery to the District Municipality.

The Service Delivery and Budget Implementation Plan (SDBIP) for the 2021/2022 financial year was approved by the Executive Mayor 28 days after the budget was formally approved by the Executive Mayor on the 11th of June 2021.

The SDBIP details the implementation of service delivery and the budget for the financial year in compliance with the Municipal Finance Management Act, 56 of 2003. The SDBIP serves as a contract between the Administration, Council, and the Community, expressing the objectives set by the Council as quantifiable outcomes that can be implemented by the administration over the next twelve months. The SDBIP facilitates the process of holding Management accountable for their performance.

The Performance Management Framework guides the implementation of the Performance Management System for the District Municipality and shall serve as the official Performance Management Framework which informs the performance management process and practices. In terms of the capacity building of employees, our Workplace Skills Plan remains a key guiding document.

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The Workplace Skills Plan for the 2021/2022 financial year was drafted in line with the prescripts of the law and it was submitted to the Local Government Sector Education and Training Authority (LGSETA) on the 30th of April 2021.

1.6 AUDITOR GENERAL'S REPORTS

The audit outcomes for the ZFM District Municipality for the last 4 financial years are as follows:

Year	2018/2019	2019/2020	2020/2021	2021/2022
Status	Unqualified with one matter	Clean Audit Unqualified Audit Opinion	Clean Audit Unqualified Audit Opinion	Clean Audit Unqualified Audit Opinion

The Auditor General's Report for the 2021/2022 financial year was released in November 2022 and can be found in Chapter 6 of this report. The ZF Mgcawu District Municipality received an Unqualified Audit Opinion for the 2021/2022 financial year.

1.7 STATUTORY ANNUAL REPORT PROCESS

The process plan of the Annual Report is the guiding plan on the processes to be followed in the development of the Annual Report. The primary purpose is to ensure that there is compliance with all the pieces of legislation that governs the content and public participation processes on the development of the Annual Report.

Section 121(1) (2) and (3) of the Municipal Finance Management Act, 56 of 2003 determines as follows: "Every Municipality must for each financial year prepare an Annual Report. The Council must within 9 months after the end of the financial year deal with the Annual Report of a Municipality in accordance with section 129."

In completing the Annual Report, it is imperative to ensure that there is alignment between the Integrated Development Plan, Budget, and the Service Delivery and Budget Implementation Plan (SDBIP) as these are the strategic documents of the Council and in most instances are forward-looking. The Annual Report gives a reflection on the backwards-looking approach to ascertain whether goals and objectives were achieved.

The Draft Annual Report 2020/2021 was submitted to the Office of the Auditor-General on the 31st of August 2021 in compliance with legislative requirements.

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The Executive Mayor of the District Municipality tabled the Draft Annual Report to the Council on the 28th of January 2022 and the report was subsequently approved on the 29th of March 2022. The report was discussed and evaluated by the Municipal Public Accounts Committee (MPAC) throughout the process and it made recommendations to the Council.

The process of the Annual Report was finalized in April 2022 in accordance with Section 129 (1) of the Municipal Finance Management Act by way of submitting the Oversight Report 2020/2021 to the Provincial Legislature on the 5th of April 2022.

The ZF Mgcawu District Municipality complied with all legislative and legal requirements in the completion of this process.

CHAPTER 2

GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

In terms of section 52(a) of the Municipal Finance Management Act, 56 of 2003 the Executive Mayor must provide general political guidance over the fiscal and financial affairs of the District Municipality.

The Council is convened and chaired by the Speaker. The Council delegates most of its executive functions to the Executive Mayor as the Political Head of the District Municipality and is supported by the Mayoral Committee.

The Administration is headed by the Municipal Manager, who is supported by the Directors that are directly accountable to him, to execute the resolutions of the Council as well as its programmes and activities. The Council and Committees established both in terms of Section 79 and Section 80 of the Municipal Structures Act plays an oversight role in the administration of the District Municipality to ensure that commitments in the Integrated Development Plan and Municipal budget are implemented. The Political Governance Structure deals with the political governance of the District Municipality through Political Office Bearers, Council, and Committees. The Administrative Governance Structure, on the other hand, focuses on the administration and management of the Municipality. This is vested in the Municipal Manager who is the Accounting Officer.

The Senior Management Team comprising of Directors assists the Municipal Manager. The Municipal Manager is tasked with the establishment, development, and management of sound and effective municipal administration. The Executive Mayor is the custodian of the Intergovernmental Relations Forums. The Municipal Manager assisted by Senior Managers is responsible for Corporate Governance of the District Municipality. This entails Risk Management, Strategic Operations, Internal Audit, Supply Chain Management, Performance Management, etc.

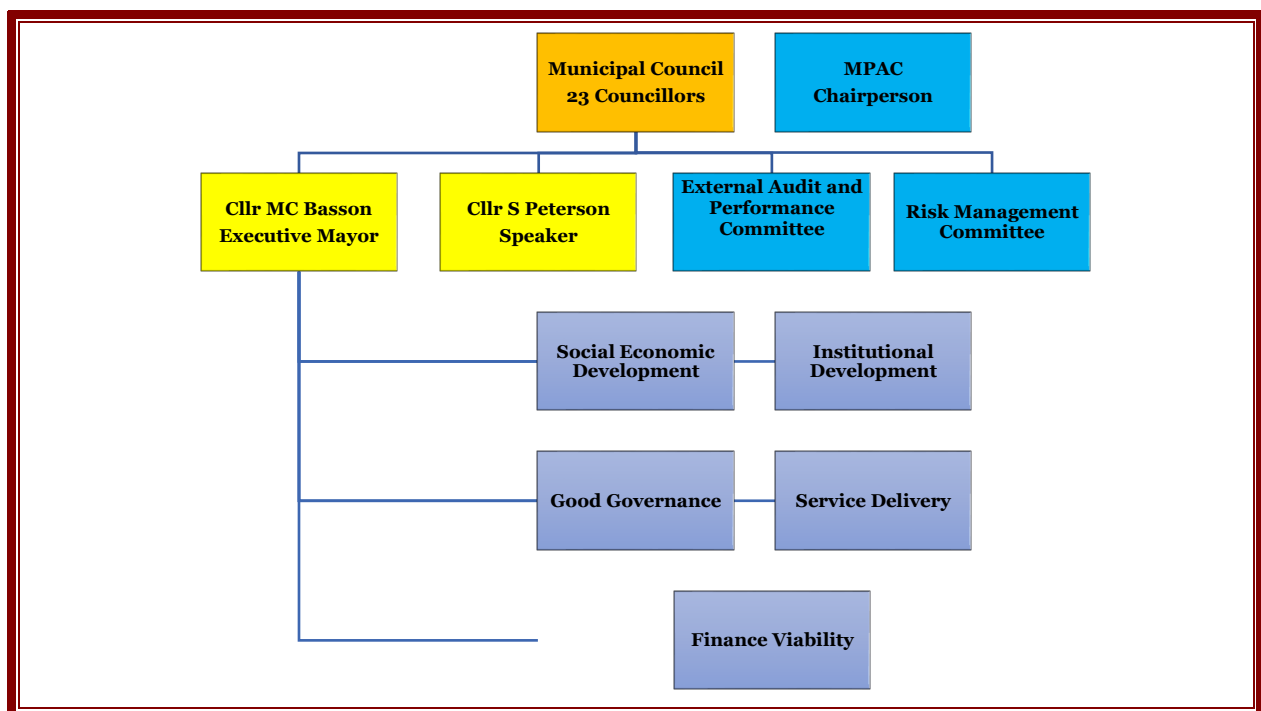
2.1 POLITICAL GOVERNANCE

The Minister of Cooperative Governance, Nkosazana Dlamini Zuma, announced that the Local Government Elections will take place on 1 November 2021. Subsequent to the elections the ZF Mgcawu District Municipality held its inaugural Council meeting on the 14th of December 2021 in Upington.

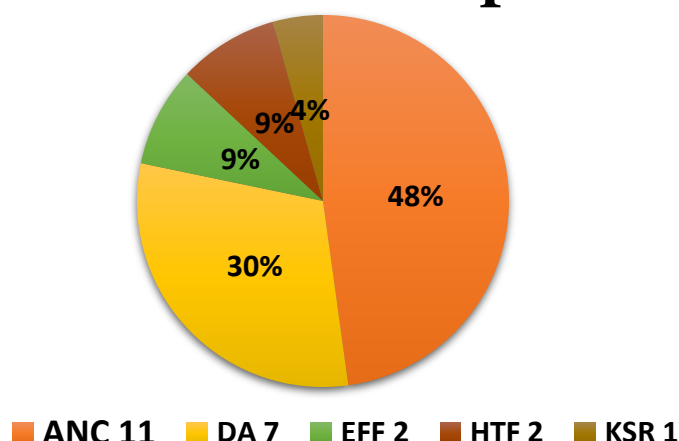
During this Council meeting, 23 Councillors took the oath of office and pledged to obey and respect the Constitution and the laws of South Africa and to perform their functions and duties as a Councillor of the ZF Mgcawu District Municipality to the best of their abilities.

The Council of the ZF Mgcawu District Municipality is comprised of 23 Councillors of which 10 are direct elected Councillors and 13 are seconded to the District Municipality from the Local Municipalities.

The Council performs both a legislative and an executive function. It focuses on legislative, oversight, and participatory roles and has delegated its executive function to the Executive Mayor and the Mayoral Committee. The Council plays a very active oversight role in the operations of the District Municipality.



ZFM Council Composition



2.1.1 COUNCIL COMMITTEES

Sections 79 and 80 of the Local Government: Municipal Structure Act, 117 of 1998 deal with non-executive and executive committees. Section 79 Committees are non-executive Committees that may be established for the effective and efficient performance of any of a Municipal Council's functions, or the exercise of any of its powers, provided that the Municipal Council determines the functions of a Committee and delegates duties and powers to it. The Council must appoint the Chairperson and may authorize a Committee to co-opt advisory members who are not members of the Council within the limits determined by the Council. The Council may also determine a Committee's procedures.

The Mayoral Committee

The Mayoral Committee is chaired by the Executive Mayor and comprised of the Chairpersons of the Portfolio Committees. The Mayoral Committee has the responsibility of monitoring the Management of the District Municipality's administration in accordance with the policy directions of the Council and overseeing the provision of services to communities in the District Municipality in a sustainable manner.

The District Municipality in accordance with the Municipal Structures Act has the following Portfolio Committees in place:

Portfolio Committees

NAME OF CHAIRPERSON	PORTFOLIO COMMITTEE
Cllr. M.C Basson	Municipal Finance Viability
Cllr. A. Johnson	Institutional Development
Cllr. P. M. Mgcera	Service Delivery
Cllr. J. Silo	Good Governance and Public Participation
Cllr. A. Matshimo	Social Economic Development

The Committee allocations and the purposes of the Committees can be found in Appendix A and B respectively.

2.1.2 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The purpose of the Municipal Public Accounts Committee (MPAC) is to serve as an Oversight Committee to exercise oversight over the executive obligations of the Council. The Municipal Public Accounts Committee (MPAC) will assist the Council to hold the executive to account and ensuring the efficient and effective use of municipal resources. By so doing, the MPAC will help to increase council and public awareness of the financial and performance issues of the District Municipality.

The MPAC is established in terms of section 79 of the Municipal Structures Act and performs an oversight function on behalf of the Council and is not a duplication of other committees of the Council, such as the Audit Committee. The MPAC may engage directly with the public and consider public comments when received and will be entitled to request documents or evidence from the Accounting Officer.

The Committee is responsible for the detailed analysis and review of the Annual Report and then the drafting of an Oversight Report that may be taken to the Council for discussion. This Committee receives reviews made by the public.

In reviewing the Annual Report and preparing the Oversight Report, the Municipal Public Accounts Committee must balance the need for transparency, good governance practice, and accountability, the capacity of the District Municipality, and the need for an effective process within the time allowed.

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Members of the Municipal Public Accounts Committee (MPAC) for the year under review were:

NAME OF MEMBER OF MPAC	POLITICAL PARTY
*Cllr M.C. Basson [Chairperson]	African National Congress [ANC]
Cllr K.G. Keorometswe	African National Congress [ANC]
Cllr D.R. Pienaar	African National Congress [ANC]
Cllr P.J. George	African National Congress [ANC]
Cllr J. Balies	Economic Freedom Fighters [EFF]
Cllr F.L. Witbooi	Democratic Alliance [DA]

*Cllr M.C Basson became Executive Mayor with effect from 23 June 2022 and subsequently resigned as the Chairperson of the Municipal Public Accounts Committee. There was no MPAC Chairperson by the end of the 2021/2022 financial year (30 June 2022)

Members of Council for the 2021/2022 Financial Year:

MEET YOUR COUNCIL

CLLR M.C. BASSON
EXECUTIVE MAYOR

CLLR WRS. PETERSON
SPEAKER

ZF Mgcawu
District Municipality
Distrik Munisipaliteit

ZF Mgcawu
District Municipality
Distrik Munisipaliteit

CLLR PM. MGCERA DIRECT ELECTED	CLLR M. LOUW DIRECT ELECTED	CLLR A. MATSHIMO DIRECT ELECTED	CLLR J. SILO DIRECT ELECTED	CLLR DH. DE KOKER DIRECT ELECTED	CLLR MHB. VAN ZYL DIRECT ELECTED	CLLR FL. WITBOOI DIRECT ELECTED
CLLR J. ESAU DIRECT ELECTED	CLLR PH. MATTHYS DIRECT ELECTED	CLLR S. ABEL DAVID KRUIPER MUNICIPALITY	CLLR P.J. GEORGE DAVID KRUIPER MUNICIPALITY	CLLR F. BASSON DAVID KRUIPER MUNICIPALITY	CLLR PT. V/D STEEN DAVID KRUIPER MUNICIPALITY	CLLR S. SANDLANA DAVID KRUIPER MUNICIPALITY
CLLR CFP. BEZUIDENHOUT KAI IGARIB MUNICIPALITY	CLLR A.C. KOTZEE KAI IGARIB MUNICIPALITY	CLLR A. JOHNSON KAI IGARIB MUNICIPALITY	CLLR J. BALIES IKHEIS MUNICIPALITY	CLLR K. KEOROMETSWE TSANTSABANE MUNICIPALITY	CLLR AJ. RUITERS TSANTSABANE MUNICIPALITY	CLLR DR. PIENAAR KGATELOFELE MUNICIPALITY

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NAME	POSITION	PARTY	PERIOD
M.C. Basson	Executive Mayor	ANC	Commencement: 23/06/2022
M.M. Louw	Executive Mayor	ANC	Commencement: 28/01/2022 Resigned: 22/06/2022
P.M. Mgcera	Executive Mayor	ANC	Commencement: 11/03/2020 Resigned: 27/01/2022
W.R.S Peterson	Speaker	KSR	Commencement: 09/11/2021
M.C. Basson	Speaker	ANC	Commencement: 21/04/2021 Term Ended: 08/11/2021
A. Matshimo	Mayoral Committee	ANC	Commencement: 24/01/2020
J. Silo	Mayoral Committee	ANC	Commencement: 09/11/2021
P.M. Mgcera	Mayoral Committee	ANC	Commencement: 28/01/2022
A. Johnson	Mayoral Committee	ANC	Commencement: 09/11/2021
M. Bosman-Maasdorp	Mayoral Committee	ANC	Commencement: 11/03/2020 Resigned: 08/11/2021
K. Esau	Mayoral Committee	ANC	Commencement: 29/04/2021 Term Ended: 08/11/2021
J. Lodewyk	Mayoral Committee	ANC	Commencement: 01/02/2021 Term Ended: 08/11/2021
M.C. Basson	Section 79 Committee	ANC	Commencement: 09/11/2021 Resigned: 22/06/2022
S. Dubeni	Section 79 Committee	ANC	Commencement: 07/08/2016 Term Ended: 08/11/2021
M.M. Louw	Councillor	ANC	Commencement: 23/06/2022
J. Esau	Councillor	EFF	Commencement: 09/11/2021
H. De Koker	Councillor	DA	Commencement: 09/11/2021
F.L. Witbooi	Councillor	DA	Commencement: 07/08/2016
P.H. Matthys	Councillor	HFTF	Commencement: 09/11/2021
M.H.B. Van Zyl	Councillor	DA	Commencement: 23/03/2017
K.G. Keorometswe	Councillor	ANC	Commencement: 09/11/2021
A.J. Ruiters	Councillor	DA	Commencement: 09/11/2021
C.F.P. Bezuidenhoudt	Councillor	DA	Commencement: 09/11/2021

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NAME	POSITION	PARTY	PERIOD
A.C. Kotzee	Councillor	HFTF	Commencement: 09/11/2021
J. Balies	Councillor	EFF	Commencement: 09/11/2021
D.R. Pienaar	Councillor	ANC	Commencement: 09/11/2021
P.T. van der Steen	Councillor	DA	Commencement: 16/08/2019
S. Sandlana	Councillor	DA	Commencement: 30/08/2019
S. Abel	Councillor	ANC	Commencement: 28/01/2022
P.J George	Councillor	ANC	Commencement: 09/11/2021
F. Basson	Councillor	ANC	Commencement: 09/11/2021
M. Daniels	Councillor	ANC	Commencement: 01/02/2021 Term Ended: 08/11/2021
A. De Bruin	Councillor	COPE	Commencement: 01/06/2014 Term Ended: 08/11/2021
E.E.J. Phete	Councillor	ANC	Commencement: 09/11/2021 Resigned: 21/01/2021
E. Fritz	Councillor	ANC	Commencement: 23/04/2021 Resigned: 31/10/2021
C.F.P. Maasdorp	Councillor	DA	Commencement: 01/07/2021 Term Ended: 08/11/2021
D. Esau	Councillor	STC	Commencement: 26/02/2021 Term Ended: 08/11/2021
S. Esau	Councillor	ANC	Commencement: 06/08/2016 Term Ended: 08/11/2021
N. Prince	Councillor	KCF	Commencement: 03/06/2019 Term Ended: 08/11/2021
B. Bock	Councillor	ANC	Commencement: 03/06/2011 Term Ended: 08/11/2021
H. Ross	Councillor	EFF	Commencement: 30/08/2018 Term Ended: 08/11/2021
M.L. September	Councillor	ANC	Commencement: 09/11/2021 Resigned : 28/01/2022
F. Oliphant	Councillor	ANC	Commencement: 29/09/2020 Term Ended: 08/11/2021

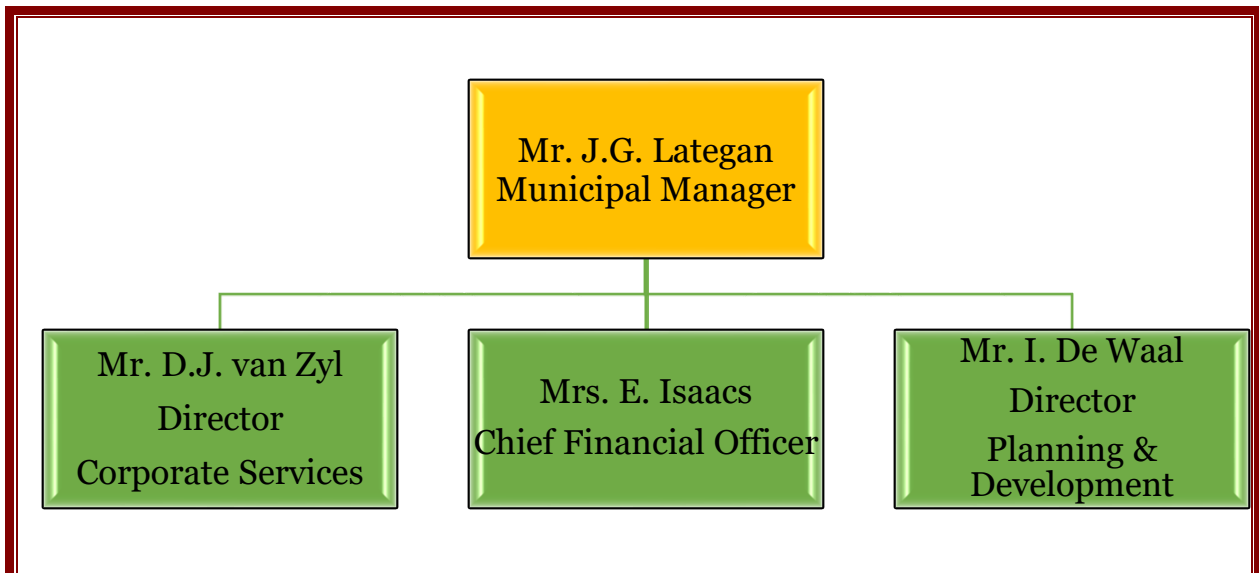
2.2 ADMINISTRATIVE GOVERNANCE

As the Head of Administration, the Municipal Manager is charged with specific responsibilities as set out in Section 55(1) of the Municipal Systems Act, 32 of 2000 and is subject to the policy directions of the Municipal Council as well as responsible for among other the following responsibilities:

- i. Development of the Municipality's Integrated Development Plan in accordance with chapter 5 of the Act and its implementation.
- ii. Development of a performance management framework, and ensuring compliance to the Performance Management System.
- iii. Responsive to the needs of the local community to participate in the affairs of the municipality.
- iv. carrying out the decisions of the political structures and political office bearers of the municipality;
- v. The appointment of staff other than those referred to in section 56(A) of the Systems Act does that under the guidance of the Council-approved recruitment and Selection Policy. –
- vii. Advising the Executive Mayor, other political office bearers and Council structures in the execution of their Council responsibilities

The Accounting Officer must at all times act with fidelity, honesty, integrity, and in the best interests of the District Municipality in managing its financial affairs.

During the year under review, Mrs Eloize Isaacs was appointed as the Chief Financial Officer with effect from 1 September 2021.



COMPONENT B: INTERGOVERNMENTAL RELATIONS (IGR)

2.3 INTERGOVERNMENTAL RELATIONS (IGR)

The Constitution of South Africa states that "government is constituted as National, Provincial and Local spheres of government which are distinctive, interdependent and interrelated." The "distinctive" element reflects that each sphere exists in its own right; it is the final decision-maker on a defined range of functions and is accountable to its constituency for its decisions.

The role of a District Intergovernmental Relations Forum is to serve as a consultative forum for the District Municipality and the Local Municipalities in the District to discuss and consult each other on matters of mutual interest.

The IGR has been a useful avenue when it comes to service delivery in Local Municipalities and other Stakeholders and it also serves to keep every Stakeholder abreast of the state of service delivery within the District.

The District Development Model (DDM) is a new integrated service delivery approach that was launched by President Ramaphosa in 2019. The District Development Model is intended to be a new integrated, district-based, service delivery approach aimed at fast-tracking service delivery and ensuring that Municipalities are adequately supported and resourced to carry out their mandate.

The District Development Model utilizes and enhances the Intergovernmental Relations (IGR) Framework Act as the implementation machinery to facilitate joint planning, implementation as well as monitoring and evaluation, between and amongst all spheres of governance.

The functionality of District Political IGR and Technical IGR

The ZFM District Municipality has a fully functional Political IGR and Technical IGR in place. The District Intergovernmental Relations Forum seeks to achieve the following:

- a) To promote horizontal and vertical partnership building towards coherent governance for the effective provision of municipal services and the realization of national priorities;

- b) To ensure that internal departments and sections build strategic developmental partnerships with their technical counterparts.
- c) To coordinate the sharing of best practices, knowledge and information amongst municipalities

The objectives of the Intergovernmental Relations Framework Act 13, 2005 is to provide within the principle of co-operative government set out in Chapter 3 of the Constitution a framework for the national government, provincial governments and local governments, and all organs of state within those governments, to facilitate the coordination in the implementation of policy and legislation, building a coherent government and ensuring the effective provision of services.

One of the most pervasive challenges facing our country as a developmental state is the need for government to redress poverty, underdevelopment, marginalisation of people and communities and other legacies of apartheid and discrimination; the ZFM Mgcawu District Intergovernmental Relations Forum has served as the opportune platform to address these issues.

2.3.1 DISTRICT DEVELOPMENT MODEL

District Development Model: One Plan

Cabinet approved the District Development Model (DDM) as a government approach to improve integrated planning and delivery across the three spheres of government with District and Metropolitan spaces as focal points of government.

The envisaged integrated planning and delivery in the District will be enabled by joint planning, budgeting and implementation process.

KEY FACTORS FOR THE ZFM DDM ONE PLAN

1. Foster a practical intergovernmental relations mechanism to plan, budget and implement jointly to provide a coherent government; (solve silos i.e. stakeholders who work independently from each other, duplication and fragmentation).
2. Exercise oversight over budgets and projects in an accountable and transparent manner.
3. Identify strategic, critical and high-impact projects that will deliver the change required.

This plan is meant to be jointly developed and agreed to by all spheres of government.

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As specified above, the ZF Mgcawu District Municipality is facing numerous challenges that can only be resolved through a unified vision of development among all stakeholders and role players.

In this context, the goal of the DDM One Plan is to place ZFMDM on a new path leading to prosperity, liveability and vibrant communities. From these drivers will flow the envisioned Goals, ultimately culminating in the required strategic interventions and game changers necessary for realising the vision.

The four identified key drivers to address the Vision and Mission of the One Plan in ZFMDM are:

1. Economic Development and Employment
 - Economic Positioning Goal
 - People Development Goal
2. Social and Community Development
 - Demographics/ People Development Goal
3. Regional Development and Environmental Sustainability
 - Spatial Restructuring and Environmental Goal
4. Urban Growth and Infrastructure
 - Infrastructure Engineering Goal
 - Integrated Service Provisioning Goal

The District Development Model and One Plan will function within the provincial and local spheres' policy and planning frameworks. In essence it will entail that both the provincial and local programmes and plans be managed and implemented through a shared service approach from a District Municipal perspective.

The programmes and plans in both provincial and local spheres need to find expression in the District Development Model and One Plan to ensure alignment within all the relevant plans starting from the Provincial Growth and Development Plan (PGDP), Provincial Spatial Development Framework (PSDF) through to the Local Spatial Development Framework (Municipal SDF) and ultimately the Integrated Development Plan (IDP).

It is through this coordinated effort that the District Development Model approach is aimed to streamline all the plans to facilitate the implementation of programmes and plans at a local municipal level. This approach will also ensure that the development application of projects is aligned to ensure that these projects can serve at a Planning Tribunal through the SPLUMA process.

SPLUMA clearly stipulates that Planning Tribunals can only consider development applications (or projects) if it is in line with the provincial and local spatial development frameworks.

It is against this background that the principle drivers in the Provincial Growth and Development Plan (PGDP) are included in the District Profile. The PGDP is based on four drivers to bring about the desired level of change and development within the Northern Cape Province, by integrating and consolidating all relevant provincial plans and strategies. The PSDF aims to spatially prioritise, manage and implement the strategies and projects identified by the PGDP.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 IDP PARTICIPATION AND ALIGNMENT

The Municipal Systems Act 32, 2000 (Act No. 32 of 2000) mandates Municipalities to review Integrated Development Plans annually in accordance with an assessment of their performance measurements.

Chapter 5 of the Municipal Systems Act defines the Integrated Development Plan as a principal strategic planning instrument that guides and informs all planning and development, and all decisions about planning, management, and development, in the Municipality.

The Integrated Development Plan plays a pivotal role in informing all planning processes of the other spheres of government (National and Provincial) as well as all state-owned enterprises, which implies a dire need for a joint and coordinated effort by these parties in the IDP development processes. It is therefore essential that the IDP must be formulated by a business plan, detailing roles and responsibilities, time frames and cost estimates, to ensure that the Integrated Development Plans gives effect to the Constitutional mandate.

IDP Process & District Framework Plan

The Framework Plan is to guide and inform the Process Plans of the District Municipality and its Local Municipalities. The Framework Plan provides the linkage for binding relationships between the District Municipality and Local Municipalities.

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In so doing, proper consultation, coordination, and alignment of the IDP process of the District Municipality and its various Local Municipalities can be maintained.

In terms of section 28(1) of the Municipal System Act of 2000, each municipal council must adopt a process set out in writing to guide the planning, drafting adoption and review of its integrated development plan.

The IDP Process Plan and the District Framework Plan were adopted on 30 August 2021.

IDP Steering Committee and IDP Representative Forum Meetings

The IDP Steering Committee acts as the support arm of the IDP Representative Forum, making technical decisions and inputs to the Municipal Manager and the IDP Manager. The Steering Committee assists with the refinement and quality check of the IDP document to ensure compliance with legislation, and provides technical assistance to the Executive Mayor in discharging the responsibilities set out in Section 53 of the Municipal Finance Management Act.

The IDP Representative Forum is responsible for:

- Providing an organizational mechanism for discussion, negotiation, and decision making between stakeholders.
- It represents the interest of their constituencies in the IDP process.
- Monitoring the performance of the planning and implementation process.

The IDP Representative Forum comprises the Executive Mayor, Councillors, Municipal Manager, Directors, representatives of various sectors, NGO's, Government Departments, and specialized community members.

Dates of the IDP Representative Forum and IDP Steering Committee

- The IDP Representative Forums were held on 14 October 2021 and 03 March 2022.
- The IDP Steering committee meetings were held on 13 October 2021 and 02 February 2022.

Public Participation

A virtual engagement session was scheduled for 16 November 2021 but had to be cancelled due to the fact that newly elected Councils were not in place yet.

Invites was sent out for 04 March 2022, but had to be cancelled again due to the non-availability of the Executive Mayor & Municipal Manager. They had to attend to the visit of a Deputy Minister.

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- The Draft IDP 2022/2023 was approved by Council on 29 March 2022
- The Final IDP 2022/2023 was approved 30 May 2022 in terms of the Medium Term Strategic Framework and the Integrated Urban Development Framework as well as the 7 segments that municipalities must have in terms of all mSCOA transactions/operations.
- Chapter 6 of the IDP outlines the linkage between the District Municipality's strategic objectives and its long terms goals that find expression in the implementation of the Key Performance Indicators.
- The final IDP was sent to the MEC of COGHSTA on 03 June 2022.

To enhance better alignment and improve the coherence and impact of service delivery, the national government launched the District Development Model One Plan to eradicate the tendency of government Departments and Municipalities planning in silos i.e. stakeholders who work independently from each other. In essence, all spheres of government are to undertake a process of joint planning at the District and Local level to compile a single strategic plan for the whole District.

IDP PARTICIPATION AND ALIGNMENT CRITERIA	
Does the Municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPI's, and development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	No
Does the budget align directly to the KPI's in the strategic plan?	Yes
Do the IDP KPI's align to the section 57 Managers	Yes
Do the IDP KPI's lead to functional area KPI's as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four-quarter aligned reports submitted within stipulated time frames?	Yes

2.5 WARD COMMITTEES

Ward Committees serve as a communication link between the Municipality and the community. Ward Committees have been the focus of considerable attention by the government as well as civil society, with substantial investment already made in an attempt to ensure that these structures have the necessary capacity and resources required for them to fulfill their envisaged roles as the “voice” of communities.

The establishment, training and function of the Ward Committees are based on the following laws and regulations:

- The Constitution of the Republic of South Africa Act (Act No.106 of (1996)
- The Local Government: Municipal Structures Act (Act No. 117 of 1998)
- The Local Government: Municipal Systems Act (Act No. 32 of 2000)
- The White Paper on Local Government
- Regulations in terms of Section 75 (2) of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998 as amended in 2008).
- The National Framework: Guidelines for Provinces and Municipalities in the Implementation of the Ward Funding Model, (Notice 364 of 2009)
- The National Framework: Criteria for Determining Out of Pocket Expenses for Ward Committee Members (Notice 973 of 8 October 2009)

The Minister of Cooperative Governance, Nkosazana Dlamini Zuma, announced that the local government elections will take place on 1 November 2021. Subsequent to the elections the ZF Mgcawu District Municipality held its inaugural Council meeting on the 14th of December 2021 in Upington. All Ward Committees ended after the local government elections in November 2021.

Establishment of Ward Committees

Ward Committees have been established in the following Municipalities:

LOCAL MUNICIPALITY	NUMBER OF ESTABLISHED WARD COMMITTEES	STATUS OF WARD COMMITTEES
Dawid Kruiper Local Municipality	15	All wards are functional except ward 5
Kheis Local Municipality	4	All wards are not functional (<i>training will be conducted in due course</i>)

Kai! Garib Local Municipality	10	All wards are not functional (<i>training will be conducted in due course</i>)
Kgatelopele Local Municipality	4	All wards are functional (<i>training has been provided</i>)
Tsantsabane Local Municipality	7	All wards are functional (<i>training has been provided</i>)

Challenges Encountered

- The unpredictable relationship between Councillor and party politics.
- Budget Constrains from the site of different Municipalities
- Transport

COMPONENT D: CORPORATE GOVERNANCE

2.6 RISK MANAGEMENT

The ZF Mgcawu District Municipality recognizes Risk Management as an integral part of responsible management within the organization that must be implemented in an integrated manner within all departments, operations, and processes with the overall objective of reducing risk, as far as reasonably practical.

The Risk Management Unit resides within the sphere of the office of the Municipal Manager and is responsible for the coordination of all Risk Management activities in the District Municipality. The Risk Management Unit supports the achievement of objectives and reduces the chances of serious errors occurring.

The principal purpose of the Risk Management Unit, where available, is to facilitate, support, and advise Line Management and employees about the management of risk. It is not the responsibility of the Risk Management Unit to manage risks identified within a service. The management of risks is a Line Management function and needless to say, their responsibility. A top-down view is taken of the District

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Municipality to better understand the environment within which the District Municipality operates, in developing our understanding of the various activities of the District Municipality.

The Risk Management Unit has:

1. 2x fully qualified Risk Officials
2. An established Risk Management Committee (With a formally appointed highly qualified external Chairperson)
3. An approved governance structure and policy documents. These policy documents are:
 - a) Risk Management Policy
 - b) Risk Management Framework
 - c) Risk Management Committee Charter
4. An approved Set of Key Performance Indicators for Senior Management
The Risk Management Unit has an established reporting line and follows an approved structured approach.

During the 2021/2022 financial year, a total of 135 risks have been identified, of which 14 are Strategic –, 6 Covid-19 - related; 114 Operational and 1 Project-related risk.

Average Risk exposure for Z.F. Mgcawu DM:

The overall risk, before controls, were rated at an average of 18.74 for 2021/2022 which was of a high priority (in terms of the set criteria of the District Municipality), whereas overall risks after controls were rated at an average of 12.47 which is Medium level. This meant that the controls in place did not adequately minimize the risks identified and that the mitigating controls were not working as intended. The District's controls require moderate attention for improvement.

Management will monitor these identified risks, as the risk environment is continually changing and there are some noted high risks on the risk register which will have a major impact on the District Municipality if these risks were to realize/materialize. That said, the District Municipality is in moderate need of rectification of the current risk exposure and must obtain measures to source funds to address the financial shortcomings.

Top Ten High Risks of the Z.F. Mgcawu District Municipality:

At the residual risk exposure, the following are **top Operational risks** that we would recommend the District Municipality to take note of without necessarily implying that other risks falling outside the tolerance level need no attention:

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Risk no.	Component/ Unit	Objectives	Consequences	Root Cause	Risk
d1	Disaster management	Preventing, mitigating and preparedness of disasters	Possible loss of lives and the impact on the environment	Unforeseen Environmental and Human disasters	Possibility of human casualties and environmental disruptions
d9	Environmental Health	To strengthen the environmental health services within the District.	Possible outbreak of diseases and human casualties.	1. "The minimum inspection frequency" cannot be diligently performed due to understaffed EHP's within the ZFM-DM region. 2. Possible ineffectively monitoring of EH services. 3. Non-compliance with norms and standards and Environmental Health act of 2003 (There must be "one operational health EHP must be provided for every 10 000 people within a region")	Human casualties.
b15	Occupational Health and safety	To render occupational health and safety services according to the occupational health and safety act.	Possible non-compliance with the occupational health and safety act 85 of 1993.	Insufficient budget for OHS. Lack of trained SHE representatives.	Legal and financial implications
c14	Asset Management	Monitor, record and safeguarding of Assets	Unforeseen financial implications and possible lapse in operations	Unauthorised removal of assets from the building.	Possibility of fraud or theft
b31	Information, Communication & Technology (ICT)	Business continuity	Possible loss of systems or data, due to power output	Loss of power/ electricity.	Possible loss of systems or data, due to power output
a6	Internal audit	Compliance with IA National Treasury framework and IIA standards. Ensure that a External Quality Assurance review is conducted.	Findings with the AG Non-Compliance with legislation No independent review of internal audit work to ensure compliance with the Standards of the IIA.	Lack of funds to perform Quality Assurance Review (QAR).	Possible regression in Audit Opinion.
a15	Fraud management	Ensure the reported potential fraud matters are investigated	Untimely resolution of potential fraud cases. Unresolved reported potential fraud cases.	Inability to finalise reported potential internal/ external fraud matters. (Possible delays in stakeholder roles and fraud investigation process.)	Municipal financial losses. / Fraud may occur.

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Risk no.	Component/ Unit	Objectives	Consequences	Root Cause	Risk
a17	Fraud management	Mitigation of Fraud and corruption	Financial losses resulting in the non-achievement of objectives.	Lapse in timeous reporting of identified fraud	Untimely reporting of identified fraud
a19	Performance Management System (PMS)	To set targets, monitor and review performance based on indicators linked to the Integrated Development Plan (IDP)	Non-achievement of set KPI's in the SDBIP and the annual performance report.	Remedial actions are not implemented.	Possible non achievement of municipal targets.
a22	Co-ordination of Support to category B's	Co-ordinate support to the Category B municipalities.	Unspent of budget. Non achievement of set targets in the IDP and SDBIP.	Availability and co-operation of the Category B Municipalities. Possible non-adherence to the support program.	Non-compliance with Structures Act 88 2(a) to provide support to B-Municipality's upon request.

2.7 ANTI-FRAUD AND CORRUPTION

The working environment and organizational culture are the most significant factors to determine how much of a target for Fraud and Corruption an organization will be. The same are applicable to the ZF Mgcawu District Municipality.

The ZF Mgcawu District Municipality has adopted a preventative approach in the fight against fraud and corruption in the workplace. The organisation:

- Understands the internal and external fraud risks
- Has adopted regular analysis of its administrative environment
- Embarked on a multitude of schemes to prevent the occurrence of fraud and corruption in the workplace.

Council adopted a Fraud Prevention Strategy and Plan as well as Fraud and Anti-Corruption Policies in May 2021. Regular efforts are made by the organization and its leaders to mitigate the occurrence of Fraud and Corruption. The District Municipality's induction and quarterly discussions on ethics, takes it a step further.

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The ZF Mgcawu District Municipality adopted, as in the previous years, a series of supporting policies in May 2021. The afore-mentioned policies and plans are enablers to developing and establishing of anti-fraud culture within our institution. Their purpose is to ascertain assurance to the people that ZF Mgcawu District Municipality is serious in giving assurance to the workers and the people that we enforce sound financial and public service principles.

By means of the annual assessment and quarterly fraud risk monitoring, the District Municipality manages to enforce low, to zero, tolerance to risks and that controls are being implemented. Subsequently, responsibility is taken to avoid the negative impact that possible Fraud and Corruption may have on the institution and public service.

Annual and quarterly Fraud awareness sessions raise awareness levels within the institution and develop an anti-fraud and- corruption culture.

For the financial year under review, we workshopped staff using case studies on ethics and through this medium we were able to sustain the communication of incidences of fraud and what the fraud hot spots may be.

Until it becomes financial viable the District Municipality will keep on using the Risk Management Committee to report to because they are the same members that are reporting to the Risk Committee. In its combat against all forms of Fraud and Corruption, the District Municipality aims to remain pro-active in the fight against Fraud.

The ZF Mgcawu District Municipality identified procedures for reporting fraudulent and or corrupt activities. Every employee is duty-bound that, whoever becomes aware of fraud or acts of dishonesty, must report this to his/her immediate Supervisor. If the immediate supervisor is a party to the fraud, the next level of Management must be informed as well as the Deputy Director of Strategic Operations and the Municipal Manager. External options for reporting are also encouraged and provided to staff.

The factors in the list below remain important deterrents to Fraud and Corruption within the District Municipality, such as:

- Separation of duties
- Exclusion of politicians from procurement processes
- Internal Audit review of processes and adherence to process
- Fraud Register for employees and other stakeholders
- Identification of fraud risks, monitoring, and review thereof
- Conducting quarterly fraud awareness programs
- Investigations of alleged fraud and corruption

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The following Anti-Fraud and Corruption Policies and strategic documents for the 2021/2022 financial year were tabled and approved by Council:

Policies approved for 2021/2022

Policies approved for 2021/2022	Date Approved
Anti-Corruption Policy/Strategy	28 May 2021
Anti-Fraud and Corruption Policy	28 May 2021
Consequence Management Policy	28 May 2021
Fraud Ethics Policy	28 May 2021
Fraud Prevention Plan	28 May 2021
Fraud Prevention Strategy	28 May 2021
Fraud Risk Register	28 May 2021
Fraud Register	28 May 2021
Fraud Response Plan	28 May 2021
Fraud Risk Management	28 May 2021
Whistle Blower Policy	28 May 2021
Whistle Blower Plan	28 May 2021

The ZF Mgcawu District Municipality does not have a separate Ethics Committee and has therefore assigned the Risk Management Committee (hereafter RMC) with the Fraud Management responsibility. The Strategic Operations Unit deals with Fraud Management and has adopted a Fraud Ethics Policy, which addresses all the basics of ethics.

The District Municipality has had a consolidated Quarter 1 and Quarter 2 Risk Management Committee due to the resignation of the previous Risk Committee Chairperson. The Committee fully functional and sat for Quarters 2, 3 and 4.

The ZF Mgcawu District Municipality's fight against Fraud and Corruption remains firm through the continuation of the Anti-Fraud and Corruption culture and ethics within the organisation. The establishment of Fraud policies and plans and the annual and quarterly Fraud awareness sessions maintains pro-activeness in the fight against Fraud and Corruption.

2.8 SUPPLY CHAIN MANAGEMENT

In accordance with Regulation (6)(2)(a)(i) of the Municipal Supply Chain Management Regulations, we hereby submit the required report on the implementation of the ZF Mgcawu District Municipality Supply Chain Management Policy for the period 1 July 2021 – 30 June 2022.

Integrated Supply Chain Management aims to add value at each stage of the process, from the demand of goods and services to their acquisitions, managing the logistics process, and finally, after use, to their disposal. In doing so, it addresses deficiencies in current practice related to procurement and contract management.

The Bid Committee held weekly meetings. The Specification Committee meetings take place on Mondays, the Evaluation Committee meetings take place on Wednesdays, and the Tender Committee meetings take place on Fridays when Tenders are considered.

Implementation of MBD Documents

All Municipal Bid Documents (MBD's) are in place in compliance with MFMA Circular 25 and include specifications and evaluation criteria as recommended by the Specification Committee.

Challenges: Service providers not completing all Municipal Bid Documents.

Proposed solution: Educate service providers on the importance of completion of Municipal Bid Documents by holding workshops.

Supply Chain Management Unit (Staff)

The staff component of the Supply Chain Management Unit is as follows:

1x Assistant Director SCM

1x Assistant Accountant Procurement

1x SCM Buyer

1x Intern

Training

Training took place from the 16-20 May 2022 in Bloemfontein.

The Assistant Director SCM and Assistant Accountant Procurement have completed the Municipal Minimum Competency Training as mandated by the Municipal Regulations on Minimum Competency levels (Government Gazette 29967, 2007)

Supplier Database

According to Circular 81, all suppliers needs to be registered on the CSD (Central Supplier Database) by 1 July 2016. The CSD will be administered by National Treasury. Suppliers not registered on the CSD will not be able to conduct any work and or render any services to or for the Municipality.

The Supply Chain Management Unit is continuously improving its processes and procedures to ensure that Council receives value for money in terms of demand and acquisition management and to maintain a clean administration.

Price Written Quotation Register 2021/2022

#	<u>Quotation Nr</u>	<u>Date advertised</u>	<u>Date closed</u>	<u>Date awarded (order)</u>	<u>Description</u>	<u>Quotation awarded to</u>	<u>Quotation Amount</u>
1	Quotation 1-2021/2022	22-July-21	30-Jul-21	11-Aug-21	Request for Formal Written Price Quotation for 95 Performance Management Vouchers	Laban & Nel	R 77 260.00
2	Quotation 2-2021/2022	28-Jul-21	05-Aug-21	11-Aug-21	Request for Formal Written Price Quotation for the Renewal Of Eset Security Protection	URB ICT	R 47 850.00
5	Quotation 5-2021-2022	14-Sept-21	21-Sept-21	24 –Sept-21	Request for Formal Written Price Quotation for Procurement for Renewal of Kerio Connect License	URB ICT	R 33 545.00
6	Quotation 6-2021-2022	14 Sept-21	22-Sept-21	12/10/2021	Request for Formal Written Price Quotation for Procurement of Security Uniform	Supplycor	R 43 841.54
8	Quotation 8-2021-2022	29-Sept-21	8-Oct-21	02/11/2021	Request for Formal Written Price Quotation For Bacteriological Analysis On Water Samples	Pathcare	R 144 025.00
9	Quotations 9-2021-2022	01-Oct-21	11-Oct-21	10/11/2021	Request for Formal Written Price Quotation for Installation, Setup and Licensing of Cibecs	URB ICT	R 77 441.00

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10	Quotations 10-2021-2022	01-Oct-21	11-Oct-21	20/10/2021	Request for Formal Written Price Quotation for 310 Vouchers	Supremacy Enterprise	R 155 000.00
11	Quotation 11-2021-2022	14-Oct-21	20 Oct-21	25/10/2021	Request for Quotation for Procurement for Renewal of Veritas Backup Exec Licenses	URB ICT	R 26 535.00
13	Quotation 13-2021-2022	16-Nov-21	29-Nov-21	17/01/2021	Request for Formal Written Price Quotation for Outsource Cleaning Services	Steiner Hygiene	R 123 464.76
14	Quotation 14-2021-2022	22-Nov-21	30-Nov-21	13/01/2021	Request for Formal Written Price Quotation For 7 Laptops	URB ICT	R 141 310.00
15	Quotation 15-2021-2022	29-Nov-21	07-Dec-21	10/12/2021	Request for Formal Written Quotation for 92 Performance Vouchers	Checkers	R 62 720.00
16	Quotation 16-2021-2022	01-Dec-21	09-Dec-21	14/12/2021	Request for Formal Written Price Quotation for 23 Long Service Vouchers	Checkers	R 43 218.00
17	Quotation 17-2021-2022	15-Dec-21	22-Dec-21	21/12/2021	Request for Formal Written Price Quotation for 50 Food Parcels	Ofentste Group Holdings	R 60 000.00
20	Quotation 20-2021-2022	02-Feb-22	11-Feb 22	21/02/2022	Request for Formal Written Price Quotation For Fortogat 100e Firewall License Renewal For 1 Year	BSA Rekenaardienste	R 29 500.00
22	Quotation 22-2021-2022	02-Feb-22	11-Feb-22	12/02/2022	Request for Formal Written Price Quotation For Msa 2040 San Controller	BSA Rekenaardienste	R 31 800.00
23	Quotation 23-2021-2022	07-Feb-22	15-Feb-22	08/03/2022	Request for Formal Written Price Quotation for the Acquisition of 4 Laptops	BSA Rekenaardienste	R 47 920.00

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24	Quotation 24-2021-2022	03-March-22	14-March-22	05/04/2022	Request for Formal Written Price Quotation For Cloud Back-up solution	URB ICT	R155 250.20
26	Quotation 26-2021-2022	16-Msrch-22	25-March-22	05/04/2022	Request for Formal Written Price Quotation for the Acquisition of 10 Laptops	URB ICT	R 126 400.00
27	Quotation 27-2021-2022	28-March-22	05-April-22	06/04/2022	Request for Formal Written Price Quotation for the Acquisition of 191 Vouchers	Checkers	R 129 654.00
29	Quotation 29-2021-2022	12- Apr-22	19-Apr-22	26-Apr-22	Request for Formal Written Price Quotation for the Acquisition of Tools for Water Leakage Repairs Project	Ray consulting	R 166 800.00
30	Quotation 30-2021-2022	12-April-22	19-Apr-22	10-May-22	Request for Formal Written Price Quotation for Acquisition of EPWP Protective Clothing	Hillgrow Consulting	R 159 000.00
34	Quotation34-2021-2022	19-May-22	27-May-22	30-May-22	Request for Formal Written Price Quotation for the Acquisition of Plumbing Material	Oranje Mica	R 106 393.55
37	Quotation37-2021-2022	30-May-22	07-June-22	08 June 2022	Request for Formal Written Price Quotation for Bacteriological Analysis of Water Samples	Pathcare	R 117 348.00

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All Tenders for 2021/2022

NR	TENDER	DESCRIPTION	CLOSING DATE OF BID	PROGRESS
1.	Tender 10-2021/21	Acquisition of 20 Laptops	19 July 2021	Tender awarded to BSA Rekenaardienste.
2.	Tender 8-2021/2022	Rental & maintenance of 5 copier machines	12 Feb 2022	Tender awarded to ITEC.
3.	Tender 9-2021-2022	Competitive bid for short term insurance for s period of 12 months	17 Feb 2022	Tender awarded to Kunene Makopo Risk Solutions.

2.9 WEBSITE

Municipal Website: Content and Currency of Material	
Documents published on the ZFM DM Website	Yes / No
Current Annual and Adjustments Budgets and all Budget-Related documents	Yes
All Current Budget-Related Policies	Yes
The previous Annual Report 2020/2021	Yes
The Annual Report 2020/2021 to be published in 2022	Yes
All current Performance Agreements 2021/2022 required in terms of Section 57(1)(B) of the Municipal Systems Act	Yes
All Service Delivery Agreements 2021/2022	Yes
All Long-Term Borrowing Contracts 2021/2022	Yes
All Supply Chain Management Contracts above a prescribed value R100 000 for 2021/2022	Yes
An information statement containing a list of Assets over a prescribed value that have been disposed of in terms of Section 14 (2) or (4) during 2021/2022	Yes
Contracts agreed in 2021/2022 to which subsection (1) of Section 33 apply, subject to subsection (3) of that section	Yes
Public-Private Partnership Agreements referred to in section 120 made in 2021/2022	N/A
All Quarterly Reports tabled in the Council in terms of section 52 (d) during 2021/2022	Yes

Comment on Municipal Website content and access:

In terms of Section 75 (1) of the Municipal Finance Management Act, Municipalities are required to place certain documents on their website. The ZF Mgcawu District Municipality has a fully functional Website that is maintained and updated by the Communication Unit. The Website Policy for the 2021/2022 financial year was reviewed and approved by the Council on the 28th of May 2021.

The Website consists of more than just legislative information, it shares information about the functions of the District Municipality, projects and promotes participatory governance in the affairs of the District Municipality.

2.10 INTERNAL AUDIT

The ZF Mgcawu District Municipality has a fully functional Internal Audit Unit in accordance with Section 165 (1) of the Municipal Finance Management Act No. 56 of 2003. The primary objective of the Internal Audit Unit is to provide independent, objective assurance in terms of an integrated audit approach and to provide advice and information to Management and the Audit Committee in a cost-effective manner.

The Internal Audit Unit seeks to assist the District Municipality to accomplish its objectives by providing a systematic and disciplined approach to evaluate and improve the effectiveness of Risk Management, control, and governance processes.

The Internal Audit Unit also reviews and verifies compliance with rules, legislation, regulations, systems, policies, and procedures prescribed by the ZF Mgcawu District Municipality and regulatory authorities. It is an important and integral part of the control system which ensures that necessary controls are in place in the financial and operational activities of the District Municipality.

The ZF Mgcawu District Municipality supports the Internal Audit Unit as an independent appraisal function to examine and evaluate the financial and operational activities of the District Municipality.

Preparation of the Risk-based Audit Plan

A Risk-based Strategic Plan and Operational Plan was compiled for the 2021/2022 financial year. These plans were presented to all stakeholders for their inputs. The Internal Audit Plans were approved in the meeting on the 21st of June 2021. The Internal Audit Operational Plan was reviewed due to changes made on the Risk Register. These Internal Audit Plans were approved on 04 April 2021.

Policies approved for 2021/2022

Policies approved for 2021/2022	Date Approved
Audit Committee Charter	Audit Committee: 24 May 2021 Council: 30 June 2021
Internal Audit Charter	Audit Committee: 24 May 2021
Internal Audit Manual and Methodology	Audit Committee: 24 May 2021
Internal Audit Strategic and Operational Plans	Audit Committee: 21 June 2021 Reviewed on 04 April 2022

Internal Audit Programme

The Internal Audit Programme is included in the approved Operational Plan which was approved by the Audit Committee on the 21st of June 2021. All activities within the plan were executed. The Internal Audit Unit was also evaluated on its performance every quarter.

Internal Audit Reports 2021/2022

Quarterly Reports according to the approved Internal Audit Plan	Presented to the Audit Committee
Quarter 1 Internal Audit Reports completed	04 October 2021
Quarter 2 Internal Audit Reports completed	06 December 2021
Quarter 3 Internal Audit Reports completed	04 April 2022
Quarter 4 Internal Audit Reports completed	20 June 2022

Internal Audit Unit (Staff)

Six Staff members	Qualification	Years of Experience in Audit
GB Cloete Deputy Director: Internal Audit	1. Degree in Baccalureus Commercii, 2. Higher Diploma in Education 3. Certificate in Advanced Program Risk Management 4. Certificate Programme in Management Development for Municipal Finance (CPMD) 5. Internal Audit Technician (IAT) 6. Professional Internal Audit (PIA) Assessment to be completed	19 Years
J Shorty Unit Manager Internal Audit	1. Bachelor of Theology Degree 2. Diploma in Education 3. Certificate in Professional Practice for Internal Auditors 4. Certificate in Municipal Finance 5. National Certificate in Municipal Finance Management 6. Internal Audit Technician (IAT) 7. Professional Internal Audit (PIA) Assessment to be completed	18 Years
J van der Westhuizen Internal Auditor	1. Diploma in Internal Auditing 2. Internal Audit Technician (IAT) 3. Professional Internal Audit (PIA) Assessment to be completed	13 Years
B Clarke Internal Auditor	1. Diploma in Internal Auditing 2. Municipal Finance Management Program 3. Internal Audit Technician (IAT) 4. Professional Internal Audit (PIA) Assessment to be completed	13 Years
BS Mabala Internal Auditor	1. National Diploma in Internal Auditing 2. Registered Professional Accountant Diploma	4 Years
R Malgas Intern: Internal Audit	1. National Diploma in Internal Auditing	1 Year and 6 Months

2.11 AUDIT COMMITTEE

The ZF Mgcawu District Municipality has a fully functional Audit Committee in accordance with Section 166 of the Municipal Finance Management Act No. 56 of 2003. The role of the Audit Committee is critical to provide a mechanism for the rendering of impartial advice and recommendations to the Municipal Manager and the Council on financial and non-financial matters and to improve accountability and governance over the activities of the District Municipality.

In addition, many audit findings can be prevented or mitigated through oversight by the Audit Committee. It is therefore critical that the District Municipal Council effectively and regularly engages with the Audit Committee, to derive the most benefit for the Council and the District Municipality which it oversees.

The Audit Committee is an independent advisory body that has the responsibility of advising the District Municipal Council and the Accounting Officer on matters relating to:

- Internal financial control.
- The adequacy, reliability, and accuracy of financial reporting and information
- Performance Management
- Review the Annual Financial Statements to provide the Council with an authoritative and credible view of the financial position of the District Municipality, its efficiency, effectiveness, and its overall level of compliance with all applicable legislation.

Members of the Audit Committee

Name of Member	Qualifications	Period of Appointment	Experience
Mr. Leon Lankalebalela	Bachelor of Accounting Science Honours Bachelor of Accounting Science	01 January 2020 – 31 December 2022	15 Years
Mrs. Maré Venter	B. Accounting Professional Accountant (SA)	01 January 2018 – 31 December 2020	4 Years

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		01 January 2021 – 31 December 2023	
Mrs. A Viljoen	Bachelor of Accounting Science (BCompt) Post Graduate Diploma in Public Administration (NQF Level 8): not yet completed. Post graduate Diploma in Accounting Sciences (NQF Level 8): Applied for 2021 admission. Professional Accountant (SA)	01 January 2021 – 31 December 2023	11 Years

Audit Committee Meetings 2021/2022

Date	Activity	Status
23 - 24 August 2021	Review of the Annual Financial Statements, Annual Report and Annual Performance Report	The meeting took place as scheduled
04 October 2021	Quarterly Audit Committee meeting: Internal Audit Activities Quarter 1 and all standing items.	The meeting took place as scheduled
06 December 2021	Quarterly Audit Committee meeting: Internal Audit Activities Quarter 2 and all standing items.	The meeting took place as scheduled
04 April 2022	Quarterly Audit Committee meeting: Internal Audit Activities Quarter 3 and all standing items.	The meeting took place as scheduled
20 June 2022	Quarterly Audit Committee meeting: Internal Audit Activities Quarter 4 and all standing items.	The meeting took place as scheduled

Audit Committee Reports tabled to Council

The Audit Committee reports only twice in a financial year to Council as determined in the approved Audit Committee Charter. The Audit Committee Charter determined that the Audit Committee should report to Council in March and in August of each

financial year. The Audit Committee reported to the Council on the 30th of August 2021 and 29th of March 2022.

2.12 PERFORMANCE MANAGEMENT

The ZF Mgcawu District Municipality has a Performance Management System in place in accordance with section 38 of the Municipal Systems Act, 32 of 2000. Performance Management is a management tool to plan, monitor, measure, and assess performance indicators to ensure efficiency, effectiveness, and the impact of service delivery by the District Municipality.

Performance Management is the practice of linking the long-term strategic objectives of an organization to its day-to-day performance by setting measurable Key Performance Indicators (KPIs) and monitoring performance against those indicators.

The Municipal Systems Act places the responsibility on the Council to adopt the Performance Management System while holding the Executive Mayor responsible for the development and management of the system. The Executive Mayor delegates the responsibility for the development and management of the Performance Management System to the Municipal Manager. The Senior Management of the District Municipality is then in turn responsible for executing the Performance Management System within their respective teams according to this Policy.

The Municipal Manager as the Accounting Officer must keep the District Municipality informed about the transformation, development, implementation, and review of the Performance Management System.

The Municipal Systems Act requires Municipalities to develop a culture of municipal governance that complements formal representative government with a system of participatory governance. To meet this requirement, the Council has to, among other things, ensure that communication concerning the available mechanisms, processes, and procedures is disseminated to encourage and facilitate community participation.

The ZF Mgcawu District Municipality has ensured that public participation in Performance Management is encouraged by communicating performance information and ensuring that the process of developing the system is transparent, simple, realistic, fair, objective, and developmental.

The Performance Management Unit is responsible to:

- To ensure the implementation and compliance of all legal aspects of Chapter 6 of the Municipal Systems Act.

- To facilitate the further development and refinement of the Performance Management System as the need arises.
- To continuously support the District Municipality with the implementation, assessment, review, monitoring, and reporting of the institution, its Section 57 employees, as well as other employees.
- To assist both people managers and employees alike with regards to the interpretation of this the Performance Management Framework, the tools used within the system, and the application of performance management in general.
- To monitor the implementation of the Performance Management System to ensure fairness and correct application.
- To research the strategic progress of the District Municipality and to report on the achievement or otherwise of the objectives and strategies.

Performance Management Policy Framework

The Performance Management Policy Framework guides the implementation of the Performance Management System for the District Municipality and serves as the official Performance Management Framework which informs the performance management process and practices. It also forms the basis of aligning the Integrated Development Plan with the operational business plans, performance areas, and performance indicators of the various departments of the District Municipality.

Service Delivery and Budget Implementation Plan (SDBIP)

Section 1 of the Municipal Finance Management Act defines the SDBIP as “a detailed plan approved by the Mayor of a Municipality in terms of section 53(1)(c)(ii) for implementing the Municipality’s delivery of services and the execution of its annual budget and which must include (as part of the top-layer) the following:

(a) Projections for each month of-

- (i) revenue to be collected, by source; and
- (ii) operational and capital expenditure, by vote;

(b) Service delivery targets and performance indicators for each quarter”.

The Service Delivery and Budget Implementation Plan (SDBIP) gives effect to the Integrated Development Plan (IDP) and the budget of the District Municipality and will only be possible if the IDP and budget are fully aligned with each other, as required by the Municipal Finance Management Act. Indicators and targets must be formulated and delegated to all employees within the District Municipality. Once approved, the IDP is married with the budget in a document called the Service Delivery and Budget and Implementation Plan (SDBIP), which provides a workable management tool from which to operate under and monitor the progress of the institution.

The SDBIP does the following:

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- It presents projects as ‘indicators’ aligned with the accompanying strategies, objectives, and developmental priorities of the District Municipality.
- It attaches an annual target to each indicator.
- It ensures that each indicator that requires funding has been allocated an account number in the budget with a corresponding amount.
- It ensures that the spending of each account in the budget can be monitored through the Performance Management System.
- It breaks down each indicator into quarterly manageable targets to allow for continual monitoring of performance (certain indicators are specified as only being able to be monitored half-yearly or annually).
- It assigns an accountable department for each indicator.

The Service Delivery and Budget Implementation Plan (SDBIP) is approved by the Mayor 28 days after the budget has been formally approved at a Council meeting. At the same time, the Mayor agrees on the details of the performance plan for the Municipal Manager and gives consent to the plans for all the Section 54& 56 employees (top management). The Service Delivery and Budget Implementation Plan (SDBIP) for the 2021/2022 financial year was approved by the Executive Mayor 28 days after the budget was formally approved by the Executive Mayor on the 11th of June 2021.

Performance Management Reports 2021/2022

When reporting back on performance it is important to detail exactly what has been achieved or specify the standard that has been achieved. If a target has not been met, it is important to specify why the target has not been met and state the measures that are to be put in place to ensure that the target is met in the future. If applicable, it is also important to state whether the annual target will be affected by any non-achievement of the in-year target.

At the level of the SDBIP, the Quarterly Report is the method of reporting back to the Council and the community of the progress made to date.

- The Quarter one report was tabled to Council on 14 December 2021 and submitted to COGHSTA
- The Quarter two report was tabled to Council on 28 January 2022 and submitted to COGHSTA
- The Quarter three report was tabled to Council on 30 May 2022 and submitted to COGHSTA
- The quarter four report has not been tabled to Council and COGHSTA

Performance Assessments of Section 66 Employees

The SDBIP and job description is the basis from which the performance plans for employees are drawn. As every activity is attached to an official who is responsible for it, one can see that institutional performance is inseparable from individual

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performance. For the municipality to succeed in its objectives, it depends on the performance of every employee.

All permanent employees of the ZF Mgcawu District Municipality were evaluated every quarter. Performance rewards were distributed to employees who qualify each quarter. The performance assessment quarters for the 2021/2022 financial year were divided as follows:

- Quarter 1 (July – September)
- Quarter 2 (October – December)
- Quarter 3 (January – March)
- Quarter 4 (April – June)

In accordance with the Performance Management Framework the criteria for performance rewards were as follows:

The average will then determine for which reward the employee qualifies:

Criteria for rewards per Quarter for the financial year:

Criteria Percentage Scored	Classification	Rewards
Lower than 60	Poor Performer	No reward
60-74	Average Performer	Motivational letter from the Municipal Manager
75-80	N/A	R250 voucher
81-85	N/A	R500 voucher
86-90	N/A	▪ R650 voucher ▪ 1 x annual leave day ▪ Photo on IMIS (Internal Communications Tool) ▪ Portrait
91-100	The employee of the Quarter	▪ R750 voucher ▪ Photo on IMIS ▪ Portrait ▪ 2x annual leave days ▪ Featured on the municipal website and externally in the local Newspaper called the Gemsbok.

Performance Audit Committee

The Performance Audit Committee is a Committee that the Performance Management Unit should report to on performance-related matters.

The approved Performance Management Framework acknowledges that a separate independent body must also be appointed to continually monitor and audit the District Municipality and looks, amongst other matters, at compliance with performance management requirements.

The ZF Mgcawu District Municipality does not have a Performance Audit Committee, however, the Performance Management Framework makes provision that the District Municipality can use either the existing Audit Committee or appoint a Committee specifically dedicated to performance.

The District Municipality did not have the budget to appoint such a Committee therefore the Audit Committee performs this function. The Audit Committee meets at least twice a year to review both the performance of the District Municipality and its employees and also to objectively comment on how the Performance Management System is being used at the District Municipality.

Panel Review for the Municipal Manager Section 54 and Section 56 Employees

The Performance Evaluation Committee determines the percentage of the performance bonuses of the Senior Management and only have one sitting at the end of the financial year. The approved Performance Management Framework sets out the composition of the Performance Evaluation Committees and the process for the evaluation of section 54 and section 56 employees are set out below.

For the Municipal Manager and Section 54 and 56 employees, the review is conducted by the Executive Mayor or Municipal Manager (respectively) with the employee. The ratings are then evaluated by a panel consisting of the persons listed in the tables below.

The performance evaluations of sections 54 and 56 took place on the 23rd March 2022.

Performance Evaluation of Section 56 Employees

Name of Member	Capacity/Position
Mr. J.G. Lategan	ZFM Municipal Manager
Cllr. P.M. Mgcera	Councillor
Cllr. A. Johnson	Councillor

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Mr E. Ntoba	Municipal Manager: Dawid Kruiper Local Municipality
Mr L. Lankalebalela	Chairperson: Audit Committee Member

Performance Evaluation of Section 54 Employees

Name of Member	Capacity/Position
Cllr. P.M. Mgcera	Chairperson [Representing the Executive Mayor]
Cllr. A. Johnson	Councillor
Mr E. Ntoba	Municipal Manager: Dawid Kruiper Local Municipality
Mr L. Lankalebalela	Chairperson: Audit Committee Member

Performance Bonuses

The Council of the ZF Mgcawu District Municipality adopted the recommendations of the Performance Evaluation Committees at a Council meeting held on the 29th of March 2022. We herewith report on the performance bonuses awarded for the 2021/2022 financial year as follows:

Item	Status
Names of section 54 and Managers that were awarded bonuses	▪ J.G. Lategan ▪ P. Beukes ▪ I. De Waal ▪ D.J. Van Zyl
The number of bonuses awarded to section 54 and 56 managers	Municipal Manager (JG Lategan) R 164 718.58
	Director of Corporate Services (DJ Van Zyl) R 154 382.27
	Director of Financial Services (P. Beukes) R 94 385.45
	Director of Planning and Development (I De Waal) R 110 816.20
TOTAL ACTUAL	R 524 302.50

The ZF Mgcawu District Municipality did make provision in its 2021/2022 annual budget for the awarding of performance bonuses to Senior Management.

2.13 PUBLIC SATISFACTION ON MUNICIPAL SERVICE

During the year under review, the District Municipality did not engage in any public satisfaction surveys.

2.14 OVERSIGHT COMMITTEE

The ZF Mgcawu District Municipality has done away with its Oversight Committee and has established a Municipal Public Accounts Committee (MPAC) in line with the guidelines issued by the National Treasury and the Department of Cooperative Governance.

CHAPTER 3

SERVICE DELIVERY PERFORMANCE

3.1 HOUSING

The Housing Unit of the ZF Mgcawu District Municipality has been engaged with all the Local Municipalities, rendering support in the implementation of the mandate of the District Municipality to deliver housing within the Framework of Sustainable Human Settlements. The support that is continuously given to the Local Municipalities ranges from Consumer Education to collecting information regarding the housing needs in each Local Municipality for the Housing Needs Database which indicates how many houses should be built per Municipal jurisdiction.

We also gave support in respect of the implementation of the housing projects including quality control on the projects. However, there are still some challenges that we experienced in the process of resolving the implementation of new projects and running projects that are taking time to complete. These projects have several subsidies that were approved by the Province as directed by the demand database and are implemented in phases through allocations in each financial year.

The Housing Unit together with the Department of Cooperative Governance, Human Settlements and Traditional Affairs (COGHSTA) visited the Local Municipalities to engage them on the information regarding the Project Pipeline and Project Readiness Matrix which will enable identified projects that are ready to receive funding and commence with the implementation of the projects. This will also allow the District Municipality to fulfil its accreditation mandate.

Accreditation

The amalgamation of the former Mier and //Khara Hais Local Municipalities has limited the responsibilities of the District Municipality to perform housing functions on behalf of the four unaccredited Local Municipalities from five Local Municipalities, which included Mier Local Municipality. Mier Local Municipality is now under Dawid Kruiper Local Municipality, which is an accredited Local

Municipality, the former //Khara Hais Local Municipality. The District Municipality is in the process of forming the Allocation Committees with the Kai! Garib, !Kheis, Tsantsabane, and Kgatelopele Local Municipalities and will be responsible for allocating the criteria for beneficiaries of new projects since the waiting list are no longer used in beneficiary allocations. The District Municipality currently has a Housing Committee, which sits every quarter and is chaired by the Chairperson of the Service Delivery Portfolio Committee.

Housing Consumer Education

The Housing Unit conducted Housing Consumer Education in Kgatelopele, Tsantsabane, !Kheis, and Kai! Garib Local Municipalities. The Housing Consumer Education was conducted to the beneficiaries of all the running projects.

Training and Workshops

- Consumer Education is a national priority program and has its main aim to educate all beneficiaries who have received houses from the government since 1994, train Housing Officials on-site and evaluate the quality of the facilitation of the session.
- Different modules were presented to the community as per the manual and a session of questions and answers relating to housing was facilitated by Senior Housing Officials and technical officials. These officials were identified and trained to be facilitators, trainers, and evaluators with different roles to perform in a session.
- The execution of the program focused mainly on facilitating and was rolled out to all Local Municipalities monthly jointly with all running projects.
- The focus was only on current beneficiaries and all other house owners were excluded and each session only accommodated 50 people.
- The District Municipality took up the responsibility of consumer education once its accreditation was approved.
- The District Municipality regularly embarked on training campaigns in conjunction with the Local Municipalities and the Regional Department of Human Settlements.

3.2 SPATIAL PLANNING AND LAND USE MANAGEMENT

The ZF Mgcawu District Joint Municipal Planning Tribunal, established in terms of the Spatial Planning and Land Use Management Act (SPLUMA) 16 of 2013, was hosted by the ZF Mgcawu District Municipality which ensured that quarterly tribunal sittings took place to dispose of land development applications submitted to the Local Municipalities. The establishment of the tribunal was the responsibility of the District Municipality and the following had to be completed.

Item	Progress on Process
Collective agreement on parties to a tribunal	Meetings with all parties (Local Municipalities)
Council approval by all parties to the agreement	▪ Financial constraints by Local Municipalities ▪ Memorandum of Understanding (MoU) ▪ Call for Nominations ▪ Invite members ▪ Evaluation panel on members ▪ Bylaws adopted
The signing of the Memorandum of Understanding	All parties signed the Memorandum of Understanding (MoU)
Call for Nominations	Adverts published by ZFM DM
Evaluation panel	The panel convened on members
Notice of readiness	Adverts published by ZFM DM
The signing of the Code of Conduct (CoC)	All members
Training to members	ZFM provided training
Dates of Tribunals	02 September 2021 22 October 2021 04 March 2022 12 April 2022

The District Municipality ensured that all Land Development Applications (LDA's) were completed for consideration as prescribed by SPLUMA and the Professional Town Planner provided the recommendations. The District Municipality has however

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become responsible for all processes regarding the lodgement of LDA's and ensures that the LDA's are complete to be considered by the tribunal.

Land Development Applications may be complex documents with other legislation and Departments affecting the application. Applicants submitting applications were constantly requesting assistance and information on LDA's and were not sufficiently assisted by the Local Municipalities due to officials who were not capable of providing the needed assistance. These applicants had to be guided by ZFM DM to ensure that applications were complete as per SPLUMA. The Land Use Management Bylaws adopted by all the Local Municipalities were confusing to most applicants due to numerous reasons including but not limited to:

- Newly implemented SPLUMA Regulations,
- Other legislation influencing applications (National Environmental Management Act (NEMA), Deeds Registers, Bonds, Power of Attorney, Mineral Act, etc.),
- No objections from Departments,
- Public Participation procedures,
- Notices to affected parties,
- Removal of restrictive conditions,
- Application fees and capital contributions,
- Surveyors Diagrams,
- Act 70 of 1970 Subdivision of Agricultural Land,
- Applicants not registered with the South African Council for Planners (SACPLAN),
- Local Municipalities not implementing adopted schemes.

Other support provided by the ZF Mgcawu District Municipality also included the following:

- Assistance to Local Municipalities in establishing appeal tribunals and the adoption of appeal procedures,
- Approved Land Use Management Systems,
- Training on SPLUMA-related matters,
- Draft capital contributions for all Land Development Applications,
- Evaluation of Spatial Development Frameworks,
- Evaluation of Land Use Schemes,
- Approval of SPLUMA compliant Land Use Schemes,
- Adoption of Land Use Management Bylaws in terms of SPLUMA,
- Inputs on township establishment by COGHSTA and Heads of Departments,
- The signing of the Memorandum of Understanding,
- Member of Committees responsible for the review of Spatial Development Frameworks (SDFs) and Land Use Scheme (LUS)

SPLUMA support occurs daily. The SPLUMA Unit does not provide support only on certain dates or as requested, it is ongoing.

3.3 LOCAL ECONOMIC DEVELOPMENT AND TOURISM

Local Economic Development (LED) is an approach towards economic development that allows and encourages local people to work together to achieve sustainable economic growth and development thereby bringing economic benefits and improved quality of life for all residents within the ZF Mgcawu District Municipal area.

The ZF Mgcawu District Municipality has a LED Unit which as a programme is intended to maximize the economic potential of all the Local Municipalities throughout the District to enhance the resilience of the macro-economic growth through increased local economic growth, employment creation, and development initiatives within the context of sustainable development. The “local” in economic development points to the fact that the political jurisdiction at a local level is often the most appropriate place for economic intervention as it carries alongside it the accountability and legitimacy of a democratically elected body.

Section 84 of the Municipal Structures Act, 117 of 1998 gives the District Municipality the responsibility and the mandate to promote local tourism. The overall purpose of the LED and Tourism Unit is to pursue economic growth and facilitate the creation of job opportunities within the District.

3.3.1 LOCAL ECONOMIC DEVELOPMENT (LED)

LED Strategy

The LED strategy of the ZF Mgcawu District Municipality was adopted in May 2018. The implementation thereof remains a challenge as is the case with any other strategy it should be coupled with resources and in this case, it is human resources and financial resources to ensure its implementation. The strategy was developed in conjunction with the Provincial Department of Economic Development and Tourism (DEDaT) and inputs were gathered from consultative sessions across the District by various stakeholders. The LED Strategy has not been reviewed, we have compiled a LED Economy Recovery plan which was approved by the Council and requested by the National Department of Cooperative Governance and Traditional Affairs.

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LED Functions and dates of meetings for 2021/2022

On 21 September 2021 the LED unit of ZF Mgcawu district and Tsantsabane Local Municipality assisted the National Department of Small Business Development in assisting 100 applicants to complete their application forms for funding through the Informal and Micro Enterprises Development Programme of the Department.

On the 10th December 2021, 68 out of the 100 applicants from Tsantsabane Local Municipality applicants received their equipment that has been through the IMEDP.

LED Forum

A new Provincial LED Forum has been established by the Department of Economic Development and Tourism the first LED forum meeting was held in Upington at Waterfront farm guesthouse on the 12 July 2022 (2022/2023 financial year)

LED Projects

The LED and Tourism Unit's submitted a Business Plan to the Provincial Department of Economic Development and Tourism for funding on 28 February 2022, we still await a response from the Provincial Department of Economic Development and Tourism.

LED training

LED training that took place for the 2021/2022 financial year.

- Tender and Procurement Workshop for SMMEs and Stakeholders (16 March 2022)
- Local Content and Production workshop for SMMEs and Stakeholders (12 May 2022)
- The National Empowerment Funding Application Process Training (02 June 2022)

LED Awareness Campaigns

We visited all the local municipalities within the district to create awareness about the Township and Rural Enterprise Programmes (TREP) of the National Department of Small Business Development, SEDA and SEFA as well as the Blended Funding programme by the Provincial Department of Economic Development and Tourism in partnership with National Empowerment Fund (NEF). These two programmes make it possible for SMMEs within the District to acquire funding for startup, sustainability and growth of their businesses.

Challenges impacting Projects and Campaigns

- Finance and Human Resource capacity are the biggest challenges in implementing projects and campaigns.

3.3.2 TOURISM

Tourism Awareness Campaign

The LED & Tourism Unit conducted the Annual Tourism Awareness Campaign, during the 2021/2022 financial year the Tourism Unit worked together with the Dawid Kruiper Municipality and the Department of Economic Development and Tourism in the District, we were distributing tourism material on the N14 for tourists who entered and exited the town. The theme for tourism 2021 was “Tourism for inclusive growth”. On the 23rd of September 2022 when we conducted the tourism awareness campaign we reached a total of 879 tourist entering and exiting the town.

Facility Visits

The Tourism Unit of ZF Mgcawu District Municipality embarked on facility visits in, Kgatelopele, Tsantsabane, Dawid Kruiper (Kalahari Red Dunes Route), Kai Garib and Kheis from 29 November – 06 December 2021. It remains imperative for every Tourism Unit to understand the status of facilities within the Green Kalahari region when making necessary referrals to tourists visiting or wishing to visit.

Below are a few challenges that were listed by facility owners during our facility visits:

- Funding
- The cost of advertising
- Tourism Grading
- Funding applications to expand
- Referrals to increase profits
- Platforms for raising pertinent tourism-related issues
- Marketing
- Status of access roads
- Route Development

The above-mentioned challenges were addressed at the Provincial Tourism meeting, the Provincial Department of Economic Development and Northern Cape Tourism Authority (NCTA) assured us they will look into the challenges.

Caravan Show and International Trade Show (Indaba 2022)

In partnership with the Provincial Tourism Authority, the ZF Mgcawu Tourism Unit had the privilege to attend two shows namely the Caravan Show and the Travel Indaba. The Caravan Show took place at Gallagher Convention Centre in Johannesburg from 24 – 27 February 2022 and the Travel Indaba took place from 03 – 05 May 2022 at the Durban ICC and the Travel Indaba was officially opened by Minister Lindiwe Sisulu. The Northern Cape’s MEC of Economic Development and Tourism and the Executive Mayor as well as the Speaker of ZF Mgcawu also attended the Travel Indaba.

Tourism Meetings for 2021/2022	
Tourism Forum Meetings	Tourism Mier Project Steering Committee Meetings
14 September 2021	30 September 2021
30 November 2021	30 November 2021
08 March 2022	

No Tourism Marketing meetings were held for the financial year 2021/2022.

3.3.3 EXTENDED PUBLIC WORKS PROGRAMME (EPWP)

In an attempt to address unemployment, the Expanded Public Works Program (EPWP) is a fundamental tool used to provide temporary employment through the implementation of job creation projects.

The programme provides an important avenue for labour absorption and income transfers to poor households, in the short to medium term.

EPWP projects employ workers on a temporary or ongoing basis with government, contractors, or other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or leadership employment conditions.

The EPWP Unit was not allocated an EPWP Incentive Grant (IG) for the year 2021/2022 during the initial allocation published within the DoRA (Division of Revenue Act 2 of 2013).

Through much engagement with the National Department of Public Works and Infrastructure and a lengthy process, we managed to persuade them that their decision was unjust and needed to be rectified. In March 2022 the National Department of Public Works and Infrastructure decided to rectify their error and allocated an EPWP IG for the period April 2022 to June 2022 with an expected target to be reached of 28 FTE's.

Project Aims:

- Alleviating poverty by creating temporary jobs.
- Repair household water leakages.

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- Restore the dignity of our people by replacing broken dysfunctional toilet pans.
- Assist the semi-skilled or interested individuals by linking them to the Provincial Department's Enterprise Development section for exploring possible growth post-project completion

Project Identification

The Province approved the following projects:

(1) Water Leakage Repairs Dawid Kruiper

- Identified temporary EPWP workers ranged between 209-215 throughout the project duration
- All workers received induction training provided by the province
- Workers received protective clothing
- Workers were given tools for implementation
- Households water leakages and pots were installed
- Water taps were installed
- Basin traps prepared
- Water access from outside connections to some household were installed. households
- Some participants were identified by the province enterprise sector to be capacitated within their trade and through other value-added means and are currently undergoing capacitating programmes provided by the province

(2) Water Leakage Repairs Kai Garib

- Identified temporary EPWP workers were 72 throughout the project duration
- All workers received induction training provided by the province
- Workers received protective clothing
- Workers were given tools for implementation
- Households water leakages and pots were installed
- Water taps were installed
- Basin traps prepared
- Water access from outside connections to some household were installed. households

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- Some participants were identified by the province enterprise sector to be capacitated within their trade and through other value-added means and are currently undergoing capacitating programmes provided by the province

(3) Refurbishment of ZFM Satellite Office Public Works

- Identified temporary EPWP workers were 24 throughout the project duration
- All workers received induction training provided by the province
- Cleaned and refurbished the interior walls

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FTE Calculations:

Project Name	Fortnight Duration	Total Nr. Employees	Total Nr. of Days worked	Total FTE's
Dawid Kruiper Water Leakage Repairs	25 April 2022 – 06 May 2022	215	08 Days	7.47
	09 May 2022 – 20 May 2022	209	10 Days	9.08
	23 May 2022 – 03 June 2022	72	10 Days	3.13
	06 June 2022 – 17 June 2022	127	10 Days	5.52
	Total		38	25.20
Kai Garib Water Leakage Repairs	25 April 2022 – 06 May 2022	72	08 Days	2.50
	09 May 2022 – 20 May 2022	72	10 Days	3.13
	06 June 2022 – 17 June 2022	72	10 Days	3.13
	Total		28	8.76
Satellite Office Refurbish	11 April 2022 – 14 April 2022	24	4 Days	0.41
	19 April 2022 –	24	08 Days	0.83

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	29 April 2022			
	02 May 2022			
	-	24	09 Days	0.93
	13 May 2022			
	16 May 2022			
	-	24	10 Days	1.04
	27 May 2022			
	30 May 2022			
	-	24	10 Days	1.04
	10 June 2022			
Total			41	4.25
Overall Total			107	38.21

Water is life and we need to by all means possible preserve our natural resources. Dignity to so many residents was restored by providing them with decent sanitation. Many unemployed were given the opportunity to capacitate themselves by means of on-the-job training as well as receiving a wage that would give him/her the opportunity to provide for their families.

3.4 RURAL ROADS ASSET MANAGEMENT SYSTEM GRANT (RRAMS)

The Rural Roads Asset Management Systems (RRAMS) Grant has established a graduate recruitment programme aimed at recruiting suitable candidates to undergo the job graduate development programme in the area of Road Asset Management. The RRAMS Programme seeks to attract qualified civil engineering or equivalent candidates, primarily those seeking experiential learning to enhance graduation requirements as part of their academic obligations. The programme is aimed at building road sector management capacity at the Local Government level.

The purpose of the RRAMS Grant is to assist District Municipalities in setting up their Road Asset Management Systems and collecting road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA). It aims to improve data on municipal rural roads to guide infrastructure maintenance and investment which will improve the operating cost of vehicles.

The attributes, extent, and location of assets are to be considered based on existing data available at the time of the RRAMS program initiation and the observation of the assets identified in the field during data collection activities. The development of asset inventories and Fixed Asset Registers (FAR) should conform to national guidelines.

The consideration of ownership of roads should also be made as part of the development of the asset inventory. This consideration is required to determine the need to redefine the ownership of roads. New roads may be identified which require proclamation while existing roads may require a reassessment of ownership. The ZF Mgcawu District Municipality is currently at level II in terms of Road Assets Management Systems.

Inventory Assessment

There were no inventory assessments conducted in the financial year 2021/22. The inventory assessments are completely done in District. The graduates will only conduct where there is an upgrade, construction of a new road and maintenance of ancillary assets. The graduate technicians conducted preliminary bridge and major culvert assessments. The average condition of all structures in the District is in fair condition as most of the structures experienced minor defects.

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The table below shows a list of the bridges and major culverts that were assessed in the District:

Bridges and Major Culverts in ZF Mgcawu DM						
District	Authority	Type of Structure	Town	Dimensions (LxB) in m	Defects on the structure	Attention
ZF Mgcawu	!Kheis LM	Water way bridge	Wegdraai	6m x 6m	Expansion cracks on the joints	Not urgent
ZF Mgcawu	Kai !Garib LM	General Bridge	Augrabies	51.5m x 3.5m	There is honey comb, spalling ,cracks and no road sign to indicate that is a one way bridge	Not urgent
ZF Mgcawu	Kai !Garib LM	General Bridge	Marchand	307.5m x 3.5m	Minor damages on the edges, No protection works, blocked drainage holes,Tansverse cracks, minor cracks on the wing halls and no backfill.	Not urgent
ZF Mgcawu	Kai !Garib LM	General Bridge	Augrabies	25m x 3.5m	Scuppers are blocked and small spalling on the deck	Not urgent
ZF Mgcawu	Kai !Garib LM	General Bridge	Augrabies	24m x 4.5m	Unable to assess underneath the bridge due to reeds filled the stream, minor cracks on the deck.	Not urgent
ZF Mgcawu	Kai !Garib LM	General Bridge	Keimoes	47m x 5m	Backfill is needed on both abutments,laterall cracks on the 2 piers, no drainage and minor spalling and honey comb.	Not urgent
ZF Mgcawu	Kai !Garib LM	General Bridge	Raaswater	16.5m x 7.5m	Minor spalling at edges and no wing wall and retaining wall.	Not urgent
ZF Mgcawu	Kgatelopele LM	Major culvert	Danielskuil	4m x 4.3m	Major cracks on the retaining wall and urgently attention is needed	Not urgent
ZF Mgcawu	Kgatelopele LM	Major culvert	Danielskuil	9m x 11m	Minor spalling, cell displacement and joints are exposed and shrubs in a waterway.	Not urgent
ZF Mgcawu	Tsantsabane LM	Major culvert	Postdene	5m x 11.1m	Cracks on the wing wall ,minor spalling and cell displacement	Not urgent
ZF Mgcawu	Tsantsabane LM	Major culvert	Postdene	11.2m x 11.5m	Minor spalling on cell 2 and cracks on the wing wall	Not urgent
ZF Mgcawu	Dawid Kruiper LM	Major culvert	Rietfontein	11.7m x 8m	minor cracks and no erosion protection	Not urgent
ZF Mgcawu	Dawid Kruiper LM	Major culvert	Rietfontein	11.5m x 8m	Minor spalling and shrubs on the waterway	Not urgent
ZF Mgcawu	Dawid Kruiper LM	Major culvert	Rietfontein	7.5m x 6m	minor cracks and missing bricks on the head walls	Not urgent
ZF Mgcawu	Kai !Garib LM	Major culvert	Kenhardt	18.5m x 10.5m	Minor cracks on head walls, debris on the water way. The slab has shifted a bit from wing wall .	Not urgent
ZF Mgcawu	Kai !Garib LM	Major culvert	Augrabies	6.4m x 16m	No defects on the Structure, Gabions need maintenance	Not urgent

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ZF Mgcawu	Kai !Garib LM	Major culvert	Kakamas	9m x 11m	Spalling and major cracks in cell 1, reinforcement is exposed.	Not urgent
ZF Mgcawu	Kai !Garib LM	Major culvert	Keimoes	13.2m x 5.5m	Minor transverse 5mm cracks on the deck and spalling on the cut off walls	Not urgent
ZF Mgcawu	Kai !Garib LM	Major culvert	Cillie	7m x 12.8m	The cells are partially blocked .	Not urgent

Visual Assessments

Technical Methods for Highway Manual for Visual Assessment

The Technical Methods for Highway Manual for Visual Assessment of road pavements is the guiding tool for visual assessments of the condition of the roads at the network level for use in pavement management systems.

This tool allows for the District Municipality to determine the following:

- The condition indices
- The maintenance and rehabilitation needs, and
- The priorities at the Network level

The process involves analysis of the stress upon the road network whereby visual characteristics are classified under Attributes of Distress (Type, Degree, Extent and Spacing/Activity where applicable).

The District Municipality used the Fulcrum system to capture the information collected while conducting visual assessments within the Local Municipalities of the ZF Mgcawu District Municipality.

Assessed Local Municipalities

The table below shows the length of the road network assessed for the 2021/2022 financial year. The focus for the financial year was on the Second Cycle visual roads assessments for unpaved roads as stipulated in the Business plan.

Local Municipality	Road Network Length (km)		
	Paved	Unpaved	Total
Tsantsabane	0	154.8	154.8
Kai !Garib			

The second cycle of the RRAMS Visual Assessments for Unpaved (earth and gravel roads) is to continue in Kai !Garib during the 2022/2023 financial year. There is only one local Municipality outstanding in terms of second cycle visual assessment for unpaved roads. This will capture the new settlements that were not captured in the first cycle. Engagement with the Local Municipalities will be crucial to locate the new

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or extended settlements. The graduate technicians are done with Gravel Road Management System (GRMS) reports for Dawid Kruiper LM, !Kheis LM, and Kgatelopele LM.

RRAMS Traffic Counts

Traffic monitoring and axle load is the process of measuring and collecting various traffic and vehicle characteristics such as traffic count and axle loads. These characteristics are mainly intended for use in engineering management, planning, and design of road networks and infrastructure.

Local Municipality	Percentage Completed	Comments
Dawid Kruiper Local Municipality	0%	Traffic counts to be conducted in the 2022/23 financial year, 10 stations were identified and a minimum of 20 numerators will be hired.
Kgatelopele Local Municipality	0%	Traffic counts are planned for the 2022/23 financial year. The RRAMS team will meet with the Kgatelopele Local Municipality. The Project Management Unit Officials will discuss the traffic count stations.

No traffic counts were conducted during the 2012/2022 financial year. Traffic counts were planned for the Dawid Kruiper Local Municipality and the Kgatelopele Local Municipality. The stations have been identified by the graduates and still need to be confirmed by the Local Municipality Officials. The traffic counting has been postponed to the 2022/2023 financial year due to financial constraints.

RRAMS Training Report

The Grant prioritizes the appointment of graduates for the sake of capacity building at the District Municipality for technical development and service delivery. Capacity building in the Engineering field at the District Municipality is critical as we experience that Engineers at most Local Municipalities are at the retiring stage and many of the highly experienced Engineers have moved out of the country for greener pastures.

The Programme aims to capacitate young technicians who can bridge the gap and allow for skills to be transferred from the experts to the young students and graduates in Engineering. Without the transfer of proper skills and mentorship, there is going to be an increase in the gap and eventually result in poor infrastructure

development and maintenance.

The RRAMS Programme is intended to develop an understanding of the systems and the role of maintenance of infrastructure to sustain development.

The graduate technicians attended visual assessment for bridge and major culverts training with SARF in the 2021/22 financial year as one of the training stipulated in the business plan.

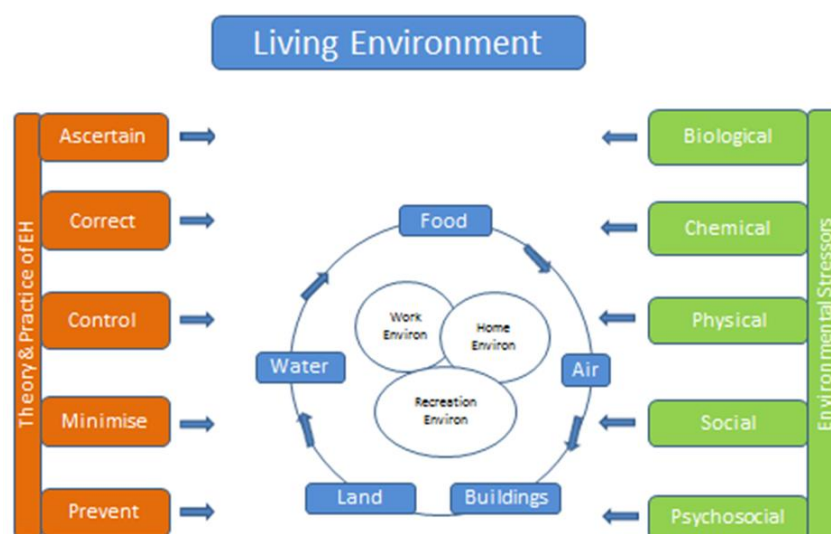
3.5 ENVIRONMENTAL HEALTH SERVICES

Environmental Health Services in the District and a part of their functions include Environmental Health Services (EHS) is a function of District and Metropolitan Municipalities in South Africa in terms of Section 32 (1) of the National Health Act 2003 (Act 61 of 2003), as amended and stipulates that “Every Metropolitan and District Municipality must ensure that appropriate municipal health services are effectively and equitably provided in their respective areas.”

The ZF Mgcawu District Municipality provides the surveillance and prevention of communicable diseases, general hygiene monitoring, health surveillance of premises, disposal of the dead, and water quality management.

Environmental Health comprises those aspects of human health, (including the quality of life) which are determined by physical, chemical biological, social, and psycho-social factors in the environment. It also refers to the theory and practice of ascertaining, correcting, controlling, minimizing, and preventing those factors in the environment that can potentially harm the health of the present and future generations.

The figure below describes the definition of environmental health as mentioned above.



Area of jurisdiction

ZF Mgcawu District rendered environmental health services in the Dawid Kruiper, !Kheis, Kai! Garib, Tsantsabane and Kgatelopele local municipal areas during the financial year 2021/2022.

Current operations

There are 8 EHPs (Environmental Health Practitioners) operating in the ZF Mgcawu District Municipal area. Of these EHPs, 2 are in management positions, which leaves 6 operational EHPs which gives an average of 1 EHP to every 42000 of the population. The national norm is 1 EHP to every 10 000 of the population.

The vast distances in the province of 102 484km² make it even more of a challenge to render a proper Environmental Health Service.

This risk was added to the Risk Register

The operations of environmental health form part of the IDP and comprise the rendering of Municipal Health Services in the region, according to the Scope of the profession of Environmental Health as described in Regulation No. R. 698 of 26 June 2009. The scope of practice of environmental health applies the definition of environmental health to the following environmental health elements:

- Water monitoring
- Food Control
- Waste management and general hygiene monitoring
- Health surveillance of premises
- Surveillance and prevention of communicable disease, excluding immunizations
- Vector control monitoring
- Environmental pollution control
- Disposal of the dead
- Chemical safety
- Radiation (Ionizing and non-ionizing) monitoring and control
- Control and monitoring of hazardous substances.

Planning

The EH Unit compiles an annual strategic operational plan for every financial year and this EH Strat Plan 2021/22, guided the operations of the EH Unit in ZFM.

Reporting

The Environmental Health Unit reports on its operations as follows:

- Monthly DHIS (District Health Information System) to the Department of Health.
- Monthly to the Mayoral Committee of ZF Mgcawu District Municipality.
- Quarterly to the Portfolio Committee of ZF Mgcawu District Municipality.
- A quarterly comprehensive EH Report was sent to every local municipality where ZF Mgcawu renders an Environmental Health service and these EH Quarterly reports address all issues under the scope of practice for EHPs.

Evaluation

Operations and production of the environmental health unit as indicated in the IDP and then unpacked in the SDBIP is reviewed quarterly through the performance management and SDBIP evaluation systems on all environmental health operations in the ZF Mgcawu District Municipality. There is also a Risk Management profile for the EH Unit in ZFM and the control measures on that is also monitored quarterly.

Auditing

The EH Unit was also audited by the Internal Audit Unit of ZFM for the 2021/2022 financial year.

Covid 19

The Environmental Health Services Unit at the ZF Mgcawu District Municipality was actively involved in awareness campaigns specifically targeted at COVID-19 and training of all stakeholders involved in the fight to curb the spread of the coronavirus.

Operations during the COVID-19 outbreak for the 2021/2022 financial year were as follows:

Activity	Area
Educate funeral undertakers on the handling of covid mortal remains	Dawid Kruiper Local Municipality, Tsantsabane Local Municipality and Kai! Garib Local Municipality
Evaluation of ECDs and old age homes, to determine and Covid Protocols, and process Health certificates and COAs in terms of Regulation 638	Dawid Kruiper Local Municipality, Tsantsabane Local Municipality, Kgatelopele Local Municipality, !Kheis and Kai! Garib Local Municipality
Risk assessments were done at Schools to determine their COVID-19 readiness and compliance with safety protocols	Dawid Kruiper Local Municipality, Tsantsabane Local Municipality, Kgatelopele Local Municipality

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	!Kheis Local Municipality and the Kai! Garib Local Municipality
Weekly reporting to the Department of Health regarding Restaurants, Schools, Churches and ECDS for July and August 2021	Dawid Kruiper Local Municipality, Tsantsabane Local Municipality, Kgatelopele Local Municipality, !Kheis and Kai! Garib Local Municipality

State of Environmental Health in ZFM

ZF Mgcawu District Municipality at present cannot sustain an efficient Environmental Health Service.

Although we are faced with severe personal and financial shortages the unit does its best to perform in the following health indicators:

State of Environmental Health in ZFM		
Health Indicator	Definition	Current state
Water	Water Quality Monitoring.	!Kheis Local Municipality The water quality samples taken largely did not comply to the requirements. There was an improvement the last 2 months Dawid Kruiper Local Municipality The water quality is usually up to standard Kai!Garib Local Municipality The water quality samples taken largely did not comply to the requirements Tsantsabane Local Municipality The water quality is usually up to standard Kgatelopele Local Municipality The water quality is usually up to standard
Sanitation	Monitor state of general sanitation in the community and monitoring of sewage treatment works.	!Kheis Local Municipality Plants have enough capacity, management is a challenge. Dawid Kruiper Local Municipality Periodic overflow of sewerage Kai!Garib Local Municipality Overflow of septic tanks due to backlog of suction services. Lack of vehicles Tsantsabane Local Municipality Periodic overflow of sewerage

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		Tsantsabane Local Municipality Periodic overflow of sewerage
Waste Management	Waste site monitoring, clean environment, and health care waste monitoring.	!Kheis Local Municipality Poor management of landfill sites in terms of NEMWA 59 of 2008. Kai!Garib Local Municipality Poor management of landfill sites in terms of NEMWA 59 of 2008 Dawid Kruiper Local Municipality Poor management of landfill sites in terms of NEMWA 59 of 2008 Tsantsabane Local Municipality Poor management of landfill sites in terms of NEMWA 59 of 2008 Kgatelopele Local Municipality Landfill site managed properly
Food Control	Regular inspections of food premises and compliance to Regulation R638 regarding hygiene on food premises.	Regular inspections
Hygiene	The general hygiene of premises and the state of the environment at schools and Early Childhood Development Centers.	Regular inspections

3.5.1 ENVIRONMENTAL HEALTH-AIR QUALITY MANAGEMENT

The ZF Mgcawu District Municipality recently resumed the function of Air Quality Management in the District, after it had been administered by the Northern Cape Department of Environment and Nature Conservation. Administered

The objectives of the National Environmental Management Act, 39 of 2004 is to protect the environment by providing reasonable measures to protect air quality and to prevent air pollution and to give effect to Section 24 (b) of the Constitution which makes provision for every South African to have the right to have the environment protected, for the benefit of present and future generations.

Air Quality Management is an original mandated function of Metro and District municipalities. ZF Mgcawu District Municipality manage air quality as indicated in the National Environmental Management – Air Quality Management Act 39 of 2004 as well as the National Dust Regulations, R827 of 1 November 2013.

Key functions and main activities for the financial year ending June 2022 were:

- The administration of the air quality management function in the ZFM region.
- Designated air quality management officer in ZF Mgcawu Region.
- Close collaboration and regular meetings with the Department of Forestry, Fisheries and the Environment in the Northern Cape by attending Quarterly Provincial Air Quality Management meetings.
- Developed draft air quality management by-laws for the ZF Mgcawu region. Due to Covid 19 pandemic, public participation in these by-laws is postponed until May 2023.
- Developed an emission source map for the region in December 2021 from information on NAEIS (National Atmospheric Emission Inventory System).
- Although hampered by the Covid – 19 pandemic, there were clean fires and air quality management awareness campaigns in Riemvasmaak, Swartkopdam, Rooiwal Uap, Kenhardt and Groblershoop communities.
- Attended training on National Dust Control Regulations and NAEIS Air Quality Management by Department of Forestry, Fisheries and the Environment.

3.6 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

The ZF Mgcawu District Municipality has a fully functional Information and Communication Technology (ICT) Unit which serves as the heart of the organization as it caters to all Departments of the District Municipality regarding ICT services and it also provides the support needed by the Employees and Councillors.

The Information Technology (IT) Unit is responsible for the architecture, hardware, software, and networking of computers in the District Municipality and IT ensures that all employees have full access to the computer systems used by the District Municipality.

Functions of the Information and Communication Technology Unit

The Information and Communication Technology Unit has the following functions:

- Planning, design, procurement, implementation, management, and maintenance of municipal information and communication technology network infrastructure.
- Configuration, procurement, implementation, management, and maintenance of municipal application servers, file servers, and print servers.
- Procurement of ICT equipment and software on behalf of all Directorates.
- Installation and repair of all IT equipment.
- Planning, design, and development of daily, weekly, and monthly back-end processing procedures including maintenance and systems backup of all servers.
- Maintaining and monitoring access to municipal IT facilities and enforcing adherence to Council policies related to IT.

The priorities of the Unit include but are not limited to IT Risk Management, ICT security management, safeguarding of IT assets, disaster recovery and continuity of operations as well as rendering support to Local Municipalities.

Improvements to the Information Technology Infrastructure

- The Municipality went out on Tender for the rental of new Copier machines for 3 years that include a service plan, the existing contract expired.
- The procurement of laptops was completed to replace old laptops of employees and councillors.

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- The appointment of a Cloud Data Backup service provider was done, to ensure the backup and safe keeping of data internally and externally in case of certain security risks such as ransomware attacks.
- The District Municipality is also in process of implementing the Human Resource, Leave, Payroll module on the new mSCOA financial system. After the successful completion, the Supply Chain Management and Document Management module will follow in the 2022/2023 financial year.

Policies and procedures that were implemented

No new ICT policies were approved however all existing policies were reviewed and were done during the 2021/2022 financial year.

Policies approved for 2021/2022	Date Approved
ICT User Account Management Policy	28 May 2021
ICT Backup Policy	
ICT Change Control Policy and Procedure	
ICT Helpdesk Policy	
ICT Infrastructure Capacity Planning Policy	
IT Governance Charter	
IT Risk Management Policy	
Prince 2 Project Management Policy	
IT Service Level Agreement Policy	
ICT Security Controls Management Policy	
ICT Disaster Recovery Policy	
IT Strategic Plan Policy	
IT Waste Management Policy	
IT Governance Framework	
Municipal Corporate Governance of ICT Governance Policy	
EFT Policy	
ICT Business Impact Risk Analysis	

ICT Units' Capacity

ICT Interns provided by the Vodacom training were appointed by Human Resources to assist the IT Department from 1 February 2022 – 31 May 2022. The ICT Interns period was extended from 1 July 2022 to 3 March 2023.

The District Municipality will try and make use of ICT interns regularly, to minimize the personnel costs and to assist with the transfer of skills to other people.

ICT Meetings and Reporting Structures

The ICT Steering Committee and the IT Advisory Committee meetings were held every quarter to address IT functions and to monitor progress made on the IT Audit Recovery. IT forms part of the IT Risk Management Committee and Audit Committee, where ICT reports on IT Risks and Audit issues

IT Support to B's

IT Security assessments were completed for the following B municipalities during the 2021/2022 financial year

- !Kheis Local Municipality,
- Kai !Garib Local Municipality,
- Kgatelopele Local Municipality

Quarterly IT Advisory meetings were held to assist, advise, support, and monitor IT Functions within B municipalities in the District.

Challenges Experienced

The IT Unit experienced the following challenges during the year under review:

- Funding is required to ensure constant improvements, maintenance and upgrades of systems, training, to add additional controls for Business Continuity and improve overall security,
- Additional staff is required to improve and support the ICT infrastructure of the District Municipality.

3.7 DISASTER MANAGEMENT

The Disaster Management Act, 57 of 2002 provides for an integrated and coordinated disaster management policy that focuses on preventing or reducing the risk of disasters, emergency preparedness, rapid and effective response to disasters, and post-disaster recovery and rehabilitation. The establishment of Municipal Disaster Management Centres; and a Framework under which the Municipal Disaster Management Centre operates and liaises with Municipalities and relevant stakeholders on disaster-related matters.

Section 42 of the Disaster Management Act places a responsibility on a District Municipality to establish and implement a Framework for Disaster Management in the District Municipality which is aimed at ensuring an integrated and uniform approach to disaster management in the District Municipality and its Local Municipalities. The Act further states in section 42 (2) that the District Municipality must establish a Disaster Management Framework after consultation with the Local Municipalities in its area and this Framework must be aligned to the national and provincial Disaster Management Frameworks.

The overall purpose of the District Disaster Management Plan

- To promote an integrated coordinated approach to Disaster Management through all spheres of government.
- To identify key role – players and their responsibilities
- To identify communities that are at risk
- To put effective risk reduction, preventative and mitigation strategies in place
- To develop, improve and maintain disaster preparedness and response capabilities
- To provide a foundation and the effective utilization of resources
- To promote training and education programmes that focus on the public, private sectors, volunteers and government
- To encourage community self-sufficiency

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Item	Progress on Process
Status of your Disaster Management Centre	Semi Established
Status of IGR Structures	Advisory Forum
Status of your Disaster Management Plans	District Disaster Management Plan in place
Status of readiness to deal with a disaster including financial capabilities	▪ Draft plans are in place to deal with disasters ▪ Only one of the five Local Municipalities have resources to deal with disasters. The other Local Municipalities have no resources (Equipment and officials). ▪ We noted that all the Municipalities have not budgeted sufficient funds to deal with disaster-related issues
Monitoring of Prevention and Mitigation Initiatives	Establish a Fire Prevention Association Executive Committee on 10 October 2021 with the Farmers, Provincial Disaster Management Centre and the Northern Cape Department of Forestry, Fisheries and Environment (DFFE)
Status Disaster Risk Assessments undertaken	Disaster Risk Assessments in the District have already been done

Disasters and disaster-related incidents

1) Fires in Kgalagadi Transfrontier Park

The fire from Botswana was first detected on 28 August 2021. At that stage, the fire was approximately 70 km from the South African side of the Park burning slowly against a strong westerly wind.

On 7 September, the wind changed to East and it was now pushing the fire at a rapid pace, directly towards the Park. It crossed over into the South African side of the Park on the 9th of September at 03h30. The fire entered just north of the Lijersdraai picnic site. The fires that entered the Park were fought for three solid weeks and eventually put out. The fire on the Botswana side of the Park burnt continuously for the next three weeks, from Unions End to the Melkvlei picnic site.

Except for Kannagaas, Lijerdraai and at Kransbrak the fire was stopped by SANParks staff before crossing into South Africa. It was a front of 208.7km long and burnt an estimated 2 216 867ha in the Kgalagadi Transfrontier Park (Figure 1 and Figure 2). The South African side burnt an estimated 39 567 ha (Figure 3 and Figure 4). The fire was finally brought under control on the 28th of September. Satellite imagery later revealed that the fire started outside the Transfrontier Park on the 23rd of August.

These fires were successfully extinguished by the farming Community on the command of the Fire Protection Associations. The total extend of these fire on these farms are currently unknown. Upington Fire services were also activated to the fire. No damage to property or loss of lives were reported. The fire reached Polentswa in the north of the park and burned much of the tented lodge to the ground.

2) Flood and Storm Water Impact

On Friday 14 January 2022 the Kai !Garib Municipality experienced heavy rainfall more especially in the Kakamas region. This rainfall created flash floods that ran off without incidents but were problematic in some of the residential areas.

Kudu Street is in the lowest street downhill and water spilled through one of the house owner's backyard at D10, around her house, dammed up in her front yard and entered her house from the front. The front part of her house was then under water. The water was sucked up by the Municipality and the home owner was advised to increase her foundation height and fill up her front yard to prevent this situation in the future.

3) Flood 2021/2022 Impact

The Orange River that runs through Kai !Garib Municipality is in flood since 17 December last year. Water levels steadily rose with upstream dam releases and influx rainfall and are currently at approximately 7 meters at the Orange River 1 bridge and flowing at 1692 m³/s and levelling off.

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The flood walls are very old and 40% are cracked and under maintained. The water sighs through the wall at a part of George Island near some of the resident's houses.

Some islands are cut off due to bridges overflowing. The affected islands are Perde Island with 1 person beyond the bridge that takes care of the livestock. Meyers Island has 4(four) households, but only 1 person remained to take care of the livestock. He can however get across the river via an old hang bridge, which also needs attention. Sand Island has 14(fourteen) households and Langklaas Islands has 17(seventeen) households. These folk are crossing the bridges on foot, against warnings issued, to access the town.

Disaster Management Framework

The Disaster Management Framework was not reviewed for the period under review because amendments are awaited the National Disaster Management Centre.

Advisory Forum Meetings

Date of meeting	Status
22 July 2021	Meeting took place as scheduled
09 September 2021	Meeting took place as scheduled
29 November 2021	Meeting took place as scheduled
21 January 2022	Meeting took place as scheduled

3.8 ASSET MANAGEMENT

This matter is dealt with in greater detail in Chapter 5 of this document.

3.9 PROPERTY AND LEGAL

Name of entity/ subsidiary	Management's description of matter (including current status, the amount claimed, and Legal Counsel's reference if known)	Management's estimate of the financial exposure (including costs and disbursements)	Legal Counsel's remarks
SIY1-B/0020 APRIL JACOBS	Labour Matter Instruction to oppose an application for rescission	Contents of the previous report are repeated. The applicant is out of time to file the necessary papers. The applicant will now have to bring an application for condonation for the late filing of his papers. Should this continue the estimated costs will probably be around R100 000.00 plus VAT as indicated earlier. It is doubtful however if this application will proceed. The client can request to	File closed

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		close this file and once an application for condonation is brought then instruct us to deal with this matter again.	
ZFM1/0003 AON VERSEKERAARS	Insurance Civil Matter Claim amount: R700 000.00 if successful	Quotation, as rendered, paid R44 160.00 VAT included	The instruction was to close this file. File closed

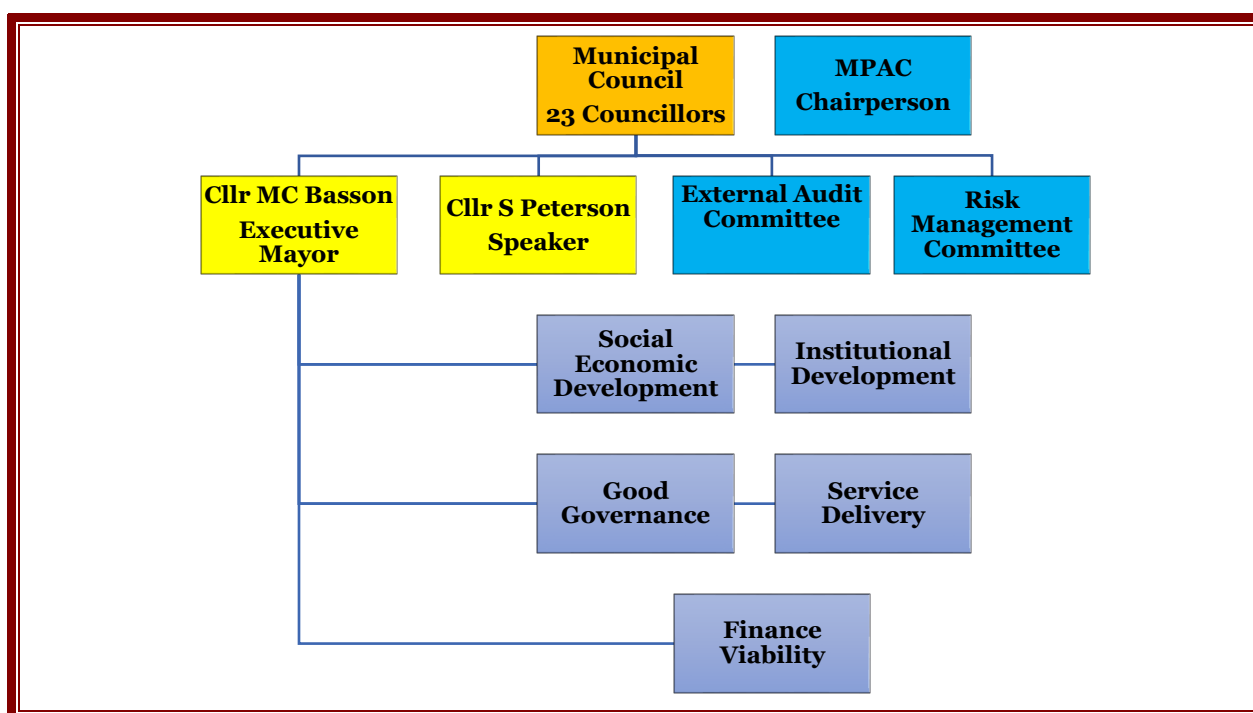
3.10 EXECUTIVE AND COUNCIL

The Minister of Cooperative Governance, Nkosazana Dlamini Zuma, announced that the local government elections will take place on 1 November 2021. Subsequent to the elections the ZF Mgcawu District Municipality held its inaugural Council meeting on the 14th of December 2021 in Upington.

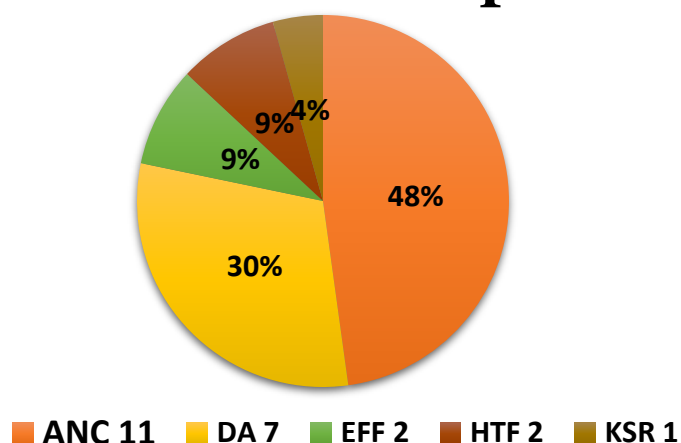
During this Council meeting, 23 Councillors took the oath of office and pledged to obey and respect the Constitution and the laws of South Africa and to perform their functions and duties as a Councillor of the ZF Mgcawu District Municipality to the best of their abilities.

The Council of the ZF Mgcawu District Municipality is comprised of 23 Councillors of which 10 are direct elected Councillors and 13 are seconded to the District Municipality from the Local Municipalities.

The Council performs both a legislative and an executive function. It focuses on legislative, oversight, and participatory roles and has delegated its executive function to the Executive Mayor and the Mayoral Committee. The Council plays a very active oversight role in the operations of the District Municipality.



ZFM Council Composition



KPI	Unit of Measurement	Target	Actual
Annual Report and Oversight Report submitted to Council in March 2022	Reports submitted	31 March 2022	29 March 2022
The effective functioning of the Council measured in terms of the number of Council meetings	No of Council meetings per annum	4	5
The effective functioning of the Mayoral Committee	No of Mayoral Committee meetings	10	10
Adjustment budget approved by Council	Adjustment budget approved by Council	28 February 2022	25 February 2022
Draft Budget approved by Council	Draft Budget approved by Council	31 March 2022	29 March 2022
Main Budget approved by Council	Final Annual Budget approved	31 May 2022	30 May 2022
Effectiveness of the Audit Committee	No of Audit Committee meetings	4	5
Effectiveness of Portfolio Committees	No of meetings held	4	3
Effectiveness of MPAC	No of meetings held	4	4

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Council Meetings	Special Council Meetings	Portfolio Committee Meetings	MPAC Meetings
30 August 2021	26 August 2021	30 August 2021	30 August 2021
25 February 2022	14 December 2021	25 March 2022	26 January 2022
28 January 2022	23 June 2022	27 May 2022	25 March 2022
29 March 2022	30 June 2022		27 May 2022
30 May 2022			

MAYORAL COMMITTEE MEETINGS

Mayoral Committee Meetings 2021/2022	
Month	Date
July 2021	29 Julie 2021
August 2021	30 August 2021
September 2021	30 August 2021
October 2021	20 October 2021
November 2021	N/A
December 2021	N/A
January 2022	27 Jan 2022
February 2022	24 February 2022
March 2022	25 March 2022
April 2022	28 April 2022
May 2022	26 May 2022
June 2022	29 June 2022

CHAPTER 4

HUMAN RESOURCE SERVICES

COMPONENT A: HUMAN RESOURCE MANAGEMENT

The Human Resource division falls under the Directorate Corporate Services and it is split into two core arms namely:

- Human Resource Management Unit
- Human Resource Development and Training Unit

This section will deal specifically with the functions of the Human Resource Management Unit. Human Resource Management has the responsibility of ensuring the overall management of comprehensive Human Resource Management Policies and processes, compliance, and adherence to Human Resource Management legislation and practices, and the efficient management of Human Resource Systems and procedures of the ZF Mgcawu District Municipality. The operational responsibilities of the Human Resource Management Unit include but are not limited to:

Administration

This includes personnel records, statistics about personnel, and information processing of personnel.

Remuneration

This includes job analysis, job evaluation, salary and wage structuring, fringe benefit scheme, and incentive systems.

Leave

Daily monitoring and processing of leave taken. Monthly reconciliation of all types of leave.

Human Resource Provisioning and Recruitment

This includes human resource planning, recruitment, selection, placement, transfers, promotions, and dismissals. A lot of elements go into this function of recruitment, like developing job descriptions, advertising of vacant positions, sourcing of prospective candidates as well as the placement of new employees.

The Human Resource Management Unit is a very important function in the running of the institution. Human Resource Management ensures the effective recruitment and retention of employees. Human Resource Management can be described as the heart and soul of the District Municipality as its sole responsibility is to care for the organization's biggest resource being human capital.

COMPONENT B: HUMAN RESOURCE DEVELOPMENT AND TRAINING

Section 68 of the Municipal Systems Act, 32 of 2000 stipulates that a Municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way in compliance with the Skills Development Act, 81 of 1998.

The Municipal Systems Act places even further responsibility on a Municipality by legislating that a Municipality must make provision in its budget for the development and implementation of training programmes.

The ZF Mgcawu District Municipality has a full-fledged Human Resource Development and Training Unit in place that has the responsibility of enabling the Municipality to improve on its human capital's potential. The Human Resource Development and Training Unit must empower and develop its employees and councillors to improve service delivery in the District Municipality. The vision of this Unit is to create a world-class competent staff and to empower staff through skills development, capacity building, and personal empowerment.

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Human Resource Development Documents for 2021/2022

Documents	Date tabled and approved by Council/Submitted to other parties
Work Place Skills Plan 2021/2022	28 April 2022 and submitted to LGSETA on 28 April 2022
Annual Training Report 2021/2022 was tabled and approved by the council	28 June 2021
Annual Training Report 2021/2022 submitted to the LGSETA	15 July 2022

Section 152 of the Constitution sets out the objects of Local Government and these objects make it clear that the Local Government sphere of government is obligated to ensure that services are rendered to communities in a sustainable manner. The roles and objectives can however only be efficiently and effectively carried out if Human Resources in each Municipality are adequately equipped with the necessary skills, attitudes, and knowledge of officials to carry out their responsibilities.

Human Resource Development has only one goal and that is to produce better employees. The purpose of Human Resource Development is to provide the 'coaching' needed to strengthen and grow the knowledge, skills, and abilities that an employee already has by creating training platforms to make employees even better at what they do.

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees 2021/2022					
Description	Year 2020/2021	Year 2021/2022			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
The Municipal Manager	1	1	1		0
Office of the Municipal Manager	1	1	0	1	25
Strategic Management	1	1	1		0
Office of the Executive Mayor	7	7	7		0
Performance Management (PMS)	2	2	1	1	25
IDP	2	2	2		0
Housing & Town Planning	3	4	4		0
Public Participation; Wards Committees & IGR	2	3	3		0
Local Economic Development	1	1	1		0
Tourism	1	1	1		0
Environmental Health	9	9	9		0
Internal Audit	5	5	5		0
Director: Planning & Development	1	1	1		0
Disaster Unit	10	10	8	2	0
Asst Director: LED & Tourism	1	1	1		0
Project Management Unit	5	5	5		0
Risk Management	2	2	2		0
Corporate Service Director	1	1	1		0
Administration	8	8	7	1	25
Communication	3	3	3		0
Asst Director: LR & OHS	1	1	1		0

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Cleaning	6	6	6		0
Security	8	8	8		0
IT	3	3	3		0
Human Resource Development & Training	2	2	2		0
Human Resource Management Unit	3	4	3	1	25
THE CFO	0	1	1		0
Office of the CFO	1	1	1		0
Office of the Speaker	0	3	3	0	0
AFS & Reporting	3	4	1	3	0
Budget and Reporting	3	3	0	3	0
Assets Management	3	3	0	3	25%
Expenditure Management	5	5	1	5	25%
Supply Chain Management	2	2	2	2	0
Totals	106	114	95	6	27.75%

Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June 2020

T4.1.1

Vacancy Rate: Year 2021/2022			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	0	0	0
CFO	0	0	0
Other S57 Managers (excluding Finance Posts)	2	0	0
Other S57 Managers (Finance posts)	0	0	0
Senior management: Levels 1-3 (excluding Finance Posts)	13	1	1
Senior management: Levels 1-3 (Finance posts)	2	0	0
Highly skilled supervision: levels 4-5 (excluding Finance posts)	20	0	0
Highly skilled supervision: levels 4-5 (Finance posts)	3	0	0
Total	38	1	1

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Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T4.1.2

Turn-over Rate			
	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	
Details	No.	No.	Turn-over Rate*
2021/2022	3	2	0.666
2020/2021	8	7	0.875
* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year			

T4.1.3

4.2 POLICIES

Name of Policy	Date Adopted or Reviewed by Council
Policies adopted or reviewed by Council on 28 May 2021	
Study Aid Policy	
Bursary Policy	
Continuous Professional Development Policy	
Employment Equity Policy and Plan	
Human Resource Development Strategy	
Leadership Policy	
Training Policy	
Employee Wellness Policy	

Policies adopted or reviewed by Council on 29 June 2020	
Human Resource Development Strategy Continuous Professional Development Policy Employee Study Assistance Policy Employment Equity Policy and Plan Training and Development Policy Employee Health and Wellness Policy & Plan Leave Policy Recruitment, Selection Promotion Demotion Policy, and Procedure Voortgesette Lede Beleid Perk Op Subsidie	
Policies adopted or reviewed by Council on 28 June 2019	
Employment Equity Plan	
Policies adopted or reviewed by Council on 31 May 2018	
Bursary Subsequent Event (Events after reporting date) Payment of Overtime Private Work and Declaration Of Interest Leave Employment Practice Human Resource Development Strategy Continuing Professional Development Human Resource Plan Learnership Policy Smoking	

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Recruitment, Selection, Placement, Probation, Promotion, Transfer and Demotion of Staff	
Employment Equity	
Incapacity: Due to poor work performance	
Relocation	
Task Job Evaluation	
Promotion	
Hiv/Aids	
Incapacity: Due to ill Health/Injury	
Employee Health and Wellness Policy & Plan	
Employment Equity Policy	
Training and Development Policy	
Employees under the Influence of Intoxicating Substances Policy	
Attendance and Punctuality Policy	
Sexual Harassment Policy	
Employee Study Assistance Policy	
Involvement of Councillors and Officials at Funerals of Officials	

4.3 INJURIES AND SICKNESS

Number and Cost of Injuries on Duty

	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
Type of injury	Days	No.	%	Days	R'ooo
Required basic medical attention only	0	0	0	0	
Temporary total disablement	0	0		0	
Permanent disablement	0	0	0	0	
Fatal	0	0	0	0	
Total	0	0	0	0	0

T4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)

Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R'ooo
Lower skilled (Levels 13-16)	0	0	0	0	0	
Skilled (Levels 10-12)	400	10.810%	23	36	3	
Highly skilled production (levels 7-9)	236	6.555%	25	36	7	
Highly skilled supervision (levels 4-6)	138	6%	17	23	6	
Senior management (Levels 0-3)	107	8.916%	11	12	6	
MM and S57	4	9.25%	2	4	1	
Total	602	121	72	115	24	

* - Number of employees in post at the beginning of the year

*Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T4.3.2

4.4 EMPLOYEE SALARY INCREASES

Number of Employees whose salaries were increased due to their positions being upgraded

Beneficiaries	Gender	Total
Lower skilled (Levels 12-10)	Female	0
	Male	0
Skilled (Levels 9-7)	Female	1
	Male	0
Highly skilled production (Levels 6-5)	Female	0
	Male	0
Highly skilled supervision (Levels 4)	Female	0
	Male	0
Senior Management (Levels 3-1)	Female	1
	Male	0
Municipal Manager and Section 57	Female	0
	Male	0
Total		2
Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).		T4.6.2

4.5 LR, OHS, CLEANING AND SECURITY SERVICES

The unit consist of Labour Relations, Security Service, Cleaning Service and Occupational Safety

It exists to render a comprehensive, integrated service to enhance a support service and sound labour relations in ZF Mgcawu DM.

Functions of Labour Relations:

- Co-ordinates and control the application of industrial relations and specific procedures.
- Attending to and guiding disciplinary and grievance processes
- Reporting to specific Committees on the function
- Capacitating employees on the application and interpretation of policies and agreements
- Attending to administrative requirements, circulation of reports, and notifications.
- Matters related to the union organizations and employee representations
- Procedure Consultation together with Contract/Agreement/Policy and administration
- Grievance Administration, Collective Bargaining, Mediation, Investigation, and Arbitration
- Labour and Management Meetings and Relations
- Labour and Management informal conflict resolution
- Information requests of union
- Management and administrator training, etc.

Functions of Security Services:

- Protecting organizations/people against threats/danger.
- Reduce liabilities, insurance, compensation and other social security expenses to be paid by the Municipality.

Functions of Cleaning Services:

- Prevent the spread of infectious diseases and control allergens, such as dust and mould, helping us to stay healthy

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- Reduced Spread of Disease
- Increased Employee Productivity

Functions of Occupational Health and Safety:

- Develop a safe work environment
- Promote good health in the workplace
- Reducing severities and injuries in the workplace
- Reduced risk or accidents or injuries by identifying and mitigating hazards
- Improved efficiency and productivity due to fewer employees missing work from illness or injury
- Improved employee relations and morale (a safer work environment is a less stressful work environment)
- Reduced costs associated with accidents or injuries (healthcare and rehabilitative costs, losses in productivity, impact on employees' well-being)
- Lower insurance premiums resulting from fewer workplace incidents and workers' compensation claims

Functions of Covid-19 Compliance Officer:

- Oversee the implementation of the Covid -19 protocols
- Oversee adherence of health and safety measures
- Address employee's concerns
- Report all covid -19 related matters.
- Ensure compliance with Covid -19 regulations.

Labour Relations Report

NO	NAME	APPLICANT	NATURE	OUTCOME	DATE	ADVICE
1	April Jacobus	Private	Unfair Dismissal	Application to Labour Court	2013	File closed Refer to 3.9 Property And Legal
2	Gerhardus Damarah	SAMWU	Unfair Labour Practice	Disputed is resolved	2021/2022	Employer to give back for one year

Disciplinary actions taken on cases of Financial Misconduct

Position	Nature of alleged misconduct and Rand value of any loss to the Municipality	Disciplinary action taken	Date finalized
None	None	None	None

4.6 SKILLS DEVELOPMENT AND TRAINING

New Reporting Template- Gazette 41996 of 26 October 2018

This report is based on the new reporting template annexure - C - Gazette 41996 (Gazette 41996 of 26 October 2018) is an amendment to Gazette 29967 of 15 June 2007.

The Gazette only warrants that the District Municipality report on the following positions:

1. CEO (entity)
2. CFO (municipality)
3. CFO (entity)
4. Senior Managers (MSA Section 56)
5. Middle Manager (of finance only)

The Municipal Finance Management Act, 56 of 2003 stipulates that a Municipality that appoints a Municipal Manager must subject themselves to the provisions of the Act; in that no Acting or appointed Municipal Manager can be appointed without at least a Bachelor's Degree or a relevant qualification registered on the National Qualification Framework at NQF level 7 with a minimum of 360 credit plus Leading Competencies prescribed in the Annexure -A- Local Government: Competency Framework for Senior Managers as published under Government notice No. 21 in Government Gazette No. 37245 of 17 January 2014.

According to Gazette 41996, the Annexure -C- reporting period is only for 30 January and 30 July of each year.

GAZETTE 29967 OF 15 JUNE 2007-MFMA COMPETENCY REGULATIONS (JUNE 2007)

CPMD TRAINING 2021/2022: Financial Competency Development: Progress Report*

Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
<i>Accounting officer</i>	1	0	1	0	1	1
<i>Chief financial officer</i>	1	0	1	0	1	1
<i>Senior managers</i>	2	0	2	0	2	1
<i>Any other financial officials</i>	2	0	2	0	0	2
Supply Chain Management Officials						
<i>Heads of supply chain management units</i>	1	0	1	1	0	1
<i>Supply chain management senior managers</i>	0	0	0	0	0	
TOTAL	7	0	7	1	4	6

* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)

T4.5.2

NEW REPORTING TEMPLATE- GAZETTE 41996 OF 26 OCTOBER 2018

Surname	Name	ID Number(typeinall13digits,withnospaces)	Position (select from scroll button)	Date of Employment (before or on/after Gazette 41996)	1. Higher Education Qualification (New NQF Levels)	2. All Relevant Work Related Experience (select from scroll button)	3. Performance Agreements and FM & SCM levels (select from scroll button)	4. Financial and Supply Chain Management Competency Areas (Do not complete as this column is automated with column F)	Insert the number of completed Unit Standards, e.g. 3, 5, 10, etc.	Remaining Unit Standards (Do not complete as this column is automated with column J and K)
Lategan	Gilbert	5808035112086	Accounting Officer	before 3 Feb 2017	NQF Level 6 - Bachelor Degree (min 360 credits)	7 years and more	Performance Agreements signed, FM & SCM levels not completed	15 Unit Standards needed	18	
Kitching	Albert	8411245070082	Middle Manager: Finance	before 3 Feb 2017	NQF Level 7 - Bachelor Degree (min 360 credits)	7 years and more	Performance Agreement not required, FM & SCM levels completed	15 Unit Standards needed	15	
Van Zyl	Jacobus	6104275004087	Senior Manager (MSA S56)	before 3 Feb 2017	NQF Level 7 - Bachelor Degree (min 360 credits)	7 years and more	Performance Agreements signed, FM & SCM levels completed	15 Unit Standards needed	16	
Britz	Eloise	8403070127087	CFO Manager (MSA S56) Finance	before 3 Feb 2017	NQF Level 7 - Bachelor Degree (min 360 credits)	7 years and more	Performance Agreement required, FM & SCM levels completed	15 Unit Standards needed	20	
Phete	Anzonia	8602210215088	SCM Manager	before 3 Feb 2017	Lower than NQF Level 6	7 years and more	Performance Agreement not required, FM & SCM levels completed	15 Unit Standards needed	17	
Visagie	Julandy	8001070163084	Middle Manager: Finance	before 3 Feb 2017	NQF Level 6 - National Diploma (min 240 credits)	7 years and more	Performance Agreement not required, FM & SCM levels completed	15 Unit Standards needed	15	
Isak	De Waal	7908155102087	Senior Manager (MSA S56)	After 26 Oct 2018	NQF Level 6 - National Diploma (min 240 credits)	7 years and more	Performance Agreements signed, FM & SCM levels not completed	15 Unit Standards needed	10	

4.6.1 COMMENT ON SKILLS DEVELOPMENT

The Local Government Sector Education and Training Authority (LGSETA) requires that a Municipality that has a workforce of more than 50 people must have a Training Committee which consists of a Councillor, Head of Corporate Services as well as a representative of each Department. The function is to ensure that the implementation of the Work Skills Plan takes place.

The Work Skills Plan is a template that the LGSETA provides where reporting and planning take place and is submitted annually.

The ZF Mgcawu District Municipality has a Training and Skills Development Committee in place with a designated Skills Development Facilitator.

Item	Status
Levy paid to LGSETA	Yes
Number of employees trained	59 (28 at Kheis Municipality +31 ZFM employees)
Number of unemployed trained with LGSETA funds	8 (1 X learnerships programs)
Number of Councilors trained by SALGA	7
Total cost of the training	R 490 330.79
Total Interns appointed	3x Financial Interns
Total Work Integrated Learners	LGSETA= 13 Learners BANKSETA= 6 Learners ETPDSETA= 3 Learners
Costs related to training and source of funding	LGSETA
Number of skills programs implemented and details-even those from other stakeholders other than the LGSETA	Skills programs by LGSETA= 1
	Other stakeholders 1. HPCSA (Online Training) 2. eCPD healthcare (Online Training)

	3. Associations of infrastructure Certified Public Accountants (Online Training) 4. National Treasury 5. Leadership Academy 6. CIGFARO 7. IIASA 8. The Institute of Internal Auditors 9. MFMP Forms 10. SCM training 11. Peace officer training 12. Housing training 13. CPD risk management training 14. Budget & BTO training
LG Seta discretionary grant - provide details of how it was used in the municipality	The grant was used for various interventions, with skills program, learnerships, and bursaries
	1 X Skill program: for 140 learners: comprise of employees at Kheis municipality, Dawid Kruiper municipality and ZF Mgcawu district municipality. 1 X Learnership: comprises of 8 Unemployed learners and 2 employed learners

The ZF Mgcawu District Municipality has a legislative mandate to develop and improve the skills of its workforce. The Skills Development Act No 97 of 1998 inter alia states the purpose of the Act as follows:

- a) To develop skills of the South African workforce.
- b) To increase the level of investment in education and training in the labour market and to improve return on investment.
- c) To provide employees with opportunities to acquire new skills.
- d) To encourage workers to participate in learnerships and other training programs.
- e) To improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education.

CHAPTER 5

FINANCIAL INFORMATION

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

5.1 STATEMENT OF FINANCIAL PERFORMANCE

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	Actual 2022 R	2021 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Transfers and Subsidies	17	82 846 906	80 137 977
Impairment Gains	24	-	-
Revenue from Exchange Transactions			
Rental from Fixed Assets	18	8 730	2 078
Finance Income	19	699 566	562 869
Operational Revenue	20	834 620	542 225
Gains on Disposal of Capital Assets	31	10 667	-
Total Revenue		84 400 490	81 245 149
EXPENDITURE			
Employee Related Costs	21	56 838 028	60 245 587
Remuneration of Councillors	22	4 620 087	3 974 721
Depreciation and Amortisation	23	1 042 953	794 433
Impairment Losses	24	53 246	13 137
Finance Costs	25	512 869	47 969
Contracted Services	26	7 087 439	5 650 804
Inventory Consumed	27	634 183	458 807
Transfers and Subsidies Paid	28	304 250	594 159
Operating Leases	29	626 900	926 678
Operational Costs	30	10 285 796	8 066 899
Loss on Disposal of Capital Assets	31	-	156 305
Total Expenditure		82 005 752	80 929 499
SURPLUS / (DEFICIT) FOR THE YEAR		2 394 737	315 650

5.2 STATEMENT OF FINANCIAL POSITION

ZF MGCAWU DISTRICT MUNICIPALITY STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

		Actual	
	Note	2022 R	2021 Restated R
ASSETS			
Current Assets		2 895 685	3 654 966
Receivables from Exchange Transactions	2	197 928	296 503
Receivables from Non-exchange Transactions	3	-	121 515
VAT Receivable	4	553 633	949 343
Cash and Cash Equivalents	5	2 126 406	2 281 203
Current Portion of Long-term Receivables	6	17 718	6 402
Non-Current Assets		22 162 114	20 581 296
Property, Plant and Equipment	7	21 429 126	20 358 109
Intangible Assets	8	112 354	208 890
Non-current Investments	9	512 048	-
Long-term Receivables	10	108 585	14 297
Total Assets		25 057 798	24 236 262
LIABILITIES			
Current Liabilities		11 528 672	13 127 184
Provisions	11	2 887 376	3 473 207
Payables from Exchange Transactions	12	8 144 410	9 037 402
Unspent Conditional Grants and Receipts	13	-	533 983
Current Portion of Long-term Liabilities	14	496 885	82 592
Non-Current Liabilities		32 844 350	32 819 039
Long-term Liabilities	14	803 350	33 039
Employee Benefit Liabilities	15	32 041 000	32 786 000
Total Liabilities		44 373 022	45 946 223
Total Assets and Liabilities		(19 315 223)	(21 709 961)
NET ASSETS		(19 315 223)	(21 709 961)
Accumulated Surplus / (Deficit)	16	(19 315 223)	(21 709 961)
Total Net Assets		(19 315 223)	(21 709 961)

5.3 CASH FLOW STATEMENT

ZF MGCAWU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

		Actual	
	Note	2022	2021
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers and Subsidies		82 312 923	80 388 427
Rental from Fixed Assets	18	8 730	2 078
Finance Income	19	699 566	562 869
Other Receipts		1 385 858	44 319
Payments			
Employee Related Costs		(58 197 028)	(57 366 587)
Remuneration of Councillors	22	(4 620 087)	(3 974 721)
Finance Costs Paid	25	(512 869)	(47 969)
Suppliers Paid		(9 241 514)	(8 513 176)
Other Payments		(10 594 916)	(8 625 668)
NET CASH FLOWS FROM OPERATING ACTIVITIES		1 240 663	2 469 571
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(512 678)	(840 613)
Purchase of Intangible Assets	8	(41 609)	(80 348)
Proceeds on Disposal of Property, Plant and Equipment	7.8	157 519	-
Decrease / (Increase) in Non-current Investments	9	(512 048)	-
Decrease / (Increase) in Long-term Receivables		(94 288)	4 335
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1 003 104)	(916 626)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(392 357)	(293 310)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(392 357)	(293 310)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(154 798)	1 259 636
Cash and Cash Equivalents at Beginning of Period		2 281 203	1 021 568
Cash and Cash Equivalents at End of Period	5	2 126 406	2 281 203

5.4 GRANTS

	2021 R	2020 R
TRANSFERS AND SUBSIDIES RECEIVED		
Capital Grants and subsidies		
Allocations Gazetted	-	-
Operational Grants and subsidies		
Allocations Not Gazetted	82 846 906	80 137 977
Allocations Gazetted	1 618 906	555 977
	81 228 000	79 582 000
Total Government Grants and Subsidies	82 846 906	80 137 977
17.1 Operational Grants		
National Revenue Fund:		
Equitable Share Grant	74 698 000	74 092 000
National Governments:		
Allocations Gazetted:	6 280 000	4 890 000
Expanded Public Works Programme Integrated Grant	2 150 000	1 000 000
Local Government Financial Management Grant	1 200 000	1 000 000
Road Asset Management Systems Grant	2 930 000	2 890 000
Allocations Not Gazetted:	1 084 923	306 427
National Treasury Subsidy for External Audit Fees	1 084 923	306 427
Provincial Government:		
Allocations Gazetted:	250 000	600 000
Housing Grant	250 000	600 000
Allocations Not Gazetted:	533 983	249 550
HIV and AIDS Grant (Provincial Health Department)	533 983	249 550
	82 846 906	80 137 977
17.2 Capital Grants and subsidies		
Provincial Government:		
Allocations Gazetted:	-	-
Other	-	-
Total Operational Grants Received	82 846 906	80 137 977

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17.3 Reconciliation per Grant Source

17.3.1 National Governments: Financial Management Grant

Allocations Gazetted:

	2022 R	2021 R
Balance unspent at beginning of year	-	-
Current year receipts	1 200 000	1 000 000
Conditions met for 2017/18 - transferred	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 200 000)	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the District Municipality.

17.3.2 National Governments: Rural Road Asset Management Systems Grant

Allocations Gazetted:

Balance unspent at beginning of year	-	-
Current year receipts	2 930 000	2 890 000
Conditions not met: Operating Expenses (Withheld by National Treasury)	-	-
Conditions met - transferred to Revenue: Operating Expenses	(2 443 952)	(2 799 656)
Conditions met - transferred to Revenue: Capital Expenses	(486 048)	(90 344)
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-

To assist rural district municipalities to set up Rural Road Asset Management Systems (RRAMS), and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

17.3.3 National Governments: EPWP Incentive Grant

Allocations Gazetted:

Balance unspent at beginning of year	-	-
Current year receipts	2 150 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(2 150 000)	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

17.3.4 Provincial Government: Housing Accreditation DPLG National Grant

Allocations Gazetted:

Balance unspent at beginning of year	-	-
Current year receipts	250 000	600 000
Conditions met - transferred to Revenue: Operating Expenses	(250 000)	(600 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level, in line with the

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17.3.5 Provincial Government: HIV/AIDS Grant (Provincial Health Department)

Allocations Not Gazetted:

	2022 R	2021 R
Balance unspent at beginning of year	533 983	283 533
Current year receipts	-	500 000
Conditions met - transferred to Revenue: Operating Expenses	(533 983)	(249 550)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	-	533 983

The purpose of this grant is to sustain and extend coverage of the ward-based door-to-door education programme with referrals to local services, to build communities and support and utilise local services appropriately, and to support ward structures to address HIV/AIDS in the local community.

17.3.6 Summary of Conditional Grants:

Balance unspent at beginning of year	533 983	283 533
Current year receipts	6 530 000	5 990 000
Conditions met - transferred to Revenue: Operating Expenses	(6 577 935)	(5 649 207)
Conditions met - transferred to Revenue: Capital Expenses	(486 048)	(90 344)
Conditions still to be met - transferred to Liabilities	(0)	533 983
Grants classified under Receivables from Non-exchange Transactions	-	-
Unspent Conditional Grants - Current Liabilities (see Note 13)	-	533 983

RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue

Other Fixed Assets	8 730	2 078
Property Plant and Equipment	8 730	2 078
Ad-hoc Rental Income from Other Fixed Assets	-	-
Total Rental of Facilities and Equipment	8 730	2 078

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

FINANCE INCOME

External Investments:

Bank Account	76 639	67 870
Call Accounts	610 220	494 234
Non-current Investments	12 048	-
	698 907	562 104

Outstanding Exchange Receivables:

Long-term Debtors		
Housing & Housing Selling Schemes	659	765
	659	765
Total Exchange Interest Earned	699 566	562 869

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	2022 R	2021 R
OPERATIONAL REVENUE		
LGSETA Skills Programmes and Learnerships	406 365	50 494
Commission	55 137	70 257
Merchandising, Jobbing and Contracts	270 650	254 313
Skills Development Levy Refund	102 469	167 161
Total Operational Revenue	834 620	542 225

LGSETA Skills Programmes and Learnerships were received for Student Education Programmes which were fully spent during 2021/22 financial year.

5.5 ASSET MANAGEMENT

The Asset Management Unit in the Financial Services Directorate's main reason for existence is to create a structured process of decision making, planning, and control over the acquisition, use, safeguarding, and disposal of assets to maximize their service delivery potential and benefits and to minimize their related risks and costs over their entire life.

Asset Management in ZF Mgcawu District Municipality is governed by an Asset Management Policy adopted in 2010 and is reviewed annually. The latest review of the Asset Management Policy for the 2021/2022 took place on 28 May 2021.

The Policy serves to ensure:

- The consistent application of Asset Management Principles.
- Implementation of accrual accounting.
- Compliance with the Municipal Finance Management Act and other related legislation.
- Correctly accounting for assets under the GRAP Accounting Framework.
- Safeguarding and controlling the assets of the District Municipality.
- Optimizing asset usage.

The Asset Management Unit is one of the divisions of the Financial Services Directorate and the Unit reports to the Chief Financial Officer. The Unit consists of the following personnel:

1x Unit Manager AFS & Assets

1x Assistant Accountant Assets

1x Senior Clerk Assets and Insurance

1x Fleet Officer

The Asset Management Policy deals with the following key elements:

- Asset recognition
- Recognition of assets initial measurement
- Subsequent measurement of assets
- The recognition of inventory items (non-capital items)
- Asset types

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- Asset acquisition, asset maintenance, asset disposal, asset physical control, and asset financial control

An Asset Management Committee consisting of Directors and Senior Managers has been appointed to facilitate and assist the Municipal Manager as the Accounting Officer of the District Municipality in his functions relating to Asset Management as set out in section 63 of the MFMA.

The Municipal Manager has delegated the custody and the responsibility for assets to the various Directors as defined in the organizational structure of the ZF Mgcawu District Municipality. The Asset Management Committee was functional during the 2021/2022 financial year.

The composition of the Asset Management Committee is as follows:

- Director: Financial Services (Chairperson)
- Director: Corporate Services
- Deputy CFO
- Unit Manager Assets (Position removed)
- Unit Manager AFS & Assets (Vacant)
- Unit Manager Administration
- Assistant Accountant Assets

Acquisitions

Asset additions made during the year amounts to R 2 164 287 which has been reconciled to the general ledger as at 30 June 2022 as required by section 63 of the Municipal Finance Management Act.

5.6 PUBLIC-PRIVATE PARTNERSHIPS

The District Municipality does not have any Public-Private Partnerships.

COMPONENT B: OTHER FINANCIAL MATTERS

5.7 SUPPLY CHAIN MANAGEMENT

This matter is dealt with in greater detail on under Chapter 2 of this document.

5.8 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules, which Municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that Municipal accounts are comparable and more informative for the Municipality. It will also ensure that the Municipality is more accountable to its citizens and other stakeholders.

The ZF Mgcawu District Municipality received its 8th Clean Audit for the 2020/2021 financial year.

5.9 BBEE COMPLIANCE PERFORMANCE INFORMATION

Information on compliance with the BBEE Act is included in the Annual Report under the section titled B-BBEE Compliance Performance Information.

5.9.1 Ownership and Management Control		Senior Management	Middle Management	Junior Management
% or Number for each Category				
Race classification				
- African		0	0	
- Coloured		3	0	
- White		1	0	
Gender		0	0	
- Male		3	0	
- Female		1	0	
Age		0	0	
- Youth (between the ages of 18 - 35)		0	0	
- Middle aged (between the ages of 36 - 50)		2	0	
- Senior (older than 50)		2	0	
Disability		0	0	
- Male		0	0	
- Female		0	0	
		Target Score	Bonus Points	Actual Score
Contribution to Scorecard				-

5.9.2 Skills development					
All skills development was conducted in the Northern Cape.					
	Black Employees	Black Non-employees	Black People in Internship, Learnerships	Unemployed Black People	Black People Absorbed
Number for each Category					
Race classification					
- African	89		14	2	
- Coloured	84		8	6	
- White					
Gender					
- Male	79			2	
- Female	94			6	
Age					
- Youth (between the ages of 18 - 35)			22	8	
- Middle aged (between the ages of 36 - 50)					
- Senior (older than 50)					
Disability					
- Male					
- Female					
Total amount spent					
			Target Score	Bonus Points	Actual Score
Contribution to Scorecard					-

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5.9.3 Enterprise and Supplier Development					
			EME's	QSE's	Large
Enterprise Development					
Number of Beneficiaries					
% Black ownership					
% Black Women ownership					
Value of Expenditure					
Value of 2% of NPAT or 0.2% of Allocated budget					
Supplier Development					
Number of Beneficiaries					N/A
% Black ownership					N/A
% Black Women ownership					N/A
Value of Expenditure					N/A
Value of 1% of NPAT or 0.1% of Allocated budget					
Total: Enterprise and Supplier Development					
Number of Beneficiaries			-	-	N/A
% Black ownership			0%	0%	N/A
% Black Women ownership			0%	0%	N/A
Value of Expenditure			-	-	N/A
			Target Score	Bonus Points	Actual Score
Contribution to Scorecard					
					-

5.9.4 Socia-Economic Development					
		Race classification			
		African	Coloured	Indian	Total
Number of all participants					
Gender					
- Male					-
- Female					-
Location (number of participants per province)					
- Gauteng					-
- Mpumalanga					-
- Freestate					-
- Limpopo					-
- Western Cape					-
- Eastern Cape					-
- Northern Cape					-
- Kwazulu-Natal					-
- North West					-
Value of expenditure					
Value of 1% of NPAT or 0.1% of Allocated budget					
					-
			Target Score	Bonus Points	Actual Score
Contribution to Scorecard					
					-

CHAPTER 6

AUDITOR- GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL'S OPINION OF FINANCIAL STATEMENTS 2021/2022

6.1 AUDITOR-GENERAL'S REPORT 2021/2022

The audit outcomes for the ZFM District Municipality for the last 3 financial years are as follows:

Year	2018/2019	2019/2020	2020/2021	2021/2022
Status	Unqualified with one matter	Clean Audit Unqualified Audit Opinion	Clean Audit Unqualified Audit Opinion	Clean Audit Unqualified Audit Opinion

The Auditor General's Report for the 2021/2022 financial year was released in November 2022. The ZF Mgcawu District Municipality received an Unqualified Audit Opinion for the 2021/2022 financial year.

**Report of the auditor-general to the Northern Cape Provincial
Legislature and the Council on ZF Mgcawu District Municipality**

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of ZF Mgcawu District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets and 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 ZF Mgcawu District Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (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.

Material uncertainty relating to going concern/ financial sustainability

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 49 to the financial statements, which indicates that the three-year (MTREF) reflected that the budget was unfunded for 2022/23, 2023/24 and 2024/25. The outcome of the cash back assessment from Provincial Treasury was negative for 2022/23 as well as negative for the two outer years 2023/24 and 2024/25. Further the cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is the largest portion of operational revenue source. As stated in note 49, these events or conditions, along with the other matters as set forth in note 49, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

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Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Irregular expenditure

9. As disclosed in note 35.3 to the financial statements, the municipality incurred irregular expenditure of R2 203 641 (2020-21: R3 040 507), as it did not follow proper procurement processes.

Unauthorised expenditure

10. As disclosed in note 35.1 to the financial statements, the municipality incurred unauthorised expenditure of R1 643 237, as a result of the expenditure incurred that was not in accordance with the purpose of the approved budget.

Other matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

12. 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.

Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

14. 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 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.
15. 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

16. 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.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

18. 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 objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
19. 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.
20. 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 objectives presented in the municipality's annual performance report for the year ended 30 June 2022:

Annual Report 2021/2022

Objectives	Pages in the annual performance report
KPA 1: Basic Service Delivery	x – x

21. 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.

22. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objective:

- KPA 1: Basic Service Delivery

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

24. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year.

Adjustment of material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 1: Basic Service Delivery. As management subsequently corrected the misstatements, I 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

26. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

27. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

28. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's 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.
29. 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.
30. 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.
31. 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

32. 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. I did not identify any significant deficiencies in internal control.

Auditor General

Kimberley

30 November 2022



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 priorities 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 ZF Mgcawu district 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.

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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

COMPONENT B: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2020/2021

6.2 AUDITOR-GENERAL'S REPORT 2020/2021

The audit outcomes for the ZFM District Municipality for the last 4 financial years are as follows:

Year	2018/2019	2019/2020	2020/2021	2021/2022
Status	Unqualified with one matter	Clean Audit Unqualified Audit Opinion	Clean Audit Unqualified Audit Opinion	Clean Audit Unqualified Audit Opinion

The Auditor General's Report for the 2020/2021 financial year was released in November 2021. The ZF Mgcawu District Municipality received an Unqualified Audit Opinion for the 2020/2021 financial year.

**Report of the auditor-general to the Northern Cape Provincial
Legislature and the council on ZF Mgcawu District Municipality**

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the ZF Mgcawu 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 ZF Mgcawu District Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the 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 matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

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Restatement of corresponding figures

7. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Irregular expenditure

8. As disclosed in note 35.3 to the financial statements, the municipality incurred irregular expenditure of R3 040 507 (2019-20: R4 130 152), as it did not follow proper procurement processes.

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes (MFMA 125)

10. 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, we do not express an opinion on it.

Unaudited supplementary schedules (ISA 700.53)

11. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

12. 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 controls 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.
13. 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

14. 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.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. 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 objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
17. 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.
18. 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 objectives presented in the municipality's annual performance report for the year ended 30 June 2021:

Objectives	Pages in the annual performance report
Objective 2 – To assess and provide targeted support improving institutional capacity and service delivery capabilities of category B municipalities	x – x

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved

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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.

20. I did not identify material findings on the usefulness and reliability of the reported performance information for the following objective:

- Objective 2 – To assess and provide targeted support improving institutional capacity and service delivery capabilities of category B municipalities

Report on the audit of compliance with legislation

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

22. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA

Other information

23. 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.

24. 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.

25. 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.

26. 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

27. 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. I did not identify any significant deficiencies in internal control.

Auditor General
Kimberley

30 November 2021



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 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 ZF Mgcawu District 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.

6.3 COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES

In terms of Section 71 of the MFMA, Municipalities are required to return a series of financial performance data to the National Treasury at specific intervals throughout the year. The Chief Financial Officer hereby states that these data sets have been returned according to the reporting requirements.

Signed by: _____

Chief Financial officer

APPENDICES

APPENDIX-A

COMMITTEE ALLOCATION

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MAYORAL COMMITTEE

- Cllr. M.C. Basson (ANC) (Executive Mayor)
- Cllr. A. Johnson (ANC) (Chairperson: Institutional/LLF)
- Cllr. A. Matshimo (ANC) (Chairperson: Social/ Economic)
- Cllr. Silo (ANC) (Chairperson: Good Governance)
- Cllr. P. M. Mgcera (ANC) (Chairperson: Service Delivery)

FINANCE VIABILITY

- Cllr. M.C. Basson (ANC)(Chairperson) (Executive Mayor)
- Cllr. P.T. van der Steen (DA)
- Cllr. F. Basson (ANC)
- Cllr. P.H. Matthys (HOPE)
- Cllr. S. Abels (ANC)

MPAC [MUNICIPAL PUBLIC ACCOUNTS COMMITTEE]

- Cllr. M.C. Basson (ANC) (Chairperson)- Council to endorse new MPAC Chairperson in August 2022
- Cllr. J. Balies (EFF)
- Cllr. F.L. Witbooi (DA)
- Cllr. D.R. Pienaar (ANC)
- Cllr. P.J. George (ANC)
- Cllr. K.G. Keorometswe (ANC)

INSTITUTIONAL DEVELOPMENT

- Cllr. A. Johnson (ANC)(Chairperson) (Mayoral Committee Member)
- Cllr. A.J. Ruiters (DA)
- Cllr. P.J. George (ANC)
- Cllr. F. Basson (ANC)
- Cllr. A.C. Kotzee (HOPE)
- **Mayor & Speaker (ex-officio)**

SOCIAL ECONOMIC DEVELOPMENT

- Cllr. A. Matshimo (ANC)(Chairperson) (Mayoral Committee Member)
- Cllr. D.H. de Koker (DA)
- Cllr. S. Sandlana (DA)
- Cllr. F.L Witbooi (DA)
- Cllr. M.C. Basson (ANC)
- **Mayor & Speaker (ex-officio)**

SERVICE DELIVERY

- Cllr. P.M. Mgcera (ANC)(Chairperson)(Mayoral Committee Member)
- Cllr. C.F.P. Bezuidenhout (DA)
- Cllr. M.H.B. van Zyl (DA)
- Cllr. J. Esau (EFF)
- Cllr. K.G Keorometswe (ANC)
- **Mayor & Speaker (ex-officio)**

GOOD GOVERNANCE

- Cllr. J. Silo (ANC)(Chairperson)(Mayoral Committee Member)
- Cllr. D.H. de Koker (DA)
- Cllr. D.R. Pienaar (ANC)
- Cllr. J. Balies
- Cllr. S. Abel (ANC)
- **Mayor & Speaker (ex-officio)**

APPENDIX-B

COMMITTEES AND COMMITTEE PURPOSES

COMMITTEES OTHER THAN MAYORAL AND THEIR PURPOSES

Institutional Development	This committee deals with institutional matters including administration and human resources
Service Delivery	This committee deals with service delivery issues also focusing on Local Municipalities
Social and Local Economic Development	Local Economic Development (LED) forms an important part of economic growth in the region and this committee deals with all LED programs in the District.
Good Governance and Public Participation	Matters relating to communication, ward committees, and public participation
Municipal Finance Viability	Finance related information (compliance reports and budgets)
Municipal Public Accounts Committee (MPAC)	Performs an oversight function dealing with matters such as evaluating the annual report, Fraud and Anti-Corruption, internal audit, risk management, and other finance-related matters.

APPENDIX-C

THIRD-TIER STRUCTURE

Senior Management as at 30 June 2022		
NAME	CAPACITY	PERIOD
Mr J.G. Lategan	Municipal Manager	1 July 2021-30 June 2022
Mr D.J. Van Zyl	Director: Corporate Services	1 July 2021-30 June 2022
Vacant	Chief Financial Officer	1 July 2021-31 August 2022
Mrs. E. Isaacs	Chief Financial Officer	1 September 2021- 30 June 2022
Mr I. De Waal	Director: Planning & Development	1 July 2021-30 June 2022

APPENDIX-D

MUNICIPAL FUNCTIONS

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Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	Yes	
Building regulations	No	
Childcare facilities	No	
Electricity and gas reticulation	No	
Firefighting services	Yes	
Local tourism	Yes	
Municipal airports	No	
Municipal planning	Yes	
Municipal health services	Yes	
Municipal public transport	No	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	No	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	
Stormwater management systems in built-up areas	No	
Trading regulations	No	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No	

APPENDIX-E

AUDIT COMMITTEE RECOMMENDATIONS



FEEDBACK FROM INTERNAL AUDIT

SUMMARY OF RESOLUTIONS AND RECOMMENDATIONS OF THE AUDIT COMMITTEE

RESOLUTION & RECOMMENDATION LAUNCHED		RESOLUTIONS & RECOMMENDATION IMPLEMENT		RESOLUTION & RECOMMENDATION OUTSTANDING	
QUARTER	NUMBER	QUARTER	NUMBER	QUARTER	NUMBER
Quarter 1-AFS	9	Quarter 1-AFS	9	Quarter 1-AFS	0
Quarter 1	9	Quarter 1	7	Quarter 1	2
Quarter 2	5	Quarter 2	5	Quarter 2	0
Quarter 3	4	Quarter 3	2	Quarter 3	2
Quarter 4	4	Quarter 4	0	Quarter 4	4
LAUNCHED	31	IMPLEMENTED	32	OUTSTANDING	8

Detail summary of decisions taken by the Audit Committee during the 2020/2021 Financial Year			
Date of Meeting	Resolutions	Implemented	Not Implemented
23 August 2021 Meeting	1. The liaison with the respective line managers responsible for some of the outstanding evidence for the Annual Performance in order to include these evidence prior to the submission of the Annual Performance Report to the Office of the Auditor General on 31 August 2021. 2. The amendment of the draft Annual Financial Statements to incorporate the review notes of both the Audit Committee and the Internal Audit also that such proof be submitted to the Audit Committee members prior to submission to the Office of the Auditor General on 31 August 2021. 3. The amendment of the draft Annual Performance Report to incorporate the review notes of both the Audit Committee and the Internal Audit also that such proof be submitted to the Audit Committee members prior to submission to the Office of the Auditor General on 31 August 2021. 4. The amendment of the draft Annual Report to incorporate the review notes of both the Audit Committee and the Internal Audit also that such proof be submitted to the Audit Committee members prior to submission to the Office of the Auditor General on 31 August 2021. 5. That feedback be obtain on the legal action in the legal Report of the draft Annual Financial Statements that refer to J.Van Wyk. 6. That a copy of the Council Resolution be obtain for the written off that refer to Councillors debts and distributed to all the members of the Audit Committee. 7. That the Collective Agreement on the Medical Aid for ex-employees of the Municipality be part of the agenda points of the Audi Committee meeting. 8. That a list of all persons who owed the Municipality money be obtained and distributed to the all members of the Audit Committee. 9. Liaison with the respective line managers responsible for some of the content of the Annual Report which need to be amended for inclusion prior to the submission of the Annual Report to the Office of the Auditor General on 31 August 2021.	1,2,3,4,5, 6 ,8 and 9	None

04 October 2021 Meeting	1. That the Management compiled a one-page document which communicate the challenges experienced with the new web based program of Treasury and send a copy to National Treasury to communicate these challenges. 2. That the Internal Audit Report on the handling of the public auction of redundant assets be discussed with Senior Management and feedback be given at the next Audit committee meeting. 3. The repayment period of the amount of R 13 551,06 that was wrongly double paid to an ex contract worker be reviewed to be less than the arranged 36 months in order to recover the amount within the current financial year. 4. That Management must review the current delegation of authorization for electronic payments and ensure the amounts of the Delegation of Authority been amended based on the level of authority. 5. That Management must give feedback at the next Audit Committee Meeting if there is a Policy in place that makes provision for Interest paid on the outstanding debts. 6. That Management ensure that all officials who received laptops officially signed an agreement for the responsibility of the laptop and that such an agreement be filed in the personal file at Human Resource Management for future references. 7. That management ensure that weekly reconciliation of bank statements take place to verify whether unauthorised deduction or debit orders were deducted from the Municipalities bank account. 8. That a meeting is scheduled between the Municipal Manager of ZF Mgcawu District and the Municipal Manager of Kai! Garib Municipality whereby the Audit Committee conduct an arbitration role to resolved the aspect of Support to Kai! Garib Municipality. 9. That the Director Planning and Development compile a report on the following and submit it at the next audit committee meeting: 9.1 The plans for Tourism 9.2 List of programs for Local Economic Development 9.3 The project action management Plan for Project Management 9.4 The copy of the Disaster Management Plan.	1,2,3,4,5, 6 ,8 and 9	None

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06 December 2021 Meeting	1. "That Management must develop a Policy which explained how interest will be charged for outstanding debt that have exist due to the consequences of possible negligence. 2. That the filling of the vacancies on the Adhoc Disciplinary board be filled and that feedback on the functionality of the board be reported at the next audit committee meeting. 3. That Management must compile a detail report for Tourism on the statistics of the tourist that have visited the region as well as the efforts made to attract more tourists within the region. 4. That Management must compile a detail report of the statistics of Local Economic Development on the number of small business that the District Municipality has assisted as well as the approach used to assist the small businesses within the region. 5. That the Human Resource Development Unit be given the responsibility to attend to the upskill of the Internal Audit staff to obtain a formal qualification for Information Technology auditing and that feedback be given at the next Audit Committee meeting.	1,2,3,4 and 5	None
04 April 2022	1. That feedback on the outcome of the engagement of Risk Management with the respective units be reported at the next audit committee to clearly reflect on the following: - The top 10 Risk of the ZF Mgcawu District Municipality. - The top 10 risk of each Directorate within the ZF Mgcawu District Municipality. - Update on the Support to B-Municipality water issues , Disaster Management issues and ICT issues. - Co-ordination of the communication between the District Municipality and B-Municipalities on Environmental Health issues. 2. That feedback on the dispute of the job description of the Deputy Director Strategic Operations be provided at the next meeting. 3. That feedback on the stolen laptop of the official in the Office of the Mayor be given at the next meeting.	1 and 4	2 and 3

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	4. That a leave report be presented at the next meeting of a reconciliation conducted between the attendance registers and the Excel leave templet.		
20 June 2022 Meeting	1. That the Chief Financial Officer must ensure the classification of the upgrades Information Technology were correctly stated within the compiled Annual Financial Statements of 2021/2022. 2. That the Chief Financial Officer submit the draft set of Annual Financial Statements of 2021/2022 with supporting documentation to the Audit Committee members and the Internal Audit Unit on 15 August 2022 for review. 3. That the Unit Manager PMS & Support submit the draft Annual Performance Report of 2021/2022 with supporting documentation to the Audit Committee members and the Internal Audit Unit on 15 August 2022 for review. 4. That the Unit Manager Communications submit the Annual Report of 2021/2022 with supporting documentation to the Audit Committee members and the Internal Audit Unit on 15 August 2022 for review."	1,2,3 and 4	None

APPENDIX-F

FINANCIAL DISCLOSURES (RELATED PARTIES)

Annual Report 2021/2022

RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

41.1 Interest of Related Parties

Councillors and/or Management of the District Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
T Van Der Steen	Councillor	Director at Loodgieter Van Der Steen Member at Van Der Steen Pomp en Pyp Member at Jesu Nkosi Monuments
J Esau	Councillor	Director at Green Bird Construction and General Director at Jacks enterprise services Director at On Spot Construction and General
S Esau	Councillor	Director at Setonha Khaya Enterprise
M Daniels	Councillor	Director at Danma Future Construction business solutions Director at Jaylinne General Trading Member at Tirisnanang Mining and Resources Member at Zelke 66
E Phete	Councillor	Director at Keorapetsi Avenue Director at Gaoba consultants and general trading Member at JH Phete General Traders Member at World Focus 1509
Name of Related Person	Designation	Description of Related Party Relationship
D Pienaar	Councillor	Director at Adonai Enterprize Director at Halala enterprise Director at Denha Cash loans Director at DRP Property Investments Director at Futu Holdings Director at Futu Investments Director at JHD Enterprise Director at Kgatelopele Business forum Director at Likade trading Director at Phatsimo Director at Phutanang Recycling Primary Corporative Limited Director at Wonderers Youth Academy
E Fritz	Councillor	Director at Umelikaya Supplies
M Bosman	Councillor	Director at Kalksloot Bakery Director at Kalksloot Rural Development
P Matthys	Councillor	Director at CFH Solutions
B Bock	Councillor	Member at BM Bock Construction and community development
L Lankalebalela	Audit Committee	Director at Access Information Management Services Member at Final Score Member at Fita Consultancy Member at Halala Driving School Director at King Golfers Director at Xabiso Consulting Director at Storm Cup Trading
M Venter	Audit Committee	Director at Inkqbelo
GB Cloete	Middle Manager	Member at BC2S Construction Consulting and trading services
CM Mathe	Middle Manager	Director at O Mogolo Homes Director at Our Solid Foundation
M Manye	Middle Manager	Director at Brownsugar Communications
E Van Der Westhuizen	Middle Manager	Director at Second Home Hostel
JA Kitching	Middle Manager	Director at Ablaze Trading 258
J Linden	Middle Manager	Director at Hazfree Waste Management
J Visagie	Middle Manager	Director at Sakiwi5 Trading
FJ Strauss	Middle Manager	W J P Strauss Boerdery
K Kitching	Manager's Spouse	Director at ANSEC 133 Director at Hemiprox Director at ANSEC 133 Director at Hemiprox
A Van Zyl	Manager's Spouse	Director at Second Home Hostel Director at A and t Development Director at Khanya Solar solutions
J Van Der Westhuizen	Manager's Spouse	Director at JWV Group
AK Tieties	Middle Manager	Member at GSNF Construction
JG Van Wyk	Managers Spouse	
G Booyesen	SCM Official	

Annual Report 2021/2022

The following Councillors and/or Management of the District Municipality was in businesses but resigned from the business:

Name of Related Person	Designation	Description of Related Party Relationship
M Daniels	Councillor	Member at Tsansabane Recycling waste management and civils
D Pienaar	Councillor	Director at Futu Mining
		Director at Kgosi Fire Engineers
		Director at Vision Valley technologies
N Prince	Councillor	Director at Grand Bridge Trading 95
		Member at Yinhla Training and business consulting firm
		Director at Moreteng Investments
E Phete	Councillor	Member at Nepego construction and primary corporative limited
ML September	Councillor	Director at Tumelo NJ General services

Name of Related Person	Designation	Description of Related Party Relationship
PJ George	Councillor	Director at Doods and George Trading
		Director at Philander and George Trading
L Langalebalela	Audit Committee	Director at Definada Trading
		Member at EL Computers
		Director at Numbersecure
		Director at Zamori 63
		Director at Blue rose investments
J Nengome	Middle Manager	Member at Sedzaphanda Building Construction
JB Van Wyk	Middle Manager	Director at JWW
A Van Zyl	Directors Spouse	Strauss Van Zyl

The following Councillors and/or Management of the District Municipality have no relationships with businesses:

Name of Related Person	Designation	Description of Related Party Relationship
S Abel	Councillor	No relationship with businesses
P Mgcera	Councillor	No relationship with businesses
A Kotzee	Councillor	No relationship with businesses
M Basson	Councillor	No relationship with businesses
S Sandlana	Councillor	No relationship with businesses
M Mashila	Councillor	No relationship with businesses
J Balies	Councillor	No relationship with businesses
AC Kotzee	Councillor	No relationship with businesses
K Kearomotswe	Councillor	No relationship with businesses
D De Koker	Councillor	No relationship with businesses
A Mashimo	Councillor	No relationship with businesses
D Esau	Councillor	No relationship with businesses
S Dubeni	Councillor	No relationship with businesses
A De Bruin	Councillor	No relationship with businesses
A Johnson	Councillor	No relationship with businesses
K Esau	Councillor	No relationship with businesses
FL Witbooi	Councillor	No relationship with businesses
MHB Van Zyl	Councillor	No relationship with businesses
H Ross	Councillor	No relationship with businesses
WD Klim	Councillor	No relationship with businesses
A Ruiters	Councillor	No relationship with businesses
M Maasdorp	Councillor	No relationship with businesses
MC Basson	Councillor	No relationship with businesses
J Lodewyk	Councillor	No relationship with businesses
J Silo	Councillor	No relationship with businesses
A Viljoen	Audit Committee	No relationship with businesses
JG Lategan	Municipal Manager	No relationship with businesses
DJ Van Zyl	Director	No relationship with businesses
E Britz/Isaacs	Director	No relationship with businesses
I De Waal	Director	No relationship with businesses
A Phete	Middle Manager	No relationship with businesses
R Snyders	Middle Manager	No relationship with businesses
J Willemse	Middle Manager	No relationship with businesses
T Galloway	Middle Manager	No relationship with businesses
B Feris	Middle Manager	No relationship with businesses
B Van Kradenburg	Middle Manager	No relationship with businesses
B Knouwds	Middle Manager	No relationship with businesses
F Ruppig	Middle Manager	No relationship with businesses
J Shorty	Middle Manager	No relationship with businesses
G Present	Middle Manager	No relationship with businesses
T Job	Middle Manager	No relationship with businesses
H Theron	Middle Manager	No relationship with businesses

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Name of Related Person	Designation	Description of Related Party Relationship
S Berend	Middle Manager	No relationship with businesses
D Lekanyane	Middle Manager	No relationship with businesses
G Kuun	Middle Manager	No relationship with businesses
T Louw	Middle Manager	No relationship with businesses
H Mchlauli	Middle Manager	No relationship with businesses
S Botha	Middle Manager	No relationship with businesses
C Swarts	SCM Official	No relationship with businesses
L De Klerk	SCM intern	No relationship with businesses
M Bosman	Learnership	No relationship with businesses
A Lategan	Director's Spouse	No relationship with businesses
M Theron	Managers Spouse	No relationship with businesses
R Galloway	Manager's Spouse	No relationship with businesses
JM Snyders	Manager's Spouse	No relationship with businesses
LG Cloete	Manager's Spouse	No relationship with businesses
JP Berend	Manager's Spouse	No relationship with businesses
B Feris	Managers Spouse	No relationship with businesses
NE Mchlauli	Managers Spouse	No relationship with businesses
EE Job	Managers Spouse	No relationship with businesses
ND Isaacs	Manager's Spouse	No relationship with businesses
T Linden	Manager's Spouse	No relationship with businesses
AM Shorty	Manager's Spouse	No relationship with businesses

41.2 Services rendered to Related Parties

The District Municipality did not render any services during the year to anyone that can be considered as a related party.

41.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZF Mgcawu District Municipality.

41.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

41.5 Purchases from Related Parties

The District Municipality did not purchase goods from anyone during the year that can be considered as a related party.

41.6 Related Parties of Spouses

The District Municipality performed CIPC checks on spouses of senior- and middle managers during the year to identify related party transactions but none were identified..

ANNEXURES AND VOLUMES

The following documents herewith form part of the Draft Annual Report 2021/2022 and are attached to this report in the following order:

Annexure A - Annual Performance Report

Annexure B – Audit Committee Report

VOLUME IIA- Annual Financial Statements

VOLUME IIB- Audit Recovery Plan

ANNEXURE A

ANNUAL

PERFORMANCE

REPORT

"Every poor performance is an opportunity for encouragement. Every great performance is an opportunity to reward and celebrate." - Jeffrey Gitomer



Annual Performance Report 2021/2022

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1. LIST OF ABBREVIATIONS

SDBIP	–	Service Delivery Budget Implementation Plan
IDP	–	Integrated Development Plan
ZFM	–	ZF Mgcawu District Municipality
FTE's	–	Full time equivalents
LED	–	Local Economic Development
SMME's	–	Small Medium Micro Enterprises
SMART	–	Specific, Measurable, Attainable, Realistic, and Time bound
BSD	–	Basic Service delivery
IT	–	Information Technology
HRM	–	Human Resources Management
PMS	–	Performance Management Support
RRAMS	–	Rural Roads Asset Management System
EPWP	–	Extended Public Works Programme
SPLUMA	–	Spatial Planning Land Use Management Act
LDA	–	Land Development Applications
COGHSTA	–	Cooperative Governance Human Settlements and Traditional Affairs
HDA	–	Housing Development Agency
SDF's	–	Skills development Framework
LUS	–	Land use schemes
MFMA	–	Municipal Finance Management Act
KPI	–	Key Performance Indicator
DMA	–	Demarcation Municipal Areas
JMPT	–	Joint Municipal Planning Tribunal
SWOT	–	Strength, Weaknesses, Opportunities and Treats
PM	–	Performance Management
KPA	–	Key Performance Area

LG SETA	–	Local Government Sector Education Training Authority
NHNR	–	National Housing Needs Register
AFS	–	Annual Financial Statements
CPD	–	Continuous Professional Development
EHP	–	Environmental Health Practitioners
PMU	–	Project Management Unit
HRD	–	Human Resource Development
BTO	–	Budget and Treasury Office
UIF	–	Unemployment Insurance Fund
CFO	–	Chief Financial Officer
mSCOA	–	Municipal Standard Chart of Accounts
SAMRAS	–	South African Municipal Resource System
YTD	–	Year to Date

2. INTRODUCTION

2.1 LEGISLATION REQUIREMENTS

In terms of Section 46(1)(a) of the Municipal Systems Act:

A municipality must prepare for each financial year an annual report consisting of -

- a. *A performance report reflecting -*
 - i. *the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;*
 - ii. *the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and*
 - iii. *measures that were or are to be taken to improve performance;*

2.2 MUNICIPAL PLANNING AND REPORTING FOR 2021/22

Efforts have been made to ensure that this report is reflective of the above legislative requirements.

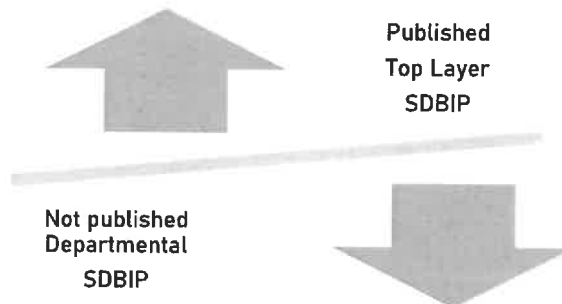
The 2021/22 performance of ZF Mgcawu District Municipality was monitored through the Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP for 2022/2023 was drafted in line with the approved IDP and Budget, after consultation sessions with all departments. The SDBIP contains the budget allocations per vote (revenue and expenditure) as well as service delivery targets expressed in terms of Key Performance Indicators (KPIs), programmes and projects, per department.

Quarterly SDBIP performance reports were submitted to Council to ensure that Council is kept up to date with the progress made in implementing the SDBIP.

The Annual Performance Report however considers the performance of the organisation at year end, an evaluation of overall performance for the 2021/22 financial year compared to the performance of the previous year (2020/21) and the report also reflects the reasons for deviation from the planned targets as well as efforts made to address performance, which was not met as planned.

3. PERFORMANCE ON KEY PERFORMANCE AREAS FOR THE FINANCIAL YEAR 2021/2022

MFMA Circular 13 states that “The SDBIP is a layered plan, with the Top Layer of the plan dealing with consolidated service delivery targets and in-year deadlines, and linking such targets to Top Management. Diagram 1 shows how only the top is published as the SDBIP.



Once the top-layer targets are set, the Top Management is then expected to develop the next(lower) layer of detail of the SDBIP, by providing more detail on each output for which they are responsible for, and breaking up such outputs into smaller outputs and linking these to each middle-level and junior manager. Much of this lower layer detail will not be made public nor tabled to Council – whilst the Municipal Manager has access to such lower layer detail of the SDBIP, it will largely only be the Senior manager in charge who will be using such detail to hold middle-level and junior-level managers responsible for various components of the service delivery plan and targets of the Municipality.

Only the highest layer of information of the SDBIP will be made public or tabled in the Council. The Top Layer SDBIP should include per ward information, particularly for key expenditure items on capital projects and service delivery – this will enable each Ward Councillor and Ward Committee to oversee service delivery in their ward”.

The Top Layer SDBIP is Chapter 6 of our IDP (Integrated Development Plan). The mandate of the District Municipality is to provide support to the Category B-Municipalities.

The needs are determined by the Public Participation processes with our B-Municipalities.

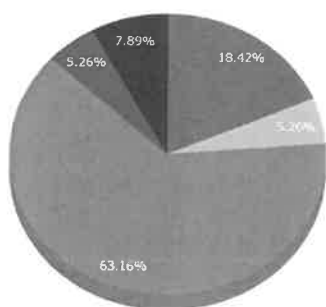
Key Performance Indicators are developed to determine whether the organisation will achieve their outputs, outcomes and whether the said KPI will make an impact in the organisation.

Total indicators achieved for the financial year 2021/2022 is 76.31% and 23.68% were not achieved. There is an increase of performance for the financial year 2021/2022.

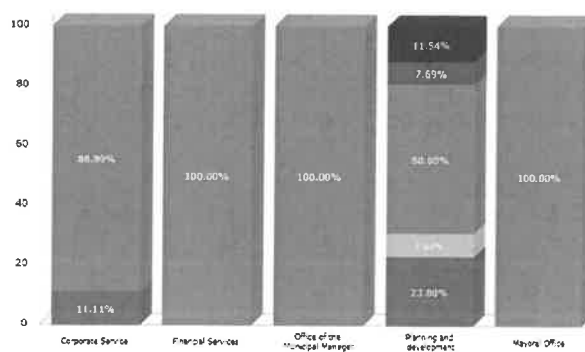
Annual Performance Results

Report drawn on 31 August 2022 at 08:59
for the months of Quarter ending September 2021 to Quarter ending June 2022.

ZF Mgcawu District Municipality



Responsible Directorate



	ZF Mgcawu District Municipality	Responsible Directorate					
		Corporate Service	Financial Services	Office of the Municipal Manager	Planning and development	Mayoral Office	[Unspecified]
Not Met	7 (18.42%)	1 (11.11%)	-	-	6 (23.08%)	-	-
Almost Met	2 (5.26%)	-	-	-	2 (7.69%)	-	-
Met	24 (63.16%)	8 (88.89%)	1 (100.00%)	1 (100.00%)	13 (50.00%)	1 (100.00%)	-
Well Met	2 (5.26%)	-	-	-	2 (7.69%)	-	-
Extremely Well Met	3 (7.89%)	-	-	-	3 (11.54%)	-	-
Total:	38*	9	1	1	26	1	-
	100%	23.68%	2.63%	2.63%	68.42%	2.63%	-

* Excludes 0 KPIs which had no targets/actuals for the period selected.

4 PERFORMANCE ON SERVICE DELIVERY TARGETS FOR THE FINANCIAL YEAR 2021/22

The implementation of ZF Mgcawu District Municipality Service Delivery and Budget Implementation Plan on the IDP is the monitoring tool to monitor service delivery within the District.

The Municipal Strategic Objectives and priorities are aligned to indicators. These indicators are monitored and evaluated on a quarterly basis, to determine the achievement of goals by the end of the financial year.

A quarterly performance report is tabled to Council on a quarterly basis. A Mid Term Performance Report is tabled to Council on the first six months' performance and is submitted during January. After all assessments have been completed for the financial year, an Annual Performance Report is compiled and submitted to Council and to the Auditor General with the District Annual Report and Annual Financial Statements.

Basic Service Delivery

Ref	Responsible Directorate	KPI Name	Description of Unit of Measurement	Strategic Objective	Source of Evidence	Baseline	Original Annual Target	Revised Annual Target	YTD Actual	Year to Date Values for Quarter ending June 2022		
										R	Reason for variation	Corrective Measures
TL150	Planning and development	The head PMU with the graduates must set up minimum of 20 stations in major towns or specifically for projects (identified by municipality) for traffic count assessment per annum and submit a report to the municipal Manager by the 30 June 2022	Submit a report to the municipal manager which pertain the minimum of 20 stations and volumes traffic per municipality per annum.	To assess and monitor the status of infrastructure needs and requirements of B Municipalities		1	1	1	1	G	Report on traffic count available to the municipal manager	
TL151	Planning and development	The head PMU to facilitate the appointment of a service provider to complete structural assessment updates on internal bridges by 30 June 2022	Service to be appointed to complete structural assessment on internal bridges	To assess and monitor the status of infrastructure needs and requirements of B Municipalities		1	1	1	0	R	Service provider could be appointed due to Constitutional court judgement regarding Preferential procurement regulations, 2017. On 25 February 2022 through a communication organs of state were informed of the legal position and required clarity	As Organs of state are still awaiting the outcome, it is recommended that the indicator be carried over to 2022/23 Financial year.

[illegible]

TL152	Planning and development	Graduates receive basic training on a yearly basis as part of capacity building & ensure that required relevant software, tools, equipment and other assets (including licensing) for graduates are insured and registered under the Municipality, and submit a report on the Asset to Municipal Manager by 30 June 2022	Submit a report to the Municipal Manager pertaining to the training graduates/technical staff received in the year with 6 CPD Points/person.	To assess and monitor the status of infrastructure needs and requirements of B Municipalities	Report on training of graduates, certificate/attendance register	1	1	1	1	1	R	Report available on training of graduates, certificate attached as mentioned in the report. Graduates must have 6 CPD points per annum. Each graduate only have 2 CPD points for the Financial year 2021/22	The unit will ensure that 6 CPD points be achieved in 2022/23
TL153	Planning and development	The recruitment and training of volunteers per Quarter in the district.	The recruitment and training of volunteers per Quarter in the district.	To promote safety of communities in the ZF Mgcawu District through the proactive prevention, mitigation, identification and management of fire and disaster risks	Attendance register of volunteers and training reports.	40	40	12	8	R	Q1: No Training took place during Quarter 2, due to Covid 19. Q2: Training held for the Quarter: Handling of Fire extinguisher - 09 September 2021 Only 7 volunteers were trained. Q3: No evidence was	Ensure that the Unit recruit and train volunteers each Quarter in the district. To ensure that all planned KPI's is implemented for the financial year and a contingency plan is in place.	

[illegible]

TL154	Planning and development	To conduct 1 x Quarterly Awareness campaign (School visitations - information sessions, pamphlets community and weather office information to prevent and mitigate disasters & fire services at all B-Municipalities and submit a report to the municipal manager.	Conduct quarterly education and awareness campaigns to prevent and mitigate disasters and fire services at all B-Municipalities and submit a report to the Municipal Manager.	To promote safety of communities in the ZF Migcawu District through the proactive prevention, mitigation, identification and management of fire and disaster risks	"A signed quarterly report on education and awareness campaigns conducted to the Category B-Municipality Includes proof of submission via email and programmes implemented "	4	4	4	4	27	B	-Lower Orange / Lower Vaal system update 22 April 2022 -Flood awareness 26 April 2022 -Lower Orange / Lower Vaal system update 26 April 2022 -Lower Orange / Lower Vaal system update 29 April 2022 -Lower Orange / Lower Vaal system update 05 May 2022 -IBF Warning for Veld Fire Conditions 19 May 2022 -Lower Orange / Lower Vaal system update 29 April 2022 -Lower Orange / Lower Vaal system update 05 May 2022 -IBF Warning for Veld Fire Conditions 19 May 2022

TL155	Planning and development	The Head Project Management Unit must Submit monthly expenditure report to the department of transport (According to the Grant requirement).	Submit 12 monthly expenditure reports to the department of transport.	To assess and monitor the status of infrastructure needs and requirements of B Municipalities	Monthly expenditure report to the Department of Roads. Monthly report on support that was provided	12	12	12	12	12	G	Monthly expenditure reports available: April report submitted 18 May 2022 May Report submitted 15 June 2022 June report submitted 15 July 2022
TL156	Planning and development	Graduates capture road inventory details and submit a report to the Municipal Manager by 30 June 2022.	Submit a report to the Municipal Manager pertaining sites visits and road inventory details captured on all applicable roads (R3- R6) by 30 June 2022	To assess and monitor the status of infrastructure needs and requirements of B Municipalities	Detailed Reports on site visits and complete list of inventory details	1	1	1	1	1	G	Report available on inventory details and submitted to the Municipal Manager
TL158	Planning and development	Z F Mgcawu district municipality to conduct quarterly housing inspections for projects as per the Quarter within the District except Dawid Kruiper municipality.	Submission of a quarterly report on housing inspections conducted except Dawid Kruiper	To monitor and determine the housing backlogs in the district as well as to inform the public on housing information	Program for Housing inspection Housing Inspection report Quarterly Report	4	4	4	4	4	G	Quarterly report submitted onsite inspection done as per the Planned program. Tsantsabane Municipality (Skeifontein Housing and services Projects): Project seems to be in trouble as it is on a

TL184	Planning and development	Graduates: The head of Project Management Unit must facilitate the monthly minimum stipend payment of R7500.00/per person to the minimum of 2 graduates by the service provide or the Municipality to contract and facilitate payments of the graduates.	Submit a monthly report to the Municipal Manager on monthly payments for a minimum of 2 graduates.	To assess and monitor the status of infrastructure needs and requirements of B Municipalities	Proof of Payment and / Report	12	12	12	4	R	Quarter 1 - no evidence was submitted on the indicator. Quarter 2 - Only 1 Graduate received payment Quarter 3 - no evidence was submitted on the indicator. Quarter 4 - 2 Graduates received salaries for 3 Months	Ensure that Graduates is appointed as prescribed in the Key performance indicator. To ensure that all planned KPI's is implemented for the financial year and a contingency plan is in place.
TL186	Corporate Service	The HRD assistant manager to ensure that all EHP's are appointed/designated in terms of the National Health Act, 2003 (Act 61 of 2003), as amended. EHP,s needs to be trained on law enforcement and appointed as Peace Officers, in terms of the Criminal Procedures Act, 1977 (Act 51 of 1977).	All EHP,s trained as peace officers	To promote environmental health and safety of communities in the ZF Mgcawu District through the proactive prevention, mitigation, identification and management of environmental health services, fire	Attendance register, certificate, Reports	1	1	1	0	R	No Evidence submitted on the training of Environmental Health practitioners as peace officers.	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.

TL187	Corporate Service	The HRD assistant manager to ensure that all EHPs complete a minimum of 30 CPD hours, as required by the amended Health Professionals Act No. 56 of 1974	The assistant manager HRD to ensure that all EHPs complete a minimum 30 CPD points per annum	To promote environmental health and safety of communities in the ZF Migawu District through the proactive prevention, mitigation, identification and management of environmental health services, fire and disaster risks	"Training report Attendance register Invitation "	1	1	1	1	1	1	G	Report with attachments available on CPD hours. All EHP's comply with 30 CPD hours per annum.	N/A

TL189	Planning and development	ZF Mgcawu is to provide sustained & coordinated district disaster management support local municipalities by 30 June 2022	A quarterly report on disaster management support provided to local municipalities in the ZF Mgcawu district.	To promote environmental health and safety of communities in the ZF Mgcawu District through the proactive prevention, mitigation, identification and management of environmental health services, fire and disaster risks		4	4	4	0	R	Report available on the shortages of each B municipalities in the ZF Mgcawu region, but no indication was given of support granted to the municipalities.	Disaster Management to review their reports in order to give a clear statement of needs and support granted To B - Municipalities.
TL191	Planning and development	The Head of Air Quality Management to facilitate the mapping of emission sources by 30 June 2022	Emission sources are mapped by 30 June 2022	To promote environmental health and safety of communities in the ZF Mgcawu District through the proactive prevention, mitigation, identification and management of environmental	" An approved emission map Council resolution "	1	1	1	1	G	Emission Source map submitted to Council 27 January 2022	

TL206	Planning and development	The Housing Manager to attend quarterly housing accreditation meetings	The Housing Manager to attend quarterly housing accreditation meetings	To monitor and determine the housing backlog in the district as well as to inform the public on housing information	Attendance register of one training or workshops or conference attended	1	2	2	1	R	Meeting was scheduled 17 May 2022 but cancelled on short notice by COGHSTA	Meeting is scheduled by external party. The Housing Unit do not have control over the Meeting schedule. Indicator to be reviewed and amended in the New Financial Year.
TL208	Planning and development	Create 17.0 FTE's for the financial year ending 30 June 2022 by water leakage repairs in Dawid Kruiper LM.	17.0 FTE's created for the financial year ending 30 June 2022 by water leakage repairs in Dawid Kruiper LM.	To assess and monitor the status of infrastructure needs and requirements of B Municipalities	One report on FTE's	17.0	17	17	25.20	B	25.20 FTE's Created by water leakage repairs in Dawid Kruiper Local Municipality.	N/A

TL209	Planning and development	Create 7.0 FTE's for the financial year ending 30 June 2022 by water leakage repairs in Kai Garib LM.	7.0 FTE's created for the financial year ending 30 June 2022 by water leakage repairs in Kai Garib LM.	To assess and monitor the status of infrastructure needs and requirements of B Municipalities	One report on FTE's	7.0	7	7	8.76	G2	8.76 FTE's created by water leakage repairs in Kai Garib LM.	N/A
NTL210	Planning and development	Create 4 FTE's for the financial year ending 30 June 2022 by the maintenance of ZFM DM satellite office,	Create 4 FTE's for the financial year ending 30 June 2022 by the maintenance of ZFM DM satellite office,	To assess and monitor the status of infrastructure needs and requirements of B Municipalities	One report on FTE's	2.17	4	4	4.25	G2	4.25 FTE's created by the maintenance of ZFM DM satellite office	N/A
TL162	Planning and development	The assistant director environmental health to conduct quarterly monitoring of drinking water quality at all Category B-Municipalities and correspond any failures to the Category B - Municipality	To submit 4 quarterly report on the sample results and failures on the water quality of Category B-Municipality	To promote environmental health and safety of communities in the ZF Mgcawu District through the proactive prevention, mitigation, identification and management of environmental health services, fire and disaster risks	quarterly report on the sample results and failures on the water quality of Category B-Municipality	2	4	4	3	Q	Q1: Quarterly reports available. - No water sampling was conducted for the reporting Quarter for Dawid Kruiper and Kheis Municipality -Samples was conducted for Tsantsabane, Kgatelopele and Kai Garib Municipality. Q2: Report submitted to the B -	Q1: Ensure that the Unit monitor water quality at all B-municipalities each Quarter and correspond any failures to the Category B - Municipality

Local Economic Development

Ref	Responsible Directorate	KPI Name	Description of Unit of Measurement	Strategic Objective	Source of Evidence	Baseline	Original Annual Target	Revised Annual Target	YTD Actual	Year to Date Values for Quarter ending June 2022		
										R	Reason for Variation	Corrective Measures
TL163	Planning and development	LED Manager to attend external LED related information meetings/workshop as per requests by Provincial Stakeholder Departments by 30 June 2022	LED Manager to attend external LED related information meetings/workshop as per requests by Provincial Stakeholder Departments by 30 June 2022	To Facilitate the Development of Sustainable regional land use, economic, Spatial and environmental planning frameworks that will support and guide the development of a diversified, resilient and sustainable district economy.	Invite, Attendance register, S&T and progress report	1	3	3	3	G	LED related meeting held 10 June 2022	N/A
TL164	Planning and development	LED manager to attend one Provincial Marketers Forum meetings.	Attend one provincial marketer's forum meetings per quarter by the LED manager.	To Facilitate the Development of Sustainable regional land use, economic, Spatial and environmental planning frameworks that will support and guide the development of a diversified, resilient and	Report Attendance register Invitation	4	1	1	3	O	Marketers meeting held 02 June 2022	

Local Economic Development

Ref	Responsible Directorate	KPI Name	Description of Unit of Measurement	Strategic Objective	Source of Evidence	Baseline	Original Annual Target	Revised Annual Target	YTD Actual	Year to Date Values for Quarter ending June 2022		
										R	Reason for Variation	Corrective Measures
				sustainable district economy.								
TL165	Planning and development	Tourism Manager to conduct Bi-Annual update of Tourism Database by the 31 December 2021 and 30 June 2022	Bi- annual update of tourism database by the assistant tourism manager, 31 December 2021 and 30 June 2022	To market, develop and co-ordinate tourism in the ZF Mgcawu District.	One facility Visit conducted	2	2	2	2	G	Tourism Database update was 15 December 2022	
TL172	Planning and development	Tourism Manager to conduct an Annual Tourism Awareness Campaign within the Green Kalahari by 31 December 2021	Annual tourism awareness campaign conducted by the Tourism Manager by 31 December 2021 and within the Green Kalahari.	To market, develop and co-ordinate tourism in the ZF Mgcawu District.	1X report awareness campaign.	1	1	1	1	G		
TL173	Planning and development	The tourism manager to attend 1 National Show to promote the Green Kalahari and submit a report to the Municipal Manager before 31 May 2022	Attend 1 National Show to promote the Green Kalahari by the Tourism Manager and submit a report to the Municipal Manager before 31 May 2022	To market, develop and co-ordinate tourism in the ZF Mgcawu District.	1X report on National Show	1	1	1	1	G	The Green Kalahari team attended the tourism Indaba 02 - 05 May 2022	

Local Economic Development

Ref	Responsible Directorate	KPI Name	Description of Unit of Measurement	Strategic Objective	Source of Evidence	Baseline	Original Annual Target	Revised Annual Target	YTD Actual	Year to Date Values for Quarter ending June 2022		
										R	Reason for Variation	Corrective Measures
TL181	Planning and development	The Tourism Manager to undertake one annual facility visit to guesthouses, national parks etc. within the Green Kalahari by 28 February 2022 and submit a report to the Municipal Manager	Conduct one annual facility visits to guesthouses, national parks within the Green Kalahari by 28/ February 2022 & submit a report to the Municipal Manager	To market, develop and co-ordinate tourism in the ZF Mgcau District.	One Attendance register and Report	1	1	1	1	G		

Summary of Results: Local Economic Development

Colour	Coding	Key to the Colour Codes	No of KPIs/Projects	% in category
N/A	KPI Not Yet Applicable	KPIs with no targets or actuals in the selected period.	0	0
R	KPI Not Met	0% <= Actual/Target <= 66.999%	0	0
O	KPI Almost Met	67.000% <= Actual/Target <= 99.999%	1	17%
G	KPI Met	Actual meets Target (Actual/Target = 100%)	5	83%
G2	KPI Well Met	100.001% <= Actual/Target <= 132.999%	0	0
B	KPI Extremely Well Met	133.000% <= Actual/Target	0	0
	Total KPIs:		6	

Municipal Financial Viability and Management

Ref	Responsible Directorate	KPI Name	Description of Unit of Measurement	Strategic Objective	Source of Evidence	Baseline	Original Annual Target	Revised Annual Target	YTD Actual	Year to Date Values for Quarter ending June 2022	
										R	Corrective Measures
TL148	Corporate Service	HRD Assistant Manager must ensure one training of 5 Supply Chain practitioners on supply chain regulations/ MFMA legislations	One training session for the 5 supply chain practitioners trained on supply chain regulations by 30 June 2022	To ensure efficient business operations and to fulfil the assurance statutory requirements of the ZF Mgcawu District Municipality	Attendance registers, training reports of 5 practitioners who attended the training.	1	1	1	1	G	Training session was held.
TL174	Corporate Service	The HRD assistant manager to ensure that Internal Audit completes 40 training CPD hours	Internal Audit training 40 CPD hours by 30 June 2022	To ensure efficient business operations and to fulfil the assurance statutory requirements of the ZF Mgcawu District Municipality	Attendance Register and Report	1	1	1	1	G	G Cloete - 57 Hours J Shorty - 57 Hours S Mabala - 42 Hours B Clarke 40 Hours J van der Westhuizen - 40 Hours R Malgas - 58 Hours
TL177	Corporate Service	HRD Assistant Manager must ensure that CPD hours for risk management officials are	Risk Management officials must comply with the required CPD hours by 30 June 2022	To ensure efficient business operations and to fulfil the assurance statutory requirements of the ZF Mgcawu	Attendance Register and Report	1	1	1	1	G	Risk officials are required to have 30 CPD Hours per annum. Risk officials comply with 30 CPD hours.

Municipal Financial Viability and Management

Ref	Responsible Directorate	KPI Name	Description of Unit of Measurement	Strategic Objective	Source of Evidence	Baseline	Original Annual Target	Revised Annual Target	YTD Actual	Year to Date Values for Quarter ending June 2022		
										R	Reason for Variation	Corrective Measures
TL178	Corporate Service	HRD Assistant Manager must ensure that budget & reporting officials attend BTO training	Budget and reporting training for BTO officials attend by 30 June 2022	To ensure efficient business operations and to fulfil the assurance statutory requirements of the ZF Mgcawu District Municipality	Attendance Register and Report	0	1	1	1	G	BTO Officials attended training and outgoing correspondence 05 May 2022	invitation, program and attendance register to be submitted
TL179	Financial Services	The CFO to ensure the compensation of 3 financial interns' salary each for duration of contract.	3 Interns' salaries paid each month	To ensure efficient business operations and to fulfil the assurance statutory requirements of the ZF Mgcawu District Municipality	Proof of payment and Report	1	3	3	3	G	Reports submitted	

Municipal Financial Viability and Management

Ref	Responsible Directorate	KPI Name	Description of Unit of Measurement	Strategic Objective	Source of Evidence	Baseline	Original Annual Target	Revised Annual Target	YTD Actual	Year to Date Values for Quarter ending June 2022		
										R	Reason for Variation	Corrective Measures
TL188	Corporate Service	The IT Manager to facilitate the upgrading of the municipality's financial system (Mscoa modules) by 30 June 2022	To facilitate the upgrading of the financial system (Mscoa modules) by 30 June 2022	To ensure efficient business operations and to fulfil the assurance statutory requirements of the ZF Mgcawu District Municipality	One Order and Report	1	1	1	1	G	Evidence submitted and available that Financial systems were upgraded.	
TL190	Corporate Service	The IT Manager to facilitate the procurement of computer equipment (laptops) by 30 June 2022	The procurement of laptops by 30 June 2022	To ensure efficient business operations and to fulfil the assurance statutory requirements of the ZF Mgcawu District Municipality	" Order Appointment letter of service provider Contract of service provider Expenditure report"	1	1	1	1	G	20 Laptops bought September 2021	

Summary of Results: Municipal Financial Viability and Management

Colour	Coding	Key to the Colour Codes	No of KPIs/Projects	% in category
N/A	KPI Not Yet Applicable	KPIs with no targets or actuals in the selected period.	0	0
R	KPI Not Met	0% <= Actual/Target <= 66.999%	0	0
Q	KPI Almost Met	67.000% <= Actual/Target <= 99.999%	0	0
G	KPI Met	Actual meets Target (Actual/Target = 100%)	7	100%
G2	KPI Well Met	100.001% <= Actual/Target <= 132.999%	0	0
B	KPI Extremely Well Met	133.000% <= Actual/Target	0	0
	Total KPIs:		7	

Municipal Transformation and Institutional Development

Ref	Responsible Directorate	KPI Name	Description of Unit of Measurement	Strategic Objective	Source of Evidence	Baseline	Original Annual Target	Revised Annual Target	YTD Actual	Year to Date Values for Quarter ending June 2022	
										R	Reason for Variation
TL168	Mayoral Office	The Manager in the Executive Mayor's office to organize a back to school initiative through the executive mayor's office by 30 June 2022	One back to school initiative organized and convened by the Manager in the Office of the Executive Mayor by 30 June 2022	To assess and provide targeted support improving institutional capacity and service delivery capabilities of category B-municipalities	1 x report on the back to school event submitted to the Municipal Manager Attendance register	1	1	1	1	G	The program took place in the ZF Mgcawu District during the months of February and March 2022.
TL197	Planning and development	The Assistant Director Town Planning submit the Joint Municipal Planning Tribunal minutes and attendance register as proof of annual sitting concluded.	Minutes & attendance register of Municipal Planning Tribunal	To assess and provide targeted support improving institutional capacity and service delivery capabilities of category B-municipalities	Minutes & attendance register of Municipal Planning Tribunal	1	1	1	1	G	Meeting was held 12 April 2022
TL202	Corporate Service	The Head of Administration to facilitate the purchase and installation of an air-conditioner by 30 June 2022	Facilitate the purchase and installation of an air-conditioner by 30 June 2022	To assess and provide targeted support improving institutional capacity and service delivery capabilities of category B-municipalities	One Order and Report	1	1	1	0	R	Evidence not available
											To ensure that all planned KPIs implemented for the financial year and a contingency

Municipal Transformation and Institutional Development

Ref	Responsible Directorate	KPI Name	Description of Unit of Measurement	Strategic Objective	Source of Evidence	Baseline	Original Annual Target	Revised Annual Target	YTD Actual	Year to Date Values for Quarter ending June 2022	
										R	Reason for Variation
TL205	Office of the Municipal Manager	The Head of Internal Audit to facilitate the purchase of an office chair by 30 June 2022	Facilitate the purchase of an office chair by 30 June 2022	To ensure efficient business operations and to fulfil the assurance statutory requirements of the ZF Mgcawu District Municipality	One Order and Report	1	1	1	1	G	Purchase was facilitated by Head of Internal Audit
											plan is in place.

Summary of Results: Municipal Transformation and Institutional Development

Colour	Coding	Key to the Colour Codes	No of KPIs/Projects	% in category
N/A	KPI Not Yet Applicable	KPIs with no targets or actuals in the selected period.	0	0
R	KPI Not Met	0% <= Actual/Target <= 66.999%	0	0
O	KPI Almost Met	67.000% <= Actual/Target <= 99.999%	1	20%
G	KPI Met	Actual meets Target (Actual/Target = 100%)	4	80%
G2	KPI Well Met	100.001% <= Actual/Target <= 132.999%	0	0
B	KPI Extremely Well Met	133.000% <= Actual/Target	0	0
	Total KPIs:		5	

Overall Summary of Results

Colour	Coding	Key to the Colour Codes	No of KPIs/Projects	% in category
N/A	KPI Not Yet Applicable	KPIs with no targets or actuals in the selected period.	0	0
R	KPI Not Met	0% <= Actual/Target <= 66.999%	7	18%
O	KPI Almost Met	67.000% <= Actual/Target <= 99.999%	2	5%
G	KPI Met	Actual meets Target (Actual/Target = 100%)	24	63%
G2	KPI Well Met	100.001% <= Actual/Target <= 132.999%	2	5%
B	KPI Extremely Well Met	133.000% <= Actual/Target	3	8%
	Total KPIs:		38	

4. PERFORMANCE OF NATIONAL KEY PERFORMANCE INDICATORS 2021/2022

No.	INDICATOR	TARGET 2021/2022	ACHIEVE 2021/2022	TARGET 2022/2023	ACHIEVED 2022/2023	RATING	Reason for Variation - Positive or Negative	Remedial Action
	The percentage of households with access to basic level of:							
1.1	Water	N/A	N/A	The District Municipality does not provide Basic services, as all DMA areas has been transferred to Local Municipalities				
1.2	Sanitation	N/A	N/A					
1.3	Electricity	N/A	N/A					
1.4	Solid Waste Removal	N/A	N/A					
2	Percentage of households earning less than 2X old age Grant per month with imputed expenditure with access to all free basic services	N/A	N/A					
3	The percentage of a Municipality's capital budget actually spent on capital projects	100%	100%					

	identified for a particular financial year in terms of the Municipality's IDP.					
4.	The number of jobs created through the Municipality's Local economic development initiatives including capital projects.	140 (28 FTE's)	311 (38.21 FTE's)			
	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.	3	3	1		
	The percentage of a Municipality's budget actually spent on implementing its workplace skills plan.	0.57%	0.57%	1%		
	Financial viability as expressed by ratios:					

	Cost coverage	0.26	0.32	0.26		
	(Cash Available plus Investments)					
	$A = \frac{B+C}{D}$					
	Where:					
	A – represents cost coverage,					
	B – represents all available cash at a particular time, and					
	C - represents investments					
	D - represents monthly fixed operating expenditure					

Debt coverage	1:1	15:1	The District Municipality does not provide Basic services. as all DMA areas has been transferred to Local Municipalities – Thus no Outstanding Service Debtors
$A = \frac{B-C}{D}$ Where: A – represent Debt coverage, B – represents Total operating revenue received, and C - represents operating grants D – represents Debt service payments (i.e. interest + redemption) due within the financial year			
Outstanding service debtors to revenue	N/A	0.26%	The District Municipality does not provide Basic services. as all DMA areas has been transferred to Local Municipalities – Thus no Outstanding Service Debtors
$A = \frac{B}{C}$ Where: A – outstanding			

	service debtors to revenue			
	B – total outstanding service debtors			
	C - annual revenue actually received for services			

5. MEASURES TAKEN TO IMPROVE PERFORMANCE FOR THE FINANCIAL YEAR 2021/2022

To ensure that key performance areas is achieved by the District Municipality the following remedial actions were implemented.

5.1 QUARTER 1 REMEDIAL ACTIONS

Department	Key Performance Indicator	Corrective measure	Progress on remedial Action	Comment
Planning and Development	Graduates receive basic training on a yearly basis as part of capacity building & ensure that required relevant software, tools, equipment and other assets (including licensing) for graduates are insured and registered under the Municipality, and submit a report on the Asset to Municipal Manager by 30 June 2021	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Implemented in Quarter 4: Report available on training of graduates, certificate attached as mentioned in the report.
Planning and Development	The recruitment and training of a minimum of 10 volunteers per Quarter in the district.	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Training held for the Quarter: Handling of Fire extinguisher - 09 September 2021 Only 7 volunteers were trained. Indicator was Amended in the adjustment SDBIP, due to the withdrawal of the provincial grant. Funded out of the Equitable Share. For this Reason, only 1 training was required.

Department	Key Performance Indicator	Corrective measure	Progress on remedial Action	Comment
Planning and Development	The Head Project Management Unit must Submit monthly expenditure report to the department of transport (According to the Grant requirement).	April monthly was submitted on 15 May 2021 May monthly report submitted on 14 May 2021 June monthly report submitted on 15 June 2021 To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Monthly Reports expenditure reports available: July report submitted 13 August 2021 August Report submitted 14 September 2021 September report submitted 15 October 2021
Planning and Development	The tourism manager to attend 1 National Show to promote the Green Kalahari and submit a report to Municipal Manager before 31 May 2021	Tourism National Show was cancelled and could not be attended To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Indicator was achieved in Quarter 4: The Green Kalahari team attended the tourism Indaba 02 - 05 May 2022
Planning and Development	The HRD assistant manager to ensure that Internal Audit completes 40 training CPD hours by 30 June 2021	Evidence not received there for no assessment can be conducted To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	CPD hours of Internal Auditors completed all Internal Auditors achieved 42 hours and 72 hours for Raylize Malgas
Planning and Development	HRD Assistant Manager must ensure that training of financial officials is provided by 30 June 2021	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Indicator was Removed and replaced with training for specific units in the Department Of Finance

Planning and Development	ZF Mgcawu is to provide sustained & coordinated district disaster management support local municipalities by 30 June 2021	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place	Implemented	A quarterly report is available on support that was provided to local municipalities
Corporate Services	The IT Manager to facilitate the procurement of laptops by 30 June 2021	The procurement of laptops To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Laptops was procured and paid on 28 September 2021

5.2 QUARTER 2 REMEDIAL ACTIONS

Department	Key Performance Indicator	Corrective measure	Progress on remedial Action	Comment
Corporate Services	The recruitment and training of a minimum of 10 volunteers per Quarter in the district.	A minimum of 10 Volunteers to be trained To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Training held for the Quarter: Handling of Fire extinguisher - 09 September 2021 Only 7 volunteers were trained. Indicator was Amended due to the withdrawal of the provincial grant. Funded out of the Equitable Share. For this Reason, only 1 volunteer training was required.
Corporate Services	The assistant director environmental health to conduct quarterly monitoring of drinking water quality at all Category B-Municipalities and correspond any failures to the Category B -Municipality	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Quarterly reports available. - No water sampling was conducted for the reporting Quarter for Dawid Kruiper and Kheis Municipality -Samples was conducted for Tsantsabane, Kgatelopele and Kai Garib Municipality.
Planning and Development	Graduates: The head Project Management Unit must facilitate the monthly minimum stipend payment of R7500.00/per person to the minimum of 2 graduates by the service provide or the	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Implemented in Quarter 4: 2 Graduates received salaries for 3 Months in Quarter 4

Department	Key Performance Indicator	Corrective measure	Progress on remedial Action	Comment
	Municipality to contract and facilitate payments of the graduates.			
Planning and Development	ZF Mgcawu is to provide sustained & coordinated district disaster management support local municipalities by 30 June 2022	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Not implemented	No evidence received
Planning and Development	The Head of Air Quality Management to facilitate the mapping of emission sources by 30 June 2022	Indicator to be reviewed with adjustment SDBIP To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Emission Source map submitted to Council 27 January 2022

5.3 QUARTER 3 REMEDIAL ACTIONS

Department	Key Performance Indicator	Corrective measure	Progress on remedial Action	Comment
Planning and Development	ZF Mgcawu is to provide sustained & coordinated district disaster management support local municipalities by 30 June 2022	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Not implemented	Quarter 4: Report submitted on the shortages of each B municipalities in the ZF Mgcawu region, but no indication was given of support granted to the municipalities.
Planning and Development	Graduates: The head Project Management Unit must facilitate the monthly minimum stipend payment of R7500.00/per person to the minimum of 2 graduates by the service provide or the Municipality to contract and facilitate payments of the graduates.	The unit to Appoint Graduates as prescribed in the indicator To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Implemented	Implemented in Quarter 4: 2 Graduates received salaries for 3 Months in Quarter 4

5.4 QUARTER 4 REMEDIAL ACTIONS

Department	Key Performance Indicator	Corrective measure	Progress on remedial Action	Comment
Planning and Development	The head PMU to facilitate the appointment of a service provider to complete structural assessment updates on internal bridges by 30 June 2022	As Organs of state are still awaiting the outcome, it is recommended that the indicator be carried over to 2022/23 Financial year.	Not yet implemented	Service provider could be appointed due to Constitutional court judgement regarding Preferential procurement regulations, 2017. On 25 February 2022 through a communication organs of state were informed of the legal position and required clarity from the Constitutional Court. Organs of state was advised that while awaiting the Outcome, that: - tenders before 16 February 2022 be finalized in terms of 2017 Regulations; - Tenders advertised on or after 16 February 2022 be held in abeyance; and - no new tenders be advertised. For this reason the service provider could not be appointed as the tender was advertised after 16 February 2022
Planning and Development	ZF Mgcawu is to provide sustained & coordinated district disaster management support local municipalities by 30 June 2022	To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Not yet implemented	Report available on the shortages of each B municipalities in the ZF Mgcawu region, but no indication was given of support granted to the municipalities.

Department	Key Performance Indicator	Corrective measure	Progress on remedial Action	Comment
Planning and Development	The Housing Manager to attend quarterly housing accreditation meetings	Submit reports on accreditation meetings To ensure that all planned KPI is implemented for the financial year and a contingency plan is in place.	Not yet implemented	Meeting was scheduled 17 May 2022 but cancelled on short notice by COGHSTA
Planning and Development	Create 10.87 FTE's for the financial year ending 30 June 2022 by water leakage repairs in Kai Garib LM.	Target was not reached in the financial year. The Unit to ensure that targets be reached in 2022/23	Not yet implemented	8.76 FTE's created by water leakage repairs in Kai Garib LM.

6. SERVICE DELIVERY PRIORITIES OF THE DISTRICT

Section 83 & 84 of the Local Government: Municipal Structures Act, 117/98 – Functions and Powers of Municipalities

A District Municipality must seek to achieve the integrated, sustainable and equitable social and economic development of its area as a whole by-

Building capacity of Local Municipalities in its area to perform their functions and exercise their powers where such capacity is lacking.

The Vision of ZFM District Municipality is to provide quality support to deliver quality services.

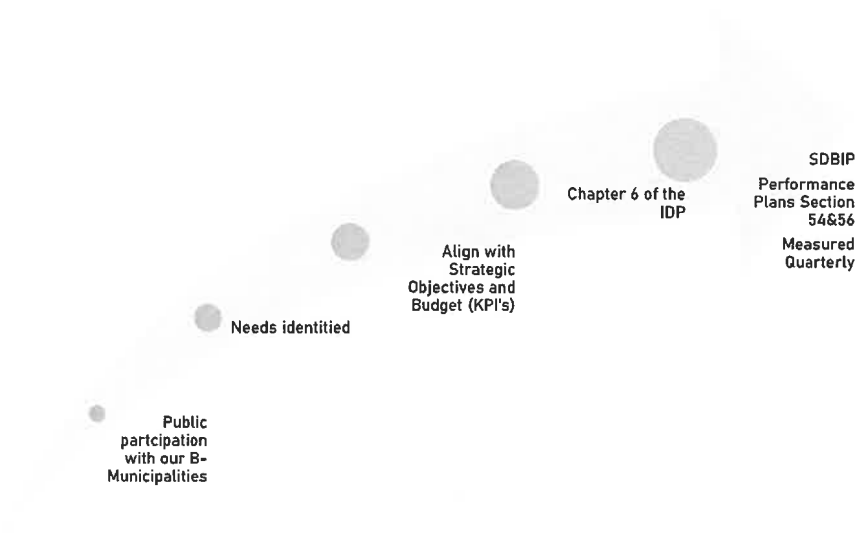
1. The Mission of ZFM District Municipality is to be a centre of excellence in providing quality basic services through support to Local Municipalities.

The Values of the District Municipality is:

- Commitment to the development of people
- Integrity in the performance of our duty
- Respect for our natural resources
- Transparency in accounting for our actions
- Regularly consult with customers on the level and quality of services
- Ensure higher levels of courtesy and professionalism in the workplace
- Efficient spending and responsible utilization of municipal assets

During the Public Participation process at the Category B-Municipalities, support needs were identified, prioritised and aligned with the Strategic Objectives.

Please see diagram:



2.1 SUPPORT FOR THE FINANCIAL YEAR 2021/2022

Support is categorised into Institutional Support and Mandatory Support. Institutional Support focuses on: Departmental Support such as Internal Audit, Risk Management, IT, HRM, Registry and Filing, Performance Management and Financial Service support.

Mandatory and Institutional Support were rendered to the Category B-Municipalities. The following services was rendered under Mandatory Support:

2. Disaster Management
3. Environmental Health
4. Housing
5. Local Economic Development
6. Tourism
7. Spatial Planning and Land Use Management
8. Project Management
 - a. EPWP
 - b. RRAMS

7. COMPARISON TO PRIOR YEAR PERFORMANCE

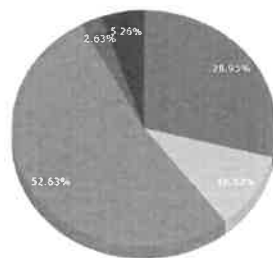
Annual Performance comparison 2020/21 & 2021/22

	2020/21	2021/22
Target met	60.52%	76.31%

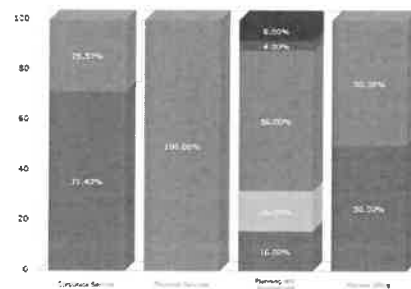
Annual Performance Results

Report drawn on 25 August 2021 at 10:41
for the months of Quarter ending September 2020 to Quarter ending June 2021.

ZF Mgcawu District Municipality



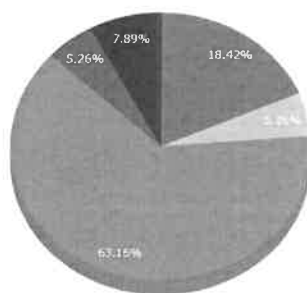
Responsible Directorate



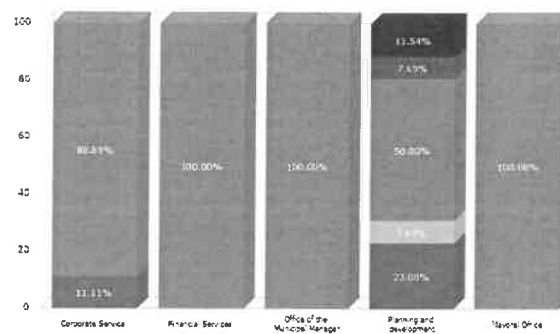
Annual Performance Results

Report drawn on 31 August 2022 at 08:59
for the months of Quarter ending September 2021 to Quarter ending June 2022.

ZF Mgcawu District Municipality



Responsible Directorate



APPROVAL

MUNICIPAL MANAGERS QUALITY CERTIFICATE

I**Alfred K. Tieties**..... Municipal Manager of ZFM District Municipality, hereby certify that the Annual Performance Report and supporting documentation have been prepared in accordance with the Municipal System Act 2000 and the Performance Regulations under the Act, and that the Performance Assessments has been done properly to ensure that is a true reflection of what has taken place with effect from 01 July 2021 to 30 June 2022 and is consistent with the Integrated Development Plan, Budget and SDBIP of the Municipality.

This Adjustments report has been submitted to the Executive Mayor on the 27 January 2023 as required by the Municipal System Act, Section 46 and acknowledges receipt.

The Annual Performance Report has been submitted to the Auditor General on

.....

Print name**Alfred K. Tieties**.....

Municipal Manager of ZFM District Municipality

Signature.....

Date**31 January 2023**.....

ACKNOWLEDGEMENT OF RECEIPT

I Maureen Basson..... The Mayor of ZF Mgcawu District Municipality acknowledge the receipt of the, Annual Performance Report 2021/2022

This report has been submitted to the Executive Mayor on the 27 January 2023 as required by the Municipal System Act, Section 46 and therefor acknowledges receipt.

Print name Maureen Basson.....

Executive Mayor of ZF Mgcawu District Municipality

Signature Basson.....

Date

ANNEXURES

- SDBIP 2021/2022
- Technical Indicator Library Descriptions

ANNEXURE B

AUDIT

COMMITTEE

REPORT

Audit Committee Report



For the year ending

30 June 2022

Audit and Performance Committee Report

Background

The Audit and Performance Committee was established in terms of section 166 of the Municipal Finance Management Act (MFMA), Act 56 of 2003. The Audit Committee has adopted its terms of reference.

ZFM Mgcawu District Municipality and some of its local (Category B) Municipalities namely !Kheis Municipality, Kgatelopele Municipality, Tsantsebane Municipality and David Kruiper Municipality have their own respected Audit and Performance Audit Committees, however during the past financial year the District Municipality has shared their Audit Committee services to !Kai Garib Municipality in order to assist them as Category B-Municipality in the absence of their own audit and Performance committee.

Statutory requirements

Section 166 of the MFMA stipulates that each Municipality must establish an Audit Committee.

The Audit Committee is an independent advisory body that advises Council, Political office bearers, Accounting Officer, and the staff of the Municipality on the following

- Internal financial control and internal audit;
- Risk Management;
- Accounting Policies;
- The adequacy, reliability and accuracy of financial reporting and information;
- Performance Management;
- Compliance with the MFMA, the Division of Revenue Act (DORA) and any other applicable legislation;
- Performance Evaluation;
- Any other issues referred to it by the Municipality;
- Review annual financial statements so as to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DORA, etc.
- Respond to Council on any matter raised by the Auditor- General (AGSA); and

- Carry out such investigation into financial affairs of the Municipality as may be prescribed.

The Audit and Performance Committee of the District Municipality is proud to have significantly contributed during the 2021/2022 financial year by being part of the combined assurance function that resulted in another clean audit.

The prolific of the combined assurance function immensely buoyed to the clean audit outcome. It is this model with a stable leadership structure in terms of a functioning Council and Administration with its roots in good governance and sound financial management that we believe is the solution to improvement of the entire District Municipality's Audit Opinion outcome. It is still our belief that a shared Audit Committee model with the B-Municipalities is the solution to improve audit outcomes of all our local municipalities.

We are pleased to present our report for the financial year ended 30 June 2022.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Members of the Audit and Performance Committee are all Independent Members of the District Municipality

	Audit and Performance Committee Members		
	Mr L. Lankalebalela Chairperson	Mrs M. Venter Member	Ms. A. Delport Member
No of Ordinary meetings attended	4	4	4
No of Special meetings attended	2	2	2

The effectiveness of Internal Control

In line with the MFMA and the King IV Report on Corporate Governance requirements, the combined assurance function provides assurance to Council that the internal controls are appropriate and effective. It was noted that matters of internal control which were highlighted during the qualified audit opinion, were amended. No other matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom.

Evaluation of Submitted Reports

The Audit and Performance Committee reviewed and discussed the Draft Annual Financial Statements on 22 August 2022 to discuss the unaudited annual financial statements, unaudited annual report and the unaudited annual performance report with the Accounting Officer, before submitting to the Auditor General.

The Audit Committee wishes to indicate that it performed a review on the financial statements focusing among others:

- Significant financial reporting adjustments and estimates contained in the Annual Financial Statements
- Clarity and completeness of disclosures has been set properly
- Quality and acceptability of and any changes in accounting policies and practice
- Reasons for major year to year fluctuations
- Although the cashflows of the District Municipality has improved from the previous financial year, it remains a concern for the Audit Committee.

The Audit and Performance Committee (APC) has:

- Further reviewed the audited financial statements to be included in the Annual Report with the Accounting Officer.
- Reviewed the Auditor General Management report and management response thereof.
- Reviewed the District Municipality compliance with legal and regulatory provision and;

- Reviewed significant adjustments resulting from the audit.

The Audit and Performance Committee agrees with and accepts the conclusions of the Auditor General on the Annual Financial Statements, and advises that these conclusions be accepted and read together with the report of the Auditor-General.

Performance Management

The position for Deputy Director for Performance Management has been vacant for a portion of the financial year. The District Municipality achieved an overall performance target of 57,89% which is a slight regression from the previous financial year. More concerning is that The Auditor General has raised a concern with the incomplete and wrongful information submitted for auditing. Unfortunately, the Performance Management of the District did not obtain a clean audit opinion but remained on an unqualified Audit Opinion. Limited to no support was also given by the District Municipality to the B-Municipalities due to the fact that the Deputy Director position was vacant.

Internal Audit

The Audit Committee is pleased with the performance of the Internal Audit. Good timeous communication and a high standard of work delivered by Internal Audit gives the Audit Committee confidence to rely on their work and leads to effective performance resulting in the clean audit status obtained by the District Municipality.

The support to the B-Municipalities could be an added benefit to the District Municipality. We have suggested a District Internal Audit Forum to address common concerns and the sharing of ideas.

Risk Management

We welcome the appointment of a Risk Committee Chairperson within the District Municipality. It is our recommendation to management to urgently conduct a Strategic Workshop to address the eminent concerns of risk, e.g. the understanding, consequences and adherence to the POPI Act, revenue enhancement and recovery of debt to augment cash flows, as well as the pressing matter of business continuity in the midst of loadshedding/power shortages.

The following documents were approved for the 2022/2023 financial year by Council:

- Risk Management Policy
- Risk Management Committee Charter
- Risk Management Framework.

The appointment of a Risk Champion is a current need that has been identified, and once this has been effected, an Ethics Workshop can also be held to address pressing matters that could increase risk to the District Municipality.

Auditor-General of South Africa

The Audit Committee met and discussed the final audit report with the team of the Auditor General of South Africa to ensure that there are no unresolved issues.

We have reviewed the final audit report and accept the Auditor General South Africa`s report on the Annual Financial Statements. We are of the opinion that the audited Annual Financial Statements should be accepted. The auditors remained independent throughout the financial year.

Appreciation

The 2021/2022 financial year marked the beginning of the term of office for the new Municipal Council. It's been our honour and pleasure to work with Council, our Honourable Executive Mayor and Management in order to have achieved much together.

The Audit Committee wishes to thank the Council of the District Municipality and thank Management, the Staff and other stakeholders including the team of the Auditor General South Africa for their continued commitment to assist the Audit and Performance Committee in our responsibility to ensure continued clean audits and good performance by the District Municipality.

M. Venter

Chairperson of the Audit and Performance Committee

VOLUME IIA
ANNUAL
FINANCIAL
STATEMENTS

ZF MGCAWU DISTRICT Municipality



2021 / 2022

[These financial statements have been audited]

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2022**

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

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ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

ABBREVIATIONS

B-BBEE	Broad-based black economic empowerment
CPMD	Continues Professional Management Development
EPWP	Expanded Public Works Programme Integrated Grant
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education & Training Authority
LSA	Long Service Awards
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal System Improvement grant
PEMA	Post-retirement Health Care Benefits
PMS	Performance Management Framework
RRAMS	Rural Roads Asset Management Systems Grant
SALGA	South African Local Government Association
SARS	South African Revenue Service
SCM	Supply Chain Management
SDL	Skills Development Levy
ZFM	ZF Mgcawu District Municipality

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

GENERAL INFORMATION

EXECUTIVE MAYOR

M.C. BASSON

SPEAKER

W.R.S. PETERSON

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor: M.C. BASSON

Councillors: J. SILO
A. MATSHIMO
P.M. MGCERA
A. JOHNSON

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

External: Auditor General: Kimberley
Internal: ZF Mgcawu District Municipality Internal Audit Unit

PRIMARY BANKER

ABSA

REGISTERED OFFICE

c/o Upington 26 Avenue & Dr Nelson Mandela Drive
Upington
8801

Private Bag X6039
Upington
8800

Telephone: (054) 337 2800
Fax: (054) 337 2888

E-Mail: admin@zfm-dm.gov.za
Website: www.zfm-dm.co.za

ACTING MUNICIPAL MANAGER

MR. A. TIETIES

CHIEF FINANCIAL OFFICER

MRS. E. ISAACS

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

GENERAL INFORMATION (continued)

REVIEW OF FINANCIAL STATEMENTS

The Annual Financial Statements were reviewed by the Audit Committee, Internal Audit Unit, MPAC and Management before it was approved by the Municipal Manager.

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 3 to 130, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the District Municipality.

These Annual Financial Statements will be presented to the Council for information on 31 August 2022.

MR. A. TIETIES
ACTING MUNICIPAL MANAGER
31 August 2022

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

MEMBERS OF COUNCIL

NAME	POSITION	PARTY	PERIOD
M.C. Basson	Executive Mayor	ANC	Commencement: 23/06/2022
M.M. Louw	Executive Mayor	ANC	Commencement: 28/01/2022 Resigned: 22/06/2022
P.M. Mgcera	Executive Mayor	ANC	Commencement: 11/03/2020 Resigned: 27/01/2022
W.R.S. Peterson	Speaker	ANC	Commencement: 09/11/2021
M.C. Basson	Speaker	ANC	Commencement: 21/04/2021 Term Ended : 08/11/2021
A. Johnson	Mayoral Committee	ANC	Commencement: 09/11/2021
A. Matshimo	Mayoral Committee	ANC	Commencement: 24/01/2020
P.M. Mgcera	Mayoral Committee	ANC	Commencement: 28/01/2022
J. Silo	Mayoral Committee	ANC	Commencement: 09/11/2021
M. Bosman-Maasdorp	Mayoral Committee	ANC	Commencement: 11/03/2020 Resigned: 08/11/2021
K. Esau	Mayoral Committee	ANC	Commencement: 29/04/2021 Term Ended : 08/11/2021
J. Lodewyk	Mayoral Committee	ANC	Commencement: 01/02/2021 Term Ended : 08/11/2021
M.C. Basson	Section 79 Committee	ANC	Commencement: 09/11/2021 Resigned: 22/06/2022
S. Dubeni	Section 79 Committee	ANC	Commencement: 07/08/2016 Term Ended : 08/11/2021
M.M. Louw	Normal Councillor	ANC	Commencement: 23/06/2022
E.E.J. Phete	Normal Councillor	ANC	Commencement: 09/11/2021 Resigned : 21/01/2021
J. Esau	Normal Councillor	EFF	Commencement: 09/11/2021
H. De Koker	Normal Councillor	DA	Commencement: 09/11/2021
M.H.B. Van Zyl	Normal Councillor	DA	Commencement: 23/03/2017
F.L. Witbooi	Normal Councillor	DA	Commencement: 07/08/2016
P.H. Matthys	Normal Councillor	HFTF	Commencement: 09/11/2021
A. De Bruin	Normal Councillor	COPE	Commencement: 01/06/2014 Term Ended : 08/11/2021
F. Basson	Councillor	ANC	Commencement: 09/11/2021
P.J. George	Councillor	ANC	Commencement: 09/11/2021
K.G. Keorometswe	Councillor	ANC	Commencement: 09/11/2021
D.R. Pienaar	Councillor	ANC	Commencement: 09/11/2021
S. Abel	Councillor	ANC	Commencement: 28/01/2022
M.L. September	Councillor	ANC	Commencement: 09/11/2021 Resigned : 28/01/2022
M. Daniels	Councillor	ANC	Commencement: 01/02/2021 Term Ended : 08/11/2021
E. Fritz	Councillor	ANC	Commencement: 23/04/2021 Resigned: 31/10/2021
S. Esau	Councillor	ANC	Commencement: 06/08/2016 Term Ended : 08/11/2021
F. Olifant	Councillor	ANC	Commencement: 29/09/2020 Term Ended : 08/11/2021
B. Bock	Councillor	ANC	Commencement: 03/06/2011 Term Ended : 08/11/2021
A.J. Ruiters	Councillor	DA	Commencement: 09/11/2021
C.F.P. Bezuidenhoudt	Councillor	DA	Commencement: 09/11/2021
P.T. Van der Steen	Councillor	DA	Commencement: 16/08/2019
S. Sandlana	Councillor	DA	Commencement: 30/08/2019
C.F.P. Maasdorp	Councillor	DA	Commencement: 01/07/2021 Term Ended : 08/11/2021
J. Balies	Councillor	EFF	Commencement: 09/11/2021

ZF MGCAWU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

MEMBERS OF COUNCIL (continued)

NAME	POSITION	PARTY	PERIOD
H. Ross	Councillor	EFF	Commencement: 30/08/2018 Term Ended : 08/11/2021
A.C. Kotzee	Councillor	HFTF	Commencement: 09/11/2021
D. Esau	Councillor	STC	Commencement: 26/02/2021 Term Ended : 08/11/2021
N. Prince	Councillor	KCF	Commencement: 03/06/2019 Term Ended : 08/11/2021

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 11440 dated 02/06/2022. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.

MR. A. TIETIES
ACTING MUNICIPAL MANAGER
31 August 2022

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

FOREWORD

It is my pleasure to present the 2021/2022 Annual Financial Statements of the ZF Mgcawu District Municipality. On the 14th of December 2021, 23 Councillors took their oath of office and pledged to obey the Constitution and to perform their functions and duties as Councillors of the ZF Mgcawu District Municipality to the best of their abilities.

As we start our term of office, I want to thank the previous Council who have allowed for a seamless and uninterrupted transfer of power. This signifies the nature of our dynamic and vibrant systems of democracy and governance in South Africa. As newly elected Councillors, we must never forget that we are mere servants placed here to serve our communities and we must have their best interests at heart.

As guardians of public finances, we must ensure that these financial statements provide a clear and accurate account of the financial position of the ZF Mgcawu District Municipality to all those we account to. It is always a daunting task to provide a complete account of the responsibilities conferred upon us by the electorate. Most significantly, we do so being quite conscious of the fact that the public deserves its rightful place at the apex of the 'accountability chain'.

The ZF Mgcawu District Municipality obtained its 8th Clean Audit for the 2020/2021 financial year. However, the poor audit outcomes of our local municipalities are a clear indication that many are struggling to reach the expected standards of financial management and build public confidence in the utilization of resources by the government.

The ZF Mgcawu District Municipality's vision of providing quality support and thereby ensuring that municipalities deliver quality services drives us to enforce the requirements set out in Section 83(c) of the Municipal Structures Act. We cannot as the District Municipality achieve clean audits whilst our local municipalities struggle to achieve the same. We must build the capacity of our local municipalities to enable them to improve service delivery and accountability to the communities they serve.

I would like to thank all the Councillors, the Mayoral Committee, and the Municipal Public Accounts Committee (MPAC) for their effective oversight of the municipality's operations. My sincere thanks to the Management and staff for your contribution, proactive approach, and diligence to serve the District Municipality.

I also have to express my gratitude to the external Audit Committee for their guidance and oversight role.



CLLR. M.C. BASSON
EXECUTIVE MAYOR
31 August 2022

Report of the auditor-general to the Northern Cape Provincial Legislature and the Council on ZF Mgcawu District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of ZF Mgcawu District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets and 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 ZF Mgcawu District Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (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.

Material uncertainty relating to going concern/ financial sustainability

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 49 to the financial statements, which indicates that the three-year (MTREF) reflected that the budget was unfunded for 2022/23, 2023/24 and 2024/25. The outcome of the cash back assessment from Provincial Treasury was negative for 2022/23 as well as negative for the two outer years 2023/24 and 2024/25. Further the cash flow challenges are experienced because cash flow projections are compiled for the payment

sequences of the equitable share which is the largest portion of operational revenue source. As stated in note 49, these events or conditions, along with the other matters as set forth in note 49, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Irregular expenditure

9. As disclosed in note 35.3 to the financial statements, the municipality incurred irregular expenditure of R2 203 641 (2020-21: R3 040 507), as it did not follow proper procurement processes.

Unauthorised expenditure

10. As disclosed in note 35.1 to the financial statements, the municipality incurred unauthorised expenditure of R1 643 237, as a result of the expenditure incurred that was not in accordance with the purpose of the approved budget.

Other matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

12. 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.

Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

14. 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 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.

15. 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

16. 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.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

18. 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 objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
19. 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.
20. 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 objectives presented in the municipality's annual performance report for the year ended 30 June 2022:

Objectives	Pages in the annual performance report
KPA 1: Basic Service Delivery	x – x

21. 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.

22. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objective:

- KPA 1: Basic Service Delivery

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

24. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year.

Adjustment of material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 1: Basic Service Delivery. As management subsequently corrected the misstatements, I 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

26. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

27. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

28. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's 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.
29. 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.
30. 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.
31. 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

32. 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. I did not identify any significant deficiencies in internal control.

Kimberley

30 November 2022



AUDITOR - GENERAL
SOUTH AFRICA

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 priorities 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 ZF Mgcawu district 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

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of ZF Mgcawu District Municipality ending 30 June 2022.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2021/22 financial period is set out in Directive 5 issued by the ASB on 11 March 2009, as amended.

The Statement of Financial Position at 30 June 2022 indicates an increase in Non-Current Assets, a decrease in Current Assets, an increase in Non-Current Liabilities and a decrease in Current Liabilities.

The increase in Non-Current Assets is primarily as a result of the increase in the Property, Plant and Equipment due to Leased Assets additions. The decrease in Current Assets is primarily as a result of the decrease in VAT Receivable.

The increase in Non-Current Liabilities is primarily as a result of the increase in the Long-term Liabilities. The decrease in Current Liabilities is primarily as a result of the decrease in Payables from Exchange Transactions.

2. mSCOA IMPLEMENTATION PLAN

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

3. KEY FINANCIAL INDICATORS

The following indicators are the key indicators and is a comparison to prior year figures. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the District Municipality.

Financial Statement Ratios:

INDICATOR	2022 R	2021 R
Surplus / (Deficit) before Appropriations	2 394 737	315 650
Surplus / (Deficit) at the end of the Year	(19 315 223)	(21 709 961)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	69.31%	74.44%
Remuneration of Councillors	5.63%	4.91%
Depreciation and Amortisation	1.27%	0.98%
Impairment Losses	0.06%	0.02%
Finance Costs	0.63%	0.06%
Contracted Services	8.64%	6.98%
Inventory Consumed	0.77%	0.57%
Transfers and Subsidies Paid	0.37%	0.73%
Operating Leases	0.76%	1.15%
Operational Costs	12.54%	9.97%
Loss on Disposal of Capital Assets	0.00%	0.19%

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

REPORT OF THE CHIEF FINANCIAL OFFICER

4. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Note 51, whilst operational results are included in Appendices E (1), E (2) and E (3).

5. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R2 164 287 (2020/21: R920 961). Full details of Assets are disclosed in Notes 7, 8, 50 and Appendix "B" to the Annual Financial Statements.

The capital expenditure of R2 164 287 was financed as follows:

DETAILS	Actual 2021/22 R	Actual 2020/21 R	Percentage Variance %	Budgeted 2021/22 R	Variance actual/ budgeted %
Finance Leases	1 610 000	-	100.00	-	100.00
Grants and Subsidies	486 048	90 344	438.00	-	100.00
Own Funds (Accumulated Surplus)	68 239	830 617	(91.78)	521 050	(86.90)
	2 164 287	920 961	135.00	521 050	315.37

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2022 %	2021 %
Finance Leases	74.39%	-
Grants and Subsidies	22.46%	9.81%
Own Funds (Accumulated Surplus)	3.15%	90.19%
	100.00%	100.00%

6. RECONCILIATION OF BUDGET TO ACTUAL

6.1 Operating Budget:

DETAILS	2022 R	2021 R
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	1 108 240	2 315 622
Revenue variances	(1 931 510)	(3 086 851)
Expenditure variances:		
Employee Related Costs	1 264 299	9 181
Remuneration of Councillors	482	19 581
Depreciation and Amortisation	103 925	25 207
Impairment Losses	4 754	11 863
Finance Costs	631	9 931
Contracted Services	527 741	121 701
Inventory Consumed	57 634	326 486
Transfers and Subsidies Paid	15 705	3 841
Operating Leases	33 180	33 922
Operational Costs	1 055 658	78 471
Loss on Disposal of Capital Assets	154 000	446 695
Actual surplus before appropriations	2 394 737	315 650

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2022 R	2021 R
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	1 108 240	2 315 622
Executive and Council	603 853	(235 663)
Finance and Administration (incl Bad Debt)	241 092	(1 619 096)
Internal Audit	135 979	166 824
Public Safety	192 877	(207 038)
Health	110 666	6 808
Planning and Development	152 374	657
Other	65 989	96 840
Add: Gains and Losses	(216 333)	(209 305)
Actual surplus before appropriations	2 394 737	315 650

Details of the operating results per segmental classification of expenditure are included in 51, whilst operational results are included in Appendices E(1), E(2) and E(3).

6.2 Capital Budget:

DETAILS	Actual 2021/22 R	Actual 2020/21 R	Variance actuals R	Budgeted 2021/22 R	Variance actual/ budgeted R
Executive and Council	53 357	735 126	(681 769)	53 357	-
Finance and Administration	2 051 687	164 931	1 886 756	408 450	1 643 237
Internal Audit	50 291	-	50 291	50 291	-
Public Safety	8 952	-	8 952	8 952	-
Planning and Development	-	20 904	(20 904)	-	-
	2 164 287	920 961	1 243 326	521 050	1 643 237

Details of the results per segmental classification of capital expenditure are included in Note 50.

7. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2022 amounted to R19 315 223 (30 June 2021: R21 709 961) and is made up as follows:

Accumulated Surplus	(19 315 223)	(21 709 961)
	<u>(19 315 223)</u>	<u>(21 709 961)</u>

Refer to Note 16 and the Statement of Change in Net Assets for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

REPORT OF THE CHIEF FINANCIAL OFFICER

	2022 R	2021 R
8. LONG-TERM LIABILITIES		
The outstanding amount of Long-term Liabilities as at 30 June 2022 was R803 350 (30 June 2021: R33 039) and is made up as follows:.		
Finance Lease Liability	803 350	-
Operating Lease Liability	-	33 039
	803 350	33 039

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018, ending 30 September 2021. The effective interest rate on Finance Leases is 19.4%.

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R660 000 as at 1 June 2022, ending 31 May 2025. The effective interest rate on Finance Leases is 12.4%.

Finance Lease Liabilities relate to Telephone System with a lease term of 3 years with a fair value of R950 000 as at 1 July 2021, ending 30 June 2024. The effective interest rate on Finance Leases is 73.1%.

Refer to Note 14 and Appendix "A" for more detail.

9. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R32 041 000 as at 30 June 2022 (30 June 2021: R32 786 000) and is made up as follows:

Post-retirement Health Care Benefits Liability	Note 15	25 014 000	26 495 000
Long Service Awards Liability	Note 15	7 027 000	6 291 000
		32 041 000	32 786 000

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the District Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 15 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R11 528 672 as at 30 June 2022 (30 June 2021: R13 127 184) and is made up as follows:

Provisions	Note 11	2 887 376	3 473 207
Payables from Exchange Transactions	Note 12	8 144 410	9 037 402
Unspent Conditional Grants and Receipts	Note 13	-	533 983
Current Portion of Long-term Liabilities	Note 14	496 885	82 592
		11 528 672	13 127 184

Current Liabilities are those liabilities of the District Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the District Municipality will not be able to meet its obligations.

Refer to Note 11, 12, 13, 14 for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

REPORT OF THE CHIEF FINANCIAL OFFICER

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R21 429 126 as at 30 June 2022 (30 June 2021: R20 358 109).

Refer to Note 7, 50 and Appendix B for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R112 354 as at 30 June 2022 (30 June 2021: R208 890).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the District Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. NON-CURRENT INVESTMENTS

The District Municipality held Investments to the value of R512 048 as at 30 June 2022 (30 June 2021: R0).

These investments are invested to improve the District Municipality's unfunded budget and going concern.

Refer to Note 9 for more detail.

14. LONG-TERM RECEIVABLES

Long-term Receivables of R108 585 at 30 June 2022 (30 June 2021: R14 297) is made up as follows:

		2022 R	2021 R
Finance Lease Receivable	Note 10	12 433	14 374
Staff Related Long Term Receivables	Note 10	113 871	6 325
CPMD Debtors		97 800	-
SCM Debtors		12 547	-
Maternity Leave Debtors		3 523	5 923
Acting Allowance Debtors		-	402
		126 303	20 699
Less: Short-term portion included in Current Assets	Note 10	(17 718)	(6 402)
		108 585	14 297

The increase in the amount for Long-term Receivables is due to new debtors raised during 2021/22 financial year.

Refer to Note 10 for more detail.

15. CURRENT ASSETS

Current Assets amounted R2 895 685 as at 30 June 2022 (30 June 2021: R3 654 966) and is made up as follows:

Receivables from Exchange Transactions	Note 2	197 928	296 503
Receivables from Non-exchange Transactions	Note 3	-	121 515
VAT Receivable	Note 4	553 633	949 343
Cash and Cash Equivalents	Note 5	2 126 406	2 281 203
Current Portion of Long-term Receivables	Note 6	17 718	6 402
		2 895 685	3 654 966

Refer to Note 2, 3, 4, 5 and 6 for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

REPORT OF THE CHIEF FINANCIAL OFFICER

16. INTER-GOVERNMENTAL GRANTS

The District Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services. Refer to Notes 13 and 17, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 46.

18. GOING CONCERN ASSESSMENT

Refer to management's going concern assessment disclosed in Note 49.

19. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Acting Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

MRS. E. ISAACS
CHIEF FINANCIAL OFFICER
31 August 2022

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

		Actual	
	Note	2022	2021
		R	Restated R
ASSETS			
Current Assets		2 895 685	3 654 966
Receivables from Exchange Transactions	2	197 928	296 503
Receivables from Non-exchange Transactions	3	-	121 515
VAT Receivable	4	553 633	949 343
Cash and Cash Equivalents	5	2 126 406	2 281 203
Current Portion of Long-term Receivables	6	17 718	6 402
Non-Current Assets		22 162 114	20 581 296
Property, Plant and Equipment	7	21 429 126	20 358 109
Intangible Assets	8	112 354	208 890
Non-current Investments	9	512 048	-
Long-term Receivables	10	108 585	14 297
Total Assets		25 057 798	24 236 262
LIABILITIES			
Current Liabilities		11 528 672	13 127 184
Provisions	11	2 887 376	3 473 207
Payables from Exchange Transactions	12	8 144 410	9 037 402
Unspent Conditional Grants and Receipts	13	-	533 983
Current Portion of Long-term Liabilities	14	496 885	82 592
Non-Current Liabilities		32 844 350	32 819 039
Long-term Liabilities	14	803 350	33 039
Employee Benefit Liabilities	15	32 041 000	32 786 000
Total Liabilities		44 373 022	45 946 223
Total Assets and Liabilities		(19 315 223)	(21 709 961)
NET ASSETS		(19 315 223)	(21 709 961)
Accumulated Surplus / (Deficit)	16	(19 315 223)	(21 709 961)
Total Net Assets		(19 315 223)	(21 709 961)

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

		Actual	
	Note	2022	2021
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Transfers and Subsidies	17	82 846 906	80 137 977
Impairment Gains	24	-	-
Revenue from Exchange Transactions			
Rental from Fixed Assets	18	8 730	2 078
Finance Income	19	699 566	562 869
Operational Revenue	20	834 620	542 225
Gains on Disposal of Capital Assets	31	10 667	-
Total Revenue		84 400 490	81 245 149
EXPENDITURE			
Employee Related Costs	21	56 838 028	60 245 587
Remuneration of Councillors	22	4 620 087	3 974 721
Depreciation and Amortisation	23	1 042 953	794 433
Impairment Losses	24	53 246	13 137
Finance Costs	25	512 869	47 969
Contracted Services	26	7 087 439	5 650 804
Inventory Consumed	27	634 183	458 807
Transfers and Subsidies Paid	28	304 250	594 159
Operating Leases	29	626 900	926 678
Operational Costs	30	10 285 796	8 066 899
Loss on Disposal of Capital Assets	31	-	156 305
Total Expenditure		82 005 752	80 929 499
SURPLUS / (DEFICIT) FOR THE YEAR		2 394 737	315 650
Refer to Budget Statement for explanation of budget variances (page 23 - 37)			

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

Description	Share Premium	Total Reserves and Funds	Accumulated Surplus	Total Net Assets
	R	R	R	R
2021				
Balance at 30 June 2020	-	-	(22 027 492)	(22 027 492)
Correction of Error (Note 32)		-	1 882	1 882
Restated Balance at 30 June 2020	-	-	(22 025 611)	(22 025 611)
Published Surplus for the year			315 650	315 650
Surplus for the year (previously published)		-	374 512	374 512
Correction of Error (Note 32)	-	-	(58 862)	(58 862)
Restated Balance at 30 June 2021	-	-	(21 709 961)	(21 709 961)
2022				
Surplus / (Deficit) for the year		-	2 394 737	2 394 737
Balance at 30 June 2022	-	-	(19 315 223)	(19 315 223)

ZF MGCAWU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

		Actual	
	Note	2022	2021
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers and Subsidies		82 312 923	80 388 427
Rental from Fixed Assets	18	8 730	2 078
Finance Income	19	699 566	562 869
Other Receipts		1 385 858	44 319
Payments			
Employee Related Costs		(58 197 028)	(57 366 587)
Remuneration of Councillors	22	(4 620 087)	(3 974 721)
Finance Costs Paid	25	(512 869)	(47 969)
Suppliers Paid		(9 241 514)	(8 513 176)
Other Payments		(10 594 916)	(8 625 668)
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>1 240 663</u>	<u>2 469 571</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(512 678)	(840 613)
Purchase of Intangible Assets	8	(41 609)	(80 348)
Proceeds on Disposal of Property, Plant and Equipment	7.8	157 519	-
Decrease / (Increase) in Non-current Investments	9	(512 048)	-
Decrease / (Increase) in Long-term Receivables		(94 288)	4 335
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(1 003 104)</u>	<u>(916 626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(392 357)	(293 310)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(392 357)</u>	<u>(293 310)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(154 798)</u>	<u>1 259 636</u>
Cash and Cash Equivalents at Beginning of Period		2 281 203	1 021 568
Cash and Cash Equivalents at End of Period	5	2 126 406	2 281 203

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION												
Current Assets												
Receivables from Exchange Transactions	418 512	1 003 827	1 422 339	-	1 422 339	-	1 422 339	197 928	-	(1 224 411)	13.92	47.29
Receivables from Non-exchange Transactions	-	-	-	-	-	-	-	-	-	-	0.00	0.00
VAT Receivable	-	-	-	-	-	-	-	553 633	-	553 633	0.00	0.00
Cash and Cash Equivalents	716 772	4 385 931	5 102 703	4 595 483	9 698 186	-	9 698 186	2 126 406	-	(7 571 780)	21.93	296.66
Current Portion of Long-term Receivables	15 563	(9 161)	6 402	-	6 402	-	6 402	17 718	-	11 316	276.76	113.85
		-	-	-	-	-	-	-	-	-	-	-
Non-Current Assets												
Property, Plant and Equipment	23 321 340	(1 778 472)	21 542 868	(1 143 950)	20 398 918	-	20 398 918	21 429 126	-	1 030 208	105.05	91.89
Intangible Assets	397 161	(259 814)	137 347	-	137 347	-	137 347	112 354	-	(24 993)	81.80	28.29
Non-current Investments	500 000	-	500 000	-	500 000	-	500 000	512 048	-	12 048	102.41	102.41
Long-term Receivables	21 680	(7 383)	14 297	-	14 297	-	14 297	108 585	-	94 288	759.50	500.85
Total Assets	25 391 028	3 334 928	28 725 956	3 451 533	32 177 489	-	32 177 489	25 057 798	-	(7 119 691)	77.87	98.69
Current Liabilities												
Provisions	2 784 425	1 938 782	4 723 207	250 000	4 973 207	-	4 973 207	2 887 376	-	(2 085 831)	58.06	103.70
Payables from Exchange Transactions	11 624 829	(390 704)	11 234 125	4 221 507	15 455 632	-	15 455 632	8 144 410	-	(7 311 222)	52.70	70.06
Current Portion of Long-term Liabilities	293 310	(210 718)	82 592	-	82 592	-	82 592	496 885	-	414 293	601.61	169.41
Non-Current Liabilities												
Long-term Liabilities	128 263	(95 224)	33 039	-	33 039	-	33 039	803 350	-	770 311	2 431.52	626.33
Employee Benefit Liabilities	30 404 988	2 381 012	32 786 000	-	32 786 000	-	32 786 000	32 041 000	-	(745 000)	97.73	105.38
Total Liabilities	45 235 815	3 623 148	48 858 963	4 471 507	53 330 470	-	53 330 470	44 373 022	-	(8 957 448)	83.20	98.09
Total Assets and Liabilities	(19 844 787)	(288 220)	(20 133 007)	(1 019 974)	(21 152 981)	-	(21 152 981)	(19 315 223)	-	1 837 758	0.00	0.00
Net Assets (Equity)												
Accumulated Surplus / (Deficit)	(19 844 787)	(288 220)	(20 133 007)	(1 019 974)	(21 152 981)	-	(21 152 981)	(19 315 223)	-	1 837 758	0.00	0.00
Total Net Assets	(19 844 787)	(288 220)	(20 133 007)	(1 019 974)	(21 152 981)	-	(21 152 981)	(19 315 223)	-	1 837 758	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

VAT Receivables budget is included in Receivables from Exchange Transactions. The VAT Receivable budget amount anticipated was under budgeted for.

Receivables from Non-exchange Transactions:

Relates to UIF expenditure debtors and was not budgeted for.

VAT Receivable:

VAT Receivables budget is included in Receivables from Exchange Transactions.

Cash and Cash Equivalents:

The budget amount was over budgeted for.

Current Portion of Long-term Receivables:

Did not budget for new Long-term debtors.

Intangible Assets:

Did not take Depreciation into account with the budgeted figure.

Long-term Receivables:

Budgeted figures were not updated with the latest amortisation tables.

Provisions:

Only budgeted for Leave Accrual. Budgeted amount of short-term portion of PEMA and LSA included under Non-Current Employee Benefit Liabilities.

Payables from Exchange Transactions:

The variance is due to improved cash flow during the financial year to settle outstanding creditors before year-end..

Current Portion of Long-term Liabilities:

Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

Long-term Liabilities:

Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE												
Revenue from Non-exchange Transactions												
Transfers and Subsidies	82 178 000	(1 850 000)	80 328 000	3 398 000	83 726 000	-	83 726 000	82 846 906	-	(879 094)	98.95	100.81
Impairment Gains	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Revenue from Exchange Transactions												
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	8 730	-	(1 270)	87.30	87.30
Finance Income	800 000	50 000	850 000	-	850 000	-	850 000	699 566	-	(150 434)	82.30	87.45
Operational Revenue	665 000	700 000	1 365 000	-	1 365 000	-	1 365 000	834 620	-	(530 380)	61.14	125.51
Gains on Disposal of Capital Assets	381 000	-	381 000	-	381 000	-	381 000	10 667	-	(370 333)	2.80	2.80
Total Revenue	84 034 000	(1 100 000)	82 934 000	3 398 000	86 332 000	-	86 332 000	84 400 490	-	(1 931 510)	97.76	100.44
Expenditure												
Employee Related Costs	56 969 949	1 172 386	58 142 335	329 235	58 471 570	(369 243)	58 102 327	56 838 028	-	(1 264 299)	97.82	99.77
Remuneration of Councillors	3 773 302	438 191	4 211 493	219 257	4 430 750	189 819	4 620 569	4 620 087	-	(482)	99.99	122.44
Depreciation and Amortisation	594 640	113 600	708 240	-	708 240	438 638	1 146 878	1 042 953	-	(103 925)	90.94	175.39
Impairment Losses	20 000	-	20 000	-	20 000	38 000	58 000	53 246	-	(4 754)	91.80	266.23
Finance Costs	-	-	-	-	-	513 500	513 500	512 869	-	(631)	99.88	0.00
Contracted Services	5 742 750	(80 150)	5 662 600	2 097 445	7 760 045	(144 865)	7 615 180	7 087 439	-	(527 741)	93.07	123.42
Inventory Consumed	565 427	(66 000)	499 427	236 351	735 778	(43 961)	691 817	634 183	-	(57 634)	91.67	112.16
Transfers and Subsidies Paid	150 000	175 000	325 000	(5 045)	319 955	-	319 955	304 250	-	(15 705)	95.09	202.83
Operating Leases	650 000	(350 000)	300 000	116 000	416 000	244 080	660 080	626 900	-	(33 180)	94.97	96.45
Operational Costs	12 115 035	(911 104)	11 203 931	1 004 491	12 208 422	(866 968)	11 341 454	10 285 796	-	(1 055 658)	90.69	84.90
Loss on Disposal of Capital Assets	153 000	-	153 000	-	153 000	1 000	154 000	-	-	(154 000)	0.00	0.00
Total Expenditure	80 734 103	491 923	81 226 026	3 997 734	85 223 760	-	85 223 760	82 005 752	-	(3 218 008)	96.22	101.58
Surplus/(Deficit) for the Year	3 299 897	(1 591 923)	1 707 974	(599 734)	1 108 240	-	1 108 240	2 394 737	-	1 286 497	216.08	72.57

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Rental from Fixed Assets

Budgeted figures were not updated with the latest amortisation tables.

Finance Cost

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Operational Revenue:

Over budget for funds received from LGSETA.

Gains on Disposal of Capital Assets:

Budgeted separately for gains and losses but the actual figures are combined. Income from auction was lower than expected.

Impairment Losses:

Funds received from Debtors which were not written-off.

Contracted Services:

Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

Inventory Consumed:

Underspending is mainly due to cost containment measures.

Loss on Disposal of Capital Assets:

Budgeted separately for gains and losses but the actual figures are combined. Income from auction was lower than expected.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION												
Executive and Council	15 000	-	15 000	(10 000)	5 000	48 357	53 357	53 357	-	-	100.00	355.71
Finance and Administration	-	15 000	15 000	15 000	30 000	378 450	408 450	2 051 687	1 643 237	1 643 237	502.31	0.00
Internal Audit	-	-	-	-	-	50 291	50 291	50 291	-	-	100.00	0.00
Public Safety	-	-	-	-	-	8 952	8 952	8 952	-	-	100.00	0.00
Planning and Development	-	700 000	700 000	(700 000)	-	-	-	-	-	-	0.00	0.00
Corporate Services	2 195 000	(1 260 000)	935 000	(448 950)	486 050	(486 050)	-	-	-	-	0.00	0.00
Total Capital Expenditure	2 210 000	(545 000)	1 665 000	(1 143 950)	521 050	(0)	521 050	2 164 287	1 643 237	1 643 237	415.37	97.93

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Finance and Administration:

Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments		Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW												
Cash Flows from/(used in) Operating Activities												
Transfers and Subsidies	82 178 000	(3 225 000)	78 953 000	3 038 950	81 991 950	-	81 991 950	82 312 923		320 973	100.39	100.16
Rental from Fixed Assets	-	-	-	-	-	-	-	8 730		8 730	0.00	0.00
Finance Income	800 000	50 000	850 000	-	850 000	-	850 000	699 566		(150 434)	82.30	87.45
Other Receipts	675 000	700 000	1 375 000	-	1 375 000	-	1 375 000	1 385 858		10 858	100.79	205.31
Employee Related Costs	(80 217 981)	(1 482 019)	(81 700 000)	81 700 000	-	-	-	(58 197 028)		(58 197 028)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	-	(4 620 087)		(4 620 087)	0.00	0.00
Finance Costs	-	-	-	-	-	-	-	(512 869)		(512 869)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	-	(9 241 514)		(9 241 514)	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(10 594 916)		(10 594 916)	0.00	0.00
Cash Flows from/(used in) Investing Activities												
Purchase of Property, Plant and Equipment	(2 210 000)	545 000	(1 665 000)	1 665 000	-	-	-	(512 678)		(512 678)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	(41 609)		(41 609)	0.00	0.00
Proceeds on Disposal of PPE	-	-	-	-	-	-	-	157 519		157 519	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	(500 000)	(500 000)	-	(500 000)	(512 048)		(12 048)	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	(14 297)	(14 297)	14 297	-	-	-	(94 288)		(94 288)	0.00	0.00
Cash Flows from/(used in) Financing Activities												
Proceeds from Borrowings	-	-	-	-	-	-	-	-		-	0.00	0.00
Repayment of Borrowings	-	-	-	-	-	-	-	(392 357)		(392 357)	0.00	0.00
Cash and Cash Equivalents at End of the Year	1 225 019	(3 426 316)	(2 201 297)	85 918 247	83 716 950	-	83 716 950	(154 798)	-	(83 871 748)	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental from Fixed Assets:

Not budgeted separately for under cash flow statement, included under the Other Receipts.

Finance Costs

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Employee Related Costs

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Remuneration of Councillors

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Finance Cost

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Suppliers Paid

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Other Payments

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Purchase of Property, Plant and Equipment:

Did not budget for additions on the new mSCOA budget format and Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

Purchase of Intangible Assets:

NT Budget Template not aligned to GRAP requirements - Purchase of Intangible Assets included in Purchase of Property, Plant and Equipment above.

Proceeds on Disposal of Property, Plant and Equipment:

Did not be budget for on the new mSCOA budget format.

Decrease / (Increase) in Long-term Receivables:

Did not be budget for on the new mSCOA budget format.

Proceeds from Borrowings:

Did not budget for leases because it was included under Contracted Services.

Repayment of Borrowings:

Did not budget for leases because it was included under Contracted Services.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2021

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION												
Current Assets												
Receivables from Exchange Transactions	413 512	-	413 512	909 298	1 322 810	-	1 322 810	296 503	-	(1 026 307)	22.41	71.70
Receivables from Non-exchange Transactions	-	-	-	-	-	-	-	121 515	-	121 515	0.00	0.00
VAT Receivable	-	-	-	-	-	-	-	949 343	-	949 343	0.00	0.00
Cash and Cash Equivalents	1 005 767	2 550	1 008 317	441 276	1 449 593	-	1 449 593	2 281 203	-	831 610	157.37	226.81
Current Portion of Long-term Receivables	15 563	-	15 563	-	15 563	-	15 563	6 402	-	(9 161)	41.14	41.14
Non-Current Assets												
Property, Plant and Equipment	23 000 980	30 000	23 030 980	(438 000)	22 592 980	-	22 592 980	20 358 109	-	(2 234 871)	90.11	88.51
Intangible Assets	747 161	-	747 161	(350 000)	397 161	-	397 161	208 890	-	(188 271)	52.60	27.96
Non-current Investments	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	21 680	-	21 680	-	21 680	-	21 680	14 297	-	(7 383)	65.95	65.95
Total Assets	25 204 663	32 550	25 237 213	562 574	25 799 787	-	25 799 787	24 236 262	-	(1 563 525)	93.94	96.16
Current Liabilities												
Provisions	2 486 925	-	2 486 925	(100 000)	2 386 925	-	2 386 925	3 473 207	-	1 086 282	145.51	139.66
Payables from Exchange Transactions	6 976 544	2 198 967	9 175 511	(306 844)	8 868 667	-	8 868 667	9 037 402	-	168 735	101.90	129.54
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	533 983	-	533 983	0.00	0.00
Current Portion of Long-term Liabilities	293 310	-	293 310	-	293 310	-	293 310	82 592	-	(210 718)	28.16	28.16
Non-Current Liabilities												
Long-term Liabilities	128 263	-	128 263	-	128 263	-	128 263	33 039	-	(95 224)	25.76	25.76
Employee Benefit Liabilities	22 723 739	-	22 723 739	6 518 750	29 242 489	-	29 242 489	32 786 000	-	3 543 511	112.12	144.28
Total Liabilities	32 608 781	2 198 967	34 807 748	6 111 906	40 919 654	-	40 919 654	45 946 223	-	5 026 569	112.28	140.90
Total Assets and Liabilities	(7 404 118)	(2 166 417)	(9 570 535)	(5 549 332)	(15 119 867)	-	(15 119 867)	(21 709 961)	-	(6 590 094)	0.00	0.00
Net Assets (Equity)												
Accumulated Surplus / (Deficit)	(7 404 118)	(2 166 417)	(9 570 535)	(5 549 332)	(15 119 867)	-	(15 119 867)	(21 709 961)	-	(6 590 094)	0.00	0.00
Total Net Assets	(7 404 118)	(2 166 417)	(9 570 535)	(5 549 332)	(15 119 867)	-	(15 119 867)	(21 709 961)	-	(6 590 094)	0.00	0.00

ZF MCGAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

VAT Receivables budget is included in Receivables from Exchange Transactions. The VAT Receivable budget amount anticipated was under budgeted for.

Receivables from Non-exchange Transactions:

Relates to UIF expenditure debtors and was not budgeted for.

VAT Receivable:

VAT Receivables budget is included in Receivables from Exchange Transactions.

Cash and Cash Equivalents:

The budget amount was under budgeted for due to cost containment measures during COVID-19.

Current Portion of Long-term Receivables:

Budgeted figures were not updated with the latest amortisation tables.

Property, Plant and Equipment:

Did not budget for assets written off.

Intangible Assets:

ZFM included additions as budgeted for but did not realise due to procurement challenges.

Long-term Receivables:

Budgeted figures were not updated with the latest amortisation tables.

Provisions:

Only budgeted for Leave Accrual. Budgeted amount of short-term portion of PEMA and LSA included under Non-Current Employee Benefit Liabilities.

Unspent Conditional Grants and Receipts:

ZFM did not budget for Unspent Conditional Grants and Receipts as it was anticipated that all grants will be spent.

Long-term Liabilities:

Budgeted figures were not updated with the latest amortisation tables.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2021

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE												
Revenue from Non-exchange Transactions												
Transfers and Subsidies	79 259 000	1 832 000	81 091 000	-	81 091 000	-	81 091 000	80 137 977	-	(953 023)	98.82	101.11
Impairment Gains	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Revenue from Exchange Transactions												
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	2 078	-	(7 922)	20.78	20.78
Finance Income	900 000	-	900 000	-	900 000	-	900 000	562 869	-	(337 131)	62.54	62.54
Operational Revenue	1 675 000	-	1 675 000	-	1 675 000	-	1 675 000	542 225	-	(1 132 775)	32.37	32.37
Gains on Disposal of Capital Assets	656 000	-	656 000	-	656 000	-	656 000	-	-	(656 000)	0.00	0.00
Total Revenue	82 500 000	1 832 000	84 332 000	-	84 332 000	-	84 332 000	81 245 149	-	(3 086 851)	96.34	98.48
Expenditure												
Employee Related Costs	53 633 322	(288 500)	53 344 822	1 233 375	54 578 197	5 676 571	60 254 768	60 245 587	-	(9 181)	99.98	112.33
Remuneration of Councillors	3 808 384	-	3 808 384	(35 082)	3 773 302	221 000	3 994 302	3 974 721	-	(19 581)	99.51	104.37
Depreciation and Amortisation	594 640	-	594 640	-	594 640	225 000	819 640	794 433	-	(25 207)	96.92	133.60
Impairment Losses	25 000	-	25 000	-	25 000	-	25 000	13 137	-	(11 863)	52.55	52.55
Finance Costs	-	-	-	47 900	47 900	10 000	57 900	47 969	-	(9 931)	82.85	0.00
Contracted Services	6 055 949	272 000	6 327 949	(742 534)	5 585 415	187 090	5 772 505	5 650 804	-	(121 701)	97.89	93.31
Inventory Consumed	785 043	106 450	891 493	71 800	963 293	(178 000)	785 293	458 807	-	(326 486)	58.42	58.44
Transfers and Subsidies Paid	215 000	40 000	255 000	(80 000)	175 000	423 000	598 000	594 159	-	(3 841)	99.36	276.35
Operating Leases	1 100 000	-	1 100 000	(47 900)	1 052 100	(91 500)	960 600	926 678	-	(33 922)	96.47	84.24
Operational Costs	13 738 993	368 467	14 107 460	511 071	14 618 531	(6 473 161)	8 145 370	8 066 899	-	(78 471)	99.04	58.72
Loss on Disposal of Capital Assets	603 000	-	603 000	-	603 000	-	603 000	156 305	-	(446 695)	25.92	25.92
Total Expenditure	80 559 331	498 417	81 057 748	958 630	82 016 378	-	82 016 378	80 929 499	-	(1 086 879)	98.67	100.46
Surplus/(Deficit) for the Year	1 940 669	1 333 583	3 274 252	(958 630)	2 315 622	-	2 315 622	315 650	-	(1 999 972)	13.63	16.27

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Rental from Fixed Assets

Budgeted figures were not updated with the latest amortisation tables.

Finance Cost

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Operational Revenue:

Over budget for funds received from LGSETA.

Gains on Disposal of Capital Assets:

Budgeted for revenue from auction which did not take place during the year due to COVID-19.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2021

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CAPITAL EXPENDITURE PER FUNCTION	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	700 000	30 000	730 000	(18 000)	712 000	25 000	737 000	735 126	-	(1 874)	99.75	105.02
Finance and Administration	870 000	-	870 000	(870 000)	-	300 000	300 000	164 931	-	(135 069)	54.98	18.96
Planning and Development	250 000	-	250 000	100 000	350 000	(325 000)	25 000	20 904	-	(4 096)	83.62	8.36
Total Capital Expenditure	1 820 000	30 000	1 850 000	(788 000)	1 062 000	-	1 062 000	920 961	-	(141 039)	86.72	50.60
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual												
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:												
Finance and Administration: ZFM included additions as budgeted for but did not realise due to procurement challenges.												
Planning and Development: Budgeted under Finance and Administration.												

ZF MCGAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2021

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW												
Cash Flows from/(used in) Operating Activities												
Transfers and Subsidies	79 259 000	1 832 000	81 091 000	-	81 091 000	-	81 091 000	80 388 427	-	(702 573)	99.13	101.42
Rental from Fixed Assets	-	-	-	-	-	-	-	2 078	-	2 078	0.00	0.00
Finance Costs	900 000	(900 000)	-	900 000	900 000	-	900 000	562 869	-	(337 131)	62.54	62.54
Other Receipts	1 690 000	(5 000)	1 685 000	-	1 685 000	-	1 685 000	44 319	-	(1 640 681)	2.63	2.62
Employee Related Costs	(79 121 691)	(498 417)	(79 620 108)	78 120 108	(1 500 000)	-	(1 500 000)	(57 366 587)	-	(55 866 587)	3 824.44	0.00
Remuneration of Councillors	-	-	-	-	-	-	-	(3 974 721)	-	(3 974 721)	0.00	0.00
Finance Costs Paid	-	-	-	-	-	-	-	(47 969)	-	(47 969)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	-	(8 513 176)	-	(8 513 176)	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(8 625 668)	-	(8 625 668)	0.00	0.00
Cash Flows from/(used in) Investing Activities												
Purchase of Property, Plant and Equipment	(1 820 000)	(30 000)	(1 850 000)	788 000	(1 062 000)	-	(1 062 000)	(840 613)	-	221 387	79.15	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	(80 348)	-	(80 348)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	4 335	-	4 335	0.00	0.00
Cash Flows from/(used in) Financing Activities												
Repayment of Borrowings	(293 310)	586 620	293 310	(293 310)	-	-	-	(293 310)	-	(293 310)	0.00	0.00
Cash and Cash Equivalents at End of the Year	613 999	985 203	1 599 202	79 514 798	81 114 000	-	81 114 000	1 259 636	-	(79 854 364)	1.55	205.15

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental from Fixed Assets:

Not budgeted separately for under cash flow statement, included under the Other Receipts.

Finance Costs

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Other Receipts

Over budget for funds received from LGSETA.

Employee Related Costs

mSCOA budget format only make provision for Suppliers & Employee Related Cost as a combined item.

Remuneration of Councillors

mSCOA budget format only make provision for Suppliers & Employee Related Cost as a combined item.

Finance Costs

Budget for Finance Costs Paid under Repayment of Borrowings.

Suppliers Paid

mSCOA budget format only make provision for Suppliers & Employee Related Cost as a combined item.

Other Payments

mSCOA budget format only make provision for Suppliers & Employee Related Cost as a combined item.

Purchase of Property, Plant and Equipment:

ZFM included additions as budgeted for but did not realise due to procurement challenges.

Purchase of Intangible Assets:

ZFM incorrectly budgeted for Intangible Assets under Operational Cost.

Decrease / (Increase) in Long-term Receivables:

It was not budgeted for the change in Long-term Receivables.

Repayment of Borrowings:

Not budgeted separately for under cash flow statement, included under the Finance Income.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2021/22	2020/21
	R	R
Net surplus/(deficit) per the statement of financial performance	2 394 737	315 650
Revenue from Non-exchange Transactions		
Transfers and Subsidies	879 094	953 023
Impairment Gains	-	-
Revenue from Exchange Transactions		
Rental from Fixed Assets	1 270	7 922
Finance Income	150 434	337 131
Operational Revenue	530 380	1 132 775
Gains on Disposal of Capital Assets	370 333	656 000
Expenditure		
Employee Related Costs	(1 264 299)	(9 181)
Remuneration of Councillors	(482)	(19 581)
Depreciation and Amortisation	(103 925)	(25 207)
Impairment Losses	(4 754)	(11 863)
Finance Costs	(631)	(9 931)
Contracted Services	(527 741)	(121 701)
Inventory Consumed	(57 634)	(326 486)
Grants and Subsidies Paid	(15 705)	(3 841)
Operating Leases	(33 180)	(33 922)
Operational Costs	(1 055 658)	(78 471)
Loss on Disposal of Capital Assets	(154 000)	(446 695)
Net surplus/deficit per approved budget	1 108 240	2 315 622

The following budgets were approved by Council during 2021/22 financial year:

- 28 February 2022: Annual Adjustment Budget
- 30 June 2022: Special Adjustment Budget for additional EPWP funding received.

ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE

30 June 2022

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Other	Total for District Municipality
	R	R	R	R	R	R	R	R
REVENUE								
Revenue from Non-exchange Transactions								
Transfers and Subsidies	533 983	76 982 923	-	-	-	5 330 000	-	82 846 906
Revenue from Exchange Transactions								
Rental from Fixed Assets	-	8 730	-	-	-	-	-	8 730
Finance Income	-	699 566	-	-	-	-	-	699 566
Operational Revenue	-	834 620	-	-	-	-	-	834 620
Gains on Disposal of Capital Assets	-	10 667	-	-	-	-	-	10 667
Total Revenue	533 983	78 536 507	-	-	-	5 330 000	-	84 400 490
EXPENDITURE								
Employee Related Costs	8 109 141	27 693 405	3 051 412	3 062 198	6 638 516	7 307 047	976 310	56 838 028
Remuneration of Councillors	4 620 087	-	-	-	-	-	-	4 620 087
Depreciation and Amortisation	-	1 042 953	-	-	-	-	-	1 042 953
Impairment Losses	-	53 246	-	-	-	-	-	53 246
Finance Costs	-	512 869	-	-	-	-	-	512 869
Contracted Services	558 233	2 442 646	198 586	-	6 150	3 881 824	-	7 087 439
Inventory Consumed	38 794	239 117	5 294	14 942	1 810	325 876	8 350	634 183
Transfers and Subsidies Paid	304 250	-	-	-	-	-	-	304 250
Operating Leases	-	626 900	-	-	-	-	-	626 900
Operational Costs	2 414 479	6 455 493	210 869	86 138	294 340	646 741	177 736	10 285 796
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	-
Total Expenditure	16 044 984	39 066 629	3 466 161	3 163 278	6 940 816	12 161 488	1 162 396	82 005 752
Surplus/(Deficit) for the Year	(15 511 001)	39 469 877	(3 466 161)	(3 163 278)	(6 940 816)	(6 831 488)	(1 162 396)	2 394 737

ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)

30 June 2021

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Other	Total for District Municipality
	R	R	R	R	R	R	R	R
REVENUE								
Revenue from Non-exchange Transactions								
Transfers and Subsidies	249 550	75 398 427	-	-	-	4 490 000	-	80 137 977
Revenue from Exchange Transactions	-	-	-	-	-	-	-	-
Rental from Fixed Assets	-	2 078	-	-	-	-	-	2 078
Finance Income	-	562 869	-	-	-	-	-	562 869
Operational Revenue	-	542 225	-	-	-	-	-	542 225
Gains on Disposal of Capital Assets	-	-	-	-	-	-	-	-
Total Revenue	249 550	76 505 599	-	-	-	4 490 000	-	81 245 149
EXPENDITURE								
Employee Related Costs	8 425 167	32 697 468	2 928 392	2 718 615	6 127 900	6 437 808	910 237	60 245 587
Remuneration of Councillors	3 974 721	-	-	-	-	-	-	3 974 721
Depreciation and Amortisation	-	794 433	-	-	-	-	-	794 433
Impairment Losses	-	13 137	-	-	-	-	-	13 137
Finance Costs	-	47 969	-	-	-	-	-	47 969
Contracted Services	207 176	2 599 470	259 383	-	-	2 584 775	-	5 650 804
Inventory Consumed	49 565	307 894	1 636	6 323	16 345	77 044	-	458 807
Transfers and Subsidies Paid	594 159	-	-	-	-	-	-	594 159
Operating Leases	-	926 678	-	-	-	-	-	926 678
Operational Costs	1 837 775	5 349 457	148 893	27 405	217 216	454 214	31 939	8 066 899
Loss on Disposal of Capital Assets	-	156 305	-	-	-	-	-	156 305
Total Expenditure	15 088 563	42 892 809	3 338 304	2 752 344	6 361 461	9 553 842	942 176	80 929 499
Surplus/(Deficit) for the Year	(14 839 013)	33 612 789	(3 338 304)	(2 752 344)	(6 361 461)	(5 063 842)	(942 176)	315 650

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the District Municipality's functional currency.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2021 and 30 June 2022 the District Municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the District Municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

1.3 Critical Judgements, Estimations and Assumptions

In the application of the District Municipality's Accounting Policies, which are described below, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that Management have made in the process of applying the District Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.3.1 Revenue Recognition

Accounting Policy 7.2 on Revenue from Exchange Transactions and Accounting Policy 7.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the Management of the District Municipality.

In making their judgement, the 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). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the District 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 District Municipality is satisfied that recognition of the revenue in the current year is appropriate.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

1.3.2 Impairment of Financial Assets

Accounting Policy 6.4 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 District Municipality considered the detailed criteria of impairment 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 District Municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**
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 is performed per service-identifiable categories across all classes of debtors.

1.3.3 Useful lives of Property, Plant and Equipment and Intangible Assets

As described in Accounting Policies 3.3, and 4.2, the District Municipality depreciates its Property, Plant & Equipment 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 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.

1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy N/A on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the Management of the District Municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, Management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by Management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 7 and 8 to the Annual Financial Statements, if applicable.

1.3.5 Defined Benefit Plan Liabilities

As described in Accounting Policy 9.2, Employee Benefits – Post-employment Benefits, the District Municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the District Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. 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 the relevant Notes to the Annual Financial Statements.

1.3.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3.7 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 Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2021.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the District Municipality:

Standard	Description	Effective date
GRAP 25	Employee Benefits	Not yet determined
GRAP 104	Financial Instruments	1 April 2025
IGRAP 7	The limit on a defined benefit asset, minimum funding requirements and their interaction	1 April 2022
IGRAP 21	The Effect of Past Decisions on Materiality	1 April 2023

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the District Municipality.

2. ACCUMULATED SURPLUS

The accumulated surplus of the District Municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the District Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3.2 Subsequent Measurement

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Other	
Improvements	25 - 100	Bins and Containers	5
Community		Furniture and Fittings	5 - 10
Recreational Facilities	15 - 60	Office Equipment	3 - 7
Security	5	Other items of Plant and Equipment	2 - 5
		Other Vehicles	5 - 10
		Specialised Plant and Equipment	10 - 15
		Specialist Vehicles	5 - 20
		Watercraft	15

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the District Municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the District Municipality will obtain ownership by the end of the lease term.

3.7 Derecognition

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. Gains are not classified as Revenue.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the District Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing computer equipment or repairing of existing intangible assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software Purchased	3 - 5

4.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

5. IMPAIRMENT OF ASSETS

The District Municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

5.1 Impairment of Cash Generating Assets

The District Municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

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 Surplus or Deficit.

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.

The District 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 Surplus or Deficit.

5.2 Impairment of Non-cash Generating Assets

The District Municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 non-cash generating unit to which the asset belongs is determined.

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

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 Surplus or Deficit.

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 pro rata on the basis of the carrying amount of each asset in the unit.

The District 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 Surplus or Deficit.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

6. FINANCIAL INSTRUMENTS

The District Municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The District Municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the District Municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
If the market for a Financial Asset is not active (and for unlisted securities), the Municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same,
- discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

6.1 Financial Assets – Classification

The District Municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

6.2 Financial Liabilities – Classification

The District Municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

6.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

6.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the District Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is Management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

6.5 Derecognition of Financial Assets

The District Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the District Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the District Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the District Municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the District Municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

6.6 Derecognition of Financial Liabilities

The District Municipality derecognises Financial Liabilities when, and only when, the District Municipality's obligations are discharged, cancelled or they expire.

The District Municipality recognises the difference between the carrying amount of the 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, in Surplus or Deficit.

7. REVENUE RECOGNITION

7.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the District Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

7.2 Revenue from Exchange Transactions

7.2.1 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

7.2.2 Interest Earned

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in Surplus or Deficit:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

7.2.3 Sale of Goods (including Houses)

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

- (a) The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

7.3 Revenue from Non-exchange Transactions

7.3.1 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

7.3.2 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of Property, Plant and Equipment, when such items of property, plant and equipment are available for use.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

7.3.2 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the District Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the District Municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the District Municipality's interest, it is recognised as interest earned in Surplus or Deficit.

7.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual Unauthorised, Irregular, Fruitless and Wasteful Expenditure was incurred.

8. PROVISIONS

The best estimate of the expenditure required to settle the present obligation is the amount that the District Municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the Management of the District Municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

9. EMPLOYEE BENEFIT LIABILITIES

9.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

The District Municipality recognises the expected cost of performance bonuses only when the District Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The entity recognise the expected cost of bonus payments (13th cheques) when the District Municipality 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 and the settlement will be within 12 months. Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

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9.2 Post-employment Benefits

The District Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

9.2.1 Defined Contribution Plans

The District Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The District Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

9.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The District Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the District Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the District Municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the District Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

The District Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the District Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The District Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Defined Benefit Pension Plans

The District Municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The District Municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

10. LEASES

10.1 The Municipality as Lessee

10.1.1 Operating Leases

The District Municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

10.2 The Municipality as Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the District Municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the District Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

11. VALUE ADDED TAX

The District Municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

12. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, 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 (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit 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 Surplus or Deficit.

13. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

14. 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 accounted for as expenditure in Surplus or Deficit 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 Surplus or Deficit.

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

16. COMMITMENTS

Commitments are future expenditure to which the District Municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and operational commitments.

17. 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, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other Managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

18. EVENTS AFTER THE 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 Notes to the Annual Financial Statements.

19. SEGMENT REPORTING

The mandate of the Municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal Management reporting is based on each service objective. The following components have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting):

- *The segment for Executive and Council*
- *The segment for Finance and Administration*
- *The segment for Internal Audit*
- *The segment for Public Safety*
- *The segment for Health*
- *The segment for Planning and Development*
- *The segment for Other*

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the Municipality as a whole.

The Municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

The Segmental Reporting is disclosed in Note 48 to the Annual Financial Statements.

20. 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 Annual 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 statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the District 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 2021 to 30 June 2022.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected 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 District Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note N/A for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in Note 33 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 District Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. TREATMENT OF SUPPORT FUNDS RECEIVED

Funding received from Local Municipalities for support services are not recognised as revenue but are allocated to support accounts where the actual cost of support services (admin fees, shared service fee, travel costs and subsistence allowances) are deducted from. By using support accounts for each Local Municipality ZFM has more control over its support services and cannot overspend on support rendered.

22 STATUTORY RECEIVABLES

Utilisation of transitional provisions:

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The estimate Statutory Receivables that exists in the District Municipality's books at year-end are those relating to VAT.

The District Municipality applied the requirements of GRAP 108 by 30 June 2021. The District Municipality developed an accounting policy for GRAP 108 which was approved by Council.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. GENERAL INFORMATION

ZF Mgcawu District Municipality (The District Municipality, formerly known as Siyanda District Municipality) is a local government institution in Upington, Northern Cape, and has 5 Local Municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2022. The principal activities of the District Municipality are disclosed in the Annual Report.

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Service Debtors:	197 928	-	197 928
Merchandising, Jobbing and Contracts	197 928	-	197 928
Prepayments and Advances	-	-	-
Subscriptions	-	-	-
Telephone Contract	-	-	-
Total Receivables from Exchange Transactions	197 928	-	197 928

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Service Debtors:	48 240	-	48 240
Merchandising, Jobbing and Contracts	48 240	-	48 240
Prepayments and Advances	248 263	-	248 263
Subscriptions	65 413	-	65 413
Telephone Contract	182 850	-	182 850
Total Receivables from Exchange Transactions	296 503	-	296 503

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The District Municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the District Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and Receivables as well as the current payment ratios of the District Municipality's Receivables.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

	2022 R	2021 R
2.1 Ageing of Receivables from Exchange Transactions		
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	172 257	222 972
<u>Past Due:</u>		
31 - 60 Days	-	704
61 - 90 Days	-	704
91 - 120 Days	-	704
+ 120 Days	25 671	71 420
Total	197 928	296 503

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
As at 30 June 2022				
<u>Current:</u>				
0 - 30 days	-	58 503	113 753	172 257
<u>Past Due:</u>				
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	-	-	-	-
+ 120 Days	-	-	25 671	25 671
Sub-total	-	58 503	139 424	197 928
Less: Provision for Impairment	-	-	-	-
Total Trade Receivables by Customer Classification	-	58 503	139 424	197 928

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
As at 30 June 2021				
<u>Current:</u>				
0 - 30 days	-	-	222 972	222 972
<u>Past Due:</u>				
31 - 60 Days	-	-	704	704
61 - 90 Days	-	-	704	704
+ 90 Days	-	-	704	704
+ 120 Days	-	-	71 420	71 420
Sub-total	-	-	296 503	296 503
Less: Provision for Impairment	-	-	-	-
Total Trade Receivables by Customer Classification	-	-	296 503	296 503

	2022 R	2021 R
2.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	-	-
<i>All Consumer Debtors</i>	-	-
Impairment Losses recognised	-	-
<i>All Consumer Debtors</i>	-	-
Impairment Losses reversed	-	-
<i>All Consumer Debtors</i>	-	-
<i>Provision amount written off as uncollectable</i>	-	-
Balance at end of year	-	-

2.4 Ageing of impaired Receivables from Exchange Transactions

No impairment loss was recognised on 30 June 2022.

2.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	-	-	-
Total Receivables from Non-exchange Transactions	-	-	-
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	121 515	-	121 515
Total Receivables from Non-exchange Transactions	121 515	-	121 515

During the preparation of the 2020/21 Annual Financial Statements it was noted that various debit orders were deducted from ZF Mgcawu District Municipality's bank account without any authorisation by ZFM officials. The Municipality has opened a case at the SAPS for further investigation.

The total amount of the various debit orders was R240 942 of which R254 493 was recovered by ABSA.

Refer to Note 35 on 'Fruitless and Wasteful Expenditure' for more details.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

3.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2022

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Unauthorised, Irregular, Fruitless and Wasteful Expenditure:

Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-

As at 30 June 2021

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Unauthorised, Irregular, Fruitless and Wasteful Expenditure:

Gross Balances	-	-	-	121 515	121 515
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	121 515	121 515

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
4. STATUTORY RECEIVABLES - VAT		
VAT Receivable / (Payable)	<u>553 633</u>	<u>949 343</u>
As at 30 June:		
Gross Balances	553 633	949 343
Plus: Fines and Penalties	-	-
Less: Provision for Impairment	<u>-</u>	<u>-</u>
	<u>553 633</u>	<u>949 343</u>

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

VAT Receivable is the Net Receivable from all VAT Control Accounts and agree to the VAT201 Returns.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

5. CASH AND CASH EQUIVALENTS

Current Investments	24 278	20 382
Bank Accounts	2 100 512	2 260 378
Cash and Cash Equivalents	1 616	443
Total Bank, Cash and Cash Equivalents	<u>2 126 406</u>	<u>2 281 203</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Current Investments.

5.1 Current Investment Deposits

Call Deposits	24 278	20 382
Total Current Investment Deposits	<u>24 278</u>	<u>20 382</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 7.9% per annum.

Deposits attributable to Deposit taking Institutions	24 278	20 382
KOF: ABSA Account 1045170264	<u>24 278</u>	<u>20 382</u>
Total Deposits attributable to Commitments of the District Municipality	<u>24 278</u>	<u>20 382</u>

ABSA Account 9358880080

Cash book balance at beginning of year	20 382	562
Cash book balance at end of year	<u>24 278</u>	<u>20 382</u>
Bank statement balance at beginning of year	20 382	562
Bank statement balance at end of year	<u>24 278</u>	<u>20 382</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
5.2 Bank Accounts		
Cash in Bank	2 100 512	2 260 378
Total Bank Accounts	<u><u>2 100 512</u></u>	<u><u>2 260 378</u></u>

The District Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank Account 2240000035

Cash book balance at beginning of year	2 260 378	1 021 006
Cash book balance at end of year	<u>2 100 512</u>	<u>2 260 378</u>
Bank statement balance at beginning of year	2 260 378	1 021 006
Bank statement balance at end of year	<u>2 100 512</u>	<u>2 260 378</u>

The District Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

5.3 Cash and Cash Equivalents

Cash Floats and Advances	1 616	443
Total Cash on hand in Cash Floats, Advances and Equivalents	<u><u>1 616</u></u>	<u><u>443</u></u>

Petty Cash Bank Account

ABSA Bank Account 9266723639

Cash book balance at beginning of year	443	-
Cash book balance at end of year	<u>1 616</u>	<u>443</u>
Bank statement & Cash Float balance at beginning of year	443	-
Bank statement & Cash Float balance at end of year	<u>1 616</u>	<u>443</u>

The District Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the District Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the District Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and financial institutions.

6. CURRENT PORTION OF LONG-TERM RECEIVABLES

Finance Lease Receivable	3 600	3 600
Staff Related Long Term Receivables	14 118	2 802
CPMD Debtors	7 200	-
SCM Debtors	4 518	-
Maternity Leave Debtors	2 400	2 400
Acting Allowance Debtors	-	402
Total Current Portion of Long-term Receivables	<u><u>17 718</u></u>	<u><u>6 402</u></u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2022

Reconciliation of Carrying Value

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Total
	R	R	R	R				R
Carrying values at 01 July 2021	17 976 000	616 601	18 592 601	477 033	283 073	155 870	849 532	20 358 109
Cost	17 976 000	2 056 000	20 032 000	2 278 848	2 160 646	986 849	1 109 072	26 567 416
Accumulated Depreciation:	-	(1 439 399)	(1 439 399)	(1 801 815)	(1 877 573)	(830 979)	(259 541)	(6 209 307)
Acquisitions	-	-	-	466 503	30 731	1 625 444	-	2 122 678
Cost	-	-	-	466 503	30 731	15 444	-	512 678
Leased	-	-	-	-	-	1 610 000	-	1 610 000
Depreciation:	-	(82 214)	(82 214)	(241 788)	(45 112)	(362 491)	(173 204)	(904 808)
Cost	-	(82 214)	(82 214)	(241 788)	(45 112)	(10 036)	(173 204)	(552 353)
Leased	-	-	-	-	-	(352 455)	-	(352 455)
Carrying value of Disposals:	-	-	-	(36 989)	(15 088)	(94 776)	-	(146 852)
- Cost	-	-	-	(348 761)	(168 737)	(802 493)	-	(1 319 991)
- Accumulated Depreciation	-	-	-	311 772	153 650	707 717	-	1 173 139
Carrying values at 30 June 2022	17 976 000	534 388	18 510 388	664 759	253 604	1 324 047	676 328	21 429 126
Cost	17 976 000	2 056 000	20 032 000	2 396 590	2 022 640	1 809 800	1 109 072	27 370 103
Accumulated Depreciation:	-	(1 521 612)	(1 521 612)	(1 731 831)	(1 769 036)	(485 753)	(432 744)	(5 940 977)

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2021

Reconciliation of Carrying Value

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Total
	R	R	R	R				R
Carrying values at 01 July 2020	17 976 000	698 815	18 674 815	619 321	291 075	355 940	388 636	20 329 786
Cost	17 976 000	2 056 000	20 032 000	2 225 445	2 227 453	986 849	990 980	26 462 727
Accumulated Depreciation:	-	(1 357 185)	(1 357 185)	(1 606 124)	(1 936 378)	(630 909)	(602 344)	(6 132 941)
Acquisitions	-	-	-	90 344	36 777	-	713 492	840 613
Cost	-	-	-	90 344	36 777	-	713 492	840 613
Leased	-	-	-	-	-	-	-	-
Depreciation:	-	(82 213)	(82 213)	(227 995)	(34 129)	(200 070)	(111 578)	(655 986)
Cost	-	(82 213)	(82 213)	(227 995)	(34 129)	(8 500)	(111 578)	(464 416)
Leased	-	-	-	-	-	(191 570)	-	(191 570)
Carrying value of Disposals:	-	-	-	(4 636)	(10 650)	-	(141 018)	(156 305)
- Cost	-	-	-	(36 940)	(103 584)	-	(595 400)	(735 924)
- Accumulated Depreciation	-	-	-	32 304	92 934	-	454 382	579 619
Carrying values at 30 June 2021	17 976 000	616 601	18 592 601	477 033	283 073	155 870	849 532	20 358 109
Cost	17 976 000	2 056 000	20 032 000	2 278 848	2 160 646	986 849	1 109 072	26 567 416
Accumulated Depreciation:	-	(1 439 399)	(1 439 399)	(1 801 815)	(1 877 573)	(830 979)	(259 541)	(6 209 307)

Refer to Note 50, Appendix B and E (4) for more detail on Property, Plant and Equipment, including those in the course of construction.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
7 PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
At Carrying Amount:		
Computer Equipment	997	-
Furniture and Office Equipment	5 147	17 819
Machinery and Equipment	300	-
Gross Carrying Amount of PPE fully depreciated and still in use	6 444	17 819
7.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation		
Refer to Note 31 for Property, Plant and Equipment that were retired from active use and held for disposal during the financial year.		
7.3 Assets pledged as security		
The District Municipality did not pledge any of its assets as security, except for Leased Assets.		
7.4 Impairment of Property, Plant and Equipment		
No Property, Plant and Equipment were impaired from active use during the financial year.		
7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2021/22:		
Administration	(30)	(264)
Asset Management Unit	(2)	(6)
Budget and treasury office	(3)	(27)
Council Administration	(3)	(868)
Council Services	(9 699)	(2 189)
Disaster Management	-	(15)
Engineering Services	(3)	(319)
Environmental Health	(22)	(5 537)
Expenditure Unit	-	(2 286)
Financial Services	(12 380)	(184)
Housing Accreditation	(1)	(6)
Human Resources	(29)	(76)
Information Technology	(24 795)	(73 885)
Internal Audit	(115)	(19)
LED	(3)	(10 356)
Municipal Manager	(2 728)	(3 645)
PIMMS	(8)	(1 377)
Property Services	(0)	(330)
Risk Management	(27)	
Supply Chain Management	(1)	(1)
Planning & Development	(6)	(21)
Tourism	(7)	(158)
Vehicles	-	(26 792)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(49 864)	(128 361)

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
7.6 Land and Buildings carried at Fair Value		
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
7.7 Repairs and Maintenance		
Repairs and Maintenance expenditures of Property, Plant and Equipment are disclosed under Contracted Services, refer Note 26.		
7.8 Compensation received for Losses		
Compensation, included in Operating Surplus, was received from the Municipality's insurers for Property, Plant and Equipment lost during the year:		
Compensation received from insurers	-	-
Carrying value of lost or broken assets	(1 807)	-
Surplus / (Deficit) on Compensation received for Lost PPE	(1 807)	

8 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

112 354	208 890

The movement in Intangible Assets is reconciled as follows:

30 June 2022

Carrying values at 01 July 2021

	Computer Software	Total
Carrying values at 01 July 2021	208 890	208 890
Cost	889 727	889 727
Accumulated Amortisation	(680 837)	(680 837)
Acquisitions:	41 609	41 609
Purchased	41 609	41 609
Amortisation:	(138 145)	(138 145)
Purchased	(138 145)	(138 145)
Carrying value of Disposals:	-	-
- Cost	(21 137)	(21 137)
- Accumulated Depreciation	21 137	21 137
Carrying values at 30 June 2022	112 354	112 354
Cost	910 198	910 198
Accumulated Amortisation	(797 844)	(797 844)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Computer Software	Total
30 June 2021		
Carrying values at 01 July 2020	266 989	266 989
Cost	809 379	809 379
Accumulated Amortisation	(542 390)	(542 390)
Acquisitions:	80 348	80 348
Purchased	80 348	80 348
Amortisation:	(138 447)	(138 447)
Purchased	(138 447)	(138 447)
Carrying value of Disposals:	-	-
- Cost	-	-
- Accumulated Depreciation	-	-
Carrying values at 30 June 2021	208 890	208 890
Cost	889 727	889 727
Accumulated Amortisation	(680 837)	(680 837)

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 23).

All of the District Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the District Municipality.

No restrictions apply to any of the Intangible Assets of the District Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

The District Municipality's intangible assets only comprise of computer related software.

8.2 Intangible Assets with Indefinite Useful Lives

The District Municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the District Municipality at the reporting date.

8.4 Change in Estimate - Useful Life of Intangible Assets reviewed

The estimated useful lives of Intangible Assets were reviewed but no changes were made by the District Municipality

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

9 NON-CURRENT INVESTMENTS

Financial Instruments

	2022 R	2021 R
Fixed Deposits	512 048	-
Total Investments		
All Investments	512 048	-
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	512 048	-

The Fixed Deposit of R500 000 is an investment with a maturity period of 3 years (ending 17 March 2025) and earns interest of 8.22% per annum.

The Fixed Deposit of R512 048 (2021: R0) are invested to improve the District Municipality's unfunded budget and going concern position.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

The management of the Municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

10 LONG-TERM RECEIVABLES

Gross Balances:

Finance Lease Receivable	12 433	14 374
Staff Related Long Term Receivables	113 871	6 325
CPMD Debtors	97 800	-
SCM Debtors	12 547	-
Maternity Leave Debtors	3 523	5 923
Acting Allowance Debtors	-	402
	126 303	20 699

Less: Provision for Impairment:

Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	-
	-	-

Net Balances:

Finance Lease Receivable	12 433	14 374
Staff Related Long Term Receivables	113 871	6 325
CPMD Debtors	97 800	-
SCM Debtors	12 547	-
Maternity Leave Debtors	3 523	5 923
Acting Allowance Debtors	-	402
Total Long Term Receivables	126 303	20 699

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
Less: Current Portion transferred to Current Receivables:		
Finance Lease Receivable	(3 600)	(3 600)
Staff Related Long Term Receivables	(14 118)	(2 802)
CPMD Debtors	(7 200)	-
SCM Debtors	(4 518)	-
Maternity Leave Debtors	(2 400)	(2 400)
Acting Allowance Debtors	-	(402)
	(17 718)	(6 402)
Non-Current Portion of Long Term Receivables		
Finance Lease Receivable	8 833	10 774
Staff Related Long Term Receivables	99 753	3 523
Non-Current Portion of Long Term Receivables	108 585	14 297

FINANCE LEASE RECEIVABLES

Finance Lease Receivables relate to Housing Selling Scheme Loans:

Loans were granted to the tenants of low cost housing erected by the District Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the District Municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

STAFF RELATED LONG TERM RECEIVABLES

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of:

i) CPMD Course Debtors

Three employees did not complete their CMPD course and Council will be reimbursed for all expenditures incurred. ZFM will recover the amount from employees over a 14 year period with no interest, ending 31 January 2036. ZFM is in the process to negotiate new terms.

ii) SCM Debtors

SCM officials accidentally paid a former employee and could not recover the money. ZFM will recover the amount from employees over a 3 year period with no interest, ending 31 March 2025.

iii) Acting Allowance Debtors

An Acting Allowance was incorrectly paid out to an employee. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 August 2021.

iv) Maternity Leave Debtors

An salary was incorrectly paid out to an employee who was on maternity leave. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 December 2023.

The District Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the District Municipality's financial liabilities.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties.

10.1 Leasing Arrangements

The District Municipality entered into finance Leasing Arrangements for the house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

10.2 Amounts receivable under Finance Leases

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2022 R	2021 R	2022 R	2021 R
Within one year	3 600	3 600	3 600	3 600
In the second to fifth years, inclusive	10 069	14 400	10 069	14 400
Over five years	-	535	-	535
	<u>13 669</u>	<u>18 535</u>	<u>13 669</u>	<u>18 535</u>
Less: Unearned Finance Income	1 237	4 161	1 237	4 161
Present Value of Minimum Lease Payments Receivable	<u>12 433</u>	<u>14 374</u>	<u>12 433</u>	<u>14 374</u>
Provision for Uncollectable Lease Receivables	-	-	-	-
Total Finance Lease Receivables	<u>12 433</u>	<u>14 374</u>	<u>12 433</u>	<u>14 374</u>

	2022 R	2021 R
Included in the Annual Financial Statements as:		
Non-current Finance Lease Receivables	8 833	10 774
Current Finance Lease Receivables	3 600	3 600
Total Finance Lease Receivables	<u>12 433</u>	<u>14 374</u>

The interest rates inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2021: 5%) per annum.

Management of the District Municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties as well as the current payment ratios of the District Municipality's debtors.

10.3 Ageing of Long-term Receivables

Current:

0 - 30 days

Past Due:

31 - 60 Days

61 - 90 Days

91 - 120 Days

+ 120 Days

Finance Lease Receivable

Staff Related Long Term Receivables

Total

-	-
-	-
-	-
-	-
126 303	20 699
<u>12 433</u>	<u>14 374</u>
<u>113 871</u>	<u>6 325</u>
<u>126 303</u>	<u>20 699</u>

As at 30 June Long-term Receivables of R126 303 (2021: R20 699) were past due of which R0 (2021: R0) were impaired. No terms for payment have been re-negotiated.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
10.4 Reconciliation of the Provision for Impairment		
Balance at beginning of year	-	-
Impairment Losses recognised	-	-
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Balance at end of year	-	-

In determining the recoverability of a Long-term Receivable, the District Municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. However, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

11 PROVISIONS

Performance Bonus	553 376	525 207
Current Portion of Employee Benefit Liabilities (See Note 15):	2 334 000	2 948 000
Post-retirement Medical Aid Benefits Liability	1 552 000	1 789 000
Long-term Service Liability	782 000	1 159 000
Total Provisions	2 887 376	3 473 207

The movement in provisions is reconciled as follows:

Performance Bonus:

Opening Balance	525 207	444 546
Increases	552 472	525 207
Reductions	(524 303)	(444 546)
Balance at end of year	553 376	525 207

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Current Portion of Defined Benefit Liabilities:

	Medical Aid R	Long-term Service R
30 June 2022		
Opening Balance	1 789 000	1 159 000
Expenditure incurred	(1 589 944)	(864 088)
Contributions to provision	1 352 944	487 088
Balance at end of year	1 552 000	782 000
30 June 2021		
Opening Balance	1 738 000	625 000
Expenditure incurred	(1 715 275)	(713 746)
Contributions to provision	1 766 275	1 247 746
Balance at end of year	1 789 000	1 159 000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12 PAYABLES FROM EXCHANGE TRANSACTIONS

	2022 R	2021 R
Advance Payments	50 550	127 681
LGSETA Skills Programmes and Learnerships	50 550	127 681
Annual Bonus	1 694 924	1 626 575
Leave Accrual	3 877 601	3 969 983
Other Payables: Salary Clearing and Control	1 444 909	648 161
Salary Control	1 132 839	461 910
Travel Control	7 037	7 379
Leave Control	112 982	46 120
UIF Control	-	(15 983)
Skills Control	38 708	30 632
Medical Aid Control	133 689	102 719
Unions Control	289	130
Employee Deductions FICS	19 364	15 254
Salary Related Payables	233 173	(46 911)
Compensation Commission (COID)	0	82 006
PAYE Deductions	233 173	(128 918)
Trade Creditors	843 254	2 711 913
Auditor-General of South Africa	-	1 712 495
Payables and Accruals	843 254	999 417
Total Payables	8 144 410	9 037 402

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Annual Bonuses accrue to the staff of the District Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the District Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The District Municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the District Municipality.

The management of the District Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Conditional Grants from Government

National Government	-	-
Provincial Government	-	533 983
Total Conditional Grants and Receipts	-	533 983

The Unspent Conditional Grants and Receipts are invested in call deposit accounts until utilised.

Refer to Note 17 for the reconciliation of Grants from Government Receipts. The District Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Refer to Appendix "F" for more detail on Conditional Grants.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

14 LONG-TERM LIABILITIES

Finance Lease Liability	803 350	-
Operating Lease Liability	-	33 039
Non-Current Portion of Long Term Liabilities	803 350	33 039
Plus: Current Portion transferred to Current Liabilities:-	496 885	82 592
Finance Lease Liability	496 885	82 592
Total Long-term Liabilities (Neither past due, nor impaired)	1 300 236	115 632

14.1 Finance Lease Liability

14.1.1 Summary of Arrangements

Finance Lease Liabilities relate to Copier Machines and Telephone System with lease terms of 3 years. Capitalised Lease Liabilities are secured over the items of copier machines leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

14.1.2 Obligations under Finance Leases:

The District Municipality as Lessee:

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R660 000 as at 1 June 2022, ending 31 May 2025. The effective interest rate on Finance Leases is 12.4%.

Finance Lease Liabilities relate to Telephone System with a lease term of 3 years with a fair value of R950 000 as at 1 July 2021, ending 30 June 2024. The effective interest rate on Finance Leases is 73.1%.

The District Municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under the finance lease are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2022	2021	2022	2021
	R	R	R	R
Amounts payable under borrowings:				
Within one year	897 840	85 286	897 840	85 286
In the second to fifth years, inclusive	978 860	-	978 860	-
Over five years	-	-	-	-
	1 876 700	85 286	1 876 700	85 286
Less: Future Finance Obligations	576 465	2 694	576 465	2 694
Present Value of Minimum Lease Obligations	1 300 236	82 592	1 300 236	82 592
Less: Amounts due for settlement within 12 months (Current Portion)			(496 885)	(82 592)
Borrowings due for settlement after 12 months (Non-current Portion)			803 350	-

The District Municipality has finance lease agreements for the following significant classes of assets:

- Machinery and Equipment

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	2022	2021
	R	R
Included in these classes are the following significant leases:		
(i) Copier Machines - old contract		
- Instalments are payable monthly in advance		
- Cost Price	R 783 000	R 783 000
- Accumulated Depreciation	R 783 000	R 717 750
- Net Carrying Amount	R 0	R 65 250
- Depreciation for the year	R 65 250	R 191 570
- Finance charge for the year	R 2 694	R 47 835
- Average period outstanding	0 months	3 months
- Average effective interest rate	19.4%	19.4%
- Average monthly instalment	R 28 429	R 28 429
(ii) Copier Machines - new contract		
- Instalments are payable monthly in advance		
- Cost Price	R 660 000	-
- Accumulated Depreciation	R 18 333	-
- Net Carrying Amount	R 641 667	-
- Depreciation for the year	R 18 333	-
- Finance charge for the year	R 6 492	-
- Average period outstanding	35 months	-
- Average effective interest rate	12.4%	-
- Average monthly instalment	R 21 820	-
(iii) Telephone System		
- Instalments are payable monthly in advance		
- Cost Price	R 950 000	-
- Accumulated Depreciation	R 316 667	-
- Net Carrying Amount	R 633 333	-
- Depreciation for the year	R 316 667	-
- Finance charge for the year	R 500 564	-
- Average period outstanding	24 months	-
- Average effective interest rate	73.1%	-
- Average monthly instalment	R 53 000	-

14.2 Operating Leases

Balance at beginning of year	33 039	78 310
Operating Lease payments effected	(392 159)	(907 159)
Operating Lease expenses recorded	359 120	861 889
Total Operating Lease Liabilities	-	33 039

14.2.1 Leasing Arrangements

The District Municipality as Lessee:

Operating Leases relate to Rental of Office space (Ancorley Building) with lease terms of 3 years ending 31 January 2018, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the District Municipality exercises its option to renew. The District Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Operating Leases relate to Rental of Office space (Chrystal lagoon) with lease terms of 3 years ending 30 November 2021, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the District Municipality exercises its option to renew. The District Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

14.2.2 Amounts payable under Operating Leases

At the Reporting Date the District Municipality had outstanding commitments under Non-cancellable Operating Leases, which fall due as follows:

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	2022 R	2021 R
Buildings:	-	450 983
Up to 1 year	-	450 983
2 to 5 years	-	-
More than 5 years	-	-
Total Operating Lease Arrangements	-	450 983

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	(392 159)	(907 159)
Total Operating Lease Expenses	(392 159)	(907 159)

The following restrictions have been imposed on the District Municipality in terms of the lease agreements on Rental of Office Space:

- (i) The building shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the building.
- (iii) The building shall be returned in good order and condition to the lessor upon termination of the agreement.

15 EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	26 566 000	28 284 000
Long Service Awards Liability	7 809 000	7 450 000
Total Employee Benefit Liabilities	34 375 000	35 734 000
Less: Current Portion of Employee Benefit Liabilities	(2 334 000)	(2 948 000)
Post-retirement Health Care Benefits Liability	(1 552 000)	(1 789 000)
Long Service Awards Liability	(782 000)	(1 159 000)
Non-current portion of Employee Benefit Liabilities	32 041 000	32 786 000

15.1 Post-retirement Health Care Benefits Liability

Opening balance	28 284 000	25 695 000
Interest cost	2 675 000	2 455 000
Current service cost	566 000	542 000
Past service cost (Policy Amendments)	-	-
Actual employer benefit payments	(1 589 944)	(1 715 275)
Actuarial loss/ (gain) recognised in the year	(3 369 056)	1 307 275
Balance at end of Year	26 566 000	28 284 000
Transfer to Current Provisions	(1 552 000)	(1 789 000)
Total Post-retirement Health Care Benefits Liability	25 014 000	26 495 000

The District Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the District Municipality. According to the rules of the Medical Aid Funds, with which the District Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the District Municipality is liable for a certain portion of the medical aid membership fee. The District Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The District Municipality has changed the Post Retirement Healthcare Policy regarding GRAP 25 (Employee Benefits). Refer to Change in Accounting Policy Note 32.

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The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

	2022	2021
	R	R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	55	59
In-service Non-members (Employees)	47	45
Continuation Members (Retirees, widowers and orphans)	23	28
Total Members	125	132

The liability in respect of past service has been estimated as follows:

In-service Members	8 312 000	7 738 000
In-service Non-members	646 000	532 000
Continuation Members	17 608 000	20 014 000
Total Liability	26 566 000	28 284 000

The District Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2022 is estimated to be R566 000, whereas the cost for the ensuing year is estimated to be R575 000 (30 June 2021: R542 000).

The Interest Cost for the year ending 30 June 2022 is estimated to be R2 675 000, whereas the cost for the ensuing year is estimated to be R2 968 000 (30 June 2021: R2 455 000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	11.50%	9.76%
Health Care Cost Inflation Rate	8.15%	6.57%
Net Effective Discount Rate	3.10%	2.99%
Expected Rate of Salary Increase	4.90%	4.00%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening balance	28 284 000	25 695 000
Current service cost	566 000	542 000
Past service cost (Policy Amendments)	-	-
Interest cost	2 675 000	2 455 000
Actual employer benefit payments	(1 589 944)	(1 715 275)
Actuarial loss/ (gain) recognised in the year	(3 369 056)	1 307 275
Total Recognised Benefit Liability	26 566 000	28 284 000

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	26 566 000	28 284 000
Fair value of plan assets	-	-
	26 566 000	28 284 000
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	26 566 000	28 284 000
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
Total Benefit Liability	26 566 000	28 284 000

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	2022 R	2021 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost & Past service cost	566 000	542 000
Senior Management	39 300	57 800
Municipal Staff	526 700	484 200
Interest cost	2 675 000	2 455 000
Senior Management	82 400	92 200
Municipal Staff	2 592 600	2 362 800
Employer Benefit Payments	(1 589 944)	(1 715 275)
Actuarial losses / (gains)	(3 369 056)	1 307 275
Senior Management	(30 600)	(266 800)
Municipal Staff	(3 338 456)	1 574 075
Total Post-retirement Benefit included in Employee Related Costs (Note 21)	(1 718 000)	2 589 000

Contribution to Actuarial losses / (gains):

	(3 369 056)	1 307 275
Basis changes:		
(Increase)/Decrease in net discount rates	(348 000)	2 241 000
Change in assumed in-service non-member medical aid option	-	(999 000)
Increase in assumed average retirement age	-	-
Decrease in assumed membership continuation rate at retirement	-	-
Decrease in assumed in-service non-member take-up rate	-	-
Decrease in assumed spouse dependant proportion at retirement	-	-
Subsidy increases higher / (lower) than assumed	(646 000)	(223 000)
Changes to membership profile different from assumed	(2 176 000)	311 000
Actual benefits vested, (lower) / greater than expected	(199 056)	(22 725)

The actuarial gain attributable to membership changes arises primarily because, on average, members bought down to cheaper medical aid options, and there were more exits than expected since the last valuation.

The history of fair values are as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Present Value of Defined Benefit Obligation	26 566 000	28 284 000	25 695 000	24 983 000	33 208 000
Deficit	26 566 000	28 284 000	25 695 000	24 983 000	33 208 000
Experienced adjustments on Plan Liabilities	(3 021 000)	65 000	(1 139 000)	(1 941 000)	(736 000)

	2022 R	2021 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	3 742 000	3 452 000
Effect on the defined benefit obligation	30 036 000	32 005 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2 836 000	2 627 000
Effect on the defined benefit obligation	23 692 000	25 213 000

The District Municipality expects to make a contribution of R1 552 000 (2021: R1 789 000) to the Defined Benefit Plans during the next financial year.

Refer to Note 40, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the District Municipality's other retirement funds that is Provincially and Nationally administered.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
15.2 Long Service Awards Liability		
Opening Balance	7 450 000	7 160 000
Payments Made	(864 088)	(713 746)
Actuarial losses / (gains)	32 088	(61 254)
Increases (Passage of Time/Discounted Rate)	650 000	543 000
Increases (Outflow of Economic Benefits)	541 000	522 000
Balance at end of Year	<u>7 809 000</u>	<u>7 450 000</u>
Transfer to Current Provisions	(782 000)	(1 159 000)
Total Long Service Awards Liability	<u>7 027 000</u>	<u>6 291 000</u>

The District Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, and every 1 year after 25 years of continuous service, to employees according to Collective Agreement Circular 1/2014 dated 27/10/2014 and the Council resolution in November 1996. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 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.

At year end, 102 (2021: 104) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2022 is estimated to be R541 000, whereas the cost for the ensuing year is estimated to be R550 000.

The Interest Cost for the year ending 30 June 2022 is estimated to be R650 000, whereas the cost for the ensuing year is estimated to be R829 000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	11.16%	9.44%
Net Effective Discount Rate	3.57%	3.40%
Expected Rate of Salary Increase	4.90%	4.00%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening Balance	7 450 000	7 160 000
Payments Made	(864 088)	(713 746)
Actuarial losses / (gains)	32 088	(61 254)
Increases (Passage of Time/Discounted Rate)	650 000	543 000
Increases (Outflow of Economic Benefits)	541 000	522 000
Total Recognised Benefit Liability	<u>7 809 000</u>	<u>7 450 000</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	7 809 000	7 450 000
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Unfunded Accrued Liability	7 809 000	7 450 000
Total Benefit Liability	<u>7 809 000</u>	<u>7 450 000</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	541 000	522 000
Senior Management	13 600	8 100
Municipal Staff	527 400	513 900
Interest cost	650 000	543 000
Senior Management	6 100	8 300
Municipal Staff	643 900	534 700
Payments Made	(864 088)	(713 746)
Senior Management	(173 417)	(71 272)
Municipal Staff	(690 671)	(642 474)
Actuarial losses / (gains)	32 088	(61 254)
Senior Management	120 217	(17 628)
Municipal Staff	(88 129)	(43 626)
Total Post-retirement Benefit included in Employee Related Costs (Note 21)	359 000	290 000

Contribution to Actuarial losses / (gains):	32 088	(61 254)
Basis changes:		
Decreases/(Increase) in net discount rates	(76 000)	4 000
Salary increases higher than assumed	-	-
Increase in assumed average retirement age	-	-
Application of revised withdrawal rates	-	-
Earnings increases higher than assumed	89 000	57 000
Changes to employee profile different from assumed	314 000	(211 000)
Actual benefits vesting, greater than expected	(294 912)	88 746

The history of experienced adjustments is as follows:

	2022	2021	2020	2019	2018
	R	R	R	R	R
Present Value of Defined Benefit Obligation	7 809 000	7 450 000	7 160 000	6 757 000	3 804 000
Deficit	7 809 000	7 450 000	7 160 000	6 757 000	3 804 000
Experienced adjustments on Plan Liabilities	108 088	(65 254)	496 048	310 090	343 530

Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2022	2021
	R	R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 291 000	1 156 000
Effect on the defined benefit obligation	8 387 000	8 011 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 100 000	982 000
Effect on the defined benefit obligation	7 288 000	6 946 000

The District Municipality expects to make a contribution of R782 000 (2021: R1 159 000) to the defined benefit plans during the next financial year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

16 ACCUMULATED SURPLUS

	2022 R	2021 R
Accumulated Surplus / (Deficit) due to the results of Operations	(19 315 223)	(21 709 961)
Total Accumulated Surplus	(19 315 223)	(21 709 961)

Reconciliation of Accumulated Surplus:

Opening Balance	(21 709 961)	(22 027 492)
Correction of Prior Period Error - Opening Balance	-	1 882
Published Surplus for the year	2 394 737	315 650
Surplus for the year (previously published)		374 512
Correction of Error (Note 32)		(58 862)
Total Accumulated Surplus	(19 315 223)	(21 709 961)

17 TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants and subsidies

Allocations Gazetted	-	-

Operational Grants and subsidies

Allocations Not Gazetted	82 846 906	80 137 977
Allocations Gazetted	1 618 906	555 977
	81 228 000	79 582 000

Total Government Grants and Subsidies

82 846 906	80 137 977

	2022 R	2021 R

17.1 Operational Grants

National Revenue Fund:

Equitable Share Grant	74 698 000	74 092 000
	74 698 000	74 092 000

National Governments:

Allocations Gazetted:

Expanded Public Works Programme Integrated Grant	6 280 000	4 890 000
Local Government Financial Management Grant	2 150 000	1 000 000
Road Asset Management Systems Grant	1 200 000	1 000 000
	2 930 000	2 890 000

Allocations Not Gazetted:

National Treasury Subsidy for External Audit Fees	1 084 923	306 427
	1 084 923	306 427

Provincial Government:

Allocations Gazetted:

Housing Grant	250 000	600 000
	250 000	600 000

Allocations Not Gazetted:

HIV and AIDS Grant (Provincial Health Department)	533 983	249 550
	533 983	249 550

82 846 906	80 137 977

17.2 Capital Grants and subsidies

Provincial Government:

Allocations Gazetted:

Other	-	-
	-	-

Total Operational Grants Received

82 846 906	80 137 977

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
17.3 Reconciliation per Grant Source		
17.3.1 National Governments: Financial Management Grant		
Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	1 200 000	1 000 000
Conditions met for 2017/18 - transferred to	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 200 000)	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the District Municipality.

17.3.2 National Governments: Rural Road Asset Management Systems Grant

Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	2 930 000	2 890 000
Conditions not met: Operating Expenses (Withheld by National Treasury)	-	-
Conditions met - transferred to Revenue: Operating Expenses	(2 443 952)	(2 799 656)
Conditions met - transferred to Revenue: Capital Expenses	(486 048)	(90 344)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

To assist rural district municipalities to set up Rural Road Asset Management Systems (RRAMS), and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

17.3.3 National Governments: EPWP Incentive Grant

Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	2 150 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(2 150 000)	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

17.3.4 Provincial Government: Housing Accreditation DPLG National Grant

Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	250 000	600 000
Conditions met - transferred to Revenue: Operating Expenses	(250 000)	(600 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level, in line with the accreditation framework.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
17.3.5 Provincial Government: HIV/AIDS Grant (Provincial Health Department)		
Allocations Not Gazetted:		
Balance unspent at beginning of year	533 983	283 533
Current year receipts	-	500 000
Conditions met - transferred to Revenue: Operating Expenses	(533 983)	(249 550)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>533 983</u>

The purpose of this grant is to sustain and extend coverage of the ward-based door-to-door education programme with referrals to local services, to build communities and support and utilise local services appropriately, and to support ward structures to address HIV/AIDS in the local community.

17.3.6 Summary of Conditional Grants:

Balance unspent at beginning of year	533 983	283 533
Current year receipts	6 530 000	5 990 000
Conditions met - transferred to Revenue: Operating Expenses	(6 577 935)	(5 649 207)
Conditions met - transferred to Revenue: Capital Expenses	(486 048)	(90 344)
Conditions still to be met - transferred to Liabilities	<u>(0)</u>	<u>533 983</u>
Grants classified under Receivables from Non-exchange Transactions	-	-
Unspent Conditional Grants - Current Liabilities (see Note 13)	<u>-</u>	<u>533 983</u>

18 RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue

Other Fixed Assets	8 730	2 078
Property Plant and Equipment	<u>8 730</u>	<u>2 078</u>
Ad-hoc Rental Income from Other Fixed Assets	-	-
Total Rental of Facilities and Equipment	<u>8 730</u>	<u>2 078</u>

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

19 FINANCE INCOME

External Investments:

Bank Account	76 639	67 870
Call Accounts	610 220	494 234
Non-current Investments	12 048	-
	<u>698 907</u>	<u>562 104</u>

Outstanding Exchange Receivables:

Long-term Debtors		
Housing & Housing Selling Schemes	659	765
	<u>659</u>	<u>765</u>
Total Exchange Interest Earned	<u>699 566</u>	<u>562 869</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

20 OPERATIONAL REVENUE

	2022 R	2021 R
LGSETA Skills Programmes and Learnerships	406 365	50 494
Commission	55 137	70 257
Merchandising, Jobbing and Contracts	270 650	254 313
Skills Development Levy Refund	102 469	167 161
Total Operational Revenue	834 620	542 225

LGSETA Skills Programmes and Learnerships were received for Student Education Programmes which were fully spent during 2021/22 financial year.

21 EMPLOYEE RELATED COSTS

Salaries and Wages		
Basic	36 980 926	36 005 050
Senior Management	2 195 713	2 582 288
Municipal Staff	34 785 213	33 422 761
Bonuses	552 472	525 207
Senior Management - Performance Bonus	552 472	525 207
Shift Work Allowance	890 246	894 560
Municipal Staff	890 246	894 560
Allowances		
Acting and Post Related Allowances	682 512	209 155
Senior Management	11 111	19 534
Municipal Staff	671 402	189 621
Annual Bonus Allowance	3 092 337	2 780 089
Senior Management	153 500	-
Municipal Staff	2 938 837	2 780 089
Cellular and Telephone	325 012	246 908
Senior Management	26 700	8 800
Municipal Staff	298 312	238 108
Housing Benefits	349 127	371 017
Senior Management	16 900	26 556
Municipal Staff	332 227	344 462
Scarcity Allowance	-	56 693
Senior Management	-	56 693
Standby Allowance	10 200	10 200
Municipal Staff	10 200	10 200
Travel or Motor Vehicle	4 186 075	4 663 885
Senior Management	1 244 037	1 285 417
Municipal Staff	2 942 038	3 378 467
Uniform/Special/Protective Clothing	1 326	1 394
Municipal Staff	1 326	1 394
Social Contributions		
Bargaining Council	8 850	7 694
Senior Management	298	298
Municipal Staff	8 552	7 395
Medical	2 123 833	2 185 538
Senior Management	96 839	105 833
Municipal Staff	2 026 994	2 079 705
Pension	6 252 411	6 183 711
Senior Management	306 165	196 009
Municipal Staff	5 946 247	5 987 703
Unemployment Insurance	216 535	204 575
Senior Management	8 147	5 609
Municipal Staff	208 388	198 966
Total Employee Cost	55 671 863	54 345 674

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
Post-retirement Benefit		
Current Service Cost	566 000	542 000
Senior Management	39 300	57 800
Municipal Staff	526 700	484 200
Interest Cost	2 675 000	2 455 000
Senior Management	82 400	92 200
Municipal Staff	2 592 600	2 362 800
Actuarial Gains and Losses	(3 369 056)	1 307 275
Senior Management	(30 600)	(266 800)
Municipal Staff	(3 338 456)	1 574 075
Leave Gratuity	27 914	591 891
Senior Management	47 649	40 111
Municipal Staff	(19 734)	551 781
Long Term Service Awards	1 266 306	1 003 746
Senior Management	139 917	(1 228)
Municipal Staff	1 126 389	1 004 974
Total Post-retirement Benefit	1 166 165	5 899 913
Total Employee Related Costs	56 838 028	60 245 587

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	892 000	888 887
Performance Bonus	164 719	164 719
Car, Cell phone and Housing Allowance	375 066	378 179
Total	1 431 785	1 431 785

Remuneration of Director: Financial Services

Annual Remuneration	542 435	511 952
Acting Allowance	11 111	19 534
Annual Bonus	48 500	-
Scarce Skills Allowance	-	56 693
Performance Bonus	94 385	134 526
Car, Cell phone and Housing Allowance	146 432	180 794
Company Contributions to Medical and Pension Funds	129 572	37 859
Total	972 435	941 357

The post was vacant as from 15 March 2021 to 31 August 2021. Acting Allowances were paid for the period. The post was filled from 01 September 2021.

Remuneration of the Director: Corporate Services

Annual Remuneration	638 343	618 937
Annual Bonus	60 000	-
Performance Bonus	154 382	145 301
Car, Cell phone and Housing Allowance	461 025	504 238
Company Contributions to Medical and Pension Funds	172 179	163 344
Total	1 485 929	1 431 820

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
Remuneration of the Director: Planning & Development		
Annual Remuneration	615 660	562 513
Annual Bonus	45 000	-
Performance Bonus	110 816	-
Car, Cell phone and Housing Allowance	305 114	257 562
Company Contributions to Medical and Pension Funds	101 252	100 639
Total	1 177 843	920 714

The post was filled from 01 August 2020. No acting allowances were paid for the period.

Summary of Remuneration of Section 57 Employees:

Annual Remuneration	2 688 438	2 582 288
Annual Bonus	153 500	-
Scarce Skills Allowance	-	56 693
Acting Allowance	11 111	19 534
Performance Bonus	524 302	444 546
Car, Cell phone and Housing Allowance	1 287 637	1 320 773
Company Contributions to Medical and Pension Funds	403 004	301 841
Total Remuneration of Section 57 Employees	5 067 993	4 725 675

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	124 770	79 143
Director: Financial Services	30 104	-
Director: Planning & Development	10 800	28 080
Director: Corporate Services	26 126	4 751
Total	191 801	111 975

22 REMUNERATION OF COUNCILLORS

Executive Mayor	837 419	860 859
Speaker	533 649	583 163
Chief Whip	128 460	-
Executive Committee	2 907 920	2 290 552
Section 79 committee chairperson	151 964	66 748
Total for All Other Councillors	60 676	173 398
Total Councillors' Remuneration	4 620 087	3 974 721

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Executive Mayor and Speaker serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the District Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has used a Council owned vehicle for official duties.

Refer to Appendix G for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

23 DEPRECIATION AND AMORTISATION

	2022 R	2021 R
Depreciation: Property, Plant and Equipment	904 808	655 986
Amortisation: Intangible Assets	138 145	138 447
Total Depreciation and Amortisation	1 042 953	794 433

23.1 Depreciation: Property, Plant and Equipment

Other Assets	82 214	82 213
Computer Equipment	241 788	227 995
Furniture and Office Equipment	26 523	34 129
Machinery and Equipment	381 080	200 070
Own	28 625	8 500
Leased	352 455	191 570
Transport Assets	173 204	111 578
	904 808	655 986

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

24 IMPAIRMENT LOSSES / (GAINS)

Impairment (Gains) on Financial Assets	-	-
Impairment Losses on Financial Assets	53 246	13 137
Total Impairment Losses / (Gains)	53 246	13 137

24.1 Impairment Losses on Financial Assets

Impairment Losses

Trade and Other Receivables from Exchange Transactions	-	-
Long Term Receivables	-	-

Reversal of Impairment Losses

Trade and Other Receivables from Exchange Transactions	-	-
Long Term Receivables	-	-

Impairment Losses Recognised (written off during the current year):

Trade and Other Receivables from Exchange Transactions	53 246	13 137
Long Term Receivables	-	-
	53 246	13 137

25 FINANCE COSTS

Finance Leases	509 749	47 835
Overdue Accounts	3 120	134
Total Interest Expense	512 869	47 969
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Finance Cost	512 869	47 969

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

26 CONTRACTED SERVICES

Included in Contracted Services are the following:

Business and Advisory	1 167 916	605 132
Catering Services	314 225	181 276
Cleaning Services	782 304	225 718
Clearing and Grass Cutting Services	-	486 950
Graphic Designers	20 920	107 399
Infrastructure and Planning	1 716 354	1 707 176
Legal Cost	40 803	-
Maintenance of Buildings and Facilities: Operational Buildings	1 696 360	255 184
Maintenance of Equipment	191 417	159 746
Furniture and Office Equipment	85 203	89 601
Transport Assets	106 214	70 145
Maintenance of Unspecified Assets: Intangible Assets	1 070 274	1 542 773
Photographer	4 435	-
Plants, Flowers and Other Decorations	32 280	4 900
Sewerage Services	-	333 550
Stage and Sound Crew	8 150	-
Transportation	14 000	41 000
Water Takers	28 000	-
	7 087 439	5 650 804

27 INVENTORY CONSUMED

Consumables	173 019	128 750
Materials and Supplies	461 164	330 057
	634 183	458 807

28 TRANSFERS AND SUBSIDIES PAID

Operational Grants	304 250	594 159
Allocations In-kind	304 250	594 159
Total Transfers and Subsidies Paid	304 250	594 159

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

28.1 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2022	2021	2022	2021
Households	304 250	566 605	-	-
Non-profit Institutions	-	-	-	-
Higher Educational Institutions	-	-	-	-
Total Operational Grants Paid	304 250	594 159	-	-

29 OPERATING LEASES

	2022	2021
	R	R
Computer Equipment	19 950	12 000
Other Assets	606 950	914 678
Total for Operating Leases	626 900	926 678

30 OPERATIONAL COSTS

Included in Operational Costs are the following:

Achievements and Awards	236 364	244 541
Advertising, Publicity and Marketing	122 265	107 647
External Audit Fees	2 202 845	1 812 945
Bank Charges, Facility and Card Fees	91 429	64 427
Bargaining Council	601 626	590 929
Courier and Delivery Services	643	400
Communication	526 182	1 060 805
Entertainment	28 949	6 495
External Computer Service	415 440	272 048
Insurance Underwriting	920 995	667 931
Learnerships and Internships	445 519	260 874
Licences	-	9 275
Municipal Services	608 372	632 899
Registration Fees	35 013	-
Printing, Publications and Books	-	-
Professional Bodies, Membership and Subscription	89 367	81 629
Skills Development Fund Levy	557 374	467 546
Search Fees	2 000	-
Storage of Files (Archiving)	135 000	-
Transport Provided as Part of Departmental Activities	41 750	-
Travel and Subsistence	2 208 459	1 329 634
Uniform and Protective Clothing	255 512	18 758
Vehicle Tracking	8 379	11 940
Wet Fuel	369 941	242 530
Workmen's Compensation Fund	242 321	89 733
Samples and Specimens	82 363	70 273
Hire Charges	4 348	-
Fines and Penalties	6 787	23 640
Entrance Fees	46 550	-
Total Operational Costs	10 285 796	8 066 899

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
30.1 Travel and Subsistence		
Accommodation & Daily Allowance	999 845	592 747
Accommodation	893 224	528 281
Daily Allowance	106 321	64 466
Transport without Operator	1 119 832	659 562
Transport with Operator	5 064	6 141
Domestic	2 124 741	1 258 450
Non-employees	83 719	71 184
Total of Travel and Subsistence	2 208 459	1 329 634

No other extra-ordinary expenses were incurred.

31 GAINS / (LOSSES) ON DISPOSAL OF CAPITAL ASSETS

Gains/(Losses) on write-offs of Property, Plant and Equipment	10 667	(156 305)
Gains/(Losses) on write-offs of Intangible Assets	-	-
Total Gains / (Losses) on Disposal of Capital Assets	10 667	(156 305)
Total Gains on Disposal of Capital Assets	10 667	-
Total Losses on Disposal of Capital Assets	-	156 305

32 CORRECTION OF ERROR

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

The implementation of mSCOA as stated above resulted in certain descriptions and figures being restated. Other corrections were also made during the previous financial years. Details of the corrections are described below:

32.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the District Municipality in terms of the disclosure notes indicated below.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The effect of the changes are as follows:

	Accumulated Surplus R
Balances published as at 30 June 2020	(22 027 492)
Correction of Error:	1 882
Correction of VAT Receivable	(1 479)
Correction of Trade and Other Payable Exchange Transactions	3 360
Restated Balances as at 30 June 2020	(22 025 611)
Transactions incurred for the Year 2020/21	374 512
Correction of Error:-	(58 862)
Correction of VAT Receivable	(3 178)
Correction of Intangible Assets	71 543
Correction of Trade and other Receivables from Exchange Transactions	(56 789)
Correction of Trade and Other Payable Exchange Transactions	(70 438)
Restated Balances as at 30 June 2021	(21 709 961)

32.2 Reclassification of Revenue

No prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated.

32.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the District Municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Correction of Error	Restated Amount 2020/21
Employee Related Costs	60 176 818	68 769	60 245 587
Remuneration of Councillors	3 974 721	-	3 974 721
Depreciation and Amortisation	785 628	8 805	794 433
Impairment Losses	13 137	-	13 137
Finance Costs	48 814	(845)	47 969
Contracted Services	5 650 804	-	5 650 804
Inventory Consumed	458 807	-	458 807
Transfers and Subsidies Paid	594 159	-	594 159
Operating Leases	926 678	-	926 678
Operational Costs	8 084 767	(17 867)	8 066 899
Loss on Disposal of PPE	156 305	-	156 305
	80 870 637	58 862	80 929 499

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

Employee Related Costs:

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality made a duplicate pension payment to an official. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R3 370 and Employee Related Cost were decreased by R3 370 on 30 June 2021.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised medical aid premiums. Therefore Trade and other Receivables from Exchange Transactions were retrospectively decreased by R6 799, Trade and Other Payable Exchange Transactions were decreased by R9 872 and Employee Related Cost were decreased by R3 073 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2020/21 SARS SDL as Trade and Other Payable Exchange Transactions on 30 June 2021. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R30 310 and Employee Related Cost was increased by R30 310 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose an official's back-pay received from 1 September 2019 as Trade and Other Payable Exchange Transactions on 30 June 2021. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R44 902 and Employee Related Cost was increased by R44 902 on 30 June 2021.

Depreciation and Amortisation:

During the preparation of the 2021/22 Annual Financial Statements it was noted that the Anti-virus Software was disclosed as Operational Cost and not Intangible Assets. Therefore Intangible Assets were retrospectively increased by R71 543, Operational Cost was decreased by R80 348 and Depreciation and Amortisation was increased by R8 805 on 30 June 2021.

Finance Cost:

During the preparation of the 2021/22 Annual Financial Statements it was noted that the Compensation Commissioner reversed the 2020/21 penalties and interest. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R980 and Finance Cost was decreased by R980 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not reallocated municipal services to the correct financial year. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R6 077, VAT Receivables were decreased by R3 178, Operational Cost was increased by R9 121 and Finance Cost was increased by R134 on 30 June 2021.

Operational Costs:

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed SALGA as a debtor on 30 June 2021. Therefore Trade and other Receivables from Exchange Transactions were retrospectively decreased by R53 360 and Operational Cost were increased by R53 360 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not reallocated municipal services to the correct financial year. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R6 077, VAT Receivables were decreased by R3 178, Operational Cost was increased by R9 121 and Interest, Dividends and Rent on Land was increased by R134 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that the Anti-virus Software was disclosed as Operational Cost and not Intangible Assets. Therefore Intangible Assets were retrospectively increased by R71 543, Operational Cost was decreased by R80 348 and Depreciation and Amortisation was increased by R8 805 on 30 June 2021.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

32.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the Municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Correction of Error	Restated Amount 2020/21
Current Assets			
Receivables from Exchange Transactions	353 292	(56 789)	296 503
Receivables from Non-exchange Transactions	121 515	-	121 515
VAT Receivable	953 999	(4 656)	949 343
Cash and Cash Equivalents	2 281 203	-	2 281 203
Current Portion of Long-term Receivables	6 402	-	6 402
Non-Current Assets			
Property, Plant and Equipment	20 358 109	-	20 358 109
Intangible Assets	137 347	71 543	208 890
Long-term Receivables	14 297	-	14 297
Current Liabilities			
Provisions	3 473 207	-	3 473 207
Payables from Exchange Transactions	8 970 324	67 078	9 037 402
Unspent Conditional Grants and Receipts	533 983	-	533 983
Current Portion of Long-term Liabilities	82 592	-	82 592
Non-Current Liabilities			
Long-Term Liabilities	33 039	-	33 039
Retirement Benefit Liabilities	32 786 000	-	32 786 000
Net Assets			
Accumulated Surplus / (Deficit)	(21 652 980)	(56 980)	(21 709 961)
	-	-	-

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

Receivables from Exchange Transactions:

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed SALGA as a debtor on 30 June 2021. Therefore Trade and other Receivables from Exchange Transactions were retrospectively decreased by R53 360 and Operational Cost were increased by R53 360 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised medical aid premiums. Therefore Trade and other Receivables from Exchange Transactions were retrospectively decreased by R6 799, Trade and Other Payable Exchange Transactions were decreased by R9 872 and Employee Related Cost were decreased by R3 073 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised medical aid premiums. Therefore Trade and other Receivables from Exchange Transactions were retrospectively decreased by R6 799, Trade and Other Payable Exchange Transactions were decreased by R9 872 and Employee Related Cost were decreased by R3 073 on 30 June 2021.

VAT Receivable:

Opening Balance adjustment

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not reallocated municipal services to the correct financial year. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R3 541, VAT Receivables were decreased by R1 479 and Accumulated Surplus was increased by R5 020 on 30 June 2020.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Closing Balance adjustment

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not reallocated municipal services to the correct financial year. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R6 077, VAT Receivables were decreased by R3 178, Operational Cost was increased by R9 121 and Interest, Dividends and Rent on Land was increased by R134 on 30 June 2021.

Intangible Assets

During the preparation of the 2021/22 Annual Financial Statements it was noted that the Anti-virus Software was disclosed as Operational Cost and not Intangible Assets. Therefore Intangible Assets were retrospectively increased by R71 543, Operational Cost was decreased by R80 348 and Depreciation and Amortisation was increased by R8 805 on 30 June 2021.

Payables from Exchange Transactions:

Opening Balance adjustment

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly calculated a deceased Councillor's amount owed to the estate during 2015. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R5 459 and Accumulated Surplus was increased by R5 459 on 30 June 2020.

During the preparation of the 2021/22 Annual Financial Statements it was noted that the Compensation Commissioner reversed the 2017/18 & 2018/19 & 2019/20 penalties and interest. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R38 861 and Accumulated Surplus was increased by R38 861 on 30 June 2020.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not reallocated municipal services to the correct financial year. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R3 541, VAT Receivables were decreased by R1 479 and Accumulated Surplus was increased by R5 020 on 30 June 2020.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose an official's back-pay received from 1 September 2019 as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R37 419 and Accumulated Surplus was decreased by R37 419 on 30 June 2020.

Closing Balance adjustment

During the preparation of the 2021/22 Annual Financial Statements it was noted that the Compensation Commissioner reversed the 2020/21 penalties and interest. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R980 and Interest, Dividends and Rent on Land was decreased by R980 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not reallocated municipal services to the correct financial year. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R6 077, VAT Receivables were decreased by R3 178, Operational Cost was increased by R9 121 and Interest, Dividends and Rent on Land was increased by R134 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised medical aid premiums. Therefore Trade and other Receivables from Exchange Transactions were retrospectively decreased by R6 799, Trade and Other Payable Exchange Transactions were decreased by R9 872 and Employee Related Cost were decreased by R3 073 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2020/21 SARS SDL as Trade and Other Payable Exchange Transactions on 30 June 2021. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R30 310 and Employee Related Cost was increased by R30 310 on 30 June 2021.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose an official's back-pay received from 1 September 2019 as Trade and Other Payable Exchange Transactions on 30 June 2021. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R44 902 and Employee Related Cost was increased by R44 902 on 30 June 2021.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
33 CHANGE IN ACCOUNTING ESTIMATES		
33.1 Depreciation Expenditure:		
The estimated useful lives and depreciation method were reviewed at 30 June 2022 and no changes were made for the 2021/22 financial year.		
Adjustments were made to the remaining useful lives and residual values in the current year and affected the amount of depreciation for the 2021/22 financial year. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Residual Values of PPE	-	-
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(49 864)	(128 361)
Increase / (Decrease) in Depreciation of PPE	(49 864)	(128 361)
Depreciation as previously stated	1 092 817	922 794
Adjustment due to Change in Accounting Estimate	(49 864)	(128 361)
Depreciation as per Note 23	1 042 953	794 433
34 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	2 394 737	315 650
Adjustment for:		
Depreciation and Amortisation	1 042 953	794 433
Losses / (Gains) on Disposal of Property, Plant and Equipment	(10 667)	156 305
Contribution to Post-retirement Employee Benefits	(128 056)	4 304 275
Expenditure incurred from Post-retirement Employee Benefits	(1 589 944)	(1 715 275)
Contribution to Long Service Awards Liability	1 223 088	1 003 746
Expenditure incurred from Long Service Awards Liability	(864 088)	(713 746)
Contribution to Provisions - Current: Performance Bonus	552 472	525 207
Expenditure incurred from Provisions - Current: Performance Bonus	(524 303)	(444 546)
Bad Debts Written-off: Receivables from Exchange Transactions	53 246	13 137
Operating surplus before working capital changes	2 149 439	4 239 185
Decrease/(Increase) in Receivables from Exchange Transactions	45 329	(18 815)
Decrease/(Increase) in Receivables from Non-exchange Transactions	121 515	(121 515)
Decrease/(Increase) in VAT Receivable	395 710	(360 077)
Decrease/(Increase) in Current Portion of Long-term Receivables	(11 316)	2 500
Increase/(Decrease) in Payables from Exchange Transactions	(892 992)	(1 476 886)
Increase/(Decrease) in Conditional Grants and Receipts	(533 983)	250 450
Increase/(Decrease) in Operating Lease Liabilities	(33 039)	(45 271)
Cash generated by / (utilised in) Operations	1 240 663	2 469 571

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

35.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
Unauthorised Expenditure identified in current year	1 643 237	-
Approved by Council	(1 643 237)	-
Transfer to receivables for recovery (see Note 2)	-	-
Unauthorised Expenditure awaiting authorisation	-	-
	<u>-</u>	<u>-</u>

Unauthorised Expenditures incurred for 2021/22 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount
Budgeted Capital votes exceeded:		
- Finance and Administration	Written off by Council during 2021/22	1 643 237
	Total:	1 643 237

The reasons for the unauthorised expenditure during 2021/22 financial year:

- 1) ZFM budgeted for Copiers under operational expenditure but the copiers were recognised as Finance Lease Liabilities. Therefore, ZFM did not budget for Leased Assets (R1 610 000) which were classified as Property, Plant and Equipment.
- 2) ZFM budgeted for the Anti-virus Software License under operational expenditure but the software was recognised as Intangible Assets. Therefore ZFM did not budget for the Software License (R33 237) which was classified as Intangible Assets.

ZFM cannot approve a virement between operational expenditure and capital expenditure according to the virement policy.

No Unauthorised Expenditures incurred for 2020/21 financial year:

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZF Mgcawu District Municipality has investigated all unauthorised expenditures. Each instance and reason for the items that lead to unauthorised expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these unauthorised expenditures and must be written off during the 2019/20 financial year.

	2022	2021
	R	R
35.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	-	-
Fruitless and Wasteful Expenditure identified in current year	9 439	522 722
Expenditure investigated and approved by Council	-	(401 208)
To be recovered – Receivables from Exchange Transactions (refer Note 2.)	-	-
To be recovered – Long-term Receivables (refer Note 10)	-	(121 515)
Recouped from Salaries Payable	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>9 439</u>	<u>-</u>

Fruitless and Wasteful expenditure summary for 2021/22 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount
Compensation Commissioner: Penalties & Interest on the late payment of 2021/22 assessments.	Under Investigation	8 062
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2021/22 SARS assessments.	Under Investigation	1 377
	Total:	9 439

ZF MGCWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Fruitless and Wasteful expenditure summary for 2020/21 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount
Compensation Commissioner: Penalties & Interest on the late payment of 2017/18 assessments.	Written of by Council in 2020/21	8 683
Compensation Commissioner: Penalties & Interest on the late payment of 2018/19 assessments.	Written of by Council in 2020/21	15 322
Compensation Commissioner: Penalties & Interest on the late payment of 2019/20 assessments.	Written of by Council in 2020/21	14 856
Compensation Commissioner: Penalties & Interest on the late payment of 2020/21 assessments.	Written of by Council in 2020/21	980
Debit orders deducted from bank account without ZFM's approval. The total amount of the various debit orders was R240 942 of which R132 978 was recovered by ABSA. This was reported as fraud and the investigation by SAPS & ZFM is still in progress.	To be recovered – Long-term Receivables	107 964
A duplicate payment were made to Mr. Khumula. The payment will be recovered.	To be recovered – Long-term Receivables	13 551
TV License: Penalties paid on outstanding account.	Written of by Council in 2020/21	901
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2017/18 SARS assessments.	Written of by Council in 2020/21	149 156
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2018/19 SARS assessments. R80 651 written off during 2019/20 financial year.	Written of by Council in 2020/21	193 916
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2019/20 SARS assessments. R220158 written off during 2019/20 financial year.	Written of by Council in 2020/21	17 393
Total:		522 722

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZF Mgcawu District Municipality has investigated all fruitless and wasteful expenditures. Each instance and reason for the items that lead to fruitless and wasteful expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these fruitless and wasteful expenditures and must be written off during the 2019/20 financial year.

	2022 R	2021 R
35.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	-	37 821
Irregular Expenditure identified in current year	2 203 641	3 040 507
Written off by Council	(2 203 641)	(3 078 328)
Irregular Expenditure awaiting condonement	-	-

Irregular Expenditure summary for 2021/22 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount (incl. VAT)
Extension of contract: Non-compliance with SCM Regulation 29(2). Crystal Lagoon - Rental of office for the Executive Mayor and Environmental Health.	Written of by Council during 2021/22	450 983
Non-compliance with SCM Regulation 29(2). Extension of contract: ITEC - Rental of Copier Machines.	Written of by Council during 2021/22	98 079
Extension of contract: Non-compliance with SCM Regulation 29(2). ITEC - Rental of Copier Machines.	Written of by Council during 2021/22	261 544
Extension of contract: Non-compliance with SCM Regulation 29(2). Aganang - Appointment of Engineering Consultants to render implementation and management of the Rural Roads Assets Management System Grant for the ZF Mgcawu District Municipality.	Written of by Council during 2021/22	1 393 036
Total:		2 203 641

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Irregular Expenditure summary for 2020/21 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount (incl. VAT)
Non-compliance with SCM Regulation 29(2). Crystal Lagoon - Rental of office for the Executive Mayor and Environmental Health.	Written of by Council during 2020/21	1 043 233
Non-compliance with SCM Regulation 29(2). ITEC - Rental of Copier Machines.	Written of by Council during 2020/21	392 316
Non-compliance with SCM Regulation 29(2). Aganang - Appointment of Engineering Consultants to render implementation and management of the Rural Roads Assets Management System Grant for the ZF Mgcawu District Municipality.	Written of by Council during 2020/21	1 604 957
Total:		3 040 507

Irregular Expenditure summary for 2019/20 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount (incl. VAT)
Non-compliance with Paragraph 11(2) of the Preferential Procurement Regulations (PPR) 2017 . Mapulane Stationery & Books - License.	Written of by Council during 2020/21	37 821
Total:		37 821

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZF Mgcawu District Municipality has investigated all irregular expenditures. Each instance and reason for the items that lead to irregular expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these irregular expenditure and must be written off during the 2019/20 financial year.

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Contributions to organised local government - SALGA (incl.VAT)

	2022 R	2021 R
Opening Balance	8 250	(53 360)
Council Subscriptions	593 376	590 929
Subscriptions Amount Paid - current year	(601 626)	(537 569)
Subscriptions Amount Paid - previous years	-	-
Council Members Assembly and Levies	-	8 250
Balance Unpaid (included in Payables from Exchange Transactions)	-	8 250

36.2 Audit Fees (incl. VAT)

Opening Balance	1 712 495	1 213 722
Current year Audit Fee	2 533 272	2 084 886
Amount Paid by National Treasury	(1 247 662)	(352 391)
Amount Paid - current year	(1 285 610)	(20 000)
Amount Paid - previous years	(1 712 495)	(1 213 722)
Balance Unpaid (included in Payables from Exchange Transactions)	-	1 712 495

36.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 4. All VAT returns have been submitted by the due date throughout the year.

36.4 PAYE, Skills Development Levy and UIF

Opening Balance	(114 268)	1 126 874
Current year Payroll Deductions	10 950 196	9 377 549
Amount Paid - current year	(10 678 315)	(9 491 817)
Amount Paid - previous years	114 268	(1 126 874)
Balance Unpaid (included in Payables from Exchange Transactions)	271 881	(114 268)

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
Balance Unpaid - June	271 881	(114 268)
Balance Unpaid (included in Payables from Exchange Transactions)	271 881	(114 268)
36.5 Pension and Medical Aid Deductions		
Opening Balance	102 719	1 189 776
Current year Payroll Deductions and Council Contributions	13 383 392	11 725 337
Amount Paid - current year	(13 249 703)	(11 622 618)
Amount Paid - previous years	(102 719)	(1 189 776)
Balance Unpaid (included in Payables from Exchange Transactions)	133 689	102 719

The unpaid balance refer to June month's outstanding balance and is payable before 7 July.

36.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

36.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

36.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the Council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

Deviations from the tender stipulations in terms of the District Municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.

The following deviations from the tender stipulations in terms of the District Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
EXECUTIVE AND COUNCIL	Various	55	Impractical for procurement processes	512 303
	Various	7	Single provider only	661 640
	JH Pest Control	1	Emergency	162 520
	63 Occasions during the year amounts to R1 336 462			
FINANCE AND ADMINISTRATION	Various	62	Impractical for procurement processes	1 941 565
	Various	10	Single provider only	1 625 383
	Various	2	Emergency	132 215
	74 Occasions during the year amounts to R2 073 780			
PLANNING AND DEVELOPMENT	Various	3	Impractical for procurement processes	28 384
	Various	2	Single provider only	2 845
	5 Occasions during the year amounts to R31 229			
ENVIRONMENTAL HEALTH	Pathcare	1	Single provider only	275 012
1 Occasions during the year amounts to R275 012				
OTHER: TOURISM	Green Kalahari	1	Impractical for procurement processes	20 000
	Green Kalahari	1	Single provider only	26 550
	2 Occasions during the year amounts to R46 550			
Total:				5 388 416

36.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

The Electricity and Water functions were transferred to the Local Municipalities. Thus no material Electricity and Water Losses occurred.

37 ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

38 COMMITMENTS FOR EXPENDITURE

38.1 Capital Commitments

The District Municipality had no capital commitments at year-end.

38.2 Operational Commitments

- Approved and Contracted for:-

General Voice Equipment

Office Space Rentals

LGSETA Learnerships Programmes - TAG443

LGSETA Learnerships Programmes - Summat Training Institute

LGSETA Learnerships Programmes - Gomolemo's Consultation

Copier Machine Rentals

PMS System

Skills Programme - ARMS

Skills Programme - KGOLO Trading

Outstanding orders

4 197 029

6 009 836

1 395 450

-

-

450 983

1 193 800

1 895 640

107 730

107 730

-

33 111

878 255

98 079

353 893

757 850

-

981 125

-

1 667 000

267 901

18 318

- Approved but Not Yet Contracted for:-

General Voice Equipment

2 192 850

2 192 850

Total Operational Commitments

4 197 029

8 202 686

This expenditure will be financed from:

Government Grants

LGSETA

Own Resources

-

1 301 530

2 895 499

4 197 029

8 202 686

General Voice Equipment:

The District Municipality has an agreement with ITEC to rent and maintenance a telephone system from 1 July 2021 to 30 June 2024. There are no annual escalations and the total tender value of R2 194 200 (incl. VAT) was awarded in April 2021. An advance payment of R182 850 was made during 2020/21 for the installation of the system.

On 30 June 2022 the outstanding commitment to ITEC was R1 395 450 (incl. VAT). ITEC was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Office Space Rentals:

The District Municipality had a lease agreement with Crystal Lagoon to rent office space from 1 December 2018 to 30 November 2021. There were annual escalations which were included in the total tender value of R2 974 220 (incl. VAT). The tender was awarded in November 2018.

On 30 June 2022 the outstanding commitment to Crystal Lagoon was R0 (incl. VAT). Crystal Lagoon was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - TAG443:

The District Municipality has a contracted value of R5 828 000 (incl. VAT) with LGSETA which will be payable to ZF Mgcawu District Municipality in tranches from 2018/19 to 2020/20 financial years. During 2019/20 financial year LGSETA terminated programs and therefore the tender value was reduced by R2 154 400. During 2020/21 financial year LGSETA terminated programs and therefore the tender value was further reduced by R1 292 700. During 2021/22 financial year LGSETA terminated programs and therefore the tender value was further reduced by R845 600.

The District Municipality has awarded a tender to TAG443 to implement a skills programme and learnerships in the ZF Mgcawu District from May 2018 until June 2020. There are no annual escalations and the total tender value of R5 643 500 (incl. VAT) was awarded in April 2018. The new approved tender value is R1 350 800 (incl. VAT) until 30 June 2023.

On 30 June 2022 the outstanding commitment to TAG443 was R1 193 800 (incl. VAT). TAG 443 was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

LGSETA Skills Programmes and Learnerships - Summat Training Institute:

The District Municipality has a contracted value of R988 800 (incl. VAT) with LGSETA which will be payable to ZF Mgcawu District Municipality in tranches from 2018/19 to 2020/20 financial years. During 2019/20 financial year LGSETA terminated programs and therefore the tender value was reduced by R438 240 during 2019/20 financial year.

The District Municipality has awarded a tender to Summat Training Institute to implement a skills programme and learnerships in the ZF Mgcawu District from January 2018 until June 2020. There are no annual escalations and the total tender value of R557 940 (incl. VAT) was awarded in December 2017. The new approved tender value is R119 700 (incl. VAT) until 30 June 2023.

On 30 June 2022 the outstanding commitment to Summat Training Institute was R107 730 (incl. VAT). Summat Training Institute was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - Gomolemo's Consultation:

The District Municipality has a contracted value of R43 200 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches from 2018/19 to 2020/20 financial years. During 2021/22 financial year LGSETA terminated the total programs and therefore the tender value was further reduced by R0.

The District Municipality has awarded a tender to Gomolemo's Consultation to implement a skills programme and learnerships in the ZF Mgcawu District from January 2018 until June 2020. There are no annual escalations and the total tender value of R36 790 (incl. VAT) was awarded in December 2017. The tender was extended to 30 June 2023 but was terminated by LGSETA.

On 30 June 2022 the outstanding commitment to Gomolemo's Consultation was R0 (incl. VAT). Gomolemo's Consultation was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Copier Machines:

The District Municipality has an rental and maintenance agreement with ITEC for copier machines from 1 October 2018 to 30 September 2021. There are no annual escalations and the total tender value of R1 176 948 (incl. VAT) was awarded in September 2018.

On 30 June 2022 the outstanding commitment to ITEC was R0 (incl. VAT). ITEC was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

The District Municipality has an rental and maintenance agreement with ITEC for copier machines from 1 June 2022 to 31 May 2025. There are no annual escalations and the total tender value of R903 348 (incl. VAT) was awarded in June 2022.

On 30 June 2022 the outstanding commitment to ITEC was R878 255 (incl. VAT). ITEC was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

PMS System:

The District Municipality has an rental and maintenance agreement with Action IT for a PMS System from 9 February 2021 to 8 February 2022. There are no annual escalations and the total tender value of R943 805 (incl. VAT) was awarded in February 2021.

On 30 June 2022 the outstanding commitment to Action IT was R353 893 (incl. VAT). Action IT was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

During the preparation of the 2021/22 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include the creditor amount in the Tender Register on 30 June 2021. Therefore, Commitments were retrospectively decreased by R80 455 on 30 June 2021.

LGSETA Skills Programmes and Learnerships - ARMS:

The District Municipality has a contracted value of R981 125 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches from 2020/21 to 2021/22 financial years. The tender was extended to 30 June 2023 during the 2022/23 financial year.

The District Municipality has awarded a tender to ARMS to implement a skills programme and learnerships in the ZF Mgcawu District from February 2021 until June 2022. There are no annual escalations and the total tender value of R981 125 (incl. VAT) was awarded in February 2021.

On 30 June 2022 the outstanding commitment to ARMS was R0 (incl. VAT). ARMS was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - KGOLO Trading:

The District Municipality has a contracted value of R1 667 000 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches from 2020/21 to 2021/22 financial years. The tender was extended to 30 June 2023 during the 2022/23 financial year.

The District Municipality has awarded a tender to KGOLO Trading to implement a skills programme and learnerships in the ZF Mgcawu District from February 2021 until June 2022. There are no annual escalations and the total tender value of R1 667 000 (incl. VAT) was awarded in February 2021.

On 30 June 2022 the outstanding commitment to KGOLO Trading was R0 (incl. VAT). KGOLO Trading was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Outstanding Orders:

The District Municipality has outstanding orders at year-end for services and goods not yet delivered. Therefore the District Municipality has a commitment with suppliers to render services or goods after year-end.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

39 FINANCIAL INSTRUMENTS

39.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the District Municipality are classified as follows:

		2022 R	2021 R
Financial Assets			
Classification			
Non-current Investments			
Fixed Deposits	Amortised cost	512 048	-
Long-term Receivables			
Finance Lease Receivable	Amortised cost	8 833	10 774
Staff Related Long Term Receivables	Amortised cost	99 753	3 523
CPMD Debtors	Amortised cost	90 600	-
SCM Debtors	Amortised cost	8 029	-
Maternity Leave Debtors	Amortised cost	1 123	3 523
Receivables from Exchange Transactions			
Merchandising, Jobbing and Contracts	Amortised cost	197 928	48 240
Prepayments and Advances	Amortised cost	-	248 263
Receivables from Non-exchange Transactions			
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	Amortised cost	-	121 515
Cash and Cash Equivalents			
Call Deposits	Amortised cost	24 278	20 382
Bank Balances	Amortised cost	2 100 512	2 260 378
Cash Floats and Advances	Fair value	1 616	443
Current Portion of Long-term Receivables			
Finance Lease Receivable	Amortised cost	3 600	3 600
Staff Related Long Term Receivables	Amortised cost	14 118	2 802
CPMD Debtors	Amortised cost	7 200	-
SCM Debtors	Amortised cost	4 518	-
Maternity Leave Debtors	Amortised cost	2 400	2 400
Acting Allowance Debtors	Amortised cost	-	402
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Non-current Investments	Fixed Deposits	512 048	-
Long-term Receivables	Finance Lease Receivable	8 833	10 774
Long-term Receivables	Staff Related Long Term Receivables	99 753	3 523
Receivables from Exchange Transactions	Property Rental Debtors	197 928	48 240
Receivables from Exchange Transactions	Prepayments and Advances	-	248 263
Receivables from Non-exchange Transactions	Unauthorised, Irregular, Fruitless and	-	121 515
Current Portion of Long-term Receivables	Finance Lease Receivable	3 600	3 600
Current Portion of Long-term Receivables	Staff Related Long Term Receivables	14 118	2 802
Cash and Cash Equivalents	Call Deposits	24 278	20 382
Cash and Cash Equivalents	Bank Balances	2 100 512	2 260 378
		<u>2 961 069</u>	<u>2 719 478</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	1 616	443
		<u>1 616</u>	<u>443</u>
Total Financial Assets		<u>2 962 685</u>	<u>2 719 921</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
		R	R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the District Municipality are classified as follows:			
	<u>Financial Liabilities</u>		<u>Classification</u>
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	803 350	-
Payables from Exchange Transactions			
Advance Payments	Amortised cost	50 550	127 681
Other Payables: Salary Clearing and Control	Amortised cost	1 444 909	648 161
Salary Related Payables	Amortised cost	233 173	(46 911)
Trade Creditors	Amortised cost	843 254	2 711 913
Payables from Non-exchange Transactions			
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	496 885	82 592
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	803 350	-
Payables from Exchange Transactions	Advance Payments	50 550	127 681
Payables from Exchange Transactions	Other Payables	1 444 909	648 161
Payables from Exchange Transactions	Salary Related Payables	233 173	(46 911)
Payables from Exchange Transactions	Trade Creditors	843 254	2 711 913
Current Portion of Long-term Liabilities	Finance Lease Liabilities	496 885	82 592
		<u>3 872 121</u>	<u>3 523 436</u>
Total Financial Liabilities		<u>3 872 121</u>	<u>3 523 436</u>

39.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

No Financial Instruments of the District Municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2022

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	1 616	-	1 616
Total Financial Assets	<u>-</u>	<u>1 616</u>	<u>-</u>	<u>1 616</u>
Total Financial Instruments	<u>-</u>	<u>1 616</u>	<u>-</u>	<u>1 616</u>

30 June 2021

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	443	-	443
Total Financial Assets	<u>-</u>	<u>443</u>	<u>-</u>	<u>443</u>
Total Financial Instruments	<u>-</u>	<u>443</u>	<u>-</u>	<u>443</u>

39.3 Capital Risk Management

The District Municipality manages its capital to ensure that the District Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The District Municipality's overall strategy remains unchanged from 2021.

The capital structure of the District Municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Gearing Ratio

	2022 R	2021 R
The gearing ratio at the year-end was as follows:		
Debt	1 300 236	82 592
Cash and Cash Equivalents	(2 126 406)	(2 281 203)
Net Debt	<u>(826 170)</u>	<u>(2 198 611)</u>
Equity	<u>(19 315 223)</u>	<u>(21 709 961)</u>
Net debt to equity ratio	<u>4.28%</u>	<u>10.13%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the District Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

39.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the District Municipality's Risk Management Framework. The District Municipality's Risk Management policies are established to identify and analyse the risks faced by the District Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the District Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The District Municipality does not enter into or trade financial instruments for speculative purposes.

Internal Audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the District Municipality's Audit Committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

39.5 Significant Risks

It is the policy of the District Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the District Municipality is exposed on the reporting date.

The District Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the District Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Credit Risk

Credit Risk is the risk of financial loss to the District Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the District Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the District Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The District Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the District Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 39.8 to the Annual Financial Statements.

39.6 Market Risk

The District Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 39.7 below). No formal policy exists to hedge volatilities in the interest rate market.

39.6.1 Foreign Currency Risk Management

The District Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

39.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 39.8 below:

39.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the District Municipality. The District Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The District Municipality uses its own trading records to assess its major customers. The District Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The District Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the District Municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The District Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The District Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The District Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The District Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The District Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2022	2021
	R	R
Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the District Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	512 048	-
Long-term Receivables	126 303	20 699
Receivables from Exchange Transactions	197 928	296 503
Receivables from Non-exchange Transactions	-	121 515
Bank, Cash and Cash Equivalents	2 126 406	2 281 203
Maximum Credit and Interest Risk Exposure	<u>2 962 685</u>	<u>2 719 921</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

39 FINANCIAL INSTRUMENTS (Continued)

39.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the District Municipality's short, medium and long-term funding and liquidity management requirements. The District Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note N/A C67 is a listing of additional undrawn facilities that the District Municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The District Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the District Municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the District Municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2022								
Non-interest Bearing		0%	8 144 410	8 144 410	-	-	-	-
- Payables from Exchange transactions	12	0%	8 144 410	8 144 410	-	-	-	-
Fixed Interest Rate Instruments		48.20%	1 300 236	496 885	-	803 350	-	-
- Long-term Liabilities	14	48.20%	1 300 236	496 885	-	803 350	-	-
			9 444 646	8 641 296	-	803 350	-	-
30 June 2021								
Non-interest Bearing		0%	9 037 402	9 037 402	-	-	-	-
- Payables from Exchange transactions	12	0%	9 037 402	9 037 402	-	-	-	-
Fixed Interest Rate Instruments		19.40%	82 592	41 296	41 296	-	-	-
- Long-term Liabilities	14	19.40%	82 592	41 296	41 296	-	-	-
			9 119 994	9 078 698	41 296	-	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The following table details the District Municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the District Municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2022	#	%	R	R	R	R		R
Non-interest Bearing		0%	324 231	206 787	8 859	17 718	90 867	-
- Long-term Receivables			126 303	8 859	8 859	17 718	90 867	-
- Trade Receivables from Exchange Transactions			197 928	197 928	-	-	-	-
- Trade Receivables from Non-exchange Transactions			-	-	-	-	-	-
Variable Interest Rate Instruments		2.5%	2 124 789	2 124 789	-	-	-	-
- Call Deposits		5.0%	24 278	24 278	-	-	-	-
- Bank Account		2.5%	2 100 512	2 100 512	-	-	-	-
Fixed Interest Rate Instruments		8.2%	512 048	512 048	-	-	-	-
- Fixed Deposits		8.2%	512 048	512 048	-	-	-	-
			2 961 069	2 843 624	8 859	17 718	90 867	-
30 June 2021								
Non-interest Bearing		0%	438 717	421 219	3 201	6 402	7 896	-
- Long-term Receivables			20 699	3 201	3 201	6 402	7 896	-
- Trade Receivables from Exchange Transactions			296 503	296 503	-	-	-	-
- Trade Receivables from Non-exchange Transactions			121 515	121 515	-	-	-	-
Variable Interest Rate Instruments		2.5%	2 280 760	2 280 760	-	-	-	-
- Call Deposits		5.0%	20 382	20 382	-	-	-	-
- Bank Account		2.5%	2 260 378	2 260 378	-	-	-	-
			2 719 478	2 701 979	3 201	6 402	7 896	-

39.9 Other Price Risks

The District Municipality is not exposed to equity price risks arising from equity investments as the District Municipality does not trade these investments.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

40 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the District Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the District Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1 589 944 (2021: R1 715 275) represents contributions payable to these plans by the District Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

LA Retirement Fund/Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the District Municipality. The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1,776,181,000 (30 June 2017 : R1,859,077,000), with a nett accumulated surplus of R63,423,000 (2017 : R46,989,000), with a funding level of 103.7% (30 June 2017 : 102.6%).

Consolidated Retirement Fund::

The scheme is subject to an annual actuarial valuation which is not the responsibility of the District Municipality. The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2017.

The last statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R21,359,000,000 (30 June 2016: R20,075,000,000), with funding levels of 127.3% and 100% (30 June 2016 118.0% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2017 & 2016. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short monatorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

41 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

41.1 Interest of Related Parties

Councillors and/or Management of the District Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
T Van Der Steen	Councillor	Director at Loodgieter Van Der Steen Member at Van Der Steen Pomp en Pyp Member at Jesu Nkosi Monuments
J Esau	Councillor	Director at Green Bird Construction and General Director at Jacks enterprise services Director at On Spot Construction and General
S Esau	Councillor	Director at Setonha Khaya Enterprise
M Daniels	Councillor	Director at Danma Future Construction business solutions Director at Jaylinne General Trading Member at Tirisanang Mining and Resources Member at Zelke 66
E Phete	Councillor	Director at Keorapetsi Avenue Director at Gaoba consultants and general trading Member at JH Phete General Traders Member at World Focus 1509

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Name of Related Person	Designation	Description of Related Party Relationship
D Pienaar	Councillor	Director at Adonai Enterprize Director at Halala enterprise Director at Denha Cash loans Director at DRP Property Investments Director at Futu Holdings Director at Futu Investments Director at JHD Enterprise Director at Kgatelopele Business forum Director at Likade trading Director at Phatsimo Director at Phutanang Recycling Primary Corporative Limited Director at Wonderers Youth Academy
E Fritz	Councillor	Director at Umelikaya Supplies
M Bosman	Councillor	Director at Kalksloot Bakery Director at Kalksloot Rural Development
P Matthys	Councillor	Director at CFH Solutions
B Bock	Councillor	Member at BM Bock Construction and community development
L Lankalebalela	Audit Committee	Director at Access Information Management Services Member at Final Score Member at Fita Consultancy Member at Halala Driving School Director at King Golfers Director at Xabiso Consulting Director at Storm Cup Trading
M Venter	Audit Committee	Director at Inkqbelo
GB Cloete	Middle Manager	Member at BC2S Construction Consulting and trading services
CM Mathe	Middle Manager	Director at O Mogolo Homes Director at Our Solid Foundation
M Manye	Middle Manager	Director at Brownsugar Communications
E Van Der Westhuizen	Middle Manager	Director at Second Home Hostel
JA Kitching	Middle Manager	Director at Ablaze Trading 258
J Linden	Middle Manager	Director at Hazfree Waste Management
J Visagie	Middle Manager	Director at Sakiwi5 Trading
FJ Strauss	Middle Manager	W J P Strauss Boerdery
K Kitching	Manager's Spouse	Director at ANSEC 133 Director at Hemiprox
A Van Zyl	Manager's Spouse	Director at ANSEC 133 Director at Hemiprox
J Van Der Westhuizen	Manager's Spouse	Director at Second Home Hostel
AK Tieties	Middle Manager	Director at A and t Development Director at Khanya Solar solutions
JG Van Wyk	Managers Spouse	Director at JVW Group
G Booysen	SCM Official	Member at GSNF Construction

The following Councillors and/or Management of the District Municipality was in businesses but resigned from the business:

Name of Related Person	Designation	Description of Related Party Relationship
M Daniels	Councillor	Member at Tsansabane Recycling waste management and civils
D Pienaar	Councillor	Director at Futu Mining Director at Kgosi Fire Engineers Director at Vision Valley technologies
N Prince	Councillor	Director at Grand Bridge Trading 95 Member at Yinhla Training and business consulting firm Director at Moreteng Investments
E Phete	Councillor	Member at Nepego construction and primary corporative limited
ML September	Councillor	Director at Tumelo NJ General services

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Name of Related Person	Designation	Description of Related Party Relationship
PJ George	Councillor	Director at Doods and George Trading Director at Philander and George Trading
L Langalebalela	Audit Committee	Director at Definada Trading Member at EL Computers Director at Numbersecure Director at Zamori 63 Director at Blue rose investments
J Nengome	Middle Manager	Member at Sedzaphanda Building Construction
JB Van Wyk	Middle Manager	Director at JVW
A Van Zyl	Directors Spouse	Strauss Van Zyl

The following Councillors and/or Management of the District Municipality have no relationships with businesses:

Name of Related Person	Designation	Description of Related Party Relationship
S Abel	Councillor	No relationship with businesses
P Mgcera	Councillor	No relationship with businesses
A Kotzee	Councillor	No relationship with businesses
M Basson	Councillor	No relationship with businesses
S Sandlana	Councillor	No relationship with businesses
M Mashila	Councillor	No relationship with businesses
J Balies	Councillor	No relationship with businesses
AC Kotzee	Councillor	No relationship with businesses
K Kearomotswe	Councillor	No relationship with businesses
D De Koker	Councillor	No relationship with businesses
A Mashimo	Councillor	No relationship with businesses
D Esau	Councillor	No relationship with businesses
S Dubeni	Councillor	No relationship with businesses
A De Bruin	Councillor	No relationship with businesses
A Johnson	Councillor	No relationship with businesses
K Esau	Councillor	No relationship with businesses
FL Witbooi	Councillor	No relationship with businesses
MHB Van Zyl	Councillor	No relationship with businesses
H Ross	Councillor	No relationship with businesses
WD Klim	Councillor	No relationship with businesses
A Ruiters	Councillor	No relationship with businesses
M Maasdorp	Councillor	No relationship with businesses
MC Basson	Councillor	No relationship with businesses
J Lodewyk	Councillor	No relationship with businesses
J Silo	Councillor	No relationship with businesses
A Viljoen	Audit Committee	No relationship with businesses
JG Lategan	Municipal Manager	No relationship with businesses
DJ Van Zyl	Director	No relationship with businesses
E Britz/Isaacs	Director	No relationship with businesses
I De Waal	Director	No relationship with businesses
A Phete	Middle Manager	No relationship with businesses
R Snyders	Middle Manager	No relationship with businesses
J Willemse	Middle Manager	No relationship with businesses
T Galloway	Middle Manager	No relationship with businesses
B Feris	Middle Manager	No relationship with businesses
B Van Kradenburg	Middle Manager	No relationship with businesses
B Knouwds	Middle Manager	No relationship with businesses
F Ruppig	Middle Manager	No relationship with businesses
J Shorty	Middle Manager	No relationship with businesses
G Present	Middle Manager	No relationship with businesses
T Job	Middle Manager	No relationship with businesses
H Theron	Middle Manager	No relationship with businesses

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Name of Related Person	Designation	Description of Related Party Relationship
S Berend	Middle Manager	No relationship with businesses
D Lekanyane	Middle Manager	No relationship with businesses
G Kuun	Middle Manager	No relationship with businesses
T Louw	Middle Manager	No relationship with businesses
H Mchlauli	Middle Manager	No relationship with businesses
S Botha	Middle Manager	No relationship with businesses
C Swarts	SCM Official	No relationship with businesses
L De Klerk	SCM intern	No relationship with businesses
M Bosman	Learnership	No relationship with businesses
A Lategan	Director's Spouse	No relationship with businesses
M Theron	Managers Spouse	No relationship with businesses
R Galloway	Manager's Spouse	No relationship with businesses
JM Snyders	Manager's Spouse	No relationship with businesses
LG Cloete	Manager's Spouse	No relationship with businesses
JP Berend	Manager's Spouse	No relationship with businesses
B Feris	Managers Spouse	No relationship with businesses
NE Mclauli	Managers Spouse	No relationship with businesses
EE Job	Managers Spouse	No relationship with businesses
ND Isaacs	Manager's Spouse	No relationship with businesses
T Linden	Manager's Spouse	No relationship with businesses
AM Shorty	Manager's Spouse	No relationship with businesses

41.2 Services rendered to Related Parties

The District Municipality did not render any services during the year to anyone that can be considered as a related party.

41.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZF Mgcawu District Municipality.

41.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

41.5 Purchases from Related Parties

The District Municipality did not purchase goods from anyone during the year that can be considered as a related party.

41.6 Related Parties of Spouses

The District Municipality performed CIPC checks on spouses of senior- and middle managers during the year to identify related party transactions but none were identified..

42 CONTINGENT LIABILITIES

42.1 Court Proceedings:

	2022 R	2021 R
(i) April Jacobs: Claim against the District Municipality handled by Becker, Bergh & More regarding an unfair dismissal. Commissioner found no unfair dismissal and application for rescission is pending. Possible obligation to the District Municipality.	115 000	465 000
	115 000	115 000
(ii) Jolene van Wyk: Claim against the District Municipality handled by Lulama Lobi Inc regarding a review of an appointment . Possible obligation to the District Municipality.	-	350 000

42.2 Disputes:

Total Contingent Liabilities

-	-
115 000	465 000

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

43 CONTINGENT ASSETS

The District Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

44 IN-KIND DONATIONS AND ASSISTANCE

The District Municipality did not receive any In-kind Donations and Assistance during the year under review.

45 PRIVATE PUBLIC PARTNERSHIPS

The District Municipality was not a party to any Private Public Partnerships during the year under review.

46 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2022.

47 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 33).

48 SEGMENT REPORTING

For management purposes the District Municipality is broadly organised into business units based on the nature of operations and the services they provide. The Municipality has the following primary reportable segments:

- *The segment for Executive and Council*
- *The segment for Finance and Administration*
- *The segment for Internal Audit*
- *The segment for Public Safety*
- *The segment for Health*
- *The segment for Planning and Development*
- *The segment for Other*

No individually material operating segments have been aggregated to form the above reportable operating segments. The Municipality does not monitor segments geographically.

Management does not monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. However, the Municipality's financing (including finance costs and finance income) and revenue from taxes are managed on a group basis and are not allocated to operating segments.

Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information.

The segmental information for Capital Assets of the Municipality is disclosed in Note 50. It is not practical to segmentise Financial Position and Cash Flow operations.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

49 GOING CONCERN ASSESSMENT

Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:

- (i) On 30 May 2022 Council adopted the 2022/23 to 2024/25 annual final budget.. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the elementary operations of the District Municipality to perform its legal mandate and reflected that the budget was unfunded for 2022/23, 2023/24 and 2024/25. The second adjustments budget for the financial year 2021/22 was tabled to Council on 30 June 2022.
- (ii) The District Municipality's draft budget of 2022/23 was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators. The outcome of the cash back assessment was negative for 2022/23 as well as negative for the two outer years 2023/24 and 2024/25.
- (iii) Strict daily cash management processes are embedded in the District Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. Cash flow reporting has been refined by building in cash back figures to portray the net cash flow positions on a bi-weekly basis.
- (iv) The District Municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. The cost containment policy had been adopted by Council on 30 May 2022. Cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source.
- (v) The District Municipality is in a material sense grant dependent and renders mainly mandatory support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.
- (vi) An operational efficiency plan has been develop by management to ensure that operations are effected in the most cost-effective manner possible whilst still ensuring that quality is not compromised.
- (vii) Business plans have been compiled by management to obtain funds from external parties to increase our revenue resources in order to fund the operations and to render municipal support services on a shared services basis to the local municipalities in the district.
- (viii) Alternative sourcing of funding and the attainment of projects by ZF Mgcawu District Municipality is a high priority to address the shortage of funding that is a legacy challenge of the past.
- (ix) Innovative strategic management is deployed to better the financial health of ZF Mgcawu District Municipality in the long term.
- (x) All outstanding creditors up to 30 June 2022 were included in ZFM's 2022/23 cash management report.
- (xi) Council has also adopted an implementation plan on how to get from an unfunded budget to a funded budget.
- (xii) To address above mentioned challenges a budget implementation plan was adopted by Council and the recommendations are implemented.
- (xiii) Political intervention and strategic direction is given to the municipal administration by the Executive Mayor of ZF Mgcawu District Municipality to sustain the financial health of the District Municipality.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on a going concern basis.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

50 SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2022

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council											
<i>Council Administration</i>	90 970	26 500	-	(6 650)	110 820	(79 344)	(6 416)	-	5 993	(79 767)	31 053
<i>Council Services</i>	1 537 253	-	-	(27 200)	1 510 053	(593 077)	(225 902)	-	24 584	(794 394)	715 659
<i>Municipal Manager</i>	286 263	26 857	-	-	313 119	(249 968)	(11 432)	-	-	(261 401)	51 719
Finance and Administration											
<i>Administration</i>	141 386	53 170	-	(8 000)	186 556	(123 369)	(12 912)	-	7 360	(128 921)	57 635
<i>Asset Management Unit</i>	32 781	-	-	-	32 781	(29 869)	(261)	-	-	(30 130)	2 650
<i>Budget & Treasury Office</i>	21 516	8 952	-	(15 483)	14 985	(19 732)	(2 291)	-	14 235	(7 788)	7 197
<i>Expenditure Unit</i>	231	17 904	-	-	18 136	(199)	(4 489)	-	-	(4 688)	13 448
<i>Financial Services</i>	710 062	110 000	-	(42 658)	777 404	(607 562)	(37 467)	-	38 832	(606 197)	171 207
<i>Human Resources</i>	129 681	17 904	-	(2 341)	145 244	(117 266)	(4 546)	-	2 154	(119 658)	25 586
<i>Information Technology</i>	2 905 945	1 834 803	-	(1 017 105)	3 723 643	(2 346 689)	(578 780)	-	903 491	(2 021 978)	1 701 665
<i>Property Services</i>	20 375 449	-	-	(6 197)	20 369 252	(1 737 105)	(88 717)	-	5 589	(1 820 233)	18 549 020
<i>Risk Management</i>	3 832	-	-	-	3 832	(3 446)	(12)	-	-	(3 458)	374
<i>Supply Chain Management</i>	6 809	8 952	-	-	15 761	(6 259)	(2 244)	-	-	(8 504)	7 257
<i>Vehicles</i>	195 600	-	-	-	195 600	(126 636)	(13 264)	-	-	(139 900)	55 700
Health											
<i>Environmental Health</i>	100 522	-	-	(15 062)	85 461	(86 134)	(3 304)	-	13 088	(76 350)	9 111
Planning and Development											
<i>Communication & Liaison</i>	10 426	-	-	-	10 426	(2 032)	(3 780)	-	-	(5 812)	4 614
<i>Engineering Services</i>	196 224	-	-	(48 953)	147 271	(143 598)	(17 678)	-	44 371	(116 905)	30 366
<i>Housing Accreditation</i>	48 594	-	-	-	48 594	(43 959)	(73)	-	-	(44 032)	4 562
<i>LED</i>	1 444	-	-	-	1 444	(1 294)	(2)	-	-	(1 296)	148
<i>PIMMS</i>	9 957	-	-	-	9 957	(5 635)	(2 952)	-	-	(8 587)	1 370
<i>Performance Management</i>	381 638	-	-	(126 063)	255 575	(324 782)	(10 931)	-	111 454	(224 259)	31 316
<i>Technical Support Services</i>	61 307	-	-	(5 289)	56 017	(55 332)	(74)	-	4 790	(50 615)	5 402
Internal Audit											
<i>Internal Audit</i>	113 804	50 291	-	(5 789)	158 306	(100 799)	(13 095)	-	5 325	(108 569)	49 736
Other											
<i>Tourism</i>	86 655	-	-	(13 413)	73 242	(78 006)	(75)	-	12 179	(65 903)	7 339
Public Safety											
<i>Disaster Management</i>	8 794	8 952	-	(924)	16 822	(8 051)	(2 257)	-	831	(9 478)	7 345
Total Asset Register	27 457 143	2 164 287	-	(1 341 128)	28 280 301	(6 890 144)	(1 042 953)	-	1 194 276	(6 738 821)	21 541 480

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

51 SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

2021 Actual Income	2021 Budgeted Income	2021 Actual Expenditure	2021 Budgeted Expenditure	2021 Surplus/ (Deficit)	Description	2022 Actual Income	2022 Budgeted Income	2022 Actual Expenditure	2022 Budgeted Expenditure	2022 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					Municipal Governance and Administration					
249 550	500 000	15 088 563	15 103 350	(14 839 013)	Executive and Council	533 983	500 000	16 044 984	16 614 854	(15 511 001)
76 505 599	78 427 000	42 736 504	43 038 810	33 769 094	Finance and Administration	78 525 840	80 121 000	39 066 629	40 902 882	39 459 210
-	-	3 338 304	3 505 128	(3 338 304)	Internal Audit	-	-	3 466 161	3 602 140	(3 466 161)
					Community and Public Safety					
-	259 000	2 752 344	2 804 306	(2 752 344)	Public Safety	-	-	3 163 278	3 356 155	(3 163 278)
-	-	6 361 461	6 368 269	(6 361 461)	Health	-	-	6 940 816	7 051 482	(6 940 816)
					Economic and Environmental Services					
4 490 000	4 490 000	9 553 842	9 554 499	(5 063 842)	Planning and Development	5 330 000	5 330 000	12 161 488	12 313 862	(6 831 488)
-	-	942 176	1 039 016	(942 176)	Other	-	-	1 162 396	1 228 385	(1 162 396)
81 245 149	83 676 000	80 773 194	81 413 378	471 955	Sub-Total	84 389 823	85 951 000	82 005 752	85 069 760	2 384 071
-	656 000	156 305	603 000	(156 305)	Gains and Losses	10 667	381 000	-	154 000	10 667
81 245 149	84 332 000	80 929 499	82 016 378	315 650	Total	84 400 490	86 332 000	82 005 752	85 223 760	2 394 737

APPENDIX A
ZF MGCAWU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2022

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2021	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2022	Carrying Value of Property, Plant & Equip	Other Costs in accordance with MFMA
	R				R	R	R	R	R	R
CAPITAL LEASE LIABILITIES										
COPIERS - Old Contract	783 000	19.4%	-	01/09/2021	82 592	-	(82 592)	(0)	-	-
COPIERS - New Contract	660 000	12.4%	-	01/05/2025	-	660 000	(15 328)	644 672	641 667	-
TELEPHONE SYSTEM	950 000	73.1%	-	01/06/2024	-	950 000	(294 436)	655 564	633 333	-
Total Capital Lease Liabilities	2 393 000				82 592	1 610 000	(392 357)	1 300 236	1 275 000	-

Copier Machine Leases:

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R660 000 as at 1 June 2022, ending 31 May 2025. The effective interest rate on Finance Leases is 12.4%.

Finance Lease Liabilities relate to Telephone System with a lease term of 3 years with a fair value of R950 000 as at 1 July 2021, ending 30 June 2024. The effective interest rate on Finance Leases is 73.1%.

The District Municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

APPENDIX B
ZF MGCAWU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2022

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Land:											
Land	17 976 000	-	-	-	17 976 000	-	-	-	-	-	17 976 000
Other Assets:											
Buildings	2 056 000	-	-	-	2 056 000	(1 439 399)	(82 213)	-	-	(1 521 612)	534 388
Land and Buildings	20 032 000	-	-	-	20 032 000	(1 439 399)	(82 213)	-	-	(1 521 612)	18 510 388
Computer Equipment											
Computer Hardware	2 278 848	466 503	-	(348 761)	2 396 590	(1 801 815)	(241 788)	-	311 772	(1 731 831)	664 759
Furniture and Office Equipment											
Cabinets And Cupboards	293 419	-	-	(10 689)	282 730	(263 188)	(519)	-	9 605	(254 103)	28 628
Chairs	336 860	4 231	-	(12 250)	328 841	(299 679)	(1 667)	-	11 020	(290 325)	38 516
Furniture	12 164	-	-	-	12 164	(10 368)	(387)	-	-	(10 755)	1 410
Office Machines & Other	285 680	-	-	(5 832)	279 848	(239 349)	(12 377)	-	5 366	(246 360)	33 488
Other Furniture	493 921	26 500	-	(22 440)	497 981	(403 056)	(24 950)	-	19 720	(408 287)	89 694
Printer, Fax, Copier	269 915	-	-	(108 686)	161 229	(243 112)	(3 642)	-	99 988	(146 766)	14 464
Tables And Desks	468 686	-	-	(8 840)	459 846	(418 821)	(1 571)	-	7 952	(412 441)	47 405
Machinery and Equipment											
Fire Fighting Equipment	1 200	-	-	-	1 200	(1 080)	(0)	-	-	(1 080)	120
Medical Equipment	6 300	-	-	-	6 300	(5 668)	(1)	-	-	(5 669)	631
Other Equipment	1 391	-	-	-	1 391	(1 230)	(12)	-	-	(1 241)	149
Radio Equipment	20 493	-	-	(17 493)	3 000	(18 444)	-	-	15 744	(2 700)	300
Security Equipment	174 465	15 444	-	(2 000)	187 909	(132 091)	(10 024)	-	1 800	(140 314)	47 595
Leased Assets	783 000	1 610 000	-	(783 000)	1 610 000	(672 468)	(352 455)	-	690 173	(334 749)	1 275 251
Transport Assets											
Motor Cars	1 109 072	-	-	-	1 109 072	(259 541)	(173 204)	-	-	(432 744)	676 328
	6 535 416	2 122 678	-	(1 319 991)	7 338 103	(4 769 909)	(822 595)	-	1 173 139	(4 419 364)	2 918 739
Total PPE	26 567 416	2 122 678	-	(1 319 991)	27 370 103	(6 209 307)	(904 808)	-	1 173 139	(5 940 977)	21 429 126
Intangible Assets											
Computer Software	889 727	41 609	-	(21 137)	910 198	(680 837)	(138 145)	-	21 137	(797 844)	112 354
Total Intangible Assets	889 727	41 609	-	(21 137)	910 198	(680 837)	(138 145)	-	21 137	(797 844)	112 354
Total Asset Register	27 457 143	2 164 287	-	(1 341 128)	28 280 301	(6 890 144)	(1 042 953)	-	1 194 276	(6 738 821)	21 541 480

APPENDIX E(1)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2022

Description	2021/22												2020/21
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
REVENUE - STANDARD	R	R	R	R	R	R		R	R	R	R	R	R
Municipal Governance and Administration													
Executive and Council	500 000	-	500 000	-	500 000	-	500 000	533 983	-	33 983	106.80	106.80	249 550
Finance and Administration	79 623 000	(750 000)	78 873 000	1 248 000	80 121 000	-	80 121 000	78 525 840		(1 595 160)	98.01	98.62	76 505 599
Community and Public Safety													
Public Safety	-	-	-	-	-	-	-	-		-	0.00	0.00	-
Economic and Environmental Services													
Planning and Development	3 530 000	(350 000)	3 180 000	2 150 000	5 330 000	-	5 330 000	5 330 000		-	100.00	150.99	4 490 000
Total Revenue - Standard	83 653 000	(1 100 000)	82 553 000	3 398 000	85 951 000	-	85 951 000	84 389 823	-	(1 561 177)	0.00	100.88	81 245 149
EXPENDITURE - STANDARD													
Municipal Governance and Administration													
Executive and Council	17 118 293	(1 489 850)	15 628 443	1 076 695	16 705 138	(90 284)	16 614 854	16 044 984	-	(569 870)	96.57	93.73	15 088 563
Finance and Administration	37 771 289	3 226 702	40 997 991	(388 977)	40 609 014	293 868	40 902 882	39 066 629	-	(1 836 253)	95.51	103.43	42 736 504
Internal Audit	4 271 202	(610 729)	3 660 473	(58 333)	3 602 140	-	3 602 140	3 466 161	-	(135 979)	96.23	81.15	3 338 304
Community and Public Safety													
Public Safety	2 792 929	172 051	2 964 980	401 679	3 366 659	(10 504)	3 356 155	3 163 278	-	(192 877)	94.25	113.26	2 752 344
Health	6 292 054	788 950	7 081 004	(29 522)	7 051 482	-	7 051 482	6 940 816	-	(110 666)	98.43	110.31	6 361 461
Economic and Environmental Services													
Planning and Development	11 784 808	(2 140 895)	9 643 913	2 864 029	12 507 942	(194 080)	12 313 862	12 161 488	-	(152 374)	98.76	103.20	9 553 842
Other	550 528	545 694	1 096 222	132 163	1 228 385	-	1 228 385	1 162 396	-	(65 989)	94.63	211.14	942 176
Total Expenditure - Standard	80 581 103	491 923	81 073 026	3 997 734	85 070 760	(1 000)	85 069 760	82 005 752	-	(3 064 008)	0.00	101.77	80 773 194
Gains and Losses	(228 000)	-	(228 000)	-	(228 000)	1 000	(227 000)	(10 667)	-	216 333	0.00	0.00	156 305
Surplus/(Deficit) for the year	3 299 897	(1 591 923)	1 707 974	(599 734)	1 108 240	1 000	1 108 240	2 394 737	-	1 502 831	239 473.73	72.57	315 650

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2022

Description	2021/22												2020/21
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
REVENUE - STANDARD	R	R	R	R	R	R		R	R	R	R	R	R
Executive & Council	500 000	-	500 000	-	500 000	-	500 000	533 983	-	33 983	106.80	106.80	249 550
Council Services	500 000	-	500 000	-	500 000	-	500 000	533 983	-	33 983	106.80	106.80	249 550
Internal Audit	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Budget and treasury office	78 773 000	(750 000)	78 023 000	1 248 000	79 271 000	-	79 271 000	78 017 006	-	(1 253 994)	98.42	99.04	76 287 944
Budget & Treasury Office	500 000	700 000	1 200 000	-	1 200 000	-	1 200 000	299 776	-	(900 224)	24.98	59.96	279 971
Financial Services	78 273 000	(1 450 000)	76 823 000	1 248 000	78 071 000	-	78 071 000	77 717 231	-	(353 769)	99.55	99.29	76 007 973
Corporate services	850 000	-	850 000	-	850 000	-	850 000	508 834	-	(341 166)	59.86	59.86	217 654
Human Resources	850 000	-	850 000	-	850 000	-	850 000	508 834	-	(341 166)	59.86	59.86	217 654
Planning & Development	3 530 000	(350 000)	3 180 000	2 150 000	5 330 000	-	5 330 000	5 330 000	-	-	100.00	150.99	4 490 000
Disaster Mangement	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Engineering Services	2 930 000	-	2 930 000	2 150 000	5 080 000	-	5 080 000	5 080 000	-	-	100.00	173.38	3 890 000
Housing Accreditation	600 000	(350 000)	250 000	-	250 000	-	250 000	250 000	-	-	100.00	41.67	600 000
Total Revenue - Standard	83 653 000	(1 100 000)	82 553 000	3 398 000	85 951 000	-	85 951 000	84 389 823	-	(1 561 177)	0.00	100.88	81 245 149

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2022

Description	2021/22												2020/21
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
EXPENDITURE - STANDARD													
Executive & Council	20 397 983	(1 310 354)	19 087 629	1 041 092	20 128 721	(90 284)	20 038 437	19 694 819	-	(343 618)	98.29	96.55	17 798 655
Council Administration	4 992 540	(421 235)	4 571 305	722 550	5 293 855	(54 465)	5 239 390	5 220 842	-	(18 548)	99.65	104.57	4 562 888
Council Services	5 306 385	612 558	5 918 943	558 832	6 477 775	189 819	6 667 594	6 603 420	-	(64 174)	99.04	124.44	5 465 792
Internal Audit	4 271 202	(610 729)	3 660 473	(58 333)	3 602 140	-	3 602 140	3 466 161	-	(135 979)	96.23	81.15	3 338 304
Municipal Manager	4 547 769	(864 888)	3 682 881	(201 100)	3 481 781	(225 638)	3 256 143	3 124 200	-	(131 943)	95.95	68.70	3 219 326
Risk Management	1 280 087	(26 060)	1 254 027	19 143	1 273 170	-	1 273 170	1 280 197	-	7 027	100.55	100.01	1 212 344
Budget and treasury office	14 081 184	4 046 695	18 127 879	(381 572)	17 746 307	634 561	18 380 868	16 804 380	-	(1 576 488)	91.42	119.34	19 716 898
Asset Management Unit	2 476 152	990 014	3 466 166	(29 771)	3 436 395	912 085	4 348 480	4 265 400	-	(83 080)	98.09	172.26	3 408 354
Budget & Treasury Office	1 717 070	(124 608)	1 592 462	37 141	1 629 603	(94 000)	1 535 603	1 581 996	-	46 393	103.02	92.13	1 523 637
Expenditure Unit	1 988 241	296 921	2 285 162	(510 385)	1 774 777	(17 169)	1 757 608	1 757 577	-	(31)	100.00	88.40	1 756 963
Financial Services	5 641 921	3 359 606	9 001 527	168 339	9 169 866	(166 355)	9 003 511	7 494 742	-	(1 508 769)	83.24	132.84	11 520 354
Supply Chain Management	2 257 800	(475 238)	1 782 562	(46 896)	1 735 666	-	1 735 666	1 704 664	-	(31 002)	98.21	75.50	1 507 592
Corporate services	21 268 122	(886 596)	20 381 526	99 894	20 481 420	(250 843)	20 230 577	20 000 813	-	(229 764)	98.86	94.04	20 067 605
Administration	6 614 338	17 667	6 632 005	179 497	6 811 502	-	6 811 502	6 809 103	-	(2 399)	99.96	102.94	6 483 579
Human Resources	4 688 896	(600 000)	4 088 896	292 693	4 381 589	352 177	4 733 766	5 563 251	-	829 485	117.52	118.65	5 180 372
Information Technology	5 346 032	(166 068)	5 179 964	(268 932)	4 911 032	(507 100)	4 403 932	3 572 486	-	(831 446)	81.12	66.82	3 576 019
Property Services	2 105 000	(270 000)	1 835 000	(115 500)	1 719 500	(95 920)	1 623 580	1 417 590	-	(205 990)	87.31	67.34	2 088 632
Security Services	2 513 856	131 805	2 645 661	12 136	2 657 797	-	2 657 797	2 638 382	-	(19 415)	99.27	104.95	2 739 002
Planning & Development	24 833 814	(1 357 822)	23 475 992	3 238 320	26 714 312	(294 434)	26 419 878	25 505 741	-	(914 137)	96.54	102.71	23 190 036
Communication & Liaison	1 166 896	92 663	1 259 559	(151 442)	1 108 117	(89 850)	1 018 267	981 240	-	(37 027)	96.36	84.09	1 739 657
Disaster Mangement	2 792 929	172 051	2 964 980	401 679	3 366 659	(10 504)	3 356 155	3 163 278	-	(192 877)	94.25	113.26	2 752 344
Engineering Services	7 101 853	(1 739 386)	5 362 467	2 699 160	8 061 627	(194 080)	7 867 547	7 860 351	-	(7 196)	99.91	110.68	5 530 630
Environmental Health	6 267 054	788 950	7 056 004	(4 522)	7 051 482	-	7 051 482	6 940 816	-	(110 666)	98.43	110.75	6 361 461
Housing Accreditation	2 790 866	(552 974)	2 237 892	37 561	2 275 453	-	2 275 453	2 162 342	-	(113 111)	95.03	77.48	2 149 030
LED	829 589	161 465	991 054	(48 197)	942 857	-	942 857	899 291	-	(43 566)	95.38	108.40	863 612
PIMMS	1 062 500	(10 000)	1 052 500	175 505	1 228 005	-	1 228 005	1 239 504	-	11 499	100.94	116.66	1 010 570
PMS	2 271 599	(816 285)	1 455 314	(3 587)	1 451 727	-	1 451 727	1 096 523	-	(355 204)	75.53	48.27	1 840 556
Tourism	550 528	545 694	1 096 222	132 163	1 228 385	-	1 228 385	1 162 396	-	(65 989)	94.63	211.14	942 176
Total Expenditure - Standard	80 581 103	491 923	81 073 026	3 997 734	85 070 760	(1 000)	85 069 760	82 005 752	-	(3 064 008)	0.00	101.77	80 773 194
Gains and Losses	(228 000)	-	(228 000)		(228 000)	1 000	(227 000)	(10 667)	-	216 333	0.00	0.00	156 305
Surplus/(Deficit) for the year	3 299 897	(1 591 923)	1 707 974	(599 734)	1 108 240	-	1 108 240	2 394 737	-	1 286 497	0.00	(0.89)	315 650

APPENDIX E (3)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

Description	2021/22												2020/21
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
Revenue from Non-exchange Transactions													
Transfers and Subsidies	82 178 000	(1 850 000)	80 328 000	3 398 000	83 726 000	-	83 726 000	82 846 906	-	(879 094)	98.95	100.81	80 137 977
Impairment Gains	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Revenue from Exchange Transactions													
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	8 730	-	(1 270)	87.30	87.30	2 078
Finance Income	800 000	50 000	850 000	-	850 000	-	850 000	699 566	-	(150 434)	82.30	87.45	562 869
Operational Revenue	665 000	700 000	1 365 000	-	1 365 000	-	1 365 000	834 620	-	(530 380)	61.14	125.51	542 225
Gains on Disposal of Capital Assets	381 000	-	381 000	-	381 000	-	381 000	10 667	-	(370 333)	2.80	2.80	-
Total Revenue (excluding Capital Transfers & Expenditure)	84 034 000	(1 100 000)	82 934 000	3 398 000	86 332 000	-	86 332 000	84 400 490	-	(1 931 510)	0.00	100.44	81 245 149
EXPENDITURE													
Employee Related Costs	56 969 949	1 172 386	58 142 335	329 235	58 471 570	(369 243)	58 102 327	56 838 028	-	(1 264 299)	97.82	99.77	60 245 587
Remuneration of Councillors	3 773 302	438 191	4 211 493	219 257	4 430 750	189 819	4 620 569	4 620 087	-	(482)	99.99	122.44	3 974 721
Depreciation and Amortisation	594 640	113 600	708 240	-	708 240	438 638	1 146 878	1 042 953	-	(103 925)	90.94	175.39	794 433
Impairment Losses	20 000	-	20 000	-	20 000	38 000	58 000	53 246	-	(4 754)	91.80	266.23	13 137
Finance Costs	-	-	-	-	-	513 500	513 500	512 869	-	(631)	99.88	0.00	47 969
Contracted Services	5 742 750	(80 150)	5 662 600	2 097 445	7 760 045	(144 865)	7 615 180	7 087 439	-	(527 741)	93.07	123.42	5 650 804
Inventory Consumed	565 427	(66 000)	499 427	236 351	735 778	(43 961)	691 817	634 183	-	(57 634)	91.67	112.16	458 807
Transfers and Subsidies Paid	150 000	175 000	325 000	(5 045)	319 955	-	319 955	304 250	-	(15 705)	95.09	202.83	594 159
Operating Leases	650 000	(350 000)	300 000	116 000	416 000	244 080	660 080	626 900	-	(33 180)	94.97	96.45	926 678
Operational Costs	12 115 035	(911 104)	11 203 931	1 004 491	12 208 422	(866 968)	11 341 454	10 285 796	-	(1 055 658)	90.69	84.90	8 066 899
Loss on Disposal of Capital Assets	153 000	-	153 000	-	153 000	1 000	154 000	-	-	(154 000)	0.00	0.00	156 305
Total Expenditure	80 734 103	491 923	81 226 026	3 997 734	85 223 760	-	85 223 760	82 005 752	-	(3 218 008)	0.00	101.58	80 929 499
Surplus/(Deficit) for the Year	3 299 897	-	1 707 974	-	1 108 240	-	1 108 240	2 394 737	-	-	-	72.57	315 650

APPENDIX E(4)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

Description	2021/22											2020/21
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
CASH FLOW FROM OPERATING ACTIVITIES	R	R	R	R	R	R				R	R	R
Receipts												
Transfers and Subsidies	82 178 000	(3 225 000)	78 953 000	3 038 950	81 991 950	-	81 991 950	82 312 923	320 973	100.39	100.16	80 388 427
Rental from Fixed Assets	-	-	-	-	-	-	-	8 730	8 730	0.00	0.00	2 078
External Interest and Dividends Received	800 000	50 000	850 000	-	850 000	-	850 000	699 566	(150 434)	82.30	87.45	562 869
Other Receipts	675 000	700 000	1 375 000	-	1 375 000	-	1 375 000	1 385 858	10 858	100.79	205.31	44 319
Payments												
Employee Related Costs	(80 217 981)	(1 482 019)	(81 700 000)	81 700 000	-	-	-	(58 197 028)	(58 197 028)	0.00	0.00	(57 366 587)
Remuneration of Councillors	-	-	-	-	-	-	-	(4 620 087)	(4 620 087)	0.00	0.00	(3 974 721)
External Interest and Dividends Paid	-	-	-	-	-	-	-	(512 869)	(512 869)	0.00	0.00	(47 969)
Suppliers Paid	-	-	-	-	-	-	-	(9 241 514)	(9 241 514)	0.00	0.00	(8 513 176)
Other Payments	-	-	-	-	-	-	-	(10 594 916)	(10 594 916)	0.00	0.00	(8 625 668)
NET CASH FROM / (USED) OPERATING ACTIVITIES	3 435 019	(3 957 019)	(522 000)	84 738 950	84 216 950	-	84 216 950	1 240 663	(82 976 287)	99.38	2 451.72	2 469 571
CASH FLOWS FROM INVESTING ACTIVITIES												
Purchase of Property, Plant and Equipment	(2 210 000)	545 000	(1 665 000)	1 665 000	-	-	-	(512 678)	(512 678)	0.00	0.00	(840 613)
Purchase of Intangible Assets	-	-	-	-	-	-	-	(41 609)	(41 609)	0.00	0.00	(80 348)
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	157 519	157 519	0.00	0.00	-
Decrease / (Increase) in Non-current Investments	-	-	-	(500 000)	(500 000)	-	(500 000)	(512 048)	(12 048)	0.00	0.00	-
Decrease / (Increase) in Long-term Receivables	-	(14 297)	(14 297)	14 297	-	-	-	(94 288)	(94 288)	0.00	0.00	4 335
NET CASH FROM / (USED) INVESTING ACTIVITIES	(2 210 000)	530 703	(1 679 297)	1 179 297	(500 000)	-	(500 000)	(1 003 104)	(503 104)	0.00	0.00	(916 626)
CASH FLOWS FROM FINANCING ACTIVITIES												
Proceeds from Borrowings	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Repayment of Borrowings	-	-	-	-	-	-	-	(392 357)	(392 357)	0.00	0.00	(293 310)
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	-	-	-	-	-	-	(392 357)	(392 357)	0.00	0.00	(293 310)
NET INCREASE / (DECREASE) IN CASH HELD	(1 225 019)	3 426 316	2 201 297	(85 918 247)	(83 716 950)	-	(83 716 950)	154 798	83 871 748	0.00	0.00	(1 259 636)
Cash / Cash Equivalents at the Year begin:	3 367 113	(1 085 910)	2 281 203	-	2 281 203	-	2 281 203	2 281 203	0	100.00	67.75	1 021 568
Cash / Cash Equivalents at the Year end:	4 592 132	(4 512 226)	79 906	85 918 247	85 998 153	-	85 998 153	2 126 406	(83 871 747)	2.47	46.31	2 281 203

APPENDIX F
ZF MGCAWU DISTRICT MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
		R	R	R	R	R	R	R	R	R	R	R	R		Yes / No	
Monetary Allocations:																
Financial Management Grant	National Treasury	1 200 000	-	-	-	175 354	108 309	117 489	798 848	-	-	-	-	N/A	Yes	N/A
Rural Roads Asset Management Systems Grant	National Treasury	2 051 000	-	879 000	-	620 495	802 188	683 709	823 608	-	-	-	-	N/A	Yes	N/A
EPWP Incentive Grant	National Treasury	-	-	2 150 000	-	-	-	-	2 150 000	-	-	-	-	N/A	Yes	N/A
Housing Accreditation DPLG National	COGHSTA - Provincial	-	250 000	-	-	14 608	10 148	59 781	165 463	-	-	-	-	N/A	Yes	N/A
In-kind Allocations:																
Aids Health	Department of Health Provincial	-	-	-	-	108 891	238 304	12 872	173 916	-	-	-	-	N/A	Yes	N/A
Total Grants and Subsidies Received																
		3 251 000	250 000	3 029 000	-	919 348	1 158 949	873 851	4 111 836	-	-	-	-			

(*) Did your District Municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2022

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
Executive Mayor	R	R	R	R	R	R	R	R	R	R	R
PM MGCERA	353 903	-	-	-	-	117 968	23 586	-	-	-	495 457
MC BASSON	15 134	-	-	-	-	5 045	12 693	-	-	-	32 872
MM LOUW	276 197	-	-	-	-	92 066	-	-	-	-	368 262
Speaker											
MC BASSON	198 258	-	-	-	-	66 086	-	-	-	-	264 344
WRS PETERSON	180 765	-	-	-	-	67 662	-	-	-	-	248 427
Executive Committee											
A MATSHIMO	282 156	-	-	-	-	94 052	40 800	-	-	-	417 008
J SILO	178 467	-	-	-	-	59 489	26 157	-	-	-	264 112
J LODEWYK	103 690	-	-	-	-	34 563	14 643	-	-	-	152 896
PM MGCERA	121 895	-	-	-	-	40 632	17 214	-	-	-	179 740
MM Louw	4 789	-	-	-	-	1 596	-	-	-	-	6 386
K ESAU	78 427	-	-	-	-	26 142	14 643	-	-	-	119 212
J ESAU	140 090	-	-	-	-	46 697	26 157	-	-	-	212 944
A DE BRUIN	78 427	-	-	-	-	26 142	14 643	-	-	-	119 212
H DE KOKER	140 090	-	-	-	-	46 697	26 157	-	-	-	212 944
FL WITBOOI	218 517	-	-	-	-	72 839	40 800	-	-	-	332 156
PH MATTHYS	140 090	-	-	-	-	46 697	26 157	-	-	-	212 944
MHB VAN ZYL	218 517	-	-	-	-	72 839	40 800	-	-	-	332 156
EE PHETE	51 823	-	-	-	-	17 274	8 272	-	-	-	77 369
A JOHNSON	52 134	-	-	-	-	17 378	-	-	-	-	69 512
N PRINCE	12 926	-	-	-	-	4 309	-	-	-	-	17 235
M BOSMAN/MAASDORP	3 042	-	-	-	-	1 014	-	-	-	-	4 056
Councillors Section 79											
MC BASSON	167 700	-	-	-	-	55 900	-	-	-	-	223 600
SD DUBENI	22 221	-	-	-	-	7 407	-	-	-	-	29 628
Other Councillors											
M DANIELS	7 702	-	-	-	-	2 567	-	-	-	-	10 269
D ESAU	7 702	-	-	-	-	2 567	-	-	-	-	10 269
KG KEOROMETSWE	13 757	-	-	-	-	4 586	-	-	-	-	18 343
AJ RUITERS	13 757	-	-	-	-	4 586	-	-	-	-	18 343

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2022

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
E FRITZ	7 231	-	-	-	-	2 410	-	-	-	-	9 642
CFP MAASDORP	21 459	-	-	-	-	7 153	-	-	-	-	28 612
AC KOTZEE	13 757	-	-	-	-	4 586	-	-	-	-	18 343
J BALIES	13 757	-	-	-	-	4 586	-	-	-	-	18 343
Other Councillors (Sitting)											
DR PIENAAR	-	-	-	-	6 818	-	-	-	-	-	6 818
S ESAU	-	-	-	-	1 136	-	-	-	-	-	1 136
B BOCK	-	-	-	-	4 545	-	-	-	-	-	4 545
PT VAN DER STEEN	-	-	-	-	19 317	-	-	-	-	-	19 317
H ROSS	-	-	-	-	4 545	-	-	-	-	-	4 545
S SANDLANA	-	-	-	-	12 500	-	-	-	-	-	12 500
S ABEL	-	-	-	-	11 363	-	-	-	-	-	11 363
ML SEPTEMBER	-	-	-	-	1 136	-	-	-	-	-	1 136
PJ GEORGE	-	-	-	-	13 636	-	-	-	-	-	13 636
F BASSON	-	-	-	-	15 909	-	-	-	-	-	15 909
F OLIFANT	-	-	-	-	4 545	-	-	-	-	-	4 545
Total for Councillors	3 138 380	-	-	-	95 451	1 053 534	332 722	-	-	-	4 620 087

30 June 2022

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
Municipal Manager											
J.G. Lategan	892 000	-	-	164 719	-	375 066	-	-	-	-	1 431 785
Director: Financial Services											
E. Isaacs	542 435	-	48 500	94 385	-	133 432	-	13 000	129 572	-	961 325
J.A. Kitching	-	-	-	-	-	-	-	-	-	11 111	11 111
	542 435	-	48 500	94 385	-	133 432	-	13 000	129 572	11 111	972 435
Director: Planning & Development											
I.G.A De Waal	615 660	-	45 000	110 816	-	278 414	26 700	-	101 252	-	1 177 843
Director: Corporate Services											
D. Van Zyl	638 343	-	60 000	154 382	-	457 125	-	3 900	172 179	-	1 485 929
Total for Senior Managers	2 688 438	-	153 500	524 302	-	1 244 037	26 700	16 900	403 004	11 111	5 067 993
Total for Management	5 826 819	-	153 500	524 302	95 451	2 297 572	359 422	16 900	403 004	11 111	9 688 080

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2021

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
Executive Mayor											
PM MGCERA	645 644	-	-	-	-	215 215	-	-	-	-	860 859
Speaker											
M. MOALOSI	351 286	-	-	-	-	117 096	-	-	-	-	468 382
MC BASSON	86 086	-	-	-	-	28 695	-	-	-	-	114 781
Executive Committee											
A MATSHIMO	270 228	-	-	-	-	90 048	44 400	-	-	-	404 676
MC BASSON	225 121	-	-	-	-	75 040	37 000	-	-	-	337 161
J LODEWYK	231 748	-	-	-	-	77 250	44 400	-	-	-	353 398
A DE BRUIN	204 322	-	-	-	-	68 108	44 400	-	-	-	316 830
FL WITBOOI	204 322	-	-	-	-	68 108	44 400	-	-	-	316 830
MHB Van Zyl	204 322	-	-	-	-	68 108	44 400	-	-	-	316 830
K ESAU	65 903	-	-	-	-	21 968	11 100	-	-	-	98 971
M DANIELS	51 400	-	-	-	-	17 134	-	-	-	-	68 534
M BOSMAN	57 992	-	-	-	-	19 331	-	-	-	-	77 323
Councillors Section 79											
S DUBENI	50 061	-	-	-	-	16 687	-	-	-	-	66 748
Other Councillors											
WD KLIM	10 837	-	-	-	-	3 612	-	-	-	-	14 449
CFP MAASDORP	11 582	-	-	-	-	3 407	-	-	-	-	14 989
N PRINCE	9 665	-	-	-	-	3 222	-	-	-	-	12 887
D ESAU	4 451	-	-	-	-	1 484	-	-	-	-	5 934
MY BASSON	474	-	-	-	-	-	-	-	-	-	474
Other Councillors (Sitting)											
S ESAU	-	-	-	-	22 065	-	-	-	-	-	22 065
B BOCK	-	-	-	-	18 755	-	-	-	-	-	18 755
PT VAN DER STEEN	-	-	-	-	17 652	-	-	-	-	-	17 652
S SANDLANA	-	-	-	-	18 755	-	-	-	-	-	18 755
H ROSS	-	-	-	-	17 652	-	-	-	-	-	17 652
N PRINCE	-	-	-	-	11 032	-	-	-	-	-	11 032
F OLIFANT	-	-	-	-	14 342	-	-	-	-	-	14 342
EE FRITZ	-	-	-	-	4 413	-	-	-	-	-	4 413
Total for Councillors	2 685 446	-	-	-	124 665	894 509	270 100	-	-	-	3 974 721

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2021

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
Municipal Manager	R	R	R	R	R	R	R	R	R	R	R
J.G. Lategan	888 887	-	-	164 719	-	378 179	-	-	-	-	1 431 785
Director: Financial Services											
P. Beukes	511 952	56 693	-	134 526	-	169 838	-	10 956	37 859	-	921 823
J.A. Kitching	-	-	-	-	-	-	-	-	-	19 534	19 534
	511 952	56 693	-	134 526	-	169 838	-	10 956	37 859	19 534	941 357
Director: Planning & Development											
I.G.A De Waal	562 513	-	-	-	-	248 762	8 800	-	100 639	-	920 714
Director: Corporate Services											
D. Van Zyl	618 937	-	-	145 301	-	488 638	-	15 600	163 344	-	1 431 820
Total for Senior Managers	2 582 288	56 693	-	444 546	-	1 285 417	8 800	26 556	301 841	19 534	4 725 675
Total for Management	5 267 735	56 693	-	444 546	124 665	2 179 927	278 900	26 556	301 841	19 534	8 700 396

APPENDIX H
ZF MGCAWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2022

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2022 R	2021 R		
1. FINANCIAL POSITION									
A. Asset Management / Utilisation									
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		2.57%	1.13%	Refer to Page 2 of MFMA Circular No 71	The majority of Capital Expenditure is financed with finance lease liabilities.
					Total Operating Expenditure	82 005 752	80 929 499		
					Taxation Expense	-	-		
					Total Capital Expenditure	2 164 287	920 961		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.00%	0.00%	Refer to Page 3 of MFMA Circular No 71	No Impairment of PPE during the 2021/22 financial year.
					PPE, Investment Property & Intangible Impairment	-	-		
					PPE at Carrying Value	21 429 126	20 358 109		
					IP at Carrying Value	-	-		
					Intangible Assets at Carrying Value	112 354	208 890		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		7.92%	1.25%	Refer to Page 4 of MFMA Circular No 71	The majority of ZFM's PPE value is Land which has no maintenance on it.
					Total Repairs and Maintenance Expenditure	1 696 360	255 184		
					PPE at Carrying Value	21 429 126	20 358 109		
					Investment Property at Carrying Value	-	-		
B. Debtors Management									
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		45.66%	97.09%	Refer to Page 5 of MFMA Circular No 71	ZFM has written off all former Councillors debt during 2021/22.
					Gross Debtors Closing Balance	197 928	296 503		
					Gross Debtors Opening Balance	296 503	290 825		
					Bad Debts Written-off	53 246	13 137		
					Billed Revenue	279 380	256 391		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.00%	0.00%	Refer to Page 5 of MFMA Circular No 71	ZFM has written off all former Councillors debt during 2021/22.
					Debtors Bad Debts Written-off	53 246	13 137		
					Debtors Current Bad Debt Provision	-	-		
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) × 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		259 Days	422 Days	Refer to Page 6 of MFMA Circular No 71	Advance payments were received and decreased Gross Debtors."
					Gross Debtors	197 928	296 503		
					Bad Debts Provision	-	-		
					Billed Revenue	279 380	256 391		

APPENDIX H
ZF MGCAWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2022

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2022 R	2021 R		
C. Liquidity Management									
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		0 Months	0 Months	Refer to Page 7 of MFMA Circular No 71	ZFM has historic Employment Benefit Liabilities which negatively affects ZFM's cash flow position. Refer to Note 49, Management's Going Concern Assessment for more detail.
					Cash and Cash Equivalents	2 126 406	2 281 203		
					Unspent Conditional Grants	-	533 983		
					Overdraft	-	-		
					Short-term Investments	-	-		
					Total Annual Operational Expenditure	80 909 553	79 965 624		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		0.25	0.28	Refer to Page 7 of MFMA Circular No 71	ZFM has historic Employment Benefit Liabilities which negatively affects ZFM's cash flow position. Refer to Note 49, Management's Going Concern Assessment for more detail.
					Current Assets	2 895 685	3 654 966		
					Current Liabilities	11 528 672	13 127 184		
C. Liability Management									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		1.10%	0.42%	Refer to Page 8 of MFMA Circular No 71	ZFM leased copier machines and a telephone system during 2021/22 financial year.
					Interest Paid	512 869	47 969		
					Redemption	392 357	293 310		
					Total Operating Expenditure	82 005 752	80 929 499		
					Taxation Expense	-	-		
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		83.69%	10.44%	Refer to Page 9 of MFMA Circular No 71	ZFM leased copier machines and a telephone system during 2021/22 financial year.
					Total Debt	1 300 236	115 632		
					Total Operating Revenue	84 400 490	81 245 149		
					Operational Conditional Grants	82 846 906	80 137 977		

APPENDIX H
ZF MGCAWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2022

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2022 R	2021 R		
C. Sustainability									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		13.66%	8.05%	Refer to Page 9 of MFMA Circular No 71	The level of Cash Backed of Reserves has improved but will be addressed by Management's Going Concern Assessment, refer to Note 49.
					Cash and Cash Equivalents	2 126 406	2 281 203		
					Bank Overdraft	-	-		
					Short Term Investment	-	-		
					Long Term Investment	512 048	-		
					Unspent Grants	-	533 983		
					Net Assets	-	-		
					Share Premium	-	-		
					Share Capital	-	-		
					Revaluation Reserve	-	-		
					Fair Value Adjustment Reserve	-	-		
					Accumulated Surplus	(19 315 223)	(21 709 961)		
2. FINANCIAL PERFORMANCE									
A. Efficiency									
1.	Net Operating Surplus Margin	((Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue) x 100	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		2.84%	0.39%	Refer to Page 10 of MFMA Circular No 71	The Net Operating Surplus Margin is above 0% due to the implementation of cost containment controls.
					Total Operating Revenue	84 400 490	81 245 149		
					Depreciation - Revalued Portion	-	-		
					Total Operating Expenditure	82 005 752	80 929 499		
					Taxation Expense	-	-		
B. Distribution Losses									
	ZFM has transferred the distribution of water and electricity to Local Municipalities								
C. Revenue Management									
	ZFM has transferred the distribution of water and electricity to Local Municipalities								

APPENDIX H
ZF MGCAWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2022

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2022 R	2021 R		
D. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) × 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		16 Days	60 Days	Refer to Page 16 of MFMA Circular No 71	The Creditors Payment Period has decreased due to savings realised during the 2021/22 financial year and creditors could be paid before year-end. Refer to Note 17.
					Trade Creditors	843 254	2 711 913		
					Contracted Services	7 087 439	5 650 804		
					Inventory Consumed	634 183	458 807		
					Operational Costs	10 285 796	8 066 899		
					Transfers and Subsidies Paid	304 250	594 159		
					Operating Leases	626 900	926 678		
Capital Credit Purchases	554 287	920 961							
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		4.70%	4.40%	Refer to Page 16 of MFMA Circular No 71	Refer to Note 35 for detailed explanations.
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	3 856 317	3 563 229		
					Total Operating Expenditure	82 005 752	80 929 499		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In- year Reports and AR	25% - 40%		74.94%	79.35%	Refer to Page 17 of MFMA Circular No 71	Remuneration has decreased due to vacant positions not filled and Post-Employment Benefit Liability actuarial gains. The high remuneration % will be addressed by Management's Going Concern Assessment. Refer to Note 49.
					Employee / Personnel Related Cost	56 838 028	60 245 587		
					Councillors Remuneration	4 620 087	3 974 721		
					Total Operating Expenditure	82 005 752	80 929 499		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In- year Reports and AR	2% - 5%		8.64%	6.98%	Refer to Page 17 of MFMA Circular No 71	Contracted services are affected by grant spending, refer to Note 26 for more detail.
					Contracted Services	7 087 439	5 650 804		
					Total Operating Expenditure	82 005 752	80 929 499		
					Taxation Expense	-	-		
E. Grant Dependency									
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In- year Reports and AR	None		77.54%	90.19%	Refer to Page 18 of MFMA Circular No 71	Capital Expenditures funded from Borrowings relates to Finance Lease Liabilities.
					Internally Generated Funds	68 239	830 617		
					Borrowings	1 610 000	-		
					Total Capital Expenditure	2 164 287	920 961		

APPENDIX H
ZF MGCAWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2022

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2022 R	2021 R		
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		3.15%	90.19%	Refer to Page 18 of MFMA Circular No 71	The majority of Capital Expenditures were funded from Borrowings which relates to Finance Lease Liabilities.
					Internally Generated Funds	68 239	830 617		
					Total Capital Expenditure	2 164 287	920 961		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		1.84%	1.36%	Refer to Page 18 of MFMA Circular No 71	ZFM has limited own sources of revenue as all the functions were transferred to Local Municipalities.
					Total Revenue	84 400 490	81 245 149		
					Government Grant and Subsidies	82 846 906	80 137 977		
					Public Contributions and Donations	-	-		
					Capital Grants	-	-		
3. BUDGET IMPLEMENTATION									
A. Efficiency									
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		415.37%	86.72%	Refer to Page 19 of MFMA Circular No 71	Refer to Note 35 for detailed explanations.
					Actual Capital Expenditure	2 164 287	920 961		
					Budgeted Capital Expenditure	521 050	1 062 000		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		96.22%	98.67%	Refer to Page 20 of MFMA Circular No 71	Spending was in line with budgeted figures.
					Actual Operating Expenditure	82 005 752	80 929 499		
					Budgeted Operating Expenditure	85 223 760	82 016 378		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		97.76%	96.34%	Refer to Page 20 of MFMA Circular No 71	Only realistic revenue was included in the budget.
					Actual Operating Revenue	84 400 490	81 245 149		
					Budgeted Operating Revenue	86 332 000	84 332 000		
Interpretation of Results:									
	The green colour indicates that the result is within the norm and is acceptable.								
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.								

VOLUME IIB

AUDIT

RECOVERY

PLAN

Audit Recovery Plan
for
ZF Mgcawu District Municipality (ZFM)

Financial year 2022/23

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A OBJECTIVE

The Audit Recovery Plan ('ARP') has been compiled to address the deviations and challenges that exist in the implementation of the new GRAP accounting standards, measured against the best practices in accounting. This process includes the following outcomes:

- all 2021/22 audit findings to be corrected;
- deviations from GRAP that exist in the municipality;
- in-year accounting processes and reconciliations that needs to be corrected;
- action steps to be undertaken to address weaknesses found; and
- target dates and responsibilities for action steps to be performed.

The ARP includes action plans on how to address these deviations and challenges for the 2022/23 AFS.

The following reports, for the financial year ended 30 June 2022, were considered to compile the ARP:

- AGSA's Management Reports;
- AGSA's Final Audit Report;
- Final audited AFS.
- Audit Communications received from AGSA during the audit.

This implementation plan is therefore an outflow of the above reports, and its main purpose is to list the tasks that need to be undertaken to successfully comply during the year ended 30 June 2023 with GRAP as well as to address the deviations and challenges experienced in the past.

B GLOSSARY OF TERMS

AFS	Annual Financial statements
AGSA	Auditor-General South Africa
AO	Accounting Officer
AP	Accounting Procedure
AR	Asset Register
ARP	Audit Recovery Plan
ASB	Accounting Standards Board
CFO	Chief Financial Officer
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
COID	Compensation for Occupational Injuries and Diseases
CR	Capitalisation Reserve
CRR	Capital Replacement Reserve
D&PCR	Donations and Public Contributions Reserve
DC	Ducharme Consulting (Pty) Ltd
FMBPR	Financial Management Best Practice Requirement
FCP	Financial Control Procedure
FSOP	Finance Standard Operating Procedure
FSOPM	Finance Standard Operating Procedures Manual
FSOP Type	Type of Finance Standard Operating Procedure
GAAP	Generally Accepted Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
GGR	Government Grant Reserve
GL	General Ledger
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IP	Investment property
IPSAS	International Public Sector Accounting Standards
KMP	Key Management Personnel
MFMA	Municipal Finance Management Act
MM	Municipal Manager
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of accounts
NT	National Treasury
PFMA	Public Finance Management Act
PPE	Property, plant and equipment
RR	Revaluation Reserve
SCM	Supply Chain Management
ZFM	ZF Mgcawu District Municipality
SIR	Self Insurance Reserve

OTHER REFERENCES

#	Number
2022/23	For the financial year ended on 30 June 2023

C CURRENT STATUS OF THE BACKLOGS IN THE ACCOUNTING CONTROL ENVIRONMENT

The audit communications, management reports, final audit report, and information systems report issued by the Auditor-General South Africa ('AGSA') for the 2021/22 financial year were used as the basis to prepare this report. The 2021/22 AFS was also used to identify items where procedures should be updated to account for it in terms of GRAP correctly.

A review of the audit report of AGSA to the Northern Cape Provincial Legislature and the Council of ZF Mgcawu District Municipality on the Annual Financial Statements of ZFM for the year ended 30 June 2022 revealed that AGSA **expressed an unqualified opinion without matters ("Clean Audit")**.

Findings communicated by the AGSA to ZFM, was also raised in the Final Management report:

1. COMAF 1 - ISS. 01: Inconsistencies between SDBIP and APR
2. COMAF 2 - ISS. 02: Casting difference in the comparative figures
3. COMAF 3 - ISS. 09: Overstatement of Purchase of Property, Plant and Equipment
4. COMAF 4 - 2. ISS.04: Irregular Expenditure- No Register Published for the BID
5. COMAF 4 - ISS.05 : Irregular Expenditure: Contract does not have an end-date
6. COMAF 4 - ISS.03 : Irregular Expenditure- Non Adherence-Local Content
7. COMAF 5 - ISS. 11: Reported targets are not consistent with planned targets
8. COMAF 5 – ISS. 12: Actual performance is compared to planned targets and prior year performance in the APR
9. COMAF 5 – ISS. 13: Measures taken to improve performance are supported by corroborating evidence
10. COMAF 6 – ISS. 14: Inconsistencies identified in disclosure notes
11. COMAF 7 - ISS. 10: Internal Control Deficiencies

The matters above need to be addressed during the 2022/23 financial year and will be discussed in detail in point 1 below (Report of the Auditor-General to the Northern Cape Provincial Legislature and Council of ZF Mgcawu District Municipality).

D AUDIT REPORT FOR THE 2021/22 FINANCIAL YEAR

The following is an extract from the Audit Report for the 2021/22 financial year:

Report of the auditor-general to the Northern Cape Provincial Legislature and the Council on ZF Mgcawu District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of ZF Mgcawu District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets and 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 ZF Mgcawu District Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (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.

Material uncertainty relating to going concern/ financial sustainability

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 49 to the financial statements, which indicates that the three-year (MTREF) reflected that the budget was unfunded for 2022/23, 2023/24 and 2024/25. The outcome of the cash back assessment from Provincial Treasury was negative for 2022/23 as well as negative for the two outer years 2023/24 and 2024/25. Further the cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is the largest portion of operational revenue source. As stated in note 49, these events or conditions, along with the other matters as set forth in note 49, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Irregular expenditure

9. As disclosed in note 35.3 to the financial statements, the municipality incurred irregular expenditure of R2 203 641 (2020-21: R3 040 507), as it did not follow proper procurement processes.

Unauthorised expenditure

10. As disclosed in note 35.1 to the financial statements, the municipality incurred unauthorised expenditure of R1 643 237, as a result of the expenditure incurred that was not in accordance with the purpose of the approved budget.

Other matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

12. 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.

Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

14. 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 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.
15. 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

16. 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.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

18. 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 objectives for selected objectives presented in the annual

performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

19. 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.
20. 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 objectives presented in the municipality's annual performance report for the year ended 30 June 2022:

Objectives	Pages in the annual performance report
KPA 1: Basic Service Delivery	x – x

21. 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.
22. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objective:
- KPA 1: Basic Service Delivery

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

24. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year.

Adjustment of material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 1: Basic Service Delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Introduction and scope

26. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
27. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

28. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's 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.
29. 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.
30. 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.
31. 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

32. 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. I did not identify any significant deficiencies in internal control.

Kimberley
30 November 2022

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 priorities 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 ZF Mgawu district 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

E DETERMINING THE ACCOUNTING FRAMEWORK FOR ZFM

ZFM is classified as a Medium Capacity Municipality. In line with the MFMA implementation strategy, ZFM will have to prepare full GRAP AFS for 30 June 2023.

F STEPS REQUIRED TO IMPROVE FINANCIAL MANAGEMENT AT ZFM FOR THE YEAR ENDED 30 June 2023

This section of the report deals with the outcomes listed in Section 1 to 8 below.

Prepare an ARP towards full compliance of the GRAP Standards. This process includes the following outcomes:

- all 2021/22 audit findings to be corrected;
- deviations from GRAP that exist in the municipality;
- in-year accounting processes and reconciliations that needs to be corrected;
- action steps to be undertaken to address weaknesses found; and
- target dates and responsibilities for action steps to be performed.

Including action plans on how to address these deviations for the 2022/23 AFS.

The following is an outline of the steps that need to be taken to rectify the above-mentioned deviations/challenges, and to successfully implement financial control for the year ended 30 June 2023. At the end of each step the parties or individuals responsible for the execution of the step as well as target dates for the execution of the step, have been listed.

Audit Recovery Plan:

1.1 Audit Report issues

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
A) Material uncertainty relating to going concern/ financial sustainability - I draw attention to note 49 to the financial statements, which indicates that the three-year (MTREF) reflected that the budget was unfunded for 2022/23, 2023/24 and 2024/25. The outcome of the cash back assessment from Provincial Treasury was negative for 2022/23 as well as negative for the two outer years 2023/24 and 2024/25. Further the cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is the largest portion of operational revenue source. As stated in note 49, these events or conditions, along with the other matters as set forth in note 49, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.	- Management must strengthen and enhance financial management controls to address the root causes of going concern.	Director: Financial Services	Quarterly
B) Emphasis of Matters Irregular expenditure As disclosed in note 35.3 to the financial statements, the municipality incurred irregular expenditure of R2 203 641 (2020-21: R3 040 507), as it did not follow proper procurement processes. Unauthorised expenditure As disclosed in note 35.1 to the financial statements, the municipality incurred unauthorised expenditure of R1 643 237, as a result of the expenditure incurred that was not in accordance with the purpose of the approved budget.	- Management must strengthen and enhance internal controls for procurement processes, procedures and contract management so as to address root causes of irregular expenditure by implementing circulars and directives which deals with amongst others the following: a. Bid reviews prior to award	Director: Financial Services	Quarterly

B) Legal and Regulatory Requirements - No Legal and Regulatory Requirements issues were raised by the AGSA.	None	N/A	N/A
C) Compliance with Laws and Regulations - No material findings raised by AGSA on compliance with laws and regulations.	None	N/A	N/A
D) Internal Control - No Internal Control issues were raised by the AGSA.	None	N/A	N/A

1.2 Information Systems Audit issues not affecting the Audit Report

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
None	None		

1.3 Management Report issues and Communications received during the Audit not affecting the Audit Report

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
1. COMAF 1 - ISS. 01: Inconsistencies between SDBIP and APR Indicators were included in the APR, but not in the SDBIP Indicator was included in the SDBIP under KPA 1 (Basic Service Delivery), but included in the APR under KPA 4 (Municipal Transformation and Institutional Development)	It is recommended that management puts measures in place to ensure that the APR is reviewed so that it is consistent with the SDBIP.	Municipal Manager	30/06/2023

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
2. COMAF 2 - ISS. 02: Casting difference in the comparative figures During the casting of note 2 (Receivables from exchange transactions) on the financial statements, it was identified that there was a casting error on the comparative figure, resulting in the misstatement of R182 850 on the net balance.	Management should ensure that a thorough quality review process is followed on the AFS prior to submission. This includes ensuring that casting of notes are accurate and agree to the figures disclosed in the AFS.	Director: Financial Services	30/06/2023
3. COMAF 3 - ISS. 09: Overstatement of Purchase of Property, Plant and Equipment Through testing of cash flow statement, it came to our attention that the line item Purchase of Property, Plant and Equipment included: - Finance lease additions amounting to R1 610 000. - Therefore, the total becoming R2 122 678. • The finance lease additions is not a cash flow item therefore should not have been included under investing activities as part of purchase of Purchase, Plant and Equipment.	It is recommended that those charged with governance, adjust the Cash Flow to ensure compliance with GRAP 2	Director: Financial Services	30/06/2023
4. COMAF 4 - ISS.04: Irregular Expenditure- No Register Published for the BID 1. The ZF Mgcawu website was revisited to confirm if the Municipal Manager, recorded all the BIDS received in a register; published the entries in the register and the bid results on the website of the municipality and no records could be found. 2. We could not verify that the winning and Losing Bidders of this BID submitted their bidding documents in time [before the closing date].	It is recommended that those charged with governance, are abreast with the regulations to ensure that compliance is maintained in all their procurement process.	Director: Financial Services	30/06/2023

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
5. COMAF 4 - ISS.05 : Irregular Expenditure: Payments> Tendered Amount The contract of TGIS was assessed and confirmed that it does not have an end-date [Evergreen Contract].	In addition, those charged with governance needs to ensure that a well-developed contracts/agreement are in place to enhance proper planning in the operations of the municipality.	Director: Financial Services	30/06/2023
6. COMAF 4 - ISS.03 : Irregular Expenditure- Non Adherence-Local Content 1. During the testing of Quotation 6: Supplycor- CC: R 43 841.54: It came to our attention that municipality purchased uniform from Supplycor, however the invitation/Advertisement and the evaluation process, did not specify that Uniform will be assessed for Local Content, as the goods[uniform] purchased are classified under Designated sector. As the Advert, did not specify the minimum threshold for the Quote, the supplier could also not declare that the material used for the UNIFORM is locally produced. 2. During the testing of Payment Batch: [48741] - R 166 800; it came to our attention that the municipality acquired the plumbing services from Ray Consulting, a supplier with an Overall Tax Status- Non Compliant.	It is recommended that those charged with governance, are abreast with the regulations to ensure that compliance is maintained in all their procurement process.	Director: Financial Services	30/06/2023
7. COMAF 4 - ISS.06 : Internal Control Deficiency: Incomplete Tender Register During the testing of Quotations above R 30 000, it came to our attention that the payment made to BSA Rekenaardienste of R210 900 relates to Tender No.10 of 2020/21. This tender was awarded in August 2021, however it was omitted in the Tender Register submitted with the AFS for 2021/22.	It is recommended that those charged with governance; ensures that a complete testing or analyses is conducted at the end of financial period, reconciling their registerd/records with BIDS/ Quotations published on their website.	Director: Financial Services	30/06/2023

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
8. COMAF 4 - ISS.08 : Irregular Expenditure: No 3 Quotation & Declaration No declaration & CSD Reports to assess the tax status of the supplier were attached in the payment batch.	It is recommended that those charged with governance, are abreast with the regulations to ensure that compliance is maintained in all their procurement process.	Director: Financial Services	30/06/2023
9. COMAF 5 - ISS. 11: Reported targets are not consistent with planned targets The following indicators below reported targets are not consistent with the planned targets: 1.The recruitment and training of volunteers per Quarter in the district: The SDBIP reported a planned target of 12 while the APR had a planned target of 22 2.The Housing Manager to attend quarterly housing accreditation meetings: The SDBIP reported a planned target of 4 while the APR had a planned target of 2	It is recommended that management puts measures in place to ensure that the APR is reviewed so that it is consistent with the SDBIP.	Municipal Manager	30/06/2023
10. COMAF 5 - ISS. 13: Measures taken to improve performance are supported by corroborating evidence Indicators' reasons/measures for improvement are not sufficient as they are not descriptive and detailed as to how the municipality will improve the reported performance:	It is recommended that management puts measures in place to ensure that the APR is reviewed to ensure that the set requirements as per the Municipal Systems Act are adhered to.	Municipal Manager	30/06/2023
11. COMAF 6: ISS. 14: Inconsistencies identified in disclosure notes Management did not perform a thorough review of the Annual Financial Statements before submitting them for audit.	Management should perform a thorough review of the Annual Financial Statements before submitting them for audit	Director: Financial Services	30/06/2023

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
12. COMAF 7 - ISS. 10: Internal Control Deficiencies Lack of proper monitoring of internal control by those charged with governance.	It is recommended that those charged with governance; provide support in the HR Division to ensure that reasonable steps are maintained effectively and efficiently to enhance management and internal control in the division	Director: Financial Services	30/06/2023

1.4 How ZFM monitor the Audit Recovery Plan

All the findings above, and also the Maintenance Plan below, are included in a “Project Status Report” (refer to **Annexure A**). All findings and procedures are allocated to a responsible person and have different target dates. The responsible person keeps all his supporting evidence in an “Evidence File” which is presented to the AGSA as an Audit File before the commencement of the Audit.

This Project Status Report is monitored on a bi-weekly basis – employees must base their Weekly Plans directly on the Project Status Report. The Unit Manager: AFS&Reporting updates the Project Status Report on a bi-weekly basis and emails the report to all employees to see their status. At year-end, the Unit Manager AFS&Reporting and Internal Audit Unit review all Evidence Files submitted by the employees.

Maintenance Plan

Refer to point 2 to 8 below for the maintenance plan regarding general accounting standards.

2. Accounting for transactions – General

2.1 Accounting Guidelines and Standards that are relevant to the municipality

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
The municipality is classified as a medium capacity municipality and will therefore not be able to utilise exemptions anymore for the preparation of the 2022/23 GRAP AFS and all accounting standards will have to be implemented.	The municipality should ensure that all of the accounting standards listed below is complied with, in all material respects, in the presentation and disclosure of the 2022/23 AFS.	CFO	30/06/2023
	Existing accounting policies need to be reviewed and adjusted in line with the requirements of the standards listed.	CFO	30/06/2023

OVERVIEW OF THE APPROVED GRAP STANDARDS

The following table lists the standards from the GRAP Reporting Framework as per **Directive 5** (effective for financial periods commencing on or after 1 April 2011). Full text of the standards is available on the ASB (www.asb.co.za) website. Summaries have been made for the most commonly used standards. The summaries below have been extracted from their websites.

Effective GRAP standards for the 2022/23 year:

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates

Reference	Topic
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 100	Discontinued Operations

Reference	Topic
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

Directives issued and effective:

Reference	Topic
Directive 1	Deletion of Transitional Provisions in Standards of GRAP
Directive 2	Amended Transitional Provisions for Public Entities
Directive 3	Amended Transitional Provisions for High Capacity Municipalities
Directive 4	Amended Transitional Provisions for Medium and Low Capacity Municipalities
Directive 5	GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Administered by SARS
Directive 7	The Application of Deemed Cost
Directive 8	Transitional Provisions for Parliament and Provincial Legislatures
Directive 9	The Application Of The Standards Of GRAP By Trading Entities
Directive 10	Application Of The Standards Of GRAP By Public Further Education And Training Colleges
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP
Directive 12	The Selection of an Appropriate Reporting Framework by Public Entities
Directive 13	Transitional Provisions for CET colleges
Directive 14	Directive 14 on Application of GRAPs by Public Entities

Interpretations of the standards of GRAP approved that the entities are required to apply (paragraph 10 of Directive 5):

Reference	Topic
IGRAP 1	Applying the Probability Test on initial Recognition of Exchange Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a lease
IGRAP 4	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Ventures
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets - Website Costs
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue

Approved guidelines of Standards of GRAP: those entities are required to apply (par 15 of Directive 5)

Reference	Topic
Guide 1	Guideline on Accounting for Arrangements Undertaken i.t.o the National Housing Programme 2021

Standards of GRAP approved, but for which the Minister of Finance has not yet determined an effective date, and that entities may consider in formulating an accounting policy (paragraph .30 of Directive 5), before applying the hierarchy in the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors:

Reference	Topic
GRAP 25	Employee Benefits
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

2.2 Preparing a GRAP-compliant Chart of Accounts

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No deviations and challenges on the mSCOA were reported by AGSA in the Final Management Report and audit report for 2021/22. However, the following will necessitate the review and update of the mSCOA during the 2022/23 financial year: - The compilation of GRAP compliant AFS for the year ended 30 June 2023; - Current Accounting Standards are revised by National Treasury; - Further adjustments on the mSCOA will be necessary on an on-going basis.	• Continuously review and adjust the mSCOA for GRAP-compliance and take the necessary accounting treatment of the standards set out in this report into account for implementation where necessary. • Implement an electronic AFS preparation tool that is linked to the new chart of accounts that would be implemented. • The accounting software needs to be updated in accordance with the disclosure requirements of GRAP financial statements according to the new mSCOA implementation legislation. • Update the description of the votes within the GL to reflect the nature of the account.	CFO	30/06/2023

2.3 GRAP 1 Presenting AFS in terms of GRAP

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
ZFM received an unqualified audit opinion without matters (Clean Audit). Although the AFS is fairly presented in all material aspects, the action plan procedures listed below will need to be performed in order to maintain such a position.	Management must address AGSA's audit finding of the prior year.	Deputy CFO	31/08/2023

2.4 GRAP 2 Preparation of the Cash Flow Statement

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
The Cash Flow Statement has been prepared in accordance with GRAP 2 and no discrepancies have been noted by AGSA in the audit report or communications.	Prepare the Cash Flow Statement as per GRAP 2 for the 2022/23 financial year.	CFO Deputy CFO	31/07/2023
GRAP 2: Cash Flow Statement			
Objective: The cash flow statement identifies the sources of cash inflows, the items on which cash was expended during the reporting period, and the cash balance as at the reporting date. Information about the cash flows of an entity is useful in providing users of financial statements with information for both accountability and decision making purposes. Cash flow information allows users to ascertain how an entity raised the cash it required to fund its activities and the manner in which that cash was used. In making and evaluating decisions about the allocation of resources, such as the sustainability of the entity's activities, users require an understanding of the timing and certainty of cash flows. The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.			

Components of cash and cash equivalents:

The municipality presents a reconciliation between the opening and closing balance of cash and cash equivalents (as reflected in the Statement of Financial Position) in its Cash Flow Statement. This difference is referred to as a net increase/ (decrease) in cash and cash equivalents and is further explained or classified as cash flows from operating, investing and financing activities.

The opening and closing balances of the item cash and cash equivalents are disclosed as single line items on the cash flow Statement, but are possibly made up of a number of line items on the Statement of Financial Position including:

- Cash on hand
- Demand deposits
- Other short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value

Bank borrowings (Long term loans) are generally considered to be financing activities. However, bank overdrafts that are repayable on demand may form an integral part of a municipality's cash management. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.

The municipality discloses, as part of its accounting policy notes, the policy it adopts in determining the composition of the line item cash and cash equivalents.

The classification of cash flows into activities:

The cash flow statement should report cash flows during the period and distinguish clearly between:-

- operating activities;
- investing activities; and
- financing activities

A single transaction may include cash flows that are classified differently. For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element may be classified as a financing activity.

Guidelines on accounting for cash flows from operating activities:

The cash flows from operating activities consist of cash inflows and cash outflows.

Operating cash inflows include:-

- Income from the provision of services on credit, such as the sale of electricity, even though the income may not be represented by cash receipts. This is recognised by effectively adjusting this income by the changes in debtors to determine the amount of cash that has been received from purchasers of these services for cash flow purposes;
- Direct cash receipts, for example licence receipts and fines and investment income;
- Cash contributions from the government in the form of grants and subsidies as well as cash contributions from the public;
- Cash receipts from royalties, fees, commissions and other revenue.

Operating cash outflows include:-

- Purchases of materials and services as well as labour costs such as salaries and wages. Although certain materials or services may have been purchased on credit, these expenses are considered to be cash outflows. The extent of supplier credit utilised is taken into account in determining the cash outflows from these activities by making an adjustment for changes in creditors;
- Cash payments to other entities to finance their operations (not including loans). An example is a grant made by a District municipality to a local municipality to enable it to purchase items of PPE;
- Cash receipts or payments in relation to litigation settlements.

In determining the cash flows from operating activities, all non-cash flow items need to be adjusted against the net surplus or deficit for the period (as per the bottom line in the Statement of financial performance) in order to determine the cash flows from operating activities. The reason for this is that there are many income and expenditure items included in the surplus or deficit for the period which are not represented by a corresponding cash inflow or outflow. The following are examples of these types of income and expenditure:

- Gain or loss on the sale of property, plant and equipment;
- Increase / decreases in the provision for bad debts;
- Depreciation;
- Amortisation;
- Increase / decrease in the provision for accrued staff leave pay;
- Unrealised foreign exchange gains or losses;
- Interest received and interest paid. Unlike depreciation which is added back because it is a non-cash flow item these items are deducted from and added back to the surplus for the year because they are part of cash from operations but need to be disclosed separately on the face of the cash flow statement because of their importance to the users of the financial statements.
- Changes in working capital, such as changes in inventories, debtors, conditional grants and receipts creditor, creditors.

Guidelines on accounting for cash flows from investing activities:

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to render services or generate future income and cash flows. Examples of cash flows arising from investing activities are:-

- Cash payments to acquire property, plant and equipment, intangibles and other long term assets. These payments include those relating to capitalised feasibility study costs and self-constructed property, plant and equipment;
- Cash receipts from the sale of property, plant and equipment, intangibles and other long term assets;
- Cash payments to acquire debt instruments of other municipalities or organisations and interests in joint ventures;
- Cash receipts from the sale of debt instruments of other municipalities or organisations and interests in joint ventures;
- Cash advances and loans made to other parties;
- Cash receipts from the repayment of advances and loans made to other parties.

Guidelines on accounting for cash flows from financing activities:

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the municipality. Examples of cash flows arising from financing activities are:-

- Cash proceeds from issuing loan stock, notes, bonds, mortgages and other short or long term borrowings;
- Cash repayments of amounts borrowed;
- Cash payments by a lessee for the reduction of the capital element of the outstanding liability relating to a finance lease.

Interest paid and **interest and dividends received** may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

The aggregate cash flows arising from **acquisitions and from disposals of subsidiaries or other local government body or services** should be presented separately and classified as investing activities.

A municipality should disclose, in aggregate, in respect of both acquisitions and disposals of subsidiaries or other local government body or services during the period, each of the following:-

- The total purchase or disposal consideration;
- The portion of the purchase or disposal consideration discharged by means of cash and cash equivalents;
- The amount of cash and cash equivalents in the subsidiary or local government body or service acquired or disposed of;
- The amount of the assets and liabilities, other than cash or cash equivalents in the subsidiary or local government body or service acquired or disposed of, summarised by each major category.

Non-cash transactions:

Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transactions should be disclosed in the notes to the financial statements in a way that provides all the relevant information about these investing and financing activities.

Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of a municipality. The exclusion of non-cash transactions from the cash flow statement is consistent with the objective of a cash flow statement as these items do not involve cash flows in the current period. An example of a non-cash transaction is the acquisition of assets either by assuming directly related liabilities such as purchasing a property by incurring a mortgage to the seller, or by means of a finance lease.

2.5 GRAP 3 Accounting for Changes in Accounting Policies, Changes in Accounting Estimates and Errors

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were raised by the AGSA for the year ended 30 June 2022. Although the AFS is fairly presented in all material aspects, the action plan procedures listed here will need to be performed in order to maintain such a position.	General actions • Give consideration of the adjustment of comparative figures • Execute the procedures described below on GRAP 3. • Restate comparative figures as at 30 June 2022 as far as is practicable. - If any Changes in Accounting Policies, Changes in Accounting Estimates and Errors	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	have been identified, ensure that the disclosure requirements of GRAP 3 are met. - Apply changes to accounting policies retrospectively. - Account retrospectively for errors identified relating to prior years. - Management should ensure that all corrections/ adjustment made to the financial are accompanied by the following: a) Journals showing accounts were the amount are being transferred to/from in the general ledger b) A note in the financial statement showing/stating the following: i. The nature of the prior period error ii. For each prior period presented, the amount of the correction for each financial statement line item affected iii. The amount of the correction at the beginning of the earliest prior period presented iv. If retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected. • Before financial statements are authorised for issue and submission for audit, the Audit committee, Municipal Manager and the CFO should review them for accuracy, completeness and validity.	CFO Deputy CFO Unit Manager: AFS	30/06/2023
GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors Objective: The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities.			

Exemptions granted in past: - Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – .31)	Actions required: • Ensure that the municipality discloses: • The title of the new Standard of Generally Recognised Accounting Practice; • The nature of the impending change or changes in accounting policy; • The date by which application of the Standard of Generally Recognised Accounting Practice is required; • The date as at which it plans to apply the Standard of Generally Recognised Accounting Practice initially; and either: i. A discussion of the impact that initial application of the Standard is expected to have on the entity's financial statements; or ii. If that impact is not known or reasonably estimable, a statement to that effect Refer to the applicable accounting framework under 2.1 above.	Deputy CFO	30/06/2023

2.6 GRAP 14 Accounting for Events after the Reporting Date

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were noted by AGSA on the audit report for the year ended 30 June 2022.	• Document and execute the procedures described below on GRAP 14.	Deputy CFO	31/07/2023 (or date AFS is authorised)
GRAP 14: Events after the Reporting Date			
Definition: Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified: (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and (b) Those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).			

Identifying Events after the Reporting Date: • Adjusting Events after the reporting period are those events that provide evidence of conditions that existed at the reporting date. A municipality should adjust the amounts recognised in its Annual Financial Statements to reflect adjusting events after the reporting period. • Non-adjusting Events after the reporting period are those that are indicative of conditions that arose after the reporting date. A municipality shall not adjust the amounts recognised in its Annual Financial Statements to reflect non-adjusting events after the reporting period, but may need to disclose these events in the Notes to the AFS depending on its materiality.	Actions required: • The CFO will issue a memo to Municipal Manager and all Section Heads requesting them to identify Events after the Reporting Period (adjusting and non-adjusting events) and to give the Finance Section sufficient information to make the necessary adjustments in the accounting records of the municipality. • The Corporate Services Manager will scrutinise minutes of management meetings and council meetings for items that might qualify as events after the reporting period. • The Corporate Services Manager will scrutinise daily newspapers from 1 July to 31 January (period after the reporting date) for articles that may involve the municipality. A list of these articles that might contain events after the reporting date will be compiled and the list as well as copies of the articles will be submitted to the CFO for evaluation. • The CFO will compile a list of all Insurance Claims submitted by the municipality to its Insurer between 1 July and 31 January (period after the reporting date). This could give an indication of assets that were stolen or damaged during the after reporting date period. • The CFO should compile a list of all payments made to claimant's i.r.o. claims lodged against the municipality. • The CFO should compile a list of all debtors that was liquidated/deceased estates during the after reporting date period, which should be considered for impairment/write-off. Furthermore files containing correspondence with debtors should be scrutinised to identify debtor records that need to be adjusted/impaired. • The Corporate Services Manager should list all material contracts that the municipality has entered into after 30 June and before 31 January.	CFO	31/07/2023
		Deputy CFO Unit Manager: AFS	
		Corporate Services Manager	31/07/2023
		CFO	
		Deputy CFO	31/07/2023
		Unit Manager: AFS	
		Corporate Services Manager	31/07/2023

	- The Corporate Services Manager should contact the municipality's legal council to identify and list all current, pending and outstanding legal cases. These cases could indicate to provisions that should be raised and contingent liabilities or contingent assets that should be disclosed. - The CFO should compile a list of all assets/inventories sold in the after reporting date period. The proceeds of these sales/auctions could give an indication of assets that should be impaired (in cases where the proceeds are lower than the carrying value of the assets) or the sale could give confirmation that assets must be reclassified to Non-current Assets Held-for-Sale. - The CFO should list all performance bonuses or back dated increases that was paid in the period after the reporting date and that pertains to the previous financial year. These events would indicate that the accounting records and AFS of the municipality should be adjusted to include these expenses.	CFO Deputy CFO Unit Manager: AFS Corporate Services Manager	31/07/2023
Going concern - An entity shall prepare its AFS on the Going Concern basis	Management must determine whether the municipality is a Going Concern at reporting date: - Ensure that an assessment is made by management of the entity's ability to continue as a going concern. - Prepare financial statements on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. - When management are aware, in making their assessment, of material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern, disclose those uncertainties. - When the financial statements are not prepared on a going concern basis, disclose that fact, together	CFO Deputy CFO Management	31/07/2023

	with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.		
Differentiate between Significant Adjusting and Non-adjusting Events after the Reporting Date: The CFO should evaluate all information obtained from the procedures as documented above to identify all the Events after Reporting Date of the municipality.	Actions required: - From the list of Events after Reporting Date, distinguish between Adjusting and Non-adjusting Events. - For the Adjusting Events identified, make the necessary adjustments to the municipality's accounting records and Annual Financial Statements.	CFO Deputy CFO Unit Manager: AFS	31/07/2023
Disclosure Requirements: - The municipality shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. - Note the difference in the disclosure for conditions at reporting date and non-adjusting events after reporting date	Actions required: • The municipality shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. Updating disclosure about conditions at the reporting date: • The municipality needs to update the AFS if it receives information after the reporting date, but before the AFS is authorised for issue, about conditions that existed at the reporting date, it shall update disclosures that relate to these conditions, in the light of the new information. Disclosure of non-adjusting events after the reporting date: • The municipality shall disclose the following for each material category of non-adjusting event after the reporting date: – The nature of the event; and – An estimate of its financial effect or a statement that such an estimate cannot be made.	CFO Deputy CFO Unit Manager: AFS	31/07/2023

2.7 GRAP 24 Presentation of Budget Information in Financial Statements

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issue were raised by the AGSA for the year ended 30 June 2022. However, the action plan procedures should still be performed.	General Actions • After every amended budget, make sure that the budgeted figures are updated in SAMRAS. • Compare the actual and budgeted expenses (PER VOTE) for the year under review on a monthly basis; • Inspect if there was expenditure incurred for which no provision has been made in the approved budget. • If there were such expenses ensure that the following was adhered to:- • The expenditure should be authorised by the Mayor as unforeseen and unavoidable expenditure. • Ensure that such expenditure was reported by the Mayor to the municipal council at its next meeting and minute the council meeting • Inspect that such expenditure was appropriated in an adjustments budget passed within 60 days after the expenditure was incurred. The municipality must identify and quantify all its Budget Information according to the procedures described below on GRAP 24.	CFO Deputy CFO Unit Manager: BTO	30/06/2023
GRAP 24: Presentation of Budget Information in Financial Statements			
Application of Standard: • The implication of GRAP 24 is that approved budget information along with the financial information must be presented in the AFS (income and expense). • According to GRAP 24.12 an entity must present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial	Discussion on application: • Budget Information must be included in the 2018 Budget Statement of the AFS. • Ensure that the municipality's budgeted figures are presented by way of comparison to its actual figures in its financial statements.	CFO Deputy CFO Unit Manager: BTO	30/06/2023

statements currently presented in accordance with Standards of GRAP. • In terms of GRAP 24.19 the municipality must present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. • GRAP 24.27 stipulates that the municipality must present an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget, or of other factors: ➢ by way of note disclosure in the financial statements; or ➢ In a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements. • In terms of GRAP 24.30 all comparisons of budget and actual amounts should be presented on a comparable basis to the budget. • GRAP 24.38 requires the municipality to explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget. • GRAP 24.42 requires the municipality to disclose in notes to the financial statements the period of the approved budget. • In terms of GRAP 24.44, the municipality must identify in notes to the financial statements the entities included in the approved budget.	• Ensure that the municipality's budgeted and actual figures are presented in a manner to ensure that it is comparable with each other. • Ensure that any changes between the approved and final budget are disclosed in a note to the financial statements or by means of a report issued in conjunction with, and referenced to the financial statements. • Ensure that the comparison of budget and actual amounts is presented on the same accounting basis, same classification basis and for the same entities and period as for the approved budget. • Explain the municipality's budgetary and classification basis adopted in its approved budget, as there may be differences between the municipality's accounting basis (cash, accrual or some modification thereof) used in preparation and presentation of its budget and the accounting basis used in the financial statements. • Ensure that the budgetary period is disclosed in the notes to the financial statements. • Ensure that all entities included in the municipality's budget are identified in a note to the financial statements.	CFO Deputy CFO Unit Manager: BTO	30/06/2023

2.8 GRAP 25 Accounting for Employee Benefits

Deviation from FMBPR	Proposed action plans to maintain FMBRP	Responsible Persons	Target Date
No issues regarding Employee Benefits were listed on AGSA's audit report for the year ended 30 June 2022.	The municipality must identify and quantify all its Employee Benefits according to the procedures described below on GRAP 25.	CFO Deputy CFO Unit Manager: AFS	30/06/2023
GRAP 25: Employee Benefits			
Explanation: When an employee has rendered service to the municipality, the municipality have to 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 (net effect usually null), when an employee has provided service in exchange for employee benefits to be paid in the future; and - As an expense, when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset (for e.g. GRAP 12 Inventories or GRAP 17 PPE). Benefits regarding short-term compensated absences fall into two categories: - Accumulating absences – these are benefits, such as paid annual vacation, that accrue over an employee's period of service and can be potentially carried forward and used in future periods; and - Non-accumulating absences – these are benefits that an employee is entitled to, but are not materially capable of being carried forward to the following	Actions required: - Determine and draw up a detailed list of all of the municipality's post-retirement benefit plans; - Ensure that the necessary actuarial valuations are requested for all of the above-mentioned identified plans to ensure that the relevant information is obtained to enable the municipality to account for the defined benefit plan (the actuaries will also have to confirm that these identified plans are indeed defined benefit plans). Request that the consultants tasked with preparing the actuarial reports provide the municipality with an indication of the journal entries and disclosure of these entries in the AFS for the financial year. - Determine if there are any multi-employer plans in existence (for e.g. Joint Municipal Pension Funds) within the municipality;	CFO Deputy CFO Unit Manager: AFS	30/06/2023

period if they are unused during the period, e.g. paid sick leave. The cost of providing compensation for accumulating absences should be recognised as an expense as the employee provides services on which the entitlement to such benefits accrues. Where an employee has an unused entitlement at the end of the reporting period and the entity expects to provide the benefit, a liability should be created. The cost of providing compensation for non-accumulating absences should be expensed as the absences occur.			

2.9 GRAP 104 (IAS 39, IAS 32 and IFRS 7) Accounting for Financial Instruments

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues regarding Financial Instruments were listed on the audit report for the year ended 30 June 2022.	Refer to the individual sections referred to for the procedures to be performed.	CFO Deputy CFO Unit Manager: AFS	30/06/2023
Recognition and Measurement			
Recognition : Initially measuring financial assets and financial liabilities at fair value.	Actions required: We are of the opinion that the municipality is, through its normal activities, complying with the requirements of the initial measurement of GRAP 104. According to GRAP 104, the fair value of a financial instrument on initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). However, in cases that might be identified where initial recognition is not done correctly, the following actions would be required: Initial recognition: GRAP 104 requires recognition of a financial asset or a financial liability when, and only when, the entity becomes a party to the	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	contractual provisions of the instrument, subject to the following provisions in respect of regular way purchases. - Initial measurement: Initially, financial assets and liabilities will be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss. 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. GRAP 104 provides a hierarchy to be used in determining the fair value for a financial instrument which are the following: • Quoted market prices in an active market are the best evidence of fair value and will be used, where they exist, to measure the financial instrument. • If a market for a financial instrument is not active, an entity establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. • If there is no active market for an equity instrument and the range of reasonable fair values is significant and these estimates cannot be made reliably, then an entity must measure the equity instrument at cost less impairment. Procedures: • Identify all financial assets and financial liabilities that need to be recognised and measured initially at fair value. • Determine the appropriate discount rate, period, payments / receipts for each of the financial assets and liabilities above.		

	• Perform an exercise of discounting to present value the future payments / receipts as determined above. • Ensure that the financial assets and liabilities in first step are measured and recognised initially at its discounted values (being its fair value) as calculated above. • Ensure that the fair values initially measured for financial assets and liabilities include transaction costs (for assets and liabilities not measured at fair value through profit or loss). • Ensure that the requirements of GRAP 104 are applied in accordance with the transitional provisions in the standard.		
Additional requirements: – Discounting of financial instruments.	Actions required: – Creditors could potentially be discounted: should the municipality decide to do this, use the post reporting date period to determine the timing of payments made of creditors that were outstanding at year-end (say end of July and middle of August payments). Once again, the materiality of the result should indicate if discounting should be accounted for.	CFO Deputy CFO Unit Manager: AFS	30/06/2023
Additional requirements: • Impairment of financial assets in terms of GRAP 104.	Actions required: • Ensure that potential impairment of long-term debtors is also considered.	CFO Deputy CFO Unit Manager: AFS	30/06/2023
Presentation of Financial Instruments – GRAP 104	Actions required: • Ensure that financial instruments of the municipality are classified as either financial liabilities or residual interest according to the substance of the contract, not its legal form. The municipality must make the decision at the time the instrument is initially recognised. The classification is not subsequently changed based on changed circumstances.	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	- Identify all compound financial instruments, i.e. instruments that have both a liability and an equity component from the issuer's perspective. Ensure that the component parts are accounted for and presented separately according to their substance based on the definitions of liability and equity. The split is made at issuance and not revised for subsequent changes in market interest rates, share prices, or other event that changes the likelihood that the conversion option will be exercised. - Ensure that interest, dividends, gains, and losses relating to an instrument classified as a liability are reported in the statement of financial performance. - Ensure that the cost of the municipality's own equity instruments that it has reacquired ('treasury shares') is deducted from equity. - Ensure that a financial asset and a financial liability is offset and the net amount reported when, and only when, a municipality: ➤ Has a legally enforceable right to set off the amounts; and ➤ Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Ensure that costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a deduction from equity. Ensure that the requirements of GRAP 104 are applied in accordance with the transitional provisions in the standard.		
Disclosure requirements:	- Ensure that the financial instruments are grouped into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. - Ensure that sufficient information is provided to permit reconciliation of the classes of financial instruments to the line items presented in the Statement of Financial Position.	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	• Disclose information that enables users of the financial statements to evaluate the significance of financial instruments to the entity's financial position and performance. • Ensure that disclosure is made with regard to the carrying amount for each of the following categories: (a) <i>Financial instruments at fair value, showing separately:</i> (i) <i>financial assets designated at fair value; and</i> (ii) <i>financial liabilities designated at fair value.</i> (b) <i>Financial instruments at amortised cost.</i> (c) <i>Financial instruments at cost.</i> • Ensure that the requirements of GRAP 104 are applied in accordance with the transitional provisions in the standard. Refer to 'Financial Instruments' under Other Additional Disclosure below		

2.10 Suspense Accounts

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were noted by AGSA on the audit report for the year ended 30 June 2022. Refer to proposed action for procedures that need to be performed on a monthly basis in order to maintain this position.	• The municipality must clear all Suspense Accounts that do not meet the definition of assets or liabilities and must ensure that all remaining Suspense Accounts are valid and supported by substantive documentation. • Ensure that suspense accounts in the GL are not used for the posting of bank reconciling items. • Ensure that items posted to a Suspense Account are cleared regularly (at least monthly). The clearing of these suspense accounts should be reviewed by a senior delegated official. <i>Suspense accounts can only be disclosed on the statement of financial position of a municipality if they meet the definition of an asset or liability.</i>	CFO Deputy CFO Unit Manager: AFS	Monthly

2.11 VAT

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were noted by AGSA on the audit report for the year ended 30 June 2022. The following VAT related findings were listed on AGSA's communications in the 2010/2011 financial year. These should also be addressed to avoid future recurrence. - Additions recorded inclusive of vat - Incorrect output VAT on disposals - Additions of intangible assets recorded inclusive of vat	• It is understood that there was a difference between the VAT Claim and what was allowed by SARS. - The payments not allowed by SARS need to be analyzed and transferred back to expenditure. - The necessary Correction of Error needs to be done (refer to GRAP 3 above).	CFO Deputy CFO Unit Manager: BTO	Ongoing
	• It is assumed that the invoices in question do not conform to the requirements of the VAT Act. - These invoices need to be scrutinized and the recoverability of the VAT amounts needs to be determined. - If the amounts are recoverable from the service providers in needs to be raised as debtors. - Any amount claimed from SARS as input VAT need to be corrected. - Non-recoverable amounts need to be raised as Wasteful Expenditure as per the AG.	CFO Deputy CFO Unit Manager: BTO	Ongoing
	• Management must evaluate current situation and see that VAT returns are submitted in time. • Management must evaluate current situation and make sure the financial system treats VAT transactions correctly. • Management must see that the Input VAT on Petty Cash payments, subject to proper VAT invoices, and the VAT on Bank Charges, be journalised to assure it be included in the amount claimed from SARS.	CFO Deputy CFO Unit Manager: BTO	Ongoing

	- It will be advantageous if the Petty Cash Register includes VAT Invoice and amount details. - VAT on bank charges can be obtained from Bank Statements - Corrective journals and COR needs to be done for previous year amounts. • Management must evaluate current situation and see to it that the necessary corrective measures be taken. • Investigate the status of these accounts, and other accounts with credit balances, to determine action. • Implement section 28 of the VAT Act if necessary. • Management must make sure that the parameters on these revenue votes be corrected as to declare Output VAT when amounts are receipted to the vote. Correction of Errors needs to be done for previous year transactions. • If the amounts were claimed from SARS it needs to be reversed. • Management should try and recover these amounts from service providers. - If it is not possible to recover the amounts it will have to be included in fruitless expenditure. - If it is sure to be unrecoverable from anyone it should be taken to Council to be written off.		

2.12 IPSAS 20 Related Party Transactions

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were noted by AGSA on the audit report for the year ended 30 June 2022. AGSA noted an Emphasis of matter issue on the audit report in the past: Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state, as per the requirements of SCM Regulation 13(c).	- The municipality must identify and quantify all its Related Party Transactions according to the procedures described below on IPSAS 20. - Make sure that the issue disclosed in 2021/22 financial year will not be reflected in the 2022/23 financial year.	CFO Assistant Director: SCM & Expenditure	30/06/2023
IPSAS 20: Related Party Disclosures			
Definitions: Related Party Transactions are transfers of resources or obligations between related parties, regardless of whether or not a price is charged. The municipality should identify all transactions between the municipality and related parties for reporting of related party transactions. If transactions took place other than on a normal arm's length basis, it should be disclosed in the financial statements.			
Identifying Related Parties	Actions required: Identify all related parties to the municipality based on the indicators included in IPSAS 20.5 to .15, which includes the following control and related party transaction indicators: - The municipality has the ability to veto operating and capital budgets of the other entity. - The municipality has the ability to veto, overrule, or modify the board of directors or equivalent governing body decisions of the other entity. - The municipality has the ability to approve the hiring, reassignment and removal of key personnel of the other entity. - The mandate of the other entity is established and limited by legislation. - The municipality holds a "golden share" (or equivalent) in the other entity that confers rights to	CFO Assistant Director: SCM & Expenditure	30/06/2023

	govern the financial and operating policies of that entity. - The municipality holds direct or indirect title to the net assets of the other entity. - The municipality has a right to a significant level of the net assets of the other entity in the event of liquidation or in a distribution other than liquidation. - The municipality is able to direct the other entity to co-operate with it in achieving its objectives. - The municipality is exposed to the residual liabilities of the other entity. - Arrangements where one party expenses on behalf of another party (these costs may or may not be recovered). - Lease arrangements at more or less than market value or for no consideration. - Sales without substance (funds are transferred to an entity for goods or services that were never rendered / delivered). - Services or goods are purchased at nominal or no cost. Ensure that SAICA Circular 4/2005, <i>Guidance on the term State Controlled entities in the context of IAS 24 (i.e. also IPSAS 20) (Related Parties)</i>, is applied when determining if another state entity is a related party to the municipality.	CFO Assistant Director: SCM & Expenditure	30/06/2023
Identifying Related Parties: - The municipality must ensure that all related parties are identified. This will include parties that are able to control the other party or exercise significant influence over the other party in making financial and operating decisions.	Actions required: - The municipality should obtain declaration of interest statements from its councillors and senior management on a regular basis. - Obtain all such declarations of interest statements made to the municipality by its councillors and establish if there are councillors that made declarations that could indicate relationships with third parties. - The Supply Chain Management Unit (SCMU) should conduct an investigation to identify and list all transactions that occurred during the financial year between the municipality and third parties that	CFO Assistant Director: SCM & Expenditure	30/06/2023

	have relationships with councillors (as per declarations obtained).		
Identifying Related Parties: - The municipality must ensure that all related parties are identified. This will include parties that are able to control the other party or exercise significant influence over the other party in making financial and operating decisions.	Actions required: - The municipality should obtain declaration of interest statements from its key management personnel (Section 57 employees) (KMP) on a regular basis. - Obtain all such declarations of interest statements made to the municipality by its KMP and establish if there are KMP that made declarations that could indicate relationships with third parties. - The SCMU should conduct an investigation to identify and list all transactions that occurred during the financial year between the municipality and third parties that have relationships with KMP (as per declarations obtained).	CFO Assistant Director: SCM & Expenditure	30/06/2023
Identifying Related Parties: - The municipality must ensure that all related parties are identified. This will include parties that are able to control the other party or exercise significant influence over the other party in making financial and operating decisions.	Actions required: - The SCMU should identify related parties through its normal tender procedures, before transactions between the municipality and the related party is approved. - The SCMU should identify and list all approved transactions between the municipality and related parties that occurred during the financial year.	CFO Assistant Director: SCM & Expenditure	30/06/2023
Identifying Related Parties: - The municipality must ensure that all related parties are identified. This will include parties that are able to control the other party or exercise significant influence over the other party in making financial and operating decisions.	Actions required: - The SCM should perform a search on the CIPRO database (Registrar of Companies) using the details of councillors and KMP to identify relationships of these officials with companies. Ensure that details obtained agree with declarations obtained from the officials and identify companies with which the municipality had dealings during the financial year. - The SCM should identify and list all approved transactions between the municipality and related parties (identified above) that occurred during the financial year.	CFO Assistant Director: SCM & Expenditure	30/06/2023

	- Short-term employee benefits (such as salaries, wages bonuses, and other allowances); - Post-employment benefits (such as pensions and post-employment medical care); - Other long-term benefits (such as long service leave and long-term disability benefits) ; and - Termination benefits.	Assistant Director: SCM & Expenditure	

2.13 GRAP Standards not applicable to ZFM

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
ZFM did not have any transactions in the past regarding the following GRAP Standards: • GRAP 4 - The Effects of Changes in Foreign Exchange Rates • GRAP 5 - Borrowing Costs • GRAP 6 - Consolidated and Separate Financial Statements • GRAP 7 - Investments in Associates • GRAP 8 - Interests in Joint Ventures • GRAP 10 - Financial Reporting in Hyperinflationary Economies • GRAP 11 - Construction Contracts • GRAP 101 – Agriculture • GRAP 12 – Inventories • GRAP 16 – Investment Properties	• If ZFM enter into any transactions regarding these GRAP Standards document and execute the procedures described in the GRAP Standards.	CFO Deputy CFO Unit Manager: AFS	30/06/2023

3 Accounting for Assets

3.1 GRAP 17 Property, Plant and Equipment

Deviation from FMBPR	Proposed action plans to address compliance	Responsible Persons	Target Date
1.No PPE related findings were listed on the AGSA audit report for the year ended 30 June 2022 .	- Attend to the discrepancies identified by the AGSA: - Implement and document procedures to annually:- - Verify the Assets of the municipality; - Review Residual Values of Assets; - Review Useful Lives of Assets; and - Test Assets for Impairment. - Implement and document procedures to ensure monthly reconciliation of assets. - Implement and document procedures to ensure continuous verification of assets. - Implement and document procedures to ensure continuous posting of corrective transactions for assets. - Correct the errors retrospectively for the year 2021/22. - Obtain and maintain an audit file to support any deviations identified. - Document and report the results of the yearly asset count to council. - Prepare accurate and complete financial and performance reports that are supported and evidenced by reliable information - In order to have a GRAP compliant AR, the following will have to be done: - Align the Asset Management Policy to GRAP standards. - Ensure that all critical fields in the AR are completed and that the information is valid. - The asset register should be updated monthly, senior officials to review the asset register on a monthly and quarterly basis - Perform a physical verification of Assets. - Calculate and ensure that residual values are taken into account.	CFO Unit Manager: Assets	30/06/2023

	- Review the residual values and the remaining useful lives of Assets on an annual basis. - Test Assets for impairment and record impairment losses. - Review the Depreciation Method on classes of assets annually. - Management should perform reconciliations between general ledger, financial statements and the asset register on a monthly basis. (REFER to the detail discussions below for the requirements of a GRAP compliant asset register) • Document and execute the procedures described below on GRAP 17. • Affect the disclosures required by GRAP 17. • In general: - transactions should be supported by supporting documentation, reviewed and authorised by management, and - All relevant documentation should be retained for audit purposes and safeguarded as part of key internal control procedures. • Expedite the process of procuring and implementing an electronic Asset Register as it will become increasingly more difficult to calculate and record the results from required GRAP 17 procedures on Excel spreadsheets. • The municipality must review and implement a new Asset Management policy The <i>asset management policy</i> should include as a minimum the following aspects: - Objective of the asset management policy - Functional responsibilities of departments and individuals regarding PPE - GRAP accounting policies relating to PPE - Funding sources of items of PPE Administrative requirements - Legislative requirements	CFO Unit Manager: Assets	30/06/2023

	- Maintenance policy - Insurance policy - Replacement policy Assets must be recorded in terms of the Asset Management Policy.		
GRAP 17: Property, Plant and Equipment			
Objective: The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that the users of financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.			
Requirements for Asset Register: - Section 63 (2)(c) of the MFMA stipulates that the accounting officer must take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register as may be prescribed.	The compilation of an Asset Register is a legislative requirement. Management should ensure that a GRAP compliant Asset Register should, as a minimum, contain the following: • Acquisition dates of all items of property, plant and equipment. • Clear descriptions of individual items of property, plant and equipment. • Expected useful lives of individual item of PPE or depreciation rates determined in accordance with the principles set out in GRAP 17. • Historical cost or fair value of individual items of property, plant and equipment or the fair value of assets received as donations. • The location of the asset. • Department or Service that use or controls the item of PPE. • Identification reference, i.e. a unique asset number for physical verification and asset management purposes (bar code). • Accumulated depreciation attributable to individual items of PPE. • Impairment losses attributable to individual items of PPE. • Carrying value of the asset. • Funding sources of individual items of PPE.	CFO Unit Manager: Assets	30/06/2023

	- Where land and buildings are revalued, the revalued amount attributable to individual items of land and buildings as well as the date and basis of such valuation. Residual values. - Whether the asset is pledged as security for any external loan or other obligation. To facilitate the preparation of GRAP compliant AFS, ensure that the AR is able to provide the following information on an annual basis: - all acquisitions of property, plant and equipment, reflecting the following:- ➤ Transaction Date; ➤ Description; ➤ Amount; ➤ Supplier / Contractor; and ➤ Reference (invoice/contract/payment/order no). - A summary of all disposals or write-offs of PPE during the year, reflecting the following:- ➤ Transaction Date; ➤ Description; and ➤ Amount. The disposals or write-offs amount should include both cost and accumulated depreciation. - The aggregate depreciation expense for the year. - Initially estimated useful life and reassessed useful life of each asset at reporting date. - Residual values. - Any impairment losses incurred during the year. - The opening and closing balances of PPE at cost. - The opening and closing balances of accumulated depreciation. - Accumulated depreciation attributable to individual items of PPE. - Movements in the revalued portion of PPE. - Where land and buildings are revalued, the revalued amount attributable to individual items of land and buildings as well as the date and basis of such valuation. - Carrying value of the asset. - The location of the asset.	CFO Unit Manager: Assets	31/07/2023

	• Identification reference, i.e. a unique asset number for physical verification and asset management purposes (bar code). • Whether the asset is pledged as security for any external loan or other obligation. In addition to classifications of assets into property, plant and equipment, there also needs to be further classifications in a public sector environment. The purpose of these classifications is to develop a benchmark accounting treatment to assist in the measurement of property, plant and equipment and to assist users to understand better the nature of the assets included as PPE, and thus the information referred to above should be presented annually by: • Class (and sub-classes if applicable) of PPE. This information will be used to prepare the notes to the AFS on PPE. • Funding source. This will enable the accounting entries relating to the EFF, CRR, Government Grant Reserve, Capitalisation Reserve as well as the Public Contributions and Donations Reserve to be easily prepared. • Department or function. This will enable management to report on the Segmental Analysis of property, plant and equipment.		
It is generally found that an asset register does not contain clear descriptions of individual items of assets.	A GRAP-compliant AR should contain clear descriptions of individual items of assets. Vague asset descriptions Municipalities may discover that descriptions of some individual items in the Asset Register are vague. The implication of these vague descriptions is that it will be difficult to categorise these items of property, plant and equipment and to determine appropriate depreciation rates that will have to be applied to such items. A detailed review of the asset register should be done and vague descriptions investigated. If further information is not available, then such items should be written off. Municipalities should maintain proper information on such write-offs, obtain Council approval and provide suitable evidence to the Auditor-General.	CFO Unit Manager: Assets	30/06/2023

It is generally found that an asset register does not contain acquisition dates of individual items of assets.	A GRAP-compliant AR should contain acquisition dates of all items of assets. Incomplete or missing acquisition dates Acquisition dates are crucial to the calculation of the carrying values of property, plant and equipment at the date of implementing accounting standards. Acquisition dates are paramount to the calculation of accumulated depreciation to date. A number of options may be considered when the acquisition dates of some items of property, plant and equipment are not known: • Where acquisition dates are not known, a process to check old accounting records, such as internal advances registers, external loan registers and approved budgets, to ascertain whether such information is available, should be investigated. Whilst this option will provide accurate information to determine acquisition dates, it could take considerable time. There will also be a likely cost implication due to a lack of capacity. • A second option is to physically identify the items of property, plant and equipment in question and, based on visual evaluation, determine a likely acquisition date. This approach may be criticised from an audit perspective, will be time consuming and costly due to the need to in-source capacity. It may also be difficult to identify the specific item of property, plant and equipment to undertake a visual evaluation. The third option is to assume that the municipality has owned these assets for periods that are longer than their useful lives for depreciation purposes. This will certainly result in audit queries but will be easy to implement and will have no cost implications from a capacity perspective	CFO Unit Manager: Assets	30/06/2023
It is generally found that an asset register does not contain The indication of funding sources of individual items of assets, or funding sources are incorrect.	To initially implement GRAP, loans redeemed and other capital receipts (LROCR) should be unbundled, and backlog depreciation should be calculated in order to compile a GRAP-compliant AR. (refer to section) The indication of funding sources of individual items of PPE in the AR would be useful for internal use by management.	CFO Unit Manager: Assets	30/06/2023

	Incomplete financing sources Municipalities should record the financing sources of all property, plant and equipment to facilitate the implementation process. The reason is that Loans Redeemed and Other Capital Receipts must be unbundled on the date of implementation. Furthermore account balances such as internal loans must also be reversed. Municipalities that are unable to easily determine the original source of financing have a number of options to consider when dealing with the above-mentioned challenges: • Firstly, a process to check old accounting records to ascertain whether such information is available can be followed. Whilst this option will provide accurate information, it will take considerable time. There will also be a likely cost implication due to capacity constraints. It should be noted that information on external loans as well as government grant funded items of property, plant and equipment may be relatively easy to obtain in relation to other financing sources as these are typically project linked and in respect of government grants, the majority of transactions will have only occurred in recent years. • An alternative option is to allocate assets to the different financing sources that constitute Loans Redeemed and Other Capital Receipts by using the description of the asset to determine a likely financing source based on general practice in the past. For example, office furniture is likely to have been funded by Revenue Contributions whereas major infrastructure is likely to have been funded from External Loans. This approach may be criticised from an audit perspective, will be time consuming and may be costly due to the need to in-source capacity. Municipalities should select the option that is appropriate to their individual circumstances, cost effective and pragmatic.		
Physical verification	Physical verification of assets For reporting and audit purposes, an AR should reflect all PPE of the municipality; and the PPE reported should be assets that actually exist and are controlled by the municipality. 1) The AR should be the end result of the physical verification of assets. All assets listed in the AR should contain a clear	CFO Unit Manager: Assets	30/06/2023

	cryptic description of the asset as well as a unique identifiable asset number. Bar coding could be used for all moveable assets and even buildings, while property (erf) numbers, for example, could be used for identification of land. 2) A certificate should be issued by the team involved in establishing the AR to the extent that all assets contained on the AR have been physically verified 3) Where counts are performed, a listing should be provided per room, and this should be signed by the person responsible for that specific room. 4) Together with the asset count, the Municipality should perform a condition assessment, which would indicate the need for impairment testing or the adjustment to the useful lives. (Refer procedures beneath The ideal is that a physical verification is performed at year-end (30 June). Alternatively a physical verification can be done earlier e.g. 31 March, with the movements in carrying value of PPE (such as additions, disposals and depreciation) between 31 March and 30 June being well documented.		
GRAP 17.74 requires municipalities to determine whether an item of property, plant and equipment is impaired.	The AR should reveal assets that have been or should be impaired as well as the related impairment expense and accumulated impairment.	CFO Unit Manager: Assets	30/06/2023
For reporting and audit purposes, an AR should reflect all PPE of the municipality	Management to review the AR for completeness once the above steps have taken place.	CFO Unit Manager: Assets	30/06/2023
In addition to classifications of assets into property, plant and equipment, there also needs to be further classifications in a public sector environment. The purpose of these	In addition, the information referred to above should be presented annually by:	CFO	30/06/2023

classifications is to develop a benchmark accounting treatment to assist in the measurement of property, plant and equipment and to assist users to understand better the nature of the assets included as PPE.	• Class (and sub-classes if applicable) of PPE. This information will be used to prepare the notes to the AFS on PPE • Funding source. This will enable the accounting entries relating to the EFF, CRR, Government Grant Reserve, Capitalisation Reserve as well as the Public Contributions and Donations Reserve to be easily prepared. • Department or function. This will enable management to report on the Segmental Analysis of property, plant and equipment.	Unit Manager: Assets	
Some assets are commonly described as “infrastructure assets”. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics: (a) They are part of a system or network, (b) They are specialised in nature and do not have alternative uses, (c) They are immovable, and They may be subject to constraints on disposal	• Ensure that all infrastructure assets are recorded and valued in the AR. Such assets must be separately identifiable (componentised) as they might have different life-expectancy periods and need to be depreciated over different periods. (For example, all roads should be specifically identified and listed in the AR). • A project plan should be prepared that includes a motivation on how to determine the GRAP compliant book values of infrastructure assets that have global amounts.	CFO Unit Manager: Assets CFO Unit Manager: Assets	30/06/2023 30/06/2023
GRAP 17.40 states that the fair value of land and buildings is usually their market value, determined by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognised and relevant professional qualification.	• Ensure that all land and buildings owned by the municipality are reflected on the AR. Information from the Deeds Office should be obtained and compared to other available information to facilitate this process. • A project plan should be prepared that states that the municipality will reflect all land and buildings never accounted for before at fair value amounts (depending on the accounting policy) and how the fair values will be established. • The fair value of land and buildings identified for inclusion on the AR should be established and recorded on the AR. The fair value of land and buildings is <i>usually</i> their market value, determined by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the	CFO Unit Manager: Assets CFO Unit Manager: Assets	30/06/2023 30/06/2023

	valuation profession who holds a recognised and relevant professional qualification.		
GRAP 17.60 states that the depreciable amount of an item of property, plant and equipment shall be allocated on a systematic basis over its useful life. The depreciation method used shall reflect the pattern in which the asset's economic benefits or service potential is consumed by the entity.	Capitalisation thresholds The implication of having a capitalisation threshold is that assets below the threshold are depreciated over one year regardless of the asset's useful life, a practice not in line with GRAP 17. Municipalities could either have an internal policy concerning a threshold (Option A), or depreciate all assets correctly according to depreciation periods per asset classification (Option B). Option A - If a municipality wishes to have an internal policy concerning a threshold for recognising capital assets they may do so. This should however not be included as part of the disclosed accounting policy in the annual financial statements because it is not in line with GRAP 17. The assets below the threshold should then be listed and carried forward from year to year. The external auditors will measure the cumulative figure against materiality on an annual basis. In other words, they will annually calculate the correct carrying value for these assets and if the omission thereof in the Statement of Financial Position is material, it would lead to a qualification. Option B - The correction of assets previously expensed over one year should be treated as a prior period error and corrected retrospectively, as GRAP 17 had previously been incorrectly applied.	CFO Unit Manager: Assets	30/06/2023
Additional requirements: General requirements.	Actions required: • Ensure that residual values are considered for all classes of PPE where a history exists of such items of PPE being sold at the end of its useful lives at significant amounts (compared to the asset's original cost) (GRAP 17.61, .63 and .64). A typical example of such an item at the municipality would be vehicles. As a general rule, only consider items which usually are sold for more than 10% of its original cost. In the determination of a history of sales, consider at least one year's sales information/auctions. • Ensure that the municipality applies the distinction criteria to distinguish between PPE, inventories, IP and non-current assets held for sale (see discussion below).	CFO Unit Manager: Assets	30/06/2023

	• The council's reports should be used to identify land that should be sold after 12 months from year-end. Distinction criteria to distinguish between inventories, non-current assets held for sale, IP and PPE:- - if the municipality has a history of property development and sales (i.e. developing land with the intention to sell it in the future/ a separate department exists in the municipality that deals specifically with this function), such land that is expected to be sold within 12 months from year-end shall be classified as inventory (GRAP 12.23 and .56); - if the municipality does not have a history of property development and sales (i.e. developing land with the intention to sell it in the future), the intention with current developments should be evaluated – if it is clear that council is holding this land to be sold in the ordinary course of operations similar as the above-mentioned scenario of development and sale, and such land is expected to be sold within 12 months from year-end, it shall be classified as inventory (GRAP 12.23 and .56); - all other land, held to be sold within 12 months from year-end, shall be classified as non-current assets held for sale provided that the requirements of GRAP 100.8 to .11 are met (if the requirements in GRAP 100 are not met, classify such assets as PPE at year-end); - buildings and other movable and immovable assets will highly unlikely be held for sale in the ordinary course of operations (as the municipality does not trade in such assets generally) – such assets held to be sold within 12 months from year-end, shall be classified as non-current assets held for sale provided that the requirements of GRAP 100.8 to .11 are met (if the requirements in GRAP 100 are not met, classify such assets as PPE at year-end). All remaining land and buildings which are not IP (as discussed in the section on IP above), shall be classified as PPE at year-end.		

Impairment:	Refer to GRAP 21 below	CFO Unit Manager: Assets	30/06/2023
Additional requirements: Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to follow to the entity (GRAP 1.6).	Actions required: - Ensure that assets that are constructed by the municipality on behalf of another entity, which will be transferred to such entity when construction is complete, are not capitalised in the records of the municipality at any stage (neither will it be WIP, nor will it be a finished constructed asset in the municipality's records); - Ensure that assets that are constructed on behalf of the municipality, by another entity, which will be transferred to the municipality when construction is complete, are capitalised in the records of the municipality at year-end (or at the date at which such assets or section of such assets are completed by the other entity). Such assets shall be recorded as WIP or finished constructed asset in the municipality's records. 1.1An example is roads that are being constructed by a contractor on behalf of the municipality. These WIP roads need to be derecognised in the contractor's records and need to be recognised in the municipality's records, retrospectively (the JOURNAL entry in the municipality's records is a debit to WIP (B/S) and a credit to Assets received from entity (economic development entity) (I/S).	CFO Unit Manager: Assets	30/06/2023
Additional requirements: General requirements.	Actions required: Ensure that interim valuations performed on PPE (after initial valuation roll exercise) are accounted for in accordance with the subsequent measurement model (GRAP 17.38 - .52). Management to confirm whether such interim valuations should be accounted for retrospectively as a correction of prior period error/first time adoption of revaluation model for subsequent measurement . Ensure that any insurance costs which had erroneously been capitalised in the past to PPE is reversed retrospectively –	CFO Unit Manager: Assets	30/06/2023

	this is a correction of a prior period error in terms of GRAP 3 (please note that this adjustment will have an influence on accumulated depreciation and the accumulated surplus retrospectively). • Ensure that residual values are considered for all classes of PPE where a history exists of such items of PPE being sold at the end of its useful lives at significant amounts (compared to the asset's original cost) (GRAP 17.61, .63 and .64). A typical example of such an item at the municipality would be vehicles. As a general rule, only consider items which usually are sold for more than 10% of its original cost. In the determination of a history of sales, consider at least one year's sales information/auctions. • Ensure that the municipality applies the distinction criteria to distinguish between PPE, inventories, IP and non-current assets held for sale (see discussion below). • The council's reports should be used to identify land that should be sold after 12 months from year-end. Distinction criteria to distinguish between inventories, non-current assets held for sale, IP and PPE:- 1.2 if the municipality has a history of property development and sales (i.e. developing land with the intention to sell it in the future/ a separate department exists in the municipality that deals specifically with this function), such land that is expected to be sold within 12 months from year-end shall be classified as inventory (GRAP 12.23 and .56); 1.3 if the municipality does not have a history of property development and sales (i.e. developing land with the intention to sell it in the future), the intention with current developments should be evaluated – if it is clear that council is holding this land to be sold in the ordinary course of operations similar as the above-mentioned scenario of development and sale, and such land is expected to be sold within 12 months from year-end, it shall be classified as inventory (GRAP 12.23 and .56); 1.4 all other land, held to be sold within 12 months from year-end, shall be classified as non-current assets held for sale provided that the requirements of GRAP 100.8 to .11 are met (if the requirements in GRAP 100 are not met, classify such assets as PPE at year-end);	CFO Unit Manager: Assets	30/06/2023

	1.5 buildings and other movable and immovable assets will highly unlikely be held for sale in the ordinary course of operations (as the municipality does not trade in such assets generally) – such assets held to be sold within 12 months from year-end, shall be classified as non-current assets held for sale provided that the requirements of GRAP 100.8 to .11 are met (if the requirements in GRAP 100 are not met, classify such assets as PPE at year-end). 1.6 All remaining land and buildings which are not IP (as discussed in the section on IP above), shall be classified as PPE at year-end.		

3.2 GRAP 21 Impairment of Non-cash generating Assets AND GRAP 26 Impairment of Cash generating Assets

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues regarding Inventories were listed on AGSA's audit report or communications for the year ended 30 June 2022.	For Impairment of Cash and Non-cash generating assets the following must be done according to GRAP 21 and GRAP 26.	CFO Deputy CFO Unit Manager: AFS	30/06/2023
GRAP 21 Impairment of Non-cash generating Assets			
Impairment of Non-cash generating assets	Actions required: In testing and accounting for impairment of non-cash generating assets, perform the following steps: - Ensure that the components of infrastructure assets are reviewed for potential impairment losses. - For all material assets or classes of assets, identify and make extracts from the Fixed Asset Register of the following assets: ➤ All Infrastructure assets, per component; ➤ All buildings (other than buildings included in infrastructure assets); ➤ All motor vehicles;	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	➤ All IT equipment (assets can be grouped in material classes, e.g. laptops, providing that they are of a similar nature, age and condition); and ➤ All movable assets under the control of the asset managers of the various departments/ sections (assets can be grouped in material classes, e.g. tables and chairs, providing that they are of a similar nature, age and condition). • CFO to issue a memo (including a printout of the FAR per department/ section) annually to all department/ section heads to identify items of PPE that may have suffered impairment losses, requesting them to identify assets that: ➤ Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year-end); ➤ Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➤ Are technologically obsolete at year-end (this can be facilitated by supplying departments / sections with a AR printout pertaining to major assets showing the remaining useful lives of assets - the department / section heads can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); and ➤ Have remained idle for a considerable period either prior to them being put into use at year-end or during their useful life. • The CFO shall evaluate the results obtained in the procedures above and determine if any impairment indicators exist. • If impairment indicators exist, as determined above, ensure that the recoverable service amount as per GRAP 21. 29 - .46 is determined for each asset / class of assets that are potentially impaired. If the asset's recoverable amount is less than the asset's carrying amount, impairment exists. The difference between the assets's carrying amount and its recoverable	CFO Deputy CFO Unit Manager: AFS	30/06/2023
	• If impairment indicators exist, as determined above, ensure that the recoverable service amount as per GRAP 21. 29 - .46 is determined for each asset / class of assets that are potentially impaired. If the asset's recoverable amount is less than the asset's carrying amount, impairment exists. The difference between the assets's carrying amount and its recoverable	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	(service) amount is calculated and represents the impairment loss on assets. • Ensure that impairment losses are recognized and accounted for in accordance with GRAP 21.47 - .54. • Ensure that the disclosure requirements of GRAP 21 are adhered to at year-end. • Ensure that the requirements of GRAP 21 are applied prospectively in accordance with the transitional provisions found in GRAP 21.80.		

3.3 GRAP 102 Intangible Assets

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
1.No issues regarding Intangible assets were listed on AGSA's audit report for the year ended 30 June 2022 . -	• Document and execute the procedures described below on GRAP 102. • Ensure that additions of intangible assets are captured excluding VAT on the capital votes	CFO Deputy CFO	30/06/2023 Ongoing
GRAP 102: Intangible Assets			
Objective: The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard of GRAP. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.			
Exemptions granted in past: • The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed.	Actions required: • Ensure that all assets that meet the definition of an intangible asset and the recognition criteria for an asset are identified by scrutinising the AR and capital purchases file/vouchers. • Ensure that all intangible assets identified are measured initially at their cost price. • Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of Intangible assets after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	assets, retirements and disposals of intangible assets and internally generated intangible assets. • Ensure that the following adjustments are made to the intangible assets currently reflected as PPE in the asset register: (a) If any intangible assets are currently classified as part of PPE, then the full application of GRAP 102 will lead to a reclassification of these items as intangible assets. This will result in a reduction in the carrying amount of PPE and an increase in intangible assets. (b) If intangible assets (computer software and website costs) have been incorrectly expensed in the past this can be regarded as a prior period error and will be corrected retrospectively by applying GRAP 3. If however intangible assets other than computer software and website costs have been expensed as per the exemption offered in GG 30013, they will now be recognised retrospectively in accordance with the requirements of GRAP 102, GRAP 3 and Directive 3.91 as a change in accounting policy. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality. Retrospective application of GRAP 102 to Intangible assets other than software and website costs will be treated as a change in accounting policy. Discussion on application: Examples of items which may meet the definition of an intangible asset in the municipal environment are: • A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year – the municipality does not pay for such a licence, nor is there an active market for such licences, thus the cost or fair value cannot be determined and the intangible asset cannot be recognised; and	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	- Servitudes – the Department of housing and land should have a register of servitudes acquired and granted. Servitudes Granted: source of other income. Servitudes Acquired: usually these servitudes are acquired at zero cost or, if it is registered, insignificant amounts are paid for such registration. There is no active market for servitudes, thus its fair value cannot be determined reliably. Servitudes will therefore not be recognised as intangible assets if they were acquired at zero cost. - Other licenses – any license (computer, vehicle) which is renewed annually will not be an IA, as IA cannot be current assets. Licences which render a benefit for longer than 12 months need to be considered as being potential IA.		

3.4 Debtors and Provision for Bad Debts

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No findings for Debtors and Provisions for Bad Debts were listed on the AGSA audit report for the year ended 30 June 2022. The following were listed on the communications for 30 June 2011: - Bad debts: Amounts not written off ➤ During the audit of bad debts it was noted that there are bad debts which are more than 90 days and not yet written off - Bad debts: No steps taken to recover debts ➤ During the audit of bad debts we noted that no necessary steps were taken to recover debts prior write-off - Receivables: No supporting document for the suspense amount	- Perform reconciliations between the Debtors listing and the trial balance, obtain supporting documentation for differences and file the working papers for audit purposes. - Develop a Policy for the Provision of Bad Debts. - Ensure that adequate provisions are raised against Debtors. - Debtors should be provided for on the merits of each receivable. - Prepare an ageing of trade and other receivables list on a monthly basis. - Reconcile the list to the general ledger on a monthly basis - The reconciliation must be reviewed by a delegated official on a monthly basis - Prepare a list of receivables to be written off. - Present the list of receivables to be written off to council for approval	CFO Deputy CFO Unit Manager: BTO	Monthly

	- Ensure that the amount written off agrees to the 'Receivables written off' in the general ledger - Ensure that the receivables ledger is updated with the accounts written off		
Financial Assets: - According to IAS 39.43, Financial Assets and Financial Liabilities are recognised initially at fair value). - IAS 39.46 states that after initial recognition, the following categories of financial assets are measured at amortised cost: ➤ Loans and Receivables, e.g. accounts receivable and loans; ➤ Held to Maturity Assets; and ➤ Investments in shares that do have a quoted market price in an active market. - All other financial assets are measured at fair value. Amortised cost is defined in IAS 39 as the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.	Discounting of consumer and other debtors: - If the municipality raises interest on outstanding consumer and other debtors' accounts on a time-proportionate basis, the balance of these debtors at year-end represents their net present value. Discounting of debtors is therefore not necessary. Consumer Debtors: If no interest is raised on outstanding consumers debtors' accounts ensure that outstanding balances at year-end are discounted. Debtors should be divided into geographical areas and the discounting exercise should be done per geographical area. The average collection period should be calculated per geographical area and used to determine the net present value of outstanding debtors (per geographical area) at year-end. Other Debtors: Discounting of these debtors is normally not performed due to the short term nature of these debtors resulting in an immaterial difference between the amount outstanding at year-end and their net present value.	CFO Deputy CFO Unit Manager: BTO	30/06/2023
Provision for Doubtful Debts: IAS 39.64 states: "An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph 59). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not,	Provision for Doubtful Debts: - Management should, when the evidence arises (normally at year-end); ensure that the impairment provision (Provision for Bad Debts) is made in accordance with IAS 39.64. Therefore management should assess the Provision for Bad Debts:- ➤ Separately for each individual debtor; or ➤ For groups of debtors with similar credit risks.	CFO Deputy CFO Unit Manager: BTO	30/06/2023

it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.”			

3.5 Bank Accounts and Cash

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No findings were reported by AGSA on Bank accounts and cash on the audit report or any of the communications for 30 June 2022: However the following general problems on bank account reconciliations can occur: - The bank reconciliations were not prepared on a monthly basis for all bank accounts. - Bank reconciliations for all active bank accounts were not reviewed and approved by an independent senior official. - It was noted that the municipality does not maintain a register for returned and outstanding cheques.	• ZFM must attend to the audit findings and make sure that the followings step are taken: (a) Document the processes and procedures to be followed in Bank and Cash Administration. (b) Prepare and file working papers for Bank and Cash transactions. (c) Perform monthly reconciliations on Bank and Cash and file the working papers for audit purposes. (d) Long standing reconciling items must be cleared from Bank Reconciliations. • Ensure the proper and correct disclosure of Bank, Cash and Cash Equivalents in the AFS. • Review the prior year matters that lead to a disclaimer of opinion, and restate comparatives with the correction of the error. • Perform a monthly reconciliation for each bank account between the following accounts: - Bank Control - general ledger account; and - Bank Statement received from banking institution. • Ensure that all differences and reconciling items are followed-up upon discovery thereof.	CFO Unit Manager: BTO	30/06/2023

	• Authorisation of the Bank Reconciliation by the CFO or delegated official: 1) Ensure that the bank statement balance agree to the balance reflected on the bank statement at month end date. 2) Ensure that the cash book balance agree to the general ledger. 3) Test the mathematical accuracy of the bank reconciliation. 4) Test the reconciling items on the bank reconciliation as follows: - Trace outstanding cheques to subsequent bank statements; - Trace outstanding deposits to subsequent bank statements; - Ensure that other reconciling items agree to supporting documentation; and - Ensure that all stale outstanding cheques (older than 6 months) have been written back and re-issued as appropriate. • Inspect whether all bank accounts were accounted for by comparison with previous month's working papers and examining it for accounts omitted. • Inspect whether reconciling items are cleared on a timely basis. • Explain all reconciling items which have been outstanding for more than three months in a report to the council in terms of regulation 18435 (Government Gazette of 14 Nov 1997). • Investigate large or unusual items on the bank reconciliation. • Scrutinise the cash book for unusual transactions or entries and obtain explanations from officials. • In respect of a bank overdraft ensure that:- - It is authorised by council resolution; - The credit limit is specified in the resolution of the council;	CFO Unit Manager: BTO CFO Unit Manager: BTO	30/06/2023 30/06/2023

	- The terms of the agreement, including the credit limit, are only changed by a resolution of the council; and - Where the credit facility was approved by the council only for emergency use, the accounting officer notify the council in writing, as soon as is practicable, of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debts. (Section 45 (3) of the MFMA.) • Initial the bank reconciliation as evidence of review thereof by a senior official. • Ensure compliance with all MFMA sections related to bank accounts, i.e. sections 7-12, 70, 85, 86 and section 125, including during preparation of the AFS disclosure notes.		

3.6 Investments

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues regarding Investments were listed on AGSA's audit report or communications for the year ended 30 June 2022. However, ensure that the proposed actions are applied. The municipality does not have any Investment in Associates and / or Interest in Joint Ventures.	• Ensure that a clear distinction is made if liquid investments are investments or Cash and cash equivalents. • Monthly reconciliations of the investments must be performed and reviewed. The reconciliations must be done between the following: - The investment confirmation from an external source (e.g. the bank); - The investment register; and - The general ledger. (Any differences must be followed up immediately and rectified) • Compile the AFS in line with the accounting policies. • Ensure that the requirements of the Investment Policy are met (e.g. not more than 40% of the total invested at one institution)	CFO Unit Manager: BTO	30/06/2023 Monthly

4 Accounting for Liabilities

4.1 GRAP 13 Leases

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were reported on leases by AGSA on the audit report or communications as at 30 June 2022. However, ensure that all lease classifications are done accurately according to GRAP 13.	- Implement this standard retrospectively - Document and execute the procedures described below on GRAP 13. - Affect the disclosures required by GRAP 13. - Update the asset policy for classification of leases	CFO Deputy CFO Unit Manager: AFS	30/06/2023
GRAP 13: Leases Objective: The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to finance and operating leases. Definitions: A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.			
Exemptions granted in past: Recognising operating lease payments/receipts on a straight-line basis if the amounts are recognised on the basis of the cash flow in the lease agreement.	Actions required: - Ensure that operating leases that have fluctuating payment/receipt arrangements are identified. - Ensure that the average expenditure/revenue over the complete lease term for the above-mentioned lease contracts is determined. - Based on the above-mentioned average expenses /revenue, ensure that the amounts recognised for operating leases are the average (straight-lined) expenses/revenues and not the physical payments/ receipts. - If the actual payments/receipts in a year are more than the average payments/receipts, ensure that the difference will be shown as a debtor/creditor in the AFS for both the current and the prior year.	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	• If the actual payments/receipts in a year are less than the average payments/receipts, ensure that the difference will be shown as a creditor/debtor in the AFS for both the current and the prior year. • Ensure that contingent rentals (such as those with escalation connected to CPIX) are not straight-lined. • Ensure that contingent rentals (such as those with escalation connected to CPIX) are not included in the projected future minimum operating lease expenses/ receipts in the note to the AFS. • Ensure that the disclosure requirements of GRAP 13 are adhered at year-end. • Review ASB comparison between IAS 17 and GRAP 13 and ensure that any differences are taken into account in the 2010 AFS. Some of the major differences are as follows: ➤ GRAP 13 includes a different set of definitions of technical terms to IAS 17. ➤ Certain terminology differences exist between IAS 17 and GRAP 13. ➤ GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction. ➤ Additional disclosure requirements are included in GRAP 13.46. • Ensure that the following requirements of ASB Directive 3.49 to .53 are adhered to: ➤ The requirements of GRAP 13 shall be applied retrospectively. ➤ Where items have not been recognised and/or measured as a result of transitional provisions under other GRAP Standards, the requirements of GRAP 13 would not apply to such items until the transitional provisions in those other GRAP Standards expire (i.e. in 2011 the requirements of GRAP 13 would apply to such items). ➤ While municipalities are not required to recognise finance lease assets / liabilities in their financial statements in relation to those items that have not been recognised in their financial statements as a result of applying the	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	transitional provisions in other GRAP Standards, municipalities are however required to apply the disclosure requirements of GRAP 13 insofar as the lease assets/ liabilities have been identified. Discussion on application: Differences between the actual payments/receipts and the average expense/revenue can occur in terms of leasing arrangements where: - the lease payments/receipts are not spread equally over the lease term , - the lessee is required to make payments prior to bringing the leased asset into use, - the lease involves an initial term which is significantly less than the period over which benefit is to be derived from the leased asset and there is an option to renew the lease at lease payments which are either significantly less or more than the lease payments during the initial term, and renewal of the lease is reasonably assured.	CFO Deputy CFO Unit Manager: AFS	30/06/2023
Additional requirements: - Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Although the following are examples of situations which would normally lead to a lease being classified as a finance lease, a lease does not need to meet all these criteria in order to be classified as a finance lease: - the lease transfers ownership of the asset to the lessee by the end of the lease term; - the lease term is for the major part of the economic life of the asset even if title is not transferred; - at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset (GRAP 13.12 extracts).	Actions required: Ensure that all leasing arrangements meeting the definition of finance leases, are accounted for as finance leases (e.g. electronic equipment, vehicles and cell phone contracts). Discussion on application: Currently the AGSA views cell phone contracts for the majority of municipalities in SA to be finance leases. However, SAICA believes at this stage that such arrangements typically do not constitute finance leases.	CFO Deputy CFO Unit Manager: AFS	30/06/2023

4.2 GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
The following issues were reported on Provisions, Contingent Liabilities and Contingent Assets by AGSA on the audit report or communications as at 30 June 2014. - Provision for Performance bonuses were incorrectly classified as contingent liabilities. This was correctly adjusted on the AFS. - ZFM' legal confirmation differed from the legal confirmation requested by the AGSA from the same attorneys.	- Document and execute the procedures described below on GRAP 19. - Affect the disclosures required by GRAP 19. - Provision for Performance bonuses were treated correctly in the signed 2021/22 AFS. Thus we will calculate the provision on 30 June 2023. - Discuss this issue with the attorneys and request them to inform ZFM when a legal case has changed after 30 June and 30 August.	CFO Deputy CFO Unit Manager: AFS	30/06/2023
GRAP 19: Provisions, Contingent Liabilities and Contingent Assets			
Objective: The objective of this Standard is to define provisions, contingent liabilities and contingent assets, identify the circumstances in which provisions should be recognised, how they should be measured and the disclosures that should be made about them. The Standard also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing and amount. Definitions: A Contingent Asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A Contingent Liability is: - A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or - A present obligation that arises from past events but is not recognised because: - It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or - The amount of the obligation cannot be measured with sufficient reliability. A Provision is a liability of uncertain timing or amount.			

General actions:	Actions required: • Ensure that GRAP 19 is applied retrospectively in the financial statements. • Ensure that the disclosure requirements of GRAP 19 are adhered to at year-end. • The ASB Directive 4 states the following with regards to provisions, contingent liabilities and contingent assets that are acquired through a transfer of functions: ➤ The municipality need not comply with the measurement requirements of GRAP 19 for a period of three years from the date of the transfer of functions or from 1 July 2008, whichever date is later, subject to the bullet points below. It must however identify and correctly classify all provisions, contingent liabilities and contingent assets on a provisions, contingent liabilities and contingent assets listing during the above mentioned three years, subject to the bullet points below. ➤ If the initial accounting for provisions, contingent liabilities and contingent assets is incomplete by the end of 2009 or the end of the financial year in which the transfer occurs, whichever year end is later, provisional amounts shall be reported in the municipality's financial statements for those provisions, contingent liabilities and contingent assets for which the initial accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the above-mentioned recognised provisional amounts for new information about facts and circumstances pertaining to the above-mentioned provisional amounts that existed on the above-mentioned transfer date and, if the municipality had known about this information earlier, would have affected the measurement of the amounts recognised as of that transfer date. ➤ During the measurement period, the municipality shall also recognise additional provisions, contingent liabilities and contingent assets if new information is obtained about facts and circumstances that existed at the above-	CFO	30/06/2023
		Deputy CFO Unit Manager: AFS	
		CFO	30/06/2023
		Deputy CFO	

	mentioned transfer date and, if the municipality had known about this information earlier, would have resulted in the recognition of those provisions, contingent liabilities and contingent assets as of that transfer date. ➤ The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed at the above-mentioned transfer date or learns that no more information is obtainable. However, the measurement period shall not exceed three years from the above-mentioned transfer date or 1 July 2008, whichever date is later. ➤ Until such time as the above-mentioned measurement period expires and provisions, contingent liabilities and contingent assets are measured and recognised in accordance with GRAP 19, the municipality need not comply with GRAP 1 <i>Presentation of Financial Statements</i>, GRAP 4 <i>The effects of Changes in Foreign Exchange Transactions</i>, GRAP 13 <i>Leases</i>, GRAP 18 <i>Segment Reporting</i> & GRAP 100 <i>Non-current Assets Held for Sale & Discontinued Operations</i>. ➤ While entities are not required to recognise provisions (which form part of the cost of an asset) in their financial statements for those assets that have not been recognised in their financial statements as a result of applying the transitional provisions in other GRAP Standards, the municipality is required to apply the disclosure requirements about the provisions related to those assets in accordance with GRAP 19.	Unit Manager: AFS	

CONTINGENT ASSETS AND CONTINGENT LIABILITIES			
Recognition: Contingent liabilities / assets are not recognised.	Actions required: - Ensure that any items meeting the definition of a contingent liability / asset are identified. Such contingent liabilities / assets should be disclosed in accordance with GRAP 19, but should not be recognised. Examples may be unresolved court cases or litigation or arbitration. - Draft a standard memo to the legal department as well as the HOD's during the first week in July requesting information from them on any potential liabilities / assets that the municipality may have. Examples are unresolved court cases or litigation or arbitration.	CFO Deputy CFO Unit Manager: AFS	Ongoing
Disclosure: - Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability / asset at the reporting date a brief description of the nature of the contingent liability /asset and, where practicable: (a) an estimate of its financial effect; (b) an indication of the uncertainties relating to the amount or timing of any outflow; and (c) the possibility of any reimbursement.	Actions required: - Ensure that all contingent liabilities / assets are properly disclosed as per the disclosure requirements of GRAP 19. Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable: (a) an estimate of its financial effect (b) an indication of the uncertainties relating to the amount or timing of any outflow; and (c) the possibility of any reimbursement. Discussion of application: The following procedures could be performed by the CFO to ensure completeness of contingent liabilities / assets disclosed at year-end: ➤ Inspect correspondence files with clients of the municipality to identify any contingent liabilities / assets. ➤ Review confirmation letter requested and obtained from the municipality's legal council as to all current, pending and outstanding legal disputes and confirm by inspection that all necessary disclosures have	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	been made. ➤ Review all legal correspondence between the municipality and its legal council and confirm that no contingent liabilities / assets have been omitted from being disclosed. ➤ Examine minutes of management meetings for evidence of discussion of possible contingent liabilities / assets and confirm that all necessary disclosures have been made. ➤ Inspect the terms and conditions of contracts entered into by the municipality and third parties and confirm that adequate disclosures of contingent liabilities / assets have been made as necessary.		
PROVISIONS			
Recognition: • A Provision shall be recognised when: (a) The municipality has a present obligation (legal or constructive) as a result of a past event; (b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and (c) A reasonable reliable estimate can be made of the amount of the obligation.	Actions required: • A provision should only be recognised when a municipality has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made. An obligation implies the existence of a third party to which the municipality is obligated. A legal obligation arises as a result of an external party having a legal right to enforce the municipality to pay or perform for example if the municipality is forced by legislation to clean certain waste sites then a legal obligation exists. A constructive obligation is one arising from the facts in a particular situation. This implies that although a municipality may have no legal obligation to perform it may have other sanctions that leave it with no realistic alternative but to incur certain expenses. Examples of constructive obligations include: ➤ a municipality that habitually makes grants-in-aid to deserving communities , but is under no legal obligation to do so, but could not change	CFO Deputy CFO Unit Manager: AFS	Ongoing

- Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. By contrast: (a) trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier; and	its policy without incurring unacceptable damage to its reputation, and ➤ A municipality that has identified contamination in certain land bordering its area of jurisdiction. The municipality may not be legally obliged to clean up the land, but because of its published policies or past actions, is obliged to do so. In order to recognise a provision, the obligation must result from a past event, for example a service must have been rendered by a third party in the past before a liability arises and a mere intention to render a service by a third party is not sufficient for the recognition of a provision. A provision should be recognised provided that a reasonable estimate of the obligation can be made. The provision should be the best estimate at the statement of financial position date of the expense required to settle the obligation. Where the effect of discounting is material, the amount of a provision should be the present value of the expenses required to be settled in the future. If the municipality is a party to an onerous contract (i.e. a contract entered into with another party under which the unavoidable costs of fulfilling the terms of the contract exceed any revenue expected to be received from the goods or services supplied or purchased directly or indirectly under the contract and where the municipality would have to compensate the other party if it did not fulfil the terms of the contract), there is a present obligation arising out of that contract and provision for it is required. - Identify all provisions that have to be raised by the municipality where the municipality has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made. - Ensure that the municipality distinguish correctly between provisions, long-term liabilities, trade payables and accruals as described.	CFO Deputy CFO Unit Manager: AFS	Ongoing

(b) accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions. Accruals are often reported as part of trade and other payables, whereas provisions are always reported separately as a separate line item on the Statement of Financial Position of the municipality.	• Measure and initially record all provisions identified in the first step above. • Ensure that provisions are classified into current and non-current liabilities. • Review provisions at each reporting date. The review should take into account all information available relating to the provision. Adjustments to provisions should be based on the current best estimates of management of the amount required to settle the obligation at reporting date. Municipalities may revise their provisions during the year as well and should then comply with the disclosure requirements of GRAP 19.107. • Expenditure incurred subsequent to year end in relation to a provision that was raised at the previous year end, should be allocated against the provision. The expenditure must not be recorded as expenditure in the new financial year as expenditure was already provided for in the previous financial year. The provision can however only be used to offset expenditure for which it was originally recognised.		
Measurement: • The amount recognised as a provision shall be the best estimate of the expenditure 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 shall be the present value of the expenditure expected to be required to settle the obligation. These future cash outflows should be discounted by a discount rate (that should be an average cost of borrowing interest rate) which includes an inflation factor.	Actions required: • Measure and initially record all provisions identified as described above. The measurement of some of the more common provisions that need to be raised by municipalities is set out below: Provision for the rehabilitation of tip sites: The legal obligation for rehabilitating tip sites at year-end is restricted to the amount that needs be spent to rehabilitate the damage to land, that exists at Statement of financial position date. The extent of the damage to tip site land that will need to be rehabilitated , needs to be determined at year end and an accounting provision needs to be raised as a current liability at Statement of financial position date.	CFO Deputy CFO Unit Manager: AFS	30/06/2023

	Provision for the clearing out of alien vegetation: A calculation of the projected cost and timeframe to clear out all alien vegetation that exists at Statement of financial position date will have to be performed. The full amount of the expense discounted to present cost should be raised as a provision and reflected as a current liability at year end. If this will result in an accumulated deficit for the municipality the amount should be phased in. Provision for grant-in-aid contributions: An estimate needs to be made at Statement of financial position date of the amount of the grant-in-aid contributions that are estimated to be paid out during the next financial year. This estimate needs to be raised as a provision and reflected as a current liability at year end. The amount can be determined from the operating budget for the next financial year which will already be finalised at Statement of financial position date. Discussion of application: The only potential provisions identified which management could be required to account for, is the provision for the rehabilitation of tip sites and the removal of alien vegetation (e.g. the removal of the Port Jackson trees). Providing for the removal of alien vegetation can be impracticable, due to the following reasons: ➤ The identification of alien vegetation is very difficult, as these plants grow between non-alien vegetation. ➤ The work to be performed in removing such alien vegetation will take a considerable amount of time, making the discounting of future service payments nearly impossible. ➤ It is difficult to determine at which stage of the alien vegetations' life cycle it is best to be removed – timing once again becomes an issue. ➤ The whole exercise of removing such plants is very costly.		

Classification: - A liability shall be classified as current when it satisfies any of the following criteria: - It is expected to be settled in the entity's normal operating cycle; - It is held primarily for the purpose of being traded; - It is due to be settled within twelve months after the reporting date, or - The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. All other liabilities shall be classified as non-current.	Actions required: Provisions should be classified into current and non-current liabilities. All provisions that will have to be settled by the entity within twelve months of the reporting date should be disclosed as current liabilities and all other provisions should be disclosed as non-current liabilities.	CFO Deputy CFO Unit Manager: AFS	Ongoing
Disclosure: - For each class of provision, a municipality should disclose: - the carrying amount at the beginning and end of the period; - additional provisions made in the period, including increases to existing provisions; - amounts used (i.e. incurred and charged against the provision) during the period; - unused amounts reversed during the period; and - the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate. Comparative information is not required. - A municipality should also disclose the following for each class of provision: - a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; - an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an enterprise should disclose the major	Actions required: Affect the disclosures for each provision in the AFS as required.	CFO Deputy CFO Unit Manager: AFS	30/06/2023

assumptions made concerning future events, and (c) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.			

4.3 Long-term Liabilities (Interest Bearing Borrowings)

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were reported by AGSA on the audit report and communications regarding Long-term Liabilities as at 30 June 2022. AGSA reported the following finding on one of the communications for the year ended 30 June 2011: - Long-term liabilities variance identified between the loan register, financial statements and DBSA confirmation	• Ensure that all Long-term liabilities identified are recorded and measured in accordance with IAS 39. • After initial recognition, measure all long-term liabilities at amortised cost using the effective interest method. <i>This amount should be confirmed with the financial institutions before disclosure in the AFS.</i> <i>Amortised cost is the amount at which the financial liability was measured at initial recognition minus principal repayments. This simply implies that capital repayments are offset against the liability and interest is expensed through the statement of financial performance.</i> • Compile a long-term loan register for all long term loans outstanding during the financial year. Any movements which occurred on these loans during the year should be recorded in this register. • The register must show the Current portion (capital repayments within 12 months after reporting date), as well as the Non-current portion at the reporting date. • Ensure that the following agrees on a monthly basis: - The long-term loan register; - The general ledger; and - The Trial Balance.	CFO Assistant Director: SCM & Expenditure	30/06/2023

4.4 Retirement Benefit Liabilities

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were reported by AGSA on the audit report and communications regarding Retirement Benefit Liabilities as at 30 June 2022.	- Identify measure and disclose the provision for the LSA (The services of a actuarial firm should be obtained to calculate provision, if the municipality do not have in-house expertise to perform this task – calculation should be done for liability as at 30 June 2023) - Identify measure and disclose the provision for the LSA if the municipality has a legal obligation.	CFO Deputy CFO Unit Manager: AFS	30/06/2023

4.5 Conditional Grants and Receipts

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
AGSA reported the following findings on the Conditional Grants on the audit report and communications as at 30 June 2018: - Unspent Conditional Grant amount differs from investment account. - During the audit of unspent conditional grants it was noted that amount of unspent conditional grants under current liabilities is not cash backed .The amount per unspent conditional grant is R 6 228 402 and the investment accounts supporting the grants amount to R 2 572 650 which gave rise to the difference of R3 655 752 which may indicate that the funds meant for conditional grants were used to defray operational expenses Account for Conditional grants and receipts in terms of GRAP 9: - In terms of GRAP 9 government grants can be in the form of grants to acquire or construct fixed assets. Such grants are referred to as capital grants and are	Ensure that conditional capital grants are accounted in accordance with the requirements of GRAP 9.	CFO Deputy CFO	30/06/2023

	➤ an organ of state in the national or provincial sphere of government; or ➤ a municipal entity or another municipality; • the reason for any non-compliance with the conditions; and Whether funds destined for the municipality in terms of the annual DORA were delayed or withheld, and the reasons advanced to the municipality for such delay or withholding.		

4.6 Accounts Payable

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
1.No findings were listed on AGSA's audit report for the year ended 30 June 2022 .	- Attend to the discrepancies identified by the AGSA: (a) Document the processes and procedures to be followed in Creditors Administration. (b) Prepare and file working papers for Creditor transactions. (c) Perform monthly reconciliations on Creditors and file the working papers for audit purposes. (d) Long standing reconciling items must be followed up and cleared from Creditors Reconciliations. (e) The municipality must recognise and record all its unpaid liabilities at year-end. (f) Ensure that all creditors are paid within 30 days of date of invoice in terms of the MFMA. (g) Introduce a proper system of recording receipts and payments of unclaimed moneys and age analysis. • Transactions and journals should be supported by supporting documentation, reviewed and authorised by management. • All relevant documentation should be retained for audit purposes and safeguarded as part of key internal control procedures	CFO	Ongoing
		Assistant Director: SCM & Expenditure	
		CFO	Ongoing
		Assistant Director: SCM & Expenditure	Ongoing

Section 65(2)(e) of the MFMA states that the accounting officer must take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement.	Ensure that all payments due to creditors are settled within 30 days from receipt of an invoice unless stated otherwise in a contract.	CFO Assistant Director: SCM & Expenditure	Ongoing
Section 37(1)(c) of the MFMA states that a Municipality must promptly meet all financial commitments towards other municipalities or national and provincial organs of state.	Ensure that if the municipality had financial commitments towards other municipalities or national organs of state, that such financial commitments had promptly been met.	CFO Assistant Director: SCM & Expenditure	Ongoing
Standard operating procedures should be performed to ensure proper controls exist over payables.	1. Reconciling invoices to Monthly Statements: At the end of the financial year a monthly statement from all suppliers will be delivered listing all invoices for the month for goods delivered or services rendered to the municipality. The statements must then be reconciled with the invoices paid through the accounting system for the last period. The detail of each invoice must be checked against the details of the statement: • Invoice number • Date • Name of supplier • Item, size, quantity, unit price and total price • Delivery date • Signature of receiver 2. Reconciling items must be identified and followed-up with suppliers to ensure that all liabilities are raised in the financial records and to highlight incorrect invoices listed on supplier statements. 3. Identification of accruals Accruals are the obligations, excluding trade payables, to pay for goods and services that have been received or supplied at reporting date to the municipality, have not been invoiced by 30 June and are paid subsequent to year end during the period 1 July to 31 August (date that the financials have to be submitted). ▪ The Finance department will have to identify all payments made subsequent to year-end that relate to the current financial year.	CFO Assistant Director: SCM & Expenditure	Monthly

	▪ Details of these payments should be listed and an accrual should be raised on the statement of financial position of the municipality. Therefore expenses incurred subsequent of the financial year (new financial year) that relate to the current financial year will be recorded in the current financial year. 4. Listing of Trade and Other Payables The municipality should prepare a listing of all Trade and Other payables as at year-end (together with copies of substantive documents such as invoices or goods received notes). The listing should provide sufficient details to identify the creditor, the relevant expense line item, the invoice number and the amount. <i>The total of the listing of Trade and Other payables should agree with the amounts provided for as Trade and Other Payables on the statement of financial position as at each year-end.</i> 5. Sub-ledger It is very important that the Creditors control account is balanced with the creditor's sub-ledger on a monthly basis. Should there be accounting entries for the year ended 30 June 20xx, put through during the period 1 July 20xx to 31 August 20xx (Date of completion of the AFS) and the sub-ledger cannot be updated with those entries (because the sub-ledger has been closed-off on 30 June), ensure that the following procedures are performed: ▪ Ensure that a manual reconciliation of the creditor's sub-ledger to the general ledger is performed and that large or unusual reconciling items are investigated. ▪ Ensure that the reconciliation is reviewed by a senior official and initialled as evidence thereof. ▪ Ensure that supporting documentation exist for all reconciling items and that reconciling items are followed-up and cleared on a timely basis after year-end.		

	6. Supplier statements ▪ To ensure payments are authorized, monthly creditor's statements or invoices should be initialled by a senior official. ▪ Statements and invoices related to each recorded payment should be cancelled by a "paid" stamp or in some other appropriate manner to prevent duplicate payments. 7. Listing of Trade and Other Payables ▪ Compare the current year listing to that of the prior year and obtain explanations from relevant officials for any changes to the key suppliers of the municipality to ensure that there are no unrecorded liabilities. ▪ Compare suppliers and invoices on the accruals list with suppliers and invoices on the creditors list to ensure that invoices are not duplicated on both lists. ▪ Ensure that the statement of financial performance amount reflects 12 entries / payments for each monthly repetitive expense items, for example: Telephone, Electricity and water, Receiver of Revenue, UIF, Security etc. 8. Master file changes ▪ Adequate controls should exist to ensure that only valid changes are made to suppliers' banking details. ▪ Master file changes reports should be generated on a monthly basis, and reviewed by an independent senior official to ensure the validity and accuracy of changes made to banking details. These reports should be initialled as proof of review. ▪ Inspect that all master file changes are supported by substantiating documentation. 9. Cut-off ▪ For selected expenses from both prior to and subsequent to the period-end, perform cut-off testing:		

	○ Scrutinize supporting documentation relating to post-year-end and after-year-end payments, noting the dates of services rendered on these, and ensure that amounts have been accrued where necessary. ▪ Perform a search for payments made subsequent to the period under review, to creditors that should have been raised at year-end.		

5 Accounting for Revenue

5.1 GRAP 9 Accounting for Revenue from Exchange Transactions

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
1) No findings were listed on AGSA's audit report for the year ended 30 June 2022 .	Although there are minimum revenue transaction at ZFM, please refer to the basic procedures described below:	Management	30/06/2023
	• In general: - transactions should be supported by supporting documentation, reviewed and authorised by management, and - All relevant documentation should be retained for audit purposes and safeguarded as part of key internal control procedures.	Management	30/06/2023
	• Ensure that ZFM staff is aware of the requirements for recognition of financial statement elements, i.e. revenue.		
	• Ensure the correct classification of revenue of the general ledger votes as these votes may be disclosed separately on the Statement of Financial Performance and/or on the notes to the financial statements.	Management	30/06/2023
	• Reconcile revenue on a weekly basis: documentation, GL and sub-ledger	Management	30/06/2023

However, there are still internal control deficiencies which need to be addressed by management.	- Management must address to the following: - Document the processes and procedures to be followed in Revenue Administration. - Prepare and file working papers for Revenue transactions. - Perform monthly reconciliations on Revenue Items and file the working papers for audit purposes. - System parameters and standard journals must be audited internally on a regular basis. - Ensure that billing is done on a monthly basis. - In general: - transactions should be supported by supporting documentation, reviewed and authorised by management, and - All relevant documentation should be retained for audit purposes and safeguarded as part of key internal control procedures. - Ensure that ZFM staff is aware of the requirements for recognition of revenue in the AFS.	CFO Unit Manager: BTO	Monthly/ 30/06/2023
Following the above findings, standard operating procedures should be performed to ensure proper controls exist over revenue received.	Control procedures should <i>inter alia</i> include: - Directives that two delegated officials should open the post - That all payments received through the post be recorded in a remittance register and the register signed by the officials responsible for opening of the post - That the register as well as the payments be delivered to the cashiers and that the cashiers record all receipt numbers issued for these payments in the remittance registers and also sign the register as evidence of receipt of the monies - That the mail register be reviewed by an independent person and signed by that person as evidence of review process.	CFO Unit Manager: BTO	Ongoing
Disclosure of revenue:	- Disclose revenue from exchange and non-exchange transactions separately on the face of the Statement of Financial Performance - Disclosure notes should support material line items under revenue	CFO Unit Manager: BTO	30/06/2023

GRAP 9: Revenue from Exchange Transactions			
Objective: The primary issue in accounting for revenue is determining when to recognise revenue. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognised. It also provides practical guidance on the application of these criteria. Definitions: 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. Scope of GRAP 9: Revenue arising from the following exchange transactions and events are recognised in terms of GRAP 9: (a) The rendering of services. (b) The sale of goods. (c) The use by others of entity assets yielding interest, royalties and dividends or similar distributions.			
Rendering of services: When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome can be measured reliably when all the following is satisfied (GRAP 9.20): a) The amount of revenue can be measured reliably b) Probable that the economic benefits or service potential associated with the transaction will flow to the entity c) Stage of completion of the transaction at the reporting date can be measured reliably d) Costs incurred for the transaction and the costs to complete the transaction can be measured reliably	• Ensure that revenue for the rendering of services is recognised by reference to the stage of completion of the transaction at the reporting date, when the outcome of the transaction involving the rendering of services can be reliably estimated.	CFO Unit Manager: BTO	Ongoing
Sale of goods: Revenue from the sale of goods shall be recognised when all the following conditions according to GRAP 9.29 have been satisfied:	• Ensure that revenue from the sale of goods is recognised when all the conditions have been satisfied	CFO	Ongoing

a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods. b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. c) The amount of revenue can be measured reliably. d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.		Unit Manager: BTO	
Interest, royalties and dividends or similar distributions: Revenue arising from interest, royalties and dividends or similar distributions shall be recognised when (GRAP 9.34): a) Probable that the economic benefits or service potential associated with the transaction will flow to the entity b) Amount of the revenue can be measured reliably	Ensure that revenue from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions are recognised when the criteria of probability and measurability is met.	CFO Unit Manager: BTO	Ongoing
Taxes: Revenue from taxes must be recorded when the taxable event occurs and the asset recognition criteria has been met.	Ensure that revenue from taxes is recorded according to the requirements of GRAP 23 or GAMAP 9 (which ZFM decides to use)	CFO Unit Manager: BTO	Ongoing
Debt forgiveness and assumption of liabilities: Revenue in respect of debt forgiveness should be recognised when: a) the former debt no longer meets the definition of a liability, or b) satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.	- Ensure that revenue in respect of debt forgiveness is recognised when the former debt no longer meets the definition of a liability, or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. - Ensure that revenue arising from debt forgiveness is measured at the fair value of the debt forgiven.	CFO Unit Manager: BTO	Ongoing

	<i>This will normally be the carrying amount of the debt forgiven.</i>		
Gifts and donations: Revenue from gifts and donations should be recognised when: a) it is probable that the future economic benefits or service potential will flow to the entity, and b) the fair value of the associated assets can be measured reliably. Revenue from goods in kind should be recognised when: a) the goods are received, or there is a binding arrangement to receive the goods (no conditions attached to goods); or b) conditions are satisfied (conditions attached to goods received).	• Ensure that revenue in respect of gifts and donations is recognised when it is probable that the future economic benefits or service potential will flow to the entity, and when the fair value of the associated assets can be measured reliably. • Ensure that revenue in respect of goods in-kind is recognised when the goods are received, or there is a binding arrangement to receive the goods (no conditions attached to goods); or when conditions are satisfied (conditions attached to goods received). • Ensure that revenue arising from gifts and donations as well as goods in-kind is measured at the fair value of the resources received or receivable.	CFO Unit Manager: BTO	Ongoing

6 Accounting for Expenditure

6.1 Accounting for Expenditure

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
1. There were no findings by the AGSA	• Ensure that an audit file is compiled that supports the AFS and supporting schedule, to ensure that a similar finding is not raised during 2022/23 • Management should ensure that segregation of duties exists between the officials • An independent review of the financial statements should be performed prior to submission thereof to ensure e.g. that comparative figures agree to the audited figures of the prior year taking into account the adjustments as listed on the 'Prior year error note'	Unit Manager: AFS CFO Unit Manager: AFS	Ongoing Ongoing Ongoing Ongoing

	- Attend to the Control deficiencies identified by the AGSA: (a) Document the processes and procedures to be followed in Expenditure Administration. (b) Draft and approve Policies controlling the various expenditure streams. (c) Develop and approve procedures/guidelines for the abovementioned Policies. (d) Transactions should be supported by supporting documentation, reviewed and authorised by management. (e) All relevant documentation should be retained for audit purposes and safeguarded as part of key internal control procedures. (f) Implement procedures to curtail, identify, report and disclose Irregular, Unauthorised and Fruitless & Wasteful Expenditure. (g) Implement procedures to curtail, identify, report and disclose Deviations from SCM Procedures. (h) Use of a VAT control sheet including a list of the zero rated and exempt supplies	CFO Assistant Director: SCM & Expenditure	
Account for Expenditure: Standard operating procedures should be performed to ensure correctness (validity, accuracy and completeness) of expenditure transactions and related balances in the GL.	Actions required: - Ensure that adequate internal control procedures are in place. - Ensure the validity of employees according to the Payroll system. - Ensure accuracy of the payroll system by inspecting the monthly reconciliation performed between the payroll system and the financial system. - Ensure that leave according to the payroll system reconciles to the manual approved leave forms. A monthly reconciliation between the payroll system and leave forms must be performed and reviewed by the CFO. The reconciliations should be filed for audit purposes.	CFO Assistant Director: SCM & Expenditure	Ongoing Ongoing Ongoing Ongoing

	• Entries on the salaries and wages votes must be scrutinised on the general ledger to ensure that the entries reflect the nature of the accounts (e.g. no consultation fees, etc. Included in the salaries and wages votes); and • Perform a reconciliation of the IRP and salaries and wages votes.	Assistant Director: SCM & Expenditure Assistant Director: SCM & Expenditure	
Unauthorised Expenditure:	Actions required: • Compare the actual and budgeted expenses for the year under audit and inspect if there was expenditure incurred for which no provision was made in the approved budget, and adjusted for in the adjustments budget. • Ensure that the municipality identify unauthorised expenditure according to the definitions given by the MFMA and report such expenditure according to stipulations in the MFMA. • Unauthorised expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned it is treated as an asset until it is recovered or written off as irrecoverable. • Ensure that unauthorised expenditure is recovered, if not authorised according to MFMA 32 (2). • Ensure that those expenses are disclosed as unauthorised expenses in the notes to the Financial Statements. • Ensure that the MFMA requirements are adhered to regarding disclosure of all unauthorised expenditure in the AFS. • The accounting officer should inform the mayor, the MEC for local Government in the province and the Auditor-General, in writing, of:- ➢ Any unauthorised expenditure incurred by the municipality; ➢ Whether any person is responsible or under investigation for such unauthorised expenditure; and	CFO Deputy CFO Unit Manager: BTO Unit Manager: AFS Unit Manager: AFS CFO Deputy CFO	Ongoing Ongoing Ongoing Ongoing

	➤ The steps that have been taken to recover or rectify such expenditure and to prevent the recurrence of such expenditure. (Section 32 (4)).		
Irregular Expenditure:	Actions required: • Ensure that the municipality identify irregular expenditure according to the definitions given by the MFMA and report such expenditure according to stipulations in the MFMA. • Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned it is treated as an asset until it is recovered or written off as irrecoverable. • Ensure that irregular expenditure is recovered, if not authorised according to MFMA 32 (2). • Ensure that those expenses are disclosed as irregular expenses in the notes to the Financial Statements. • Ensure that the MFMA requirements are adhered to regarding disclosure of all irregular expenditure in the AFS.	CFO Assistant Director: SCM & Expenditure	Ongoing Ongoing Ongoing Ongoing Ongoing
Fruitless and Wasteful Expenditure:	Actions required: • Ensure that the municipality identify fruitless and wasteful expenditure according to the definitions given by the MFMA and report such expenditure according to stipulations in the MFMA. • Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned it is treated as an asset until it is recovered or written off as irrecoverable. • Ensure that fruitless and wasteful expenditure is recovered, if not authorised according to MFMA 32 (2). • Ensure that those expenses are disclosed as fruitless and wasteful expenses in the notes to the Financial Statements. • Ensure that the MFMA requirements are adhered to regarding disclosure of all fruitless and wasteful expenditure in the AFS.	CFO Assistant Director: SCM & Expenditure	Ongoing Ongoing Ongoing Ongoing Ongoing

7. Accounting for Funds and Reserves

7.1 Accumulated Surplus

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
1.) No issues were raised by AGSA for the year ended 30 June 2022	- Transactions and journals should be supported by supporting documentation, reviewed and authorised by management. - All relevant documentation should be retained for audit purposes and safeguarded as part of key internal control procedures - Reconcile movement on the Accumulated Surplus for the 2018/19, 2021/22 and 2022/23 financial years. - Restate the 2021/22 comparative figures, where applicable where errors were found and ensure that it complies with the requirements of GRAP 3. - Make sure the roll-overs are done in SAMRAS for the previous years.	CFO Deputy CFO Unit Manager: AFS	Ongoing 30/06/2023 30/06/2023 30/06/2023 30/06/2023

7.2 Internal Funds and Reserves in Accumulated Surplus

7.2.1 Government Grant Reserve and Donations and Public Contributions Reserve (GGR and D&PCR)

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were reported by AGSA reported on the audit report for 30 June 2022.	- This should be done with full implementation of GRAP 17. - The book value of Assets financed from Government Grants must be equal the balance on the GGR.	CFO CFO	Consider Consider

7.2.2 Housing Development Fund (HDF)

Deviation from FMBPR	Proposed action plans to address the deviation	Responsible Persons	Target Date
No issues were reported by AGSA reported on the audit report for 30 June 2022.	Consider	CFO	Consider
No issues were reported by AGSA reported on the audit report for 30 June 2022.	- The book value of Assets financed from Internal Loans (Advances) must be equal to the balance on the CR. - No evidence exists of old internal loans.	CFO	Consider
A CR has not been established during the GRAP conversion.		CFO	Consider

8. Other Disclosure Items

Various other items have to be disclosed in the AFS for the year ended 30 June 2023. These disclosures are not normally easily obtained from the municipality's accounting system and will have to be compiled by ZFM from other sources. Some of these might have been addressed above, but are listed again for the sake of completeness.

The following additional disclosures have to be researched and the information compiled for the two financial years under review, 2022/23 being the current year and 2021/22 being the comparative year.

Description of Disclosure Item	Proposed action plans to address the deviation	Responsible Persons	Target Date
1) Defined Employee Benefits:	1) Obtain actuarial valuation as at 30 June 2023 for:- (a) Post-retirement Health Care Benefits (see 4.3 'Retirement Benefit Liabilities' above); and (b) Long-service Awards (see 4.1 'GRAP 19 Provisions, Contingent Liabilities and Contingent Assets' above) 2) Calculate contributions for Senior Managers for the two financial years. 3) Compile disclosure notes as per specimen.	CFO Deputy CFO Unit Manager: AFS	31/07/2023 30/06/2023 30/06/2023

Description of Disclosure Item	Proposed action plans to address the deviation	Responsible Persons	Target Date
2) Leases: 1.1 Finance (payable and receivable) 1.2 Operating (payable and receivable)	Refer to 4.6 'GRAP 13 Leases' above 1) Obtain copies of lease agreements as at 30 June 2023 for:- (a) Leases payable by the municipality; and (b) Leases receivable by the municipality. 2) Compile the following worksheets: (a) Finance Lease Payables; (b) Finance Lease Receivables; (c) Operating Lease Payables; and (d) Operating Lease Receivables. 3) Calculate the effect of straight-lining and the future payables / receivables for the three financial years. 4) Compile draft notes as per specimen.	CFO Deputy CFO Unit Manager: AFS	30/06/2023 30/06/2023 30/06/2023 31/07/2023
3) Discontinued Operations:	Refer to 2.7 GRAP 100 above 1) Identify discontinued operations. 2) Extract all financial information for these operations. 3) Compile draft notes as per specimen.	CFO Deputy CFO Unit Manager: AFS	30/06/2023 31/07/2023 31/07/2023
4) GRAP 3 Disclosures:	Refer to 2.5 GRAP 3 above 1) Identify the following discrepancies: (a) Errors in prior Years; (b) Changes in Accounting Policies; and (c) Changes in Accounting Estimates. 2) Extract all financial information for these discrepancies. 3) Compile draft notes as per specimen.	CFO Deputy CFO Unit Manager: AFS	31/07/2023 31/07/2023 31/07/2023
5) Irregular, Unauthorised and Fruitless and Wasteful Expenditure	Refer 1.1 and 6.1 'Accounting for Expenditure' above 1) List cases and calculate amounts for Unauthorised Expenditure and note the status thereof for the two financial years. 2) Compile draft notes as per specimen.	AO AO	31/07/2023 31/07/2023

Description of Disclosure Item	Proposed action plans to address the deviation	Responsible Persons	Target Date
6) Contributions to Organised Local Government:	1) Prepare reconciliations for various organisations, e.g. SALGA, for the two financial years. 2) Compile disclosure notes	CFO Assistant Director: SCM & Expenditure	31/07/2023 31/07/2023
7) Audit Fees:	1) Prepare the reconciliation for audit fees paid for the two financial years. 2) Compile disclosure notes	CFO Assistant Director: SCM & Expenditure	31/07/2023 31/07/2023
8) PAYE and UIF:	1) Prepare the reconciliations for PAYE and UIF paid for the two financial years. 2) Compile disclosure notes	CFO Assistant Director: SCM & Expenditure	31/07/2023 31/07/2023
9) Pension and Medical Aid Deductions:	1) Prepare the reconciliations for pension and medical aid deductions paid for the two financial years. 2) Compile disclosure notes	CFO Assistant Director: SCM & Expenditure	31/07/2023 31/07/2023
10) Councillors' arrear Consumer Accounts:	1) Prepare a list of councillors' consumer accounts in arrear as at 30 June for the two financial years. 2) Prepare a list of councillors' consumer accounts in arrear for more than 90 days at any stage during the year for the two financial years. 3) Compile disclosure notes	CFO Assistant Director: SCM & Expenditure	31/07/2023 31/07/2023 31/07/2023
11) Disclosure of section 57 employees remuneration	1) Ensure that the sec 57 employees remuneration is disclosed in the notes of the AFS as per the requirements of sec 57 of the MFMA	CFO Assistant Director: SCM & Expenditure	31/07/2023
12) Non-compliance with chapter 11 of the MFMA:	1) List all cases where the municipality does not comply with the stipulations of the MFMA as at 30 June 2023. 2) Compile disclosure notes.	AO AO	31/07/2023 31/07/2023

Description of Disclosure Item	Proposed action plans to address the deviation	Responsible Persons	Target Date
13) Commitments for Expenditure:	1) Prepare the reconciliation for Capital Commitments (Approved and Contracted, Approved and not yet contracted) at 30 June for the two financial years. 2) Obtain information for Lease Commitments. 3) Obtain information for Other Commitments. 4) Compile disclosure notes.	CFO Assistant Director: SCM & Expenditure	31/07/2023 31/07/2023 31/07/2023 31/07/2023
14) Financial Instruments:	1) Calculate Repricing Analysis. 2) Calculate Liquidity Risk tables. 3) Obtain information for 5 Highest Debtors. 4) Compile disclosure notes. 5) Classification (Financial Assets and Financial Liabilities) 6) Summary (Financial Assets and Financial Liabilities) 7) Fair value of Financial assets and Financial Liabilities 8) Assumptions in determining Fair value of Financial assets and Financial Liabilities 9) Risk management (Credit, Financial and Foreign) 10) Accounting policies (Credit, Liquidity and Market) 11) Interest rate risk management 12) Sensitivity 13) Pricing	CFO Deputy CFO Unit Manager: AFS	31/07/2023 31/07/2023 31/07/2023 31/07/2023 31/07/2023 31/07/2023 31/07/2023 31/07/2023 31/07/2023 31/07/2023 31/07/2023
15) Risk Exposures:	1) List and calculate financial instruments liable to (a) Credit Risk and (b) Interest Risk as at 30 June for the two financial years. 2) Compile disclosure notes.	CFO Deputy CFO Unit Manager: AFS	31/07/2023 31/07/2023
16) Related Party Transactions:	1) Identify all Related Parties. 2) Identify Interest of the identified Related Parties. 3) Obtain information for services rendered to the parties. 4) Obtain information for purchases from the parties. 5) Compile disclosure notes.	CFO Assistant Director: SCM & Expenditure	31/07/2023 31/07/2023 31/07/2023 31/07/2023 31/07/2023

Description of Disclosure Item	Proposed action plans to address the deviation	Responsible Persons	Target Date
17) Provisions, Contingent Liabilities and Contingent Assets	Refer to 4.1 GRAP 19 'Provisions, Contingent Liabilities and Contingent Assets' above 1) List all contingent liabilities as at 30 June 2023, briefly describing the case, the expected outcome and expected liability. 2) Compile disclosure notes.	CFO Deputy CFO Unit Manager: AFS	31/07/2023 31/07/2023
18) In-kind Donations and Assistance:	1) List all in-kind donations and assistance received during 2022/23 by the municipality, briefly describing the case. 2) Compile draft notes as per specimen.	CFO Deputy CFO	31/07/2023 31/07/2023
19) Private Public Partnerships:	1) List all private public partnerships entered into during 2022/23 by the municipality, briefly describing the agreement entered into and other prescribed information. 2) Compile draft notes as per specimen.	CFO Deputy CFO	31/07/2023 31/07/2023
20) Events after the Reporting Date:	Refer to 2.6 GRAP 14 above 1) List all events after the reporting date that will influence the figures presented in the AFS. 2) Compile draft notes as per specimen.	CFO Deputy CFO	31/07/2023 31/07/2023

Annexure A – Monitoring Tool of Audit Recovery Plan

All the findings above, and also the Maintenance Plan below, are included in a “Project Status Report” which is the monitoring tool of the Audit Recovery Plan. All findings and procedures are allocated to a responsible person and have different target dates. The responsible person keeps all his supporting evidence in an “Evidence File” which is presented to the AGSA as an Audit File before the commencement of the Audit.

This Project Status Report is monitored on a bi-weekly basis. The Unit Manager: AFS updates the Project Status Report on a bi-weekly basis and emails the report to all employees to see their status. At year-end, the Unit Manager AFS and Internal Audit Unit review all Evidence Files submitted by the employees.

Refer to the next page for detail.

ZFM District Municipality - Action Plan and Weekly Project Status Report 2022/23 AFS



c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
1	GL/ TB/ PRIOR YEAR ERRORS						
2	Prior year Closing balances Ensure that the audited AFS agrees to the SCOA Register. - Submit the SCOA Register in pivot table format and ensure that it agrees with the Financial Position and Financial Performance of the audited AFS.	Finance	Albert	Once-off	01-Apr	Not Yet Due	Not Yet Due
3	Current year Opening balances Ensure that the audited AFS agrees to the SCOA Register's Opening Balances. - Submit the SCOA Register in pivot table format and ensure that the Opening Balances agrees with the Financial Position and Financial Performance of the audited AFS.	Finance	Albert	Bi-Annually	22-Jul	Not Yet Due	Not Yet Due
4	Prior year errors Compile a list of all correction of errors, including a summary of all correction of error journals. - Submit the summary of journals in AFS Tool format - Submit all signed journals with ALL supporting evidence - Submit the draft AFS Note	Finance	Albert	Year-end	15-Jul	Not Yet Due	Not Yet Due
5	COMPLIANCE						
6	Unauthorised expenditures Submit a quarterly report to the CFO, - Extract all ukeys from the SCOA Register which are overspent and indicate in a column if it will be resolved with a virement or journal.	Finance	Julandy	Quarterly	08-Jul	Not Yet Due	Not Yet Due
7	Virements Extract Virement report from Web and ensure that the virements are signed by the MM & CFO and approved by Council.	Finance	Julandy	Year-end	08-Jul	Not Yet Due	Not Yet Due
8	Unauthorised, Fruitless & Wasteful and Irregular expenditures Compile investigation reports for all Unauthorised, Fruitless & Wasteful and Irregular expenses.	Office of the Municipal Manager	Suzan	Quarterly	08-Jul	Not Yet Due	Not Yet Due
9	Unauthorised, Fruitless & Wasteful and Irregular expenditures Submit evidence that the investigation report was submitted to MEC COGHSTA, Auditor General, Provincial Treasury and Executive Mayor	Finance	Albert	Quarterly	08-Jul	Not Yet Due	Not Yet Due
10	Procurement and contract management Contracts were extended without tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA. [AFS] - Submit a list of all contracts which ended 30 June 2023 and a list of month-to-month contracts as at 30 June 2023. - Submit reasons for the extension and month-to-month contracts. - Submit Council Agenda to proof that extensions were approved.	Corporate Services	Berney	Once-off	01-Jul	Not Yet Due	Not Yet Due
11	Oversight report , containing comments on the annual report, was not adopted by council within two months from the date on which the annual report was tabled - Submit approved current FY Oversight Report with the Minutes of Council Meeting	Office of the Municipal Manager	Martha	Once-off	01-Jul	Not Yet Due	Not Yet Due
12	(PY) EX. 27: Key employees does not hold minimum competencies. - Submit the Minimum Competency reporting template (Annexure C) submitted to National Treasury	Corporate Services	Henry	Bi-Annually	08-Jul	Not Yet Due	Not Yet Due
13	(PY) EX. 27: Key employees does not hold minimum competencies. - Submit evidence that all Unit Managers meet the Minimum Competency Regulations requirements.	Corporate Services	Henry	Once-off	18-Mar	Not Yet Due	Not Yet Due
14	Contrary to section 116(2) of the MFMA, the performance of service providers was not monitored on a monthly basis. - Submit monthly performance reports.	Finance	Chriszelda	Monthly	15-Jul	Not Yet Due	Not Yet Due
15	(PY) Material Non-compliance: Acting not in compliance with the MSA requirements: - Submit a list of acting senior management with their acting periods. - Ensure that all acting periods longer than 3 months have an MEC approval letter. - Ensure that all acting allowances are included in App G.	Corporate Services	Kobus	Quarterly	01-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
16	HR Non-Compliance: Performance bonuses percentage used - Synchronize the implementation of performance bonus in accordance with prescribed percentage for the relevant performance score percentage awarded. - Submit scorecards, minutes of performance committee etc. - Coordinate the Scoring to enable the Clean Audit status to fall within the correct % pay-out brackets	Corporate Services	Henry	Once-off	27-May	Not Yet Due	Not Yet Due
17	(PY) ComAF 6 – Non-compliance identified in the procurement process for the award to Mapulane Stationery & Books Compliance: B-BBEE status level points incorrectly added onto the points scored - Review points calculated on awards to confirm that the points have been correctly calculated in terms of the Preferential Procurement Regulation.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
18	(PY) Iss.2 - Internal Audit Non-Compliance The Internal Audit unit of the district municipality has not had an external independent quality assessment in the past five (5) years. - Provide proof that external quality assessments were conducted for the internal audit unit during the year.	Office of the Municipal Manager	Gail	Year-end	29-07-23	Not Yet Due	Not Yet Due
19	(PY) Iss.15: Competitive bids – Irregular expenditure - Ensure that Municipal SCM Regulations and SCM Policy are adhered to with the composition of SCM tender committees. - Provide list of members of the following committees: - Bid Adjudication Committee - Bid Evaluation Committee - Bid Specification Committee	Finance	Annzonia	Quarterly	01-Jul	Not Yet Due	Not Yet Due
20	(PY) ComAF 3 – Internal Control Deficiency – Audit Committee composition Internal Control Deficiency – Audit Committee Composition (Iss.2) - Submit proof that three audit committee members have been appointed as per the MFMA requirements (Appointment Letter and Council Resolution).	Office of the Municipal Manager	Gail	Bi-Annually	08-Jul	Not Yet Due	Not Yet Due
21	PERFORMANCE INFORMATION						
22	LGSETA Skills Programmes and Learnerships: Submit all income & expenditures for current FY	Corporate Services	Henry	Bi-Annually	29-Jul	Not Yet Due	Not Yet Due
23	Submit the scanned signed Performance contracts of Municipal Manager and Directors	Corporate Services	Henry	Once-off	29-Jul	Not Yet Due	Not Yet Due
24	(PY) Senior Management must review 2023/22 SDBIP to confirm SMART Principles.	Office of the Municipal Manager	Beverley	Quarterly	29-Jul	Not Yet Due	Not Yet Due
25	(PY) Senior Management must review Annual Performance Report to confirm that prior year audit findings were resolved: - Misstatement of Measurability (EX. 6, 8, 14, 20 & 21) - No Technical indicator descriptions and SOPs (EX.9)	Office of the Municipal Manager	Beverley	Year-end	29-Jul	Not Yet Due	Not Yet Due
26	(PY) AOPA: Usefulness of reported information to the APR - Ensure that the presentation and disclosure of the performance planned targets and targets reported to the APR are consistent, comparable, clear and understandable.	Office of the Municipal Manager	Beverley	Year-end	29-Jul	Not Yet Due	Not Yet Due
27	SUPPLY CHAIN MANAGEMENT						
28	Tender Register Submit a Tender Register file with all payment documents for all the tenders.	Finance	Annzonia	Bi-Annually	22-Jul	Not Yet Due	Not Yet Due
29	Goods Received Register Submit a monthly Goods Received Register.	Finance	Chriselda	Monthly	22-Jul	Not Yet Due	Not Yet Due
30	(PY) Procurement: Deviation not disclosed in the Annual Financial Statements - Agree the total of the deviations YTD on Excel with the hard copy quarterly reports submitted to Council.	Finance	Annzonia	Quarterly	22-Jul	Not Yet Due	Not Yet Due
31	(PY) Procurement – Reasons for a deviation not reasonable (Iss.20) - Ensure that the SCM policy is adhered to at all times and only deviate on reasonable grounds. - Sent email to the D.CFO and CFO to confirm that the reasons on the quarterly deviation register (excel) is reasonable.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
32	(PY) Value Add: Procurement: Suppliers failed to disclose interest on the MBD4 Irregular Expenditure: Suppliers failed to submit MBD4 form and B-BBEE level certificate - Ensure that MBD 4 forms are completed by suppliers correctly and all necessary documents are submitted for a tender. - A register must be kept on hand for all suppliers which have interest in companies from other state institutions.	Finance	Annzonia	Quarterly	08-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
33	Vodacom & ABSA Fleet Submit an email to the D.CFO to confirm the procurement process followed to prevent irregular expenditures.	Finance	Annzonia	Once-off	01-Apr	Not Yet Due	Not Yet Due
34	NON-CURRENT LIABILITIES						
35	PEMA and LSA - Submit valuation reports for PEMA and LSA as at 30 June	Finance	Albert	Year-end	15-Jul	Not Yet Due	Not Yet Due
36	PEMA and LSA - Verify PEMA valuation report information completed by Unit Manager AFS, which has to be provided to Actuarial Consultants. - Submit email sent to D.CFO to confirm verification.	Finance	AFS&Reporting	Year-end	22-Jul	Not Yet Due	Not Yet Due
37	CURRENT LIABILITIES						
38	Provisions Submit Senior Management Performance Bonus Provision Calculation	Finance	AFS&Reporting	Year-end	01-Jul	Not Yet Due	Not Yet Due
39	Leave Accrual - Submit leave balances per employee in excel & PDF format, signed off by IA. - Ensure that Opening Leave Balances agree with prior year's audited leave balance.	Corporate Services	Teresa	Year-end	22-Jul	Not Yet Due	Not Yet Due
40	Trade payables and Accruals - Submit current FY Creditors Recon template - Submit the excel file with recons of all creditors - Extract Creditors Sub-ledger/Age Analysis (CS-Q003WW) at the end of each month to compare to Creditors Control Vote in the Main Ledger	Finance	AFS&Reporting	Monthly	15-Jul	Not Yet Due	Not Yet Due
41	Trade payables and Accruals - Obtain all outstanding invoices & statements from creditors and send it to SCM UM & AFS&Reporting UM.	Finance	Maureen	Monthly	15-Jul	Not Yet Due	Not Yet Due
42	Creditor Payment Suspense votes Ensure that the creditors payment suspense votes is zero every month. Provide reconciliation if it is not zero and reasons.	Finance	AFS&Reporting	Monthly	01-Jul	Not Yet Due	Not Yet Due
43	Monthly Creditor Reports Submit the following reports with current status next to each order: - Orders created but not received (CS-Q003H) - Orders received but not invoiced (CS-Q003J)	Finance	Chriselda	Monthly	01-Jul	Not Yet Due	Not Yet Due
44	Monthly Creditor Reports Submit the following reports with current status next to each order: - Orders invoiced but not paid (CS-Q003K)	Finance	Marshall	Monthly	01-Jul	Not Yet Due	Not Yet Due
45	Salary Control Ensure that monthly Salary Control reconciliations are performed. - Submit monthly Salary Control reconciliations.	Finance	AFS&Reporting	Monthly	08-Jul	Not Yet Due	Not Yet Due
46	Unspent Conditional Grants and Receipts Submit monthly Grant Register reconciliations for (1) Unspent Grants (2) Grant Income (3) Grant Expenditures.	Finance	Mavis	Monthly	01-Jul	Not Yet Due	Not Yet Due
47	(PY) Operating Leases Liability/Assets Submit Calculations of straight-lining of operating leases (Ancorley Building & Crystal Lagoon)	Finance	AFS&Reporting	Quarterly	22-Jul	Not Yet Due	Not Yet Due
48	Operating Leases Liability/Assets Submit contract list with evaluation done to identify possible operating leases.	Finance	AFS&Reporting	Bi-Annually	15-Jul	Not Yet Due	Not Yet Due
49	Finance Leases Liability - Printers Submit Calculations of Finance Lease Liabilities for printers.	Finance	Albert	Bi-Annually	15-Jul	Not Yet Due	Not Yet Due
50	Annual Bonus Accrual - Submit calculation of the annual bonus accrual as at 30 June	Finance	AFS&Reporting	Year-end	08-Jul	Not Yet Due	Not Yet Due
51	NON-CURRENT ASSETS						

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
52	(PY) Property, Plant and Equipment Control Deficiency: Assets description on the floor does not correspond with the assets in the FAR. Ensure that the Asset register is consistent for all assets. For example: - Method of financing (Grants/EQS) - Locations - Title Deed Numbers - Descriptions - Barcodes - Room numbers Ensure that "Cost Centre" field are complete for all assets. Submit emails that were sent to IMQS to ensure consistency.	Finance	AFS&Reporting	Bi-Annually	29-Jul	Not Yet Due	Not Yet Due
53	Property, Plant and Equipment '- Review Residual Values of Assets: - Submit an email to the Deputy CFO to confirm that all movable assets have a residual value & Remaining Useful Lif (RUL). - Evaluate and adjust Residual Values & RUL (Especially Vehicles)	Finance	AFS&Reporting	Year-end	01-Jul	Not Yet Due	Not Yet Due
54	PPE Verification Verify the Assets of the municipality; Perform an 100% asset count in June 2023	Finance	AFS&Reporting	Year-end	01-Jul	Not Yet Due	Not Yet Due
55	PPE Verification Obtain a title deed on 30 June 2023	Finance	AFS&Reporting	Year-end	01-Jul	Not Yet Due	Not Yet Due
56	PPE Verification - Submit quarterly Verification Recon between FAR and Scanning List. - Investigate the scanning dates on the scanning list which are outside the period under review..	Finance	AFS&Reporting	Quarterly	15-Jul	Not Yet Due	Not Yet Due
57	PPE Verification '- Report the results of the yearly asset count to council. Submit Council Agenda.	Finance	AFS&Reporting	Year-end	12-Aug	Not Yet Due	Not Yet Due
58	PPE Count Written invite AGSA to attend PPE count as at 30 June 2023. If not, obtain written confirmation that will not attend.	Finance	AFS&Reporting	Year-end	13-May	Not Yet Due	Not Yet Due
59	Additions: 'Submit Additions current FY recon	Finance	AFS&Reporting	Quarterly	01-Jul	Not Yet Due	Not Yet Due
60	Additions: Submit Addition List YTD with all the supporting invoices.	Finance	AFS&Reporting	Quarterly	01-Jul	Not Yet Due	Not Yet Due
61	Disposals: 'Submit Disposal/Write-off current FY recon	Finance	AFS&Reporting	Year-end	12-Aug	Not Yet Due	Not Yet Due
62	Disposals: 'Submit Broken/Stolen Items current FY recon	Finance	AFS&Reporting	Quarterly	01-Jul	Not Yet Due	Not Yet Due
63	Disposals: Were disposals authorised? Submit Council Agenda with detailed write-off list.	Finance	AFS&Reporting	Year-end	12-Aug	Not Yet Due	Not Yet Due
64	Depreciation: 'Submit Depreciation current FY recon	Finance	AFS&Reporting	Quarterly	01-Jul	Not Yet Due	Not Yet Due
65	(PY) Depreciation: Understated depreciation line item as disclosed in the annual financial statements - Submit an email to the Deputy CFO to confirm that all assets have a figure for depreciation except Land. - Submit the FAR (PPE & IA) and highlight the depreciation column to show that only land don't have depreciation on it. All the other assets must have a figure in the Depreciation column.	Finance	AFS&Reporting	Bi-Annually	08-Jul	Not Yet Due	Not Yet Due
66	Completeness: '- Submit an email to the Deputy CFO to confirm that Maintenance of Buildings and Vehicles (OPEX) did not include any capital assets.	Finance	AFS&Reporting	Quarterly	01-Jul	Not Yet Due	Not Yet Due
67	Insurance: Submit evidence of an email sent to Insurance Company: - with current FAR to ensure that they include all assets on insurance policy (1 email per annum), and - as new assets are purchased (quarterly emails).	Finance	AFS&Reporting	Quarterly	01-Jul	Not Yet Due	Not Yet Due
68	FAR Opening Balances: Submit FAR O/B vs. GL O/B current FY recon	Finance	AFS&Reporting	Once-off	31-Dec	Not Completed	Not Completed

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
69	(PY) Title Deeds - Submit email to attorneys with latest title deed search to get a progress report to transfer these properties to the Local Municipalities.	Corporate Services	Kobus	Bi-Annually	01-Jul	Not Yet Due	Not Yet Due
70	Intangible Assets Impairment: Go through Intangible Asset Register and determine if we still use all of the software/Intangible Assets and if the RUL's are still correct: - Submit email to confirm that IA are still in use and that the RUL's are correct.	Corporate Services	Hugo	Year-end	01-Jul	Not Yet Due	Not Yet Due
71	Finance Lease Receivables Submit Finance lease Receivable Recon - Update the amortisation tables with actual payments received and agree with GL	Finance	Julandy	Bi-Annually	01-Jul	Not Yet Due	Not Yet Due
72	Long-Term Receivables Submit Long-Term Receivables current FY Recon	Finance	Julandy	Quarterly	01-Jul	Not Yet Due	Not Yet Due
73	CURRENT ASSETS						
74	VAT - Submit VAT Receivable recon - Submit the SARS form (balance as at 30 June) - Submit the SARS form (balance as at 28 Feb) - Submit ALL VAT201 forms	Finance	Julandy	Year-end	12-Aug	Not Yet Due	Not Yet Due
75	Trade Receivables - Submit Debtors Recon - Print the Debtor age-analysis on monthly basis and agree with GL. - Ensure that all debtors are loaded onto the Sub-ledger (including LT Debtors & Finance Lease Receivables) - Ensure that the 30-120+ days' total agree with outstanding balance	Finance	Cariza	Monthly	01-Jul	Not Yet Due	Not Yet Due
76	Trade Receivables - Provision for Bad Debt Calculate doubtful debt provision as at 30 June - Ensure that the provision amount agrees to the 120+ days' total	Finance	Julandy	Year-end	01-Jul	Not Yet Due	Not Yet Due
77	All Debtors - Bad Debt - Provide report to Senior Management to take a resolution on all debtors included under the Provision for Bad Debt. - Prepare Council Item to inform Council about the current FY Provision for doubtful debt and let Council take a resolution to follow legal steps or write-off.	Finance	Julandy	Bi-Annually	01-Jul	Not Yet Due	Not Yet Due
78	Cash and Cash Equivalents Primary Bank account - Submit Bank Recon - Obtain & Scan supporting documentation for all reconciling items.	Finance	Thabiseng	Monthly	08-Jul	Not Yet Due	Not Yet Due
79	Cash and Cash Equivalents Primary Bank account Ensure that expenditure reconciling items are cleared monthly. - At 31 December and 30 June there must be no expenditure reconciling items	Finance	AFS&Reporting	Monthly	08-Jul	Not Yet Due	Not Yet Due
80	Cash and Cash Equivalents Petty Cash Bank account - Submit Bank Recon - Obtain & Scan supporting documentation for all reconciling items.	Finance	Thabiseng	Monthly	08-Jul	Not Yet Due	Not Yet Due
81	Bank Confirmation amounts not disclosed on AFS: Submit bank confirmation letters or bank statements from ALL Banks that ZFM has used during the year to confirm the bank balance as at 30 June	Finance	Thabiseng	Year-end	08-Jul	Not Yet Due	Not Yet Due
82	Cash and Cash Equivalents Petty Cash Perform cash count on 30 June 2023	Finance	Chriselda	Year-end	01-Jul	Not Yet Due	Not Yet Due
83	Cash and Cash Equivalents Petty Cash Written invite to AGSA to attend cash count as at 30 June 2023. If not, obtain written confirmation that will not attend.	Finance	Chriselda	Year-end	13-May	Not Yet Due	Not Yet Due
84	REVENUE						
85	Submit a EQS in AFS vs. DORA recon Ensure that the municipality disclose any reasons for differences between the funds received and funds allocated in terms of the DORA. (Ensure that EQS, RRAMS, HOUSING & EPWP are correctly disclosed in Grant AFS votes at year-end).	Finance	Julandy	Year-end	01-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
86	Rental of Facilities and Equipment Submit recon: - Agree Rental of Facilities in GL with contracts - Submit Rental Register	Finance	Cariza	Monthly	01-Jul	Not Yet Due	Not Yet Due
87	Rental of Facilities and Equipment Submit Working Paper (Rental Register): Determine whether it is Investment Property (IP only if it is market related)	Finance	Albert	Once-off	29-Jul	Not Yet Due	Not Yet Due
88	Interest Earned - All Bank Accounts & Call deposits Submit recon: Agree interest earned on GL with bank statements	Finance	Cariza	Quarterly	01-Jul	Not Yet Due	Not Yet Due
89	EXPENDITURE						
90	Completeness of Creditors Go through all the invoice received after 30 June and inspect the invoice for expenses that relate to goods and services delivered before 1 July. - Submit a list of all payments made after year-end - Submit results for each payment in list above (before OR after year-end)	Finance	Marshall	Year-end	22-Jul	Not Yet Due	Not Yet Due
91	(PY) (ComAF 12) – Non-compliance – Payments not made within 30 days. EX.29: Compliance: Payments not made within 30 days Submit an email to the CFO to confirm: - Go through all payment vouchers and ensure that all invoices were paid within 30 days. (Assistant Accountant: Expenditure)	Finance	Marshall	Monthly	15-Jul	Not Yet Due	Not Yet Due
92	(PY) EX. 15: Payments not approved by delegated official Submit an email to the CFO to confirm: - Acting/Delegation letters has been attached to payment documents which has been approved by acting officials. - Review signature of Municipal Manager on all payment documents. (Irregular Expenditure)	Finance	Marshall	Monthly	22-Jul	Not Yet Due	Not Yet Due
93	Employee Related Costs Reconcile sub-ledger (payroll) with salary votes (GL) on SAMRAS on 30 June (also monthly). - Submit monthly lists of manual payroll payments made outside the Payroll System.	Finance	Lenita	Monthly	01-Jul	Not Yet Due	Not Yet Due
94	Appointments and terminations - Submit listing all appointments and terminations during current FY. - Provide proof that the reconciliation has been provided to the Payroll Unit.	Corporate Services	Teresa	Quarterly	01-Jul	Not Yet Due	Not Yet Due
95	Appointments and terminations - Take the HRM list and confirm that no payments were made to employees outside their working period at ZFM.	Finance	Lenita	Quarterly	01-Jul	Not Yet Due	Not Yet Due
96	Appointments Submit a proof of Criminal checks performed on the employees appointed during the year in the financial directorate and Sect 56/57	Corporate Services	Teresa	Quarterly	01-Jul	Not Yet Due	Not Yet Due
97	Appointments Submit a proof of verification of qualifications on employees appointed during the year.	Corporate Services	Teresa	Quarterly	01-Jul	Not Yet Due	Not Yet Due
98	(PY) Fruitless and wasteful expenditure: Medical expenditure paid not within the terms of the specific legislation. - Submit a printout of all compensation commissioner expenses for the current Financial year. - Submit evidence that all these expenses were submitted to the Compensation Commissioner.	Corporate Services	Teresa	Monthly	08-Jul	Not Yet Due	Not Yet Due
99	(PY) Remuneration paid to Senior Management - Submit reconciliation between signed packages of senior management (MM, Directors, D.CFO) and GL.	Finance	AFS&Reporting	Quarterly	08-Jul	Not Yet Due	Not Yet Due
100	Submit supporting documents for performance bonuses paid - scorecards, minutes of performance committee, etc.	Finance	Lenita	Once-off	22-Apr	Not Yet Due	Not Yet Due
101	Remuneration of Councillors - (1) Compile Appendix G from UKEYS	Finance	AFS&Reporting	Bi-Annually	01-Jul	Not Yet Due	Not Yet Due
102	Government Gazette for determination of Councillor's remuneration. - Submit calculations of Upper Limits pay-outs (back-pay)	Finance	Albert	Once-off	22-Apr	Not Yet Due	Not Yet Due
103	Councillor Remuneration: Submit reconciliation of Upper Limits vs. payslips, as per templates for each Councillor.	Finance	Lenita	Year-end	01-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
104	Contracted services – Incorrect presentation and disclosure (Iss.11) Submit the GL of contracted services to the D.CFO via email and identify misallocations by taking the prior year GL into account.	Finance	AFS&Reporting	Quarterly	01-Jul	Not Yet Due	Not Yet Due
105	SLA Register Submit the SLA register and confirm the number of payments made in the GL agree to the SLA's.	Finance	Marshall	Quarterly	08-Jul	Not Yet Due	Not Yet Due
106	(PY) Employment Related Cost - Do the Salary Analytical Procedure of the Employment Related Cost AFS note.	Finance	Albert	Year-end	29-Jul	Not Yet Due	Not Yet Due
107	(PY) Accuracy of Skills Development Levy - Submit reconciliation between SDL calculated on SAMRAS system and EMP201 submitted and paid to SARS.	Finance	AFS&Reporting	Monthly	08-Jul	Not Yet Due	Not Yet Due
108	(PY) Iss.23 - Internal control - Travel and subsistence is approved after trip has taken place - Provide evidence (email) that trip was pre-approved if payment is made after trip has taken place.	Finance	Marshall	Monthly	22-Jul	Not Yet Due	Not Yet Due
109	(PY) Iss.5 - Expenditure - Interest incurred on audit fees not disclosed as finance cost. Confirm that no finance costs were paid during the CY, then keep as Contingent Liability. Otherwise, disclose as F&W expenditure and Finance Cost.	Finance	Albert	Year-end	15-Jul	Not Yet Due	Not Yet Due
110	(PY) Iss.12 - Incorrect classification of Subsistence and Travel cost to operational cost. - Scrutinize the GL and ensure that all S&T costs are classified correctly.	Finance	AFS&Reporting	Quarterly	29-Jul	Not Yet Due	Not Yet Due
111	Additional disclosures in terms of the MFMA						
112	Submit list of Audit Fees paid during the year [MFMA 125 (1)(b)] - Show amount incl VAT and amount excl VAT	Finance	Marshall	Year-end	01-Jul	Not Yet Due	Not Yet Due
113	Submit Contributions paid to organised local government - SALGA - Show amount incl VAT and amount excl VAT	Finance	Marshall	Year-end	01-Jul	Not Yet Due	Not Yet Due
114	(PY) SARS Payroll Documents - (1) Submit SARS EMP201 form for the 12 months for PAYE, SDL and UIF [MFMA 125 (1)(b)] - (2) Submit PAYE, SDL and UIF reports for 12 months extracted from SAMRAS system - (3) Submit reconciliation showing (1) & (2) above agrees - (4) Extract reports from SAMRAS for all ED Codes from 1 July to 30 June per employee number	Finance	Lenita	Year-end	01-Jul	Not Yet Due	Not Yet Due
115	Submit a list of Pension and Medical Aid Deductions paid over by Council [MFMA 125 (1)(b)] (Extract SAMRAS report PS-Q558)	Finance	Lenita	Year-end	01-Jul	Not Yet Due	Not Yet Due
116	Contingent liabilities '- Submit a list of attorneys that were used during the year. Make use of the legal cost vote. - Submit Legal Confirmations for all these attorneys.	Corporate Services	Kobus	Year-end	15-Jul	Not Yet Due	Not Yet Due
117	Related Party Transactions Identify & Disclose related party transactions Submit an email to the D.CFO to confirm: - Search on SAMRAS for all transactions with entities identified from the CIPRO check	Finance	Marshall	Year-end	22-Jul	Not Yet Due	Not Yet Due
118	Related Party Transactions Identify and disclose transactions between the municipality & family of key management personnel. - Submit forms: All directors and Middle Management must fill in a form confirming all their family members and whether there were transactions with them during the financial year. - Submit CIPC checks on spouses of senior and middle managers also! - Submit CIPC checks on senior, middle management, SCM officials, Audit Committee members and Council members.	Finance	Chriszelda	Year-end	01-Jul	Not Yet Due	Not Yet Due
119	(PY) Unauthorised expenditure: Comparative amount of Unauthorised expenditure incorrectly disclosed. - Ensure that the prior year unauthorised figure in Appendix D agree to unauthorised expenditure note)	Finance	Albert	Year-end	29-Jul	Not Yet Due	Not Yet Due
120	(PY) Iss.25 - SARS interest disclosed as contingent liability Confirm that no interest costs were paid during 2023/22, then keep as Contingent Liability. Otherwise, disclose as F&W expenditure and Interest Cost.	Finance	AFS&Reporting	Year-end	08-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
121	(PY) Commitments – Understatement of commitments (Iss.22) - Extract creditor payments history from SAMRAS and agree to the Tender Register's Expenditure totals.	Finance	Annzonia	Quarterly	15-Jul	Not Yet Due	Not Yet Due
122	APPENDIXES						
123	Submit Appendix B - PPE	Finance	AFS&Reporting	Year-end	22-Jul	Not Yet Due	Not Yet Due
124	Submit Appendix C - Segmental analysis of PPE	Finance	AFS&Reporting	Year-end	22-Jul	Not Yet Due	Not Yet Due
125	Submit Appendix F - Disclosure of Grants and subsidies	Finance	Julandy	Year-end	08-Jul	Not Yet Due	Not Yet Due
126	Budget						
127	Prior year AFS Budget Statement vs. current draft Budget Statement: - Submit the prior year Budget Statement in AFS and ensure that all differences above 10% were correctly budgeted for in the Amended Budget for current FY.	Finance	Julandy	Once-off	28-Jan	Not Yet Due	Not Yet Due
128	Make sure the original budget (2023/22) agree with budget amounts on SAMRAS. - Submit evidence for Fin. Position, Fin. Performance & Cash Flow	Finance	Julandy	Once-off	01-Jul	Not Yet Due	Not Yet Due
129	General financial information						
130	Update Accounting Policies and ensure that it is in line with GRAP - Identify new line items in Fin. Pos for the current year and ensure that they are included in the Accounting Policies.	Finance	AFS&Reporting	Year-end	01-Jul	Not Yet Due	Not Yet Due
131	EX. 16: No signature of the reviewer/approver to proof that they reviewed/approved the Journal Submit an email to the Unit Manager: AFS to confirm: - That a check has been done that all Budget & Treasury Office journals has been reviewed and signed by reviewer/approver.	Finance	Julandy	Monthly	22-Jul	Not Yet Due	Not Yet Due
132	EX. 16: No signature of the reviewer/approver to proof that they reviewed/approved the Journal Submit an email to the Unit Manager: AFS to confirm: - That a check has been done that all AFS journals has been reviewed and signed by reviewer/approver.	Finance	Thabiseng	Monthly	22-Jul	Not Yet Due	Not Yet Due
133	EX.30: Duplicate Journal numbers - Ensure that a Journal register for Budget & Treasury Office is kept on hand providing list of sequential journal numbers and details.	Finance	Julandy	Monthly	01-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
134	EX.30: Duplicate Journal numbers - Ensure that a Journal register for Annual Financial Statements is kept on hand providing list of sequential journal numbers and details.	Finance	Thabiseng	Monthly	01-Jul	Not Yet Due	Not Yet Due
135	PRIOR YEAR AUDIT FINDINGS						
136	(PY) ComAF 2 – Quarterly Performance Evaluations not performed. Management should ensure that quarterly performance evaluations are performed for all employees. - Provide a system report on outstanding performance evaluations with reasons why personnel was not evaluated.	Office of the Municipal Manager	Beverley	Quarterly	29-Jul	Not Yet Due	Not Yet Due
137	(PY) ComAF 4 – Internal Control Deficiency – Impracticability or impossibility of not obtaining three (3) quotations not elaborated. Management should provide further details why it was impracticable or impossible to obtain three (3) written price quotations from three (3) different suppliers, and these reasons must be approved by the chief financial officer, or an official designated by the chief financial officer in accordance with SCM Regulations Section 17 (c). - Provide a list of all price written quotations without three (3) quotations, and confirm to the Deputy CFO and Unit Manager AFS via email that the reasons provided for these quotations were captured in detailed.	Finance	Annonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
138	(PY) ComAF 7 - Internal Control Deficiency: Procurement process not commenced on a timely basis Management should ensure that they commence with the procurement process of appointing a new supplier or service provider at least 6 months prior to the end date of the contractual agreement. - Provide a list of contracts which expire during the quarter. List should contain: - Name of service provider - Date of commencement of contract - Date of expiration of contract - Date when contract should be renewed - Procurement process commencement date	Corporate Services	Kobus	Quarterly	15-Jul	Not Yet Due	Not Yet Due
139	(PY) (ComAF 8) - Internal Control Deficiency: Approval of procurement made after invoice date Management should ensure that all goods and/or services procured by the municipality is approved by the delegated official prior to the receiving of the goods and/or services. - Confirm via email to Deputy CFO that review was done on all payment documents, and that all payments procured was approved by delegated official prior to receiving the goods and/or service. (Goods received stamp date and invoice date should be after approval date)	Finance	Marshall	Monthly	22-Jul	Not Yet Due	Not Yet Due
140	(PY) (ComAF 9) – AOPO: Overall presentation in the APR Management should ensure that comparisons of targets achieved in the prior year are included for all targets reported on in the prior FY. Furthermore, management should make corrections to the heading in APR. - Provide report on quality review conducted, compiled by Senior Management and Internal Audit.	Office of the Municipal Manager	Beverley	Year-end	29-Jul	Not Yet Due	Not Yet Due
141	(PY) (ComAF 10) - Fruitless and Wasteful Expenditure understated Management should review the calculations prepared for fruitless and wasteful expenditure to ensure that the amount disclosed in the financial statements is accurate and complete. - Compare the SARS reconciliation (PAYE, UIF & SDL Statement and general ledger) with the F&W Expenditure disclosed in the AFS.	Finance	Albert	Quarterly	29-Jul	Not Yet Due	Not Yet Due
142	(PY) (ComAF 11) - Presentation and disclosure of the annual financial statements not complete Management make the necessary changes to the financial statements to ensure compliance with all the all above-mentioned standards of GRAP. Management strengthen its controls around the review of the annual financial statements to ensure the that all presentation and disclosure requirements of GRAP and the applicable transitional provisions are complied with. The audit committee should also perform an in depth review of the annual financial statements to ensure that the financial statements comply with all standards of GRAP. - Provide an email to the CFO that the GRAP checklist was scrutinized and all prior year findings were corrected in the AFS..	Finance	Albert	Year-end	29-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
143	(PY) (ComAF 13) - Expenditure incorrectly recorded as VAT inclusive Management should record expenditure at the VAT exclusive amount. Furthermore, management should review the invoices prior to processing the payments to ensure that the correct amounts are captured on the system. Management should evaluate the entire population of Operating Costs and Contracted services to evaluate the extent of the misstatement. - Submit an mSCO Register extract of all VAT applicable UKEYS with "N" VAT indicator. BTO UM and CFO must sign off to confirm that the indicators were changed on Classic.	Finance	Julandy	Quarterly	08-Jul	Not Yet Due	Not Yet Due
144	(PY) (ComAF 14) - Overstatement of Travel and Subsistence Management should ensure that prior to finalising a payment batch for archiving that a checklist is implemented whereby all the support attached to a batch are agreed to the checklist, this is ensure completeness and accurate support are attached. Management should revisit the entire population to evaluate the extent of the misstatement. - Submit an email to the Deputy CFO to confirm: - That all Subsistence & Travel Allowance payment documents was reviewed for the month and includes a valid trip authorisation/claim or invitation.	Finance	Marshall	Monthly	22-Jul	Not Yet Due	Not Yet Due
145	NEW PROCEDURES PROPOSED:						
146	(PY) Medical Aid Reconciliation: - Submit monthly reconciliation between creditor statements received from medical aid companies and the general ledger.	Finance	AFS&Reporting	Monthly	15-Jul	Not Yet Due	Not Yet Due
147	(PY) Compensation Commissioner: - Submit proof that assessment has been done to section 83(2) of the Compensation for Occupational Injuries and Diseases Act, 1993. (Assessment period is from 1 March - 28 February) - Submit proof of payment made to Compensation Commissioner. Payment must be made before 31st of March.	Finance	AFS&Reporting	Once-off	18-Mar	Not Yet Due	Not Yet Due
148	(PY) List of Authorities - Submit list of officials authorised to approve expenditure within the approved budget.	Finance	AFS&Reporting	Once-off	08-Jul	Not Yet Due	Not Yet Due
149	PRIOR YEAR AUDIT FINDINGS						
150	(20/21) COMAF 1 - ISS.5: Leave Accrual: Insufficient controls implemented in the leave process - Submit proof that leave is captured on the new Leave Module	Corporate Services	Teresa	Once-off	12-Aug	Not Yet Due	Not Yet Due
151	(20/21) COMAF 1 - ISS.3: AoPO: Comparison of current and prior year incorrectly stated - Submit proof that the following KPI was removed: The Assistant Director Town Planning compile Quarterly report on applications received and progress made.	Office of the Municipal Manager	Beverley	Once-off	01-Apr	Not Yet Due	Not Yet Due
152	(20/21) COMAF 1 - ISS.6: AoPO: Indicator not well defined - Submit proof that the following KPI was corrected: The manager in the executive mayor's office to public participation & community outreach projects in the mayor's office by 30 June 2023	Office of the Municipal Manager	Beverley	Once-off	01-Apr	Not Yet Due	Not Yet Due
153	(20/21) COMAF 1 - ISS.7: AoPO: Evidence submitted not valid - Submit proof that the following KPI was removed: Report was submitted by the assistant director SPLUM to the Director Planning & Development	Office of the Municipal Manager	Beverley	Once-off	01-Apr	Not Yet Due	Not Yet Due
154	(20/21) COMAF 1 - ISS.4: AoPO: Indicators not logically related to the Strategic objective under which they are reported - Submit proof that the strategic objective criteria of the following projects were corrected: • Mandela Day • Back to school initiative • Women's day event • Public participation & community outreach projects • Purchase of a new camera	Office of the Municipal Manager	Beverley	Once-off	01-Apr	Not Yet Due	Not Yet Due
155	(20/21) COMAF 2 - ISS.8: Procurement and contract management: Bidders who did not pass functionality were not disqualified - Submit proof that all tenders have a functionality criteria and it was implemented.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
156	(20/21) COMAF 2 - ISS.11: Internal control deficiency: SCM policy not aligned with updates to relevant legislation - Submit proof that the SCM Policy was updated.	Finance	Annzonia	Quarterly	08-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
157	(20/21) COMAF 2 - ISS.15: Procurement and contract management: Evaluation and adjudication criteria applied not the same as those indicated in the original bid documents - Submit an email to confirm that all bids were evaluated according to the evaluation criteria set out in the bid documents.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
158	(20/21) COMAF 2 - ISS.9: Procurement and contract management: Points for BBBEE were not awarded correctly - Submit an email to confirm that the correct allocations of points per the Preferential Procurement regulations are utilised and awarded to potential bidders, for all tenders.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
159	(20/21) COMAF 2 - ISS.10: Procurement and contract management: Tender was not awarded to bidder with the highest points - Submit proof that all tenders were awarded to the bidders with the highest points.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
160	(20/21) COMAF 2: ISS.13: Procurement and contract management: Member of evaluation committee also part of adjudication committee - Submit proof that all BAC minutes don't have a BEC member on it. - Submit proof that no BEC member signed the BAC attendance register.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
161	(20/21) COMAF 2 - ISS.12: Procurement and contract management: Evaluation and adjudication criteria did not include determinations of the capability and capacity of the provider to provide the goods - Submit an email to confirm that each bidder's ability to execute the contract was evaluated for each tender.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
162	(20/21) COMAF 3 - Prior year misstatement not resolved in current year (Iss. 14- COMAF 13 of the prior year) - Submit an email to proof that all prior year communication of findings were adjusted in the AFS.	Finance	AFS&Reporting	Once-off	29-Jul	Not Yet Due	Not Yet Due
163	(20/21) COMAF 3 - Prior year misstatement not resolved in current year (Iss. 14- COMAF 13 of the prior year) - Submit an email to proof that all prior year communication of findings were adjusted in the APR.	Office of the Municipal Manager	Beverley	Year-end	29-Jul	Not Yet Due	Not Yet Due
164	(20/21) COMAF 3 - Deviation from procurement processes not included in Deviation Register - Submit an email to confirm that all deviations in the files were captured in the quarterly deviation register.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
165	(20/21) COMAF 4 - ISS. 19: Understatement of Commitment Amount - Extract GL from SAMRAS and agree it to the Tender Register's Expenditure totals.	Finance	Albert	Once-off	08-Jul	Not Yet Due	Not Yet Due
166	(20/21) COMAF 4 - ISS.14: Employee benefits disclosure not reviewed - Submit an email to proof that the Employee Benefits AFS Note was reviewed for a second time.	Finance	AFS&Reporting	Once-off	29-Jul	Not Yet Due	Not Yet Due
167	(20/21) COMAF 5 - COMAF 5: Iss.2: Leave and bonus accrual incorrectly recognized as financial instruments - Submit an email to confirm that it was removed from the 2023/22 AFS.	Finance	Albert	Once-off	18-Mar	Not Yet Due	Not Yet Due
168	(20/21) COMAF 6 - Segment reporting not correctly disclosed - Submit an email to confirm that it was also amended in the 2023/22 AFS.	Finance	Albert	Once-off	18-Mar	Not Yet Due	Not Yet Due
169	(21/22) COMAF 1 - ISS. 01: Inconsistencies between SDBIP and APR - Submit an email to Senior Management to confirm that the APR is reviewed so that it is consistent with the SDBIP.	Office of the Municipal Manager	Beverley	Year-end	22-Jul	Not Yet Due	Not Yet Due
170	(21/22) COMAF 2 - ISS. 02: Casting difference in the comparative figures - Submit an email to the CFO to confirm that the casting of notes are accurate and agree to the figures disclosed in the AFS.	Finance	Albert	Year-end	29-Jul	Not Yet Due	Not Yet Due
171	(21/22) COMAF 3 - ISS. 09: Overstatement of Purchase of Property, Plant and Equipment - Submit an email to the CFO to confirm that all leased assets are excluded from the Cash Flow Statement item: Purchase of PPE and IA.	Finance	Albert	Year-end	29-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
172	(21/22) COMAF 4 - ISS.08 : Irregular Expenditure - Declaration of interest (MBD4) not submitted Submit an email to the CFO to confirm that all suppliers have submitted MBD4 forms. (double check Compufin)	Finance	Annzonia	Quarterly	08-Jul	Not Yet Due	Not Yet Due
173	(21/22) COMAF 4 - ISS.05 : Irregular Expenditure: Contract does not have an end-date (TGIS) - Submit an email to the CFO to confirm that the all contracts have an end date.	Finance	Kobus	Bi-Annually	22-Jul	Not Yet Due	Not Yet Due
174	(21/22) COMAF 4 - ISS.03 : Irregular Expenditure- Non Adherence- Local Content - Submit an email to the CFO to confirm that the invitation/Advertisement and the evaluation processes were assessed for Local Content, relating to goods[uniform] purchased and classified under the Designated sector .	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
175	(21/22) COMAF 4 - ISS.03 : Supplier is non- compliant with Tax - Submit an email to the CFO to confirm that the tax compliance status was checked before a payment was made.	Finance	Marshall	Monthly	22-Jul	Not Yet Due	Not Yet Due
176	(21/22) COMAF 4 - ISS.04: Irregular Expenditure- No Register Published for the BID Requirement - Submit evidence to the CFO to confirm that the Accounting Officer published the results of the BIDs on the website.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
177	(21/22) COMAF 4 - ISS.04: Irregular Expenditure- No Register Published for the BID Requirement - Submit a tender box register to the CFO to confirm that the winning and Losing Bidders of this BID submitted their bidding documents in time [before the closing date].	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
178	(21/22) COMAF 4 - ISS.06 : Internal Control Deficiency: Incomplete Tender Register - Submit a reconciliation to the D.CFO to confirm that the Tender Register agree with the BIDS/ Quotations published on the website.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
179	(21/22) COMAF 5 - ISS. 13: Measures taken to improve performance are supported by corroborating evidence - Submit an email to Senior Management to confirm that ALL not-fully-effective KPI's reasons/measures for improvement are sufficient. The reasons must be descriptive and detailed as to how the municipality will improve the reported performance.	Office of the Municipal Manager	Beverley	Quarterly	29-Jul	Not Yet Due	Not Yet Due
180	(21/22) COMAF 5 - ISS. 11: Reported targets are not consistent with planned targets - Submit an email to confirm that there is consistency between the target in the SDBIP and the APR.	Office of the Municipal Manager	Beverley	Year-end	22-Jul	Not Yet Due	Not Yet Due
181	(21/22) COMAF 6 - ISS. 14: Inconsistencies identified in disclosure notes - Submit an email to the CFO to confirm that a review was performed on the Annual Financial Statements before it was submitted for audit.	Finance	Albert	Year-end	29-Jul	Not Yet Due	Not Yet Due
182	(21/22) COMAF 7 - Internal Control Deficiencies - It is recommended that Senior Management; provide support to the IA Unit to ensure that reasonable steps are maintained effectively and efficiently to enhance management and internal control in the division. - Submit evidence that IA findings were attended to during the quarter..	Office of the Municipal Manager	Office of the MM	Quarterly	29-Jul	Not Yet Due	Not Yet Due
183	(21/22) COMAF 7 - Internal Control Deficiencies - It is recommended that Senior Management; provide support to the IA Unit to ensure that reasonable steps are maintained effectively and efficiently to enhance management and internal control in the division. - Submit evidence that IA findings were attended to during the quarter..	Corporate Services	Kobus	Quarterly	29-Jul	Not Yet Due	Not Yet Due
184	(21/22) COMAF 7 - Internal Control Deficiencies - It is recommended that Senior Management; provide support to the IA Unit to ensure that reasonable steps are maintained effectively and efficiently to enhance management and internal control in the division. - Submit evidence that IA findings were attended to during the quarter..	Finance	Eloize	Quarterly	29-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
185	(21/22) COMAF 7 - Internal Control Deficiencies - It is recommended that Senior Management; provide support to the IA Unit to ensure that reasonable steps are maintained effectively and efficiently to enhance management and internal control in the division. - Submit evidence that IA findings were attended to during the quarter..	Planning and Development	De Waal	Quarterly	29-Jul	Not Yet Due	Not Yet Due
186	(21/22) COMAF 7 - Internal Control Deficiencies A. No system description exist for the mitigation of Strategic Risks within the Office of the Director Corporate Services. - Submit evidence that IA findings from COMAF were resolved.	Corporate Services	Kobus	Quarterly	29-Jul	Not Yet Due	Not Yet Due
187	(21/22) COMAF 7 - Internal Control Deficiencies B. No alignment between the Job Descriptions and Key Performance Indicators listed in the SDBIP of the Office of the Executive Mayor takes place. - Submit evidence that IA findings from COMAF were resolved.	Office of the Mayor	Office of the Mayor	Quarterly	29-Jul	Not Yet Due	Not Yet Due
188	(21/22) COMAF 7 - Internal Control Deficiencies C. It was found that the core six elements of an ethic control environment is absent at ZF Mgcawu District Municipality. No proof or record were obtained of the following throughout our audit process: 1. Record of Integrity and Ethical Values that was agreed upon. 2. Record of commitment to competence. 3. Record of a clear leadership philosophy and operating style. 4. Record of the way management assigns authority and responsibility and develops its people. 5. Record of clearly defined policies and procedures for Ethical Fraud Management - Submit evidence that IA findings from COMAF were resolved.	Office of the Municipal Manager	Office of the MM	Quarterly	29-Jul	Not Yet Due	Not Yet Due
189	(21/22) COMAF 7 - Internal Control Deficiencies D. Procurement Plan was not reviewed on a six monthly basis for the financial year 2021/2022 as stated in the approved Risk Register 2021/2022. - Submit evidence that IA findings from COMAF were resolved.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
190	(21/22) COMAF 7 - Internal Control Deficiencies E. The Procurement Plan was not reported to Provincial Treasury on a monthly basis for period 01 July 2021 - 31 March 2022 as stated in the approved Risk Register 2021/2022. - Submit evidence that IA findings from COMAF were resolved.	Finance	Annzonia	Quarterly	29-Jul	Not Yet Due	Not Yet Due
191	(21/22) COMAF 7 - Internal Control Deficiencies F. The Risk Management processes (unit meetings) were not properly implemented during quarter 4 of the 2021/2022 financial year. - Submit evidence that IA findings from COMAF were resolved.	Office of the Municipal Manager	Office of the MM	Quarterly	29-Jul	Not Yet Due	Not Yet Due
192	(21/22) COMAF 7 - Internal Control Deficiencies F. The Risk Management processes (unit meetings) were not properly implemented during quarter 4 of the 2021/2022 financial year. - Submit evidence that IA findings from COMAF were resolved.	Finance	Eloize	Quarterly	29-Jul	Not Yet Due	Not Yet Due
193	(21/22) COMAF 7 - Internal Control Deficiencies F. The Risk Management processes (unit meetings) were not properly implemented during quarter 4 of the 2021/2022 financial year. - Submit evidence that IA findings from COMAF were resolved.	Corporate Services	Kobus	Quarterly	29-Jul	Not Yet Due	Not Yet Due
194	(21/22) COMAF 7 - Internal Control Deficiencies F. The Risk Management processes (unit meetings) were not properly implemented during quarter 4 of the 2021/2022 financial year. - Submit evidence that IA findings from COMAF were resolved.	Planning and Development	De Waal	Quarterly	29-Jul	Not Yet Due	Not Yet Due
195	(21/22) COMAF 7 - Internal Control Deficiencies H. File plan exist but the amendments made on the existing File Plan were not approved. - Submit evidence that IA findings from COMAF were resolved.	Corporate Services	Kobus	Quarterly	29-Jul	Not Yet Due	Not Yet Due
196	(21/22) COMAF 7 - Internal Control Deficiencies I. No approved written System Description exist for Labour Relations - Submit evidence that IA findings from COMAF were resolved.	Corporate Services	Lood	Quarterly	29-Jul	Not Yet Due	Not Yet Due

c	Procedure	Department	ZFM Responsible Official	Measurement of Procedure	AFS Target Date	14-Jan-23	21-Jan-23
197	(21/22) COMAF 7 - Internal Control Deficiencies Leave applications of employees are approved after employee return from their leave. - Submit evidence that IA findings from COMAF were resolved.	Corporate Services	Teresa	Quarterly	29-Jul	Not Yet Due	Not Yet Due
198	(21/22) COMAF 7 - Internal Control Deficiencies Job descriptions of the following employees appears to be outdated and were not regularly reviewed: • Unit Manager Local Economic Development & Tourism - Signed off on 02/09/2019 • Customer Care Official - Signed off on 01/09/2019 • Assistant Director Environmental Health - Signed off on 21/09/2019 • Deputy Director Strategic Operations - Signed off on 01/09/2019 • Project Management Unit Data Capturer - Signed off on 02/10/2019 • Assistant Director Town Planning and Housing - Signed off on 14/09/2015 • Youth Development Officer - Signed off on 01/09/2019 • Office of the Executive Mayor Administrator - Signed off on 01/09/2019 - Submit evidence that IA findings from COMAF were resolved.	Corporate Services	Teresa	Quarterly	29-Jul	Not Yet Due	Not Yet Due