



2020/21

ANNUAL REPORT

1. VISION

A model municipality in partnership with its community through excellent service delivery, local economic development and public participation.

2. MISSION

Building a caring, responsive, accountable and economic viable municipality.

3. VALUES

In implementing the above, the Amahlathi Municipality subscribes to the following values

- ♦ Team work
- ♦ Trust
- ♦ Honesty
- ♦ Responsibility
- ♦ Dedication
- ♦ Value and acknowledgement of the individual.
- ♦ Integrity
- ♦ Work Ethics.
- ♦ Transparent and Clean Government.
- ♦ Tolerance
- ♦ Understanding
- ♦ Good Leadership.
- ♦ Accountability
- ♦ Value for Money
- ♦ Efficiency and Affordability
- ♦ Developmental Local Government striving for effectiveness and Performance.

Table of Contents

ACCRONYMS	4
CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY	7
A: MAYOR'S FOREWORD	7
B: STATEMENT OF THE MUNICIPAL MANAGER	9
C: EXECUTIVE SUMMARY	11
1.1 Municipal Manager's overview	11
1.2 Population & Household dynamics	12
1.3 Household Income distribution	13
1.4 Access to basic services	13
1.5 Financial Overview	16
1.6 Auditor General Report 2017/18 Financial Year	16
1.7 Statutory Annual Report Process	17
CHAPTER 2: GOVERNANCE	18
A. POLITICAL AND ADMINISTRATIVE GOVERNANCE	18
2.1. <i>Political Structure of Amahlathi Local Municipality</i>	18
i. Mayoral Committee/ Executive Committee	20
ii. Municipal Public Accounts Committee (MPAC)	20
iii. Standing Committees	21
iv. OTHER COMMITTEES	22
2.2 Administrative Structure of Amahlathi Municipality	26
B. INTERGOVERNMENTAL RELATIONS	31
2.3 INTERGOVERNMENTAL RELATIONS COMMITTEE	31
C. PUBLIC ACCOUNTABILITY AND PARTICIPATION	31
2.4 PUBLIC ACCOUNTABILITY	32
2.5 IDP PARTICIPATION AND ALIGNMENT	32
D CORPORATIVE GOVERNANCE	33
2.6 ANTI-CORRUPTION AND FRAUD	34
2.7 SUPPLY CHAIN MANAGEMENT	34
2.8 WEBSITE	35
2.9 BY LAWS	36
2.10 PUBLIC SATISFACTION	36
CHAPTER 3: SERVICE DELIVERY PERFORMANCE	37
3.1 2020/21 INSTITUTIONAL PERFORMANCE	37
3.2 INSTITUTIONAL PERFORMANCE MANAGEMENT PROCESS OVERVIEW	42
3.3 CHALLENGES FACED BY THE MUNICIPALITY	43
3.4 CHANGES TO PLANNED TARGETS	43
3.5 PROGRESS REPORT ON AUDITOR GENERAL' FINDINGS	48
3.6 FINANCIAL PERFORMANCE INFORMATION - CAPITAL EXPENDITURE 2020/21	49
3.7 SERVICE PROVIDER PERFORMANCE	51
3.8 DETAILED 2020/21 PERFORMANCE PER KPA	56

Amahlathi Local Municipality – 2020/21 Annual Report

SERVICE DELIVERY AND INFRASTRURE DEVELOPMENT.....	56
MUNICIPAL FINANCIAL VIABILITY (MFV).....	67
GOOD GOVERNANCE AND PUBLIC PARTICIPATION (GGP)	75
LOCAL ECONOMIC DEVELOPMENT	92
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT.....	98
CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE	111
4.1 INTRODUCTION	111
4.2. MANAGING MUNICIPAL WORKFORCE.....	113
4.3 SICK LEAVE.....	115
4.4 CAPACITATING THE MUNIPAL WORKFORCE	117
4.5 MANAGING THE WORKFORCE EXPENDITURE	119
CHAPTER 5: FINANCIAL PERFORMANCE	120
5.1 INTRODUCTION	120
COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE.....	121
5.2. ASSET MANAGEMENT	126
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET	129
COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS	131
5.3 SUPPLY CHAIN MANAGEMENT	134
5.4 GRAP COMPLIANCE	134
CHAPTER 6: AUDITOR GENERAL FINDINGS	135
6.1. AUDITOR GENERAL OPINION 2019/20	135
2020/21 AUDIT ACTION PLAN	136
6.2. AUDIT REPORT OF AUDITOR GENERAL 2020/21 FINANCIAL YEAR.....	158
6.3 AUDIT COMMITTEE REPORT.....	166
CHAPTER 7 APPENDICES	170
APPENDIX A: Councillors, Committees Allocated and Council Attendance.....	170
APPENDIX B: Committees (other than Mayoral / Executive Committee)	175
APPENDIX C: THIRD TIER STRUCTURE.....	177
APPENDIX D: FUNCTIONS OF MUNICIPALITY.....	178
APPENDIX E: WARD REPORTING	179
APPENDIX F: MUNICIPAL AUDIT COMMITTEE RECOMMENDATIONS	183
APPENDIX G: Disclosures of Financial Interests	190
APPENDIX H: Revenue Collection Performance by Vote	191
APPENDIX I: LONG TERM CONTRACTS	192
APPENDIX J Municipal Entity.....	193
APPENDIX K: Revenue Collection Performance by Source	194
APPENDIX L: Conditional Grants excluding MIG.....	195
APPENDIX M: Capital expenditure – New Asset Programme.....	196
APPENDIX N: Capital Programme.....	203
APPENDIX O: Capital Programme by Project by Ward: Year 2020/21	205
APPENDIX P: Declaration of Loans and Grants made by the municipality	207

APPENDIX Q: Service Delivery Backlogs experienced by Communities	208
APPENDIX R: COGTA Key Performance Indicators	209
VOLUME II: AUDITED ANNUAL FINANCIAL STATEMENTS	219

ACRONYMS

IDP- Integrated Development Plan
PGDP- Provincial Development Growth Plan
SCM- Supply Chain Management
MIG- Municipal Infrastructure Grant
SDBIP- Service Delivery & Budget Implementation Plan
MRM- Moral Regeneration Movement
MPAC -Municipal Public Accounts Committee
FMG- Finance Municipal Grant
MSIG- Municipal Systems Improvement Grant
LLF- Local Labour Forum
MM- Municipal Manager
CFO- Chief Finance Officer
MTREF- Medium Term Revenue Expenditure Framework
GRAP- General Recognised Accounting Practise
SANRAL- South African National Road Agency Limited
SALGA- South African Local Government Association
ADM- Amathole District Municipality
NER- National Electricity Regulations
SMMEs- Small Medium and Micro Enterprises
HR- Human Resource
OHS- Occupational Health and Safety
MFMA- Municipal Finance Management Act
CCLR- Councillor
PR CLLR- Proportional Representative Councillor
PMS- Performance Management System
IGR- Intergovernmental Relations
DCF- District Communicators Forum (DCF)

DEDEAT- Department of Economic Development Environmental Affairs and Tourism

DRDAR- Department of Rural Development and Agrarian Reform

NGO- Non- Governmental Organisations

AFS- Annual Financial Statements

CIPC- Companies & Intellectual Property Commission

KPI- Key Performance Indicator

KPA- Key Performance Area

TCS- Traffic Contravention System

DPSA- Department of Public Services and Administration

VAT- Value Added Tax

AOPO- Audit of Predetermined Objectives

MTEF- Medium Term Expenditure Framework

SMART - Specific Measurable Assignable Realistic Time-related

HODs- Head of Departments (HO-Ds)

ICT- Information Communication Technology

PPE- Property Plant & Equipment

FAR- Fixed Asset Register

AC- Audit Committee

MPRA- Municipal Property Rates Acts

AG- Auditor General

FY- Financial Year

COGTA- Cooperative Governance and Tradition Affairs

KKH- Keiskammahoek

SLA- Service Level Agreement

DR- Disaster Recovery

IT- Information Technology

MEC- Member of Executive Council

Q1- Quarter 1

Q2- Quarter 2

Q3- Quarter 3

Q4- Quarter 4

AO- Accounting Officer

IA- Internal Audit

PPP- Private Public Partnership

N/A- Not Applicable

ALM- Amahlathi Local Municipality

EPWP- Extended Public Work Programme

GSFPA- Greater Stutterheim Fire Protection Association

UIF- Unemployment Insurance Fund

CA- Chartered Accountant

SA- South Africa

SPU- Special Programs Unit

LTO- Local Tourism Organisation

CTO- Community Tourism Organisation

LED- Local Economic Development

SALGBC- South African local Government Bargaining Council

CWP- Community Works Programme

MCCP- Mlungisi Community Commercial Park

DSRAC- Department of Sport Recreation Arts and Culture

EAP- Employment Awareness Programme

HRD- Human Resource Development

YTD- Year to Date

EEP- Employment Equity Plan

WSP- Workplace Skills Plan

LGSETA- Local Government Sector Education Training Authority

NERSA- National Energy Regulation South Africa

BTO- Budget and Treasury Office

MVR- Motor Vehicle Registration

SDI- Service Delivery and Infrastructure Development

MFV- Municipal Financial Viability

MTI- Municipal Transformation and Institutional Development

GGP- Good Governance and Public Participation

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

MAYOR'S FOREWORD

It is exactly 20 years since amalgamation which established Amahlathi Municipality with its esteemed natural beauty featuring the Amathole Mountain Range with its natural forests and planted timber, N6 and Dohne Sourveld. The year inherited conditions created by COVID19 Pandemic which had a negative impact our revenue base. Amahlathi Municipality had 20 ward until 2016 demarcation processes which reduced those wards by five and its equitable share by 25% in 2017/18 FY. In the financial year 2020/21 serving 15 wards with a lower revenue base proved both our political and administrative leadership to be capable. The political leadership approved an extensive Revenue Enhancement Strategy which is getting implemented. This year we invested our efforts aimed at improving both financial and performance oversight which translated into better financial controls by administration and performance monitoring by the Executive Committee. These improvements pose establish a foundation for an increased socio-economic emancipation in the face of COVID-19 pandemic to unlock potential of our natural resource base to forestry, agriculture and manufacturing. The upcoming council must ensure a conducive environment for business to create more jobs.



The constitution of the republic establishes local government as the sphere of government that should provide a democratic and accountable government for local communities. As the sphere of government accountable to its people, Amahlathi Municipality will always be evaluated on its ability to meet the growing needs of its people through rendering quality services, promoting economic development, fiscal discipline, ensuring that it governs effectively and facilitating the growth of the municipality.

The Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA) commands Amahlathi Municipality to prepare an annual report for each financial year. Section 127(2) of the Act, requires that the Mayor, within seven months after the end of a financial year, to table in the municipal council the annual report of the municipality. It is against this legislative requirement that the Amahlathi Municipality has prepared this document.

The Annual Report is an account of how the municipality has taken up the challenge to grow the Amahlathi area, to effectively engage the community and develop partnerships with the business sector. Section 46(1) of the Municipal Systems Act (MSA) requires municipalities to prepare a performance report for each financial year, setting out the performance of the municipality and its external service providers. The report should measure current performance against targets and performance in the previous financial year and outline measures to improve performance in the year ahead. The annual performance report must form part of the annual financial report.

It is therefore my pleasure to present this Annual Report of Amahlathi Municipality for the period of 2020/21 to Council, the Amahlathi community, the National and Provincial Treasury, the Local Government, Auditor General and other stakeholders.

Whilst the role of the Office of the Mayor is established to provide political guidance and ensuring that governance structures exist and are functional, it is also the legislative requirement enshrined in the Municipal Finance Management Act that I present this report to all Amahlathi Municipality stakeholders.

The municipality has managed against many challenges to render basic services to improve the lives of its communities even though everything done was against the backdrop of limited financial resources to fund various projects. The municipality appreciates the strides it has made to address the needs and aspirations of its communities and recognises that there is even more that still remains to be done.

Our role and responsibility as Amahlathi Municipal Council is to implement projects that have been budgeted for and translated into a Service Delivery and Budget Implementation Plan. It is in this regard that the Office of the Mayor applauds the dedication displayed to accomplish this good work when challenges mounted this high and yet production was possible.

Amahlathi Municipality is determined to achieve its strategic objectives through partnership with communities in addressing the basic services as outlined in its Integrated Development Plan (IDP). It is also important to mention that the municipality has aligned its planning to the Provincial Growth and Development Plan (PGDP), through the development of targets that focuses on addressing issues identified in the PGDP. This is done in order to improve the quality of lives of its community.

I would like to thank the community of Amahlathi for continuously believing in the municipality, participating in the programmes, their willingness to be part of the collective. I would also like to extend my gratitude to my fellow Councillors, the Audit Committee, Senior Management and staff for their undivided commitment to collectively participate in Municipality's developmental Agenda. My sincere gratitude also goes to the MEC of COGTA Hon Xolile Nqatha and the Executive Mayor of ADM Hon KC Maneli on their unwavering support provided to the Amahlathi Municipality.

This year has proved to be a challenging one and thanks to those challenges because they have laid a good foundation for what must be done in the coming financial year. Going forward the council in solid partnership with its community must take a centre stage in developing a deliberate programme which must yield sound public relations with all its stakeholders and the community. Better service delivery is directly associated with a motivated work force. The aim is to brand Amahlathi as the employer of choice and a model agent of radical socio-economic transformation.



Cllr. O Mgunculu
His Worship, the Mayor
Amahlathi Municipality

B: STATEMENT OF THE MUNICIPAL MANAGER

This Annual Report captures Amahlathi Local Municipality's strategic focus, provides an overview on its performance and sets out Council's financial position for the 2019/2020 financial year. The report also outlines the details of the various programmes managed by the Directorates of Amahlathi Local Municipality and how the municipality has performed towards meeting the set targets. The municipality firmly believe that it is on track towards meeting the growth and its set development targets although this year's challenges impacted negatively on the overall performance of the Municipality.

The Amahlathi Local Municipality consisted of five directors who reported to the Municipal Manager. The year commenced with a vacant position of the Strategic, Engineering and Corporate Services Directors. The delegations for the directorate of strategic management have been taken back to the Municipal Manager. Cogta helped with a secondment on Engineering Services while ADM help on Corporate Service and for Community Services when the position was vacant in the latter part of the year.

As we present the annual report for the 2020/21 financial year, I confirm that the report has been compiled in line with the Local Government: Municipal Systems Act 32 of 2000 as amended, the Local Government: Municipal Finance Management Act 56 of 2003, Municipal Budget and Reporting Regulations as well as National Treasury Circular No. 63 that outlines Annual Report Guidelines.

These are the five top risks that were identified by the municipality and priorities below were set to address such risks.

- Lack of access to households and amenities
- Distribution losses on electricity
- Slow turn-around time on fire incidents.
- Non-adherence to SCM policies, procedures and regulations
- Slow spending on MIG

The key priority areas of the institution during the year under review find their expression in the Integrated Development Plan, Budget and Service Delivery and Budget Implementation Plan and include the following:

- a) Performance management
- b) Expanded Public Works Programme
- c) Provision of basic services to communities
- d) Meeting of statutory timelines and reporting frameworks.
- e) Development, review and approval of municipal policies.
- f) Enhance public participation programme
- g) Deal with administrative matters that will ensure the smooth induction of Council.

In the 2020/21 financial year, the following areas received priority

- a) Institutionalisation of outcomes approach
- b) Accelerating and improving access to basic services
- c) Internal implementation of infrastructure projects using internal plants
- d) Continuing to review and improving financial systems and procedures.

Amahlathi Local Municipality – 2020/21 Annual Report

- e) Address issues emanating from the Auditor-General's report for 2018/19 financial year.
- f) Development of municipal by-laws
- g) Public safety and law enforcement
- h) Improving reporting, monitoring and evaluation
- i) Capacitation of councillors and municipal employees.
- j) Revenue Enhancement
- k) Organizational Design



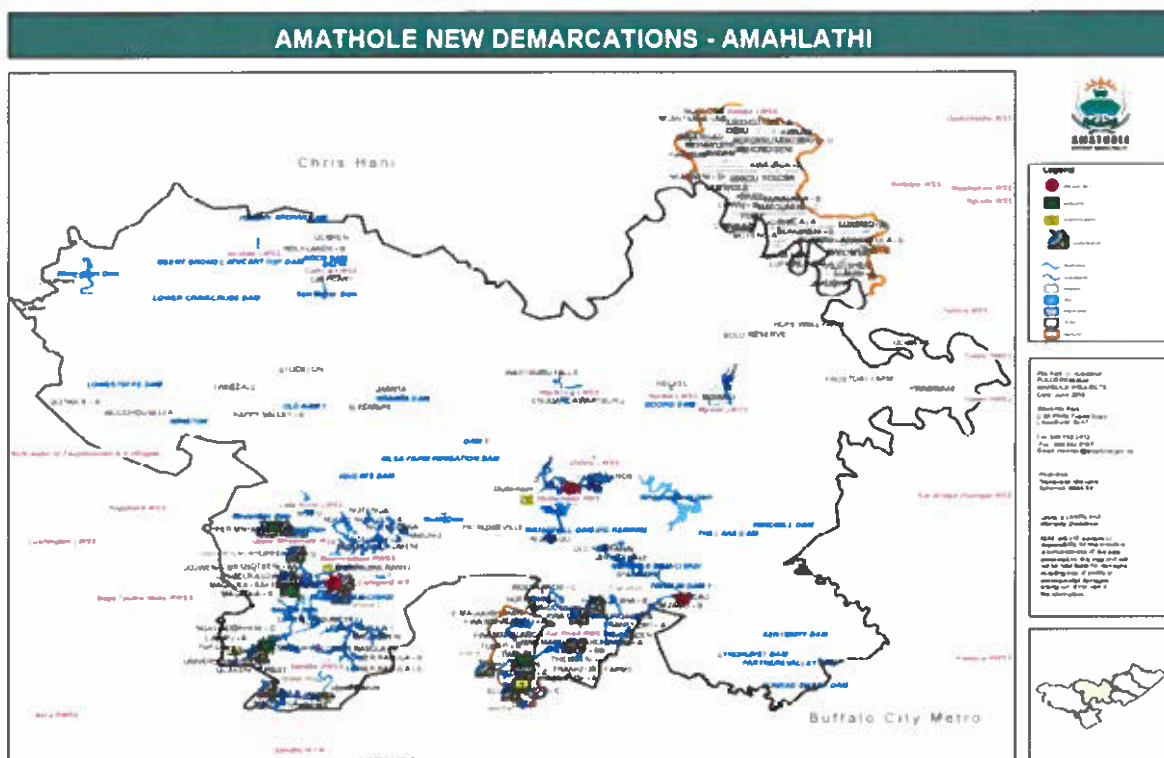
MUNICIPAL MANAGER
MRS I SIKHULU-NQWENA

C: EXECUTIVE SUMMARY

1.1 Municipal Manager's overview

Amahlathi Local Municipality is situated in the Northern part of the Amathole District Municipality, and it is 4266.21 km² in extent, the municipality's jurisdiction comprises of Stutterheim, Cathcart, Keiskammahoek and Kei Road. Strategically placed both Stutterheim and Cathcart are located along the N6 road with access to the rail and road network. Keiskammahoek is the agricultural hub with a majority of the population active within the agricultural sector. The main municipal offices are situated in Stutterheim, there are satellite offices in Cathcart, Kei road and Keiskammahoek.

The Amahlathi Local Municipal area is comprised of 15 Wards and is characterised by a range of settlement patterns and associated land uses, including formal urban areas, formal and informal rural settlement areas and extensive, privately owned farmland. The Intsika Yethu Municipality lies to the north-west, the Lukhanji Municipality lies to the north, the Mquma and Great Kei Municipalities lie to the east, the Buffalo City Metro to the south, and the Raymond Mhlaba Municipality lies to the west.



1.2 Population & Household dynamics

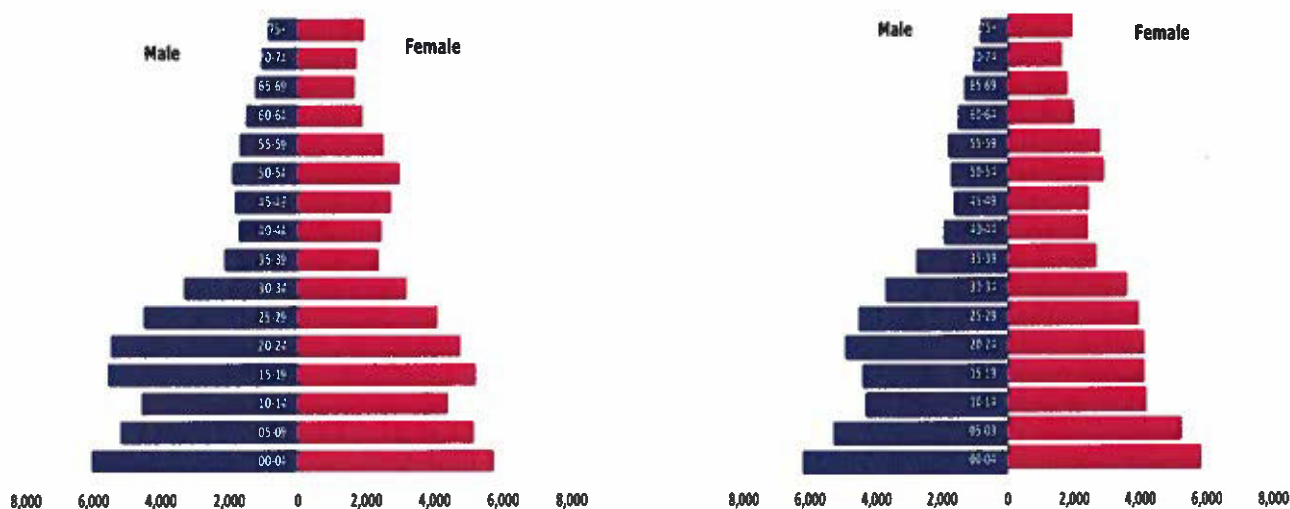
The population of Amahlathi has decreased from 122 778 to 101 826 based on the new boundaries as per the 2016 Community survey done by Statistics SA, this came as a result of the number of wards that have been reduced from 20 to 15 by the Demarcation board. The 2016 Community Survey also shows a decrease in the households from 34 159 to 29 994 households. The population is unevenly distributed among the 15 wards.

Age and Gender Distribution

- i. The gender distribution analysis of Amahlathi population reflects a similar pattern to that of the country with females accounting for 51.75% and males only 48.25%. Since females form the greater portion of the economically active population age groups 15 to 64 years, it will be strategic for the municipality to increase their participation in local governance issues.
- ii. The population pyramids below provide a breakdown of the population estimates in the municipality by age, group and gender for 2011 and makes a comparison with 2016 population estimates. The population of the municipality shows a typical age structure of a very young population distribution. The economically active population (15-64) who are willing and able to work account for 60%. Those in the age group 15-34 account 31% however by 2016, the structure changed and the population in those age cohorts grew to 60.6% and those in the 15-34 age cohort declined to 29.1%. The decline in the youth category could indicate the out-migration impact where the youth would typically seek better working and living conditions elsewhere in the region.

Population pyramid 2011

Population pyramid 2016



1.3 Household Income distribution

The ability to meet basic needs, such as for adequate food, clothing, shelter and basic amenities, is largely determined by the level of income earned by the households.

61.4% of households in Amahlathi earn between R30, 000 to R72, 000 per annum. The households with the highest income brackets falls between R30,000 – R42,000 and R18,000 – R30,000 accounting for about 18.9% and 17.0% of households respectively. In 2016, there was a significant shift in the income breakdown where certain income brackets grew while others declined. Households in the income categories of R0 to R4, 200 experienced a cumulative decline of about 18% while significant increases in the categories of R42, 000 upwards were experienced increase with those between R72, 000 to R132, 000.

1.4 Access to basic services

According to data below as presented by Statistics South Africa in their 2016 Community Survey, over 80% of households in the past 15 years have access to water and electricity. However during the two periods, access to water declined slightly although at high levels while significant increase in the provision of electricity was observed as more than 90% of households in the municipality. Access to electricity is reliant on infrastructure above ground with cables that are able to cover significant land area compared to services that are provided by infrastructure underground.

Toilet facilities remain at low levels. Challenges in providing sanitation services in most municipalities include in-ground factors and the soil type. The service is influenced also by the type of infrastructure the municipality should provide taking into consideration the topography of the municipality in terms of identifying of landmark features and vegetative land cover.

With regards to access to refuse removal much focus is required as levels are low and declining which is indication of high backlog levels. This could likely be a result of the sparsely distributed households including the access to the various wards in the municipality for the collection of the refuse. The high levels of refuse removal to a communal service indicates refuse being disposed in a central place by households as opposed to removal by the municipality or a service provider.

Table: Access to service delivery

Access to Basic Infrastructure	2011		2016	
	Households	% of households with access	Households	% of households with access
Main source of drinking water				
A Access to piped water	26 269	92.0%	22 041	89.7%
No access to piped water	2 278	8%	2 535	10.3%
Access to Sanitation				
Flush Toilets	7 640	27.5%	6 040	24.6%
Chemicals	415	1.5%	1512	6.2%
Pit Toilets	18 263	65.7%	15 235	62.0%
Buckets	67	0.2%	48	0.2%
None	1403	5.0%	1 460	5.9%
Energy for lightning				
Electricity	24 919	87.4%	22 610	92.7%
Other	3 590	12.6%	1 781	7.3%
Energy for Cooking				
Electricity	20 577	72.3%	20 840	85.9%
Other	7 880	27.7%	3 429	14.1%
Access to refuse removal				
Removed by local authority at least once a week	7 113	24.9%	3 438	14.0%
Removed by local authority less often	96	0.3%	256	1.0%
Communal refuse dump	316	1.1%	2 637	10.7%
Own refuse damp	19 789	69.3%	17 323	70.5%
No rubbish disposal	1 150	4.0%	231	0.9%

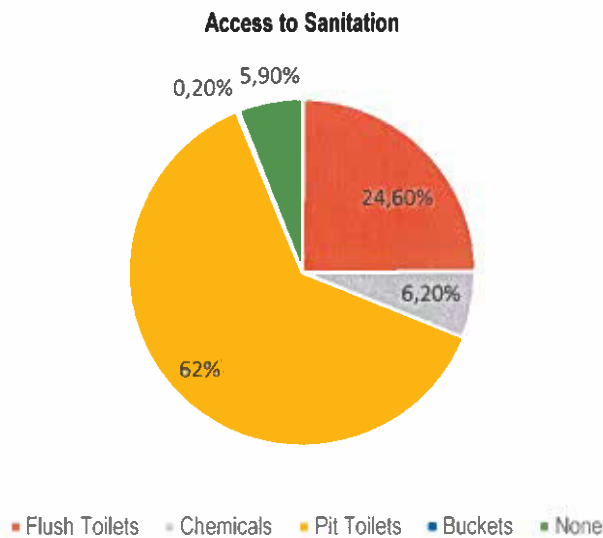
Source: Stats SA Community Survey 2016, own calculations

According to Community Survey 2016 about 89.7% of the households in Amahlathi area access water from regional/ local water scheme operated by the municipality or other water service provider and only 10.3% that does not have access to piped water.

Electricity – 2016 Community Survey as per the table above indicates that 92.7% of households at Amahlathi uses electricity for lighting compared to 87.4% calculated in the Census 2011 meaning there is a great improvement of about 5.3%.

Refuse removal - The statistics above indicate that about 70.5% of Amahlathi households uses their own refuse dump as compared to 69.32% in 2011 and only 14.0% that have access to refuse removal at least weekly. This shows that there is still huge backlog on refuse removal.

Access to Sanitation



Source: Community Survey 2016

Sanitation - Community Survey 2016 indicates that 62 % of Amahlathi households still use pit toilets ventilation, 24.6 % use flush toilets with sewerage system, 5.9 % do not have any toilets, and 6.2% uses chemical toilets and only 0.2% uses bucket system. The statistics merely indicates there's a great need for flush toilets with sewerage system in Amahlathi.

1.5 Financial Overview

Financial Overview: Year 2019/20			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants (excluding Capital)	119 345	144 927	137 941
Taxes, Levies and tariffs	68 777	72 318	70 379
Other	13 066	14 578	21 111
Sub Total	201 188	231 823	229 432
Less: Expenditure	227 188	231 027	271 807
Net Total*	(26 000)	796	(42 376)
* Note: surplus/(defecit)			T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	53%
Repairs & Maintenance	1%
Finance Charges & Depreciation	11%
T 1.4.3	

Total Capital Expenditure: Year -2017/18 to Year 2019/20			
			R'000
Detail	Year 2018/19	Year 2019/20	Year 2020/21
Original Budget	31 252 300,00	43 732 050,00	32 016 460,00
Adjustment Budget	22 451 300,00	43 932 050,00	52 729 226,00
Actual	20 744 699,00	13 649 432,32	48 808 402,00
			T 1.4.4

1.6 Auditor General Report 2020/21 Financial Year

The municipality received an unqualified audit opinion in 2020/21 financial year; with the following matters raised:

➤ EMPHASIS OF MATTERS

- Material impairments consumer debtors and receivables from non-exchange transactions- Material Impairments of debtors
- Material electricity distribution losses-

➤ AUDIT OF COMPLIANCE WITH LEGISLATION EMPHASIS OF MATTERS

- Expenditure Management-Unauthorized, Fruitless and irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for that expenditure.

1.7 Statutory Annual Report Process

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year Annual Report to Internal Audit and Auditor-General	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	January

CHAPTER 2: GOVERNANCE

COMPONENT A. POLITICAL AND ADMINISTRATIVE GOVERNANCE

Institutional Structure of Amahlathi Local Municipality

The institutional Structure of Amahlathi Local Municipality is divided into two levels, the Political and Administrative Structures. The Administrative Structure is accountable to the Political Structure.

2.1. Political Structure of Amahlathi Local Municipality

The Principalship of Amahlathi Local Municipality lies with the Council under the chairperson of The Speaker and it operates a number of controls that assist in the realisation of the council's mandates.



Honourable Mayor Cllr A Hobo



Cllr M Mjikelo (Speaker)



Cllr N Mlahleki (Chief Whip)

MAYORAL EXECUTIVE COMMITTEE



Cllr: N Miahleki
Portfolio Head Cooperate Services and Community Services



Cllr T Balindlela
Portfolio Head Community Services



Cllr N Kato-Manyika
Portfolio Head Development and Planning



Cllr N Monti
Portfolio Head Engineering Services



Cllr N. Pose
Portfolio Head Finance

LISTED BELOW ARE THE COMMITTEES THAT ASSIST COUNCIL IN CARRYING OUT ITS RESPONSIBILITIES;-

i. Executive Committee.

The Mayor of Amahlathi Local Municipality, **Honourable Cllr. A Hobo**, assisted by the Executive Committee, heads the executive arm of the Municipality. The Mayor is at the centre of the system of governance, since powers are vested in her to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility.

The executive committee consists of the Council members (chairperson of each standing committee) listed below and the heads of departments. Meetings are convened monthly but special meetings are convened when the need arises.

No.	Names
1.	Hon. Cllr A Hobo the Mayor – Chairperson
2.	Cllr N. Mlahleki
3.	Cllr N. Kato-Manyika
4.	Cllr N. Monti
5.	Cllr N. Pose
6.	Cllr T. Balindlela

iii. Municipal Public Accounts Committee (MPAC).

The Municipal Public Accounts Committee is established to assist Council to fulfil its mandate of overseeing the Executive and the Administration.

The committee sits quarterly but special meetings are convened when the need arises. The main purpose of the MPAC is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality. Below is the list of the members of the committee;

No.	Names
1.	Cllr X. Nqatha – Chairperson
3.	Cllr N. Busika (deceased January 2021)
4.	Cllr D. Gxekwa
5.	Cllr N. Mbulawa
6.	Traditional Leader Mr X. Zake

iv. **Standing Committees**

In terms of Section 80 of the Municipal Structures Act, 1998, if a council has an executive committee; it may appoint in terms of section 79 committees of councillors to assist the executive committee or the mayor.

Section 79 committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues. They advise the executive committee on policy matters and make recommendations to Council. The meetings are held monthly meaning 12 sittings per year.

The portfolio committee members together with their Chairpersons are as follow:

a. Infrastructure Service delivery Committee

No.	Names
1.	Cllr N. Monti - Chairperson
2.	Cllr S.G. Venkile (deceased in December)
3.	Cllr G.D. Mxosa
4.	Cllr N. Jikazayo
5.	Cllr M. Ngcofe
6.	Traditional Leader Mr. A. T Daka

b. Corporate Services Committee

No.	Names
1.	Cllr N. Mlahleki
2.	Cllr P. Qaba
3.	Cllr R. Desi
4.	Cllr T.C. Ngxingolo
5.	Traditional Leader Mrs. N. Mekuto

c. Community Services Committee

No.	Names
1.	Cllr T. Balindlela – Chairperson
2.	Cllr G.P. Noxeke
3.	Cllr X. Mngxaso
4.	Cllr V.W. Tshaka
5.	Cllr Ngxakangxaka
6.	Traditional Leader Mr S.N. Mdledle

d. Planning and Development Committee

No.	Names
1.	Cllr N. Kato-Manyika - Chairperson
2.	Cllr M. Ngini
3.	Cllr C. Mkiva
4.	Cllr X. Tokwe
5.	Cllr. N. Mlahleki
6.	Traditional Leader Mr Z. Ngudle

e. Budget and Treasury Committee

No.	Names
1.	Cllr N. Pose - Chairperson
2.	Cllr N.C. Nongqayi
3.	Cllr N. Klaas
4.	Cllr R. Pickering
5.	Cllr N. Ncevu
5.	Traditional Leader K Sandile

v. **Other Committees**

Whipery

No.	Names
1.	Cllr N. Mlahleki - Chairperson
2.	Cllr M. Ngcofe
3.	Cllr N.A. Mtati
4.	Cllr N. Ngxakangxaka
5.	Cllr G. Mxosa
6.	Traditional Leader K Sandile

Rules, Ethics and Integrity Committee

No.	Names
1.	Cllr G. Mxosa - Chairperson
2.	Cllr X. Mngxaso
3.	Cllr N.A. Mtati
4.	Cllr T. Balindlela

vi. **Other Committees**

a Local Labour Forum Committee

The Local Labour Forum is a consultative structure that only takes decision within its powers and functions. The main collective agreement confers to the Local Labour Forum powers and functions of negotiating and or consulting among other things;

- On matters of mutual concern pertaining to the employer which do not form the subject matter of negotiations at the council or Division
- On such matters as may from time to time be referred to such forum by the Council or its division.
- Concluding of minimum service level agreement

The Local Labour Forum is established with equal representation from trade unions and the employer with the trade union's representation divided in proportion to their respective membership. In the year (20/21) under review the Local Labour Forum was functional. 5 LLF meetings were held as follows:

No.	Dates of Local Labour Forum
1.	13 August 2020
2.	23 November 2020
3.	21 January 2021
4.	12 March 2021
5.	09 June 2021

a. COMPOSITION OF LOCAL LABOUR FORUM COMMITTEE

No.	Names
1.	Cllr. N.P Mlahleki – LLF Chairperson
2.	Cllr. R. Desi
3.	Cllr. T. Ngxingolo
4.	Cllr. N. Pose
5.	Mr. L. Manjingolo
6.	Mrs. N. Plaatjie
7.	Ms. A Noholoza
8.	Mr. V. Msindwana – Labour Relations Officer
9.	Ms. T. Magwangqana -SAMWU Rep
10.	Mr. L. Nkongo -SAMWU Rep
11.	Mr. R. Mbi -SAMWU Rep
12.	Mr. Bacu - SAMWU Rep
13.	Mr. V.Bambatha – SAMWU Rep
14.	Ms. A. Matiwane- SAMWU Rep
15.	Mr. Z. Mkosi- SAMWU Rep
17.	Mr. X. Njaba – Admin Officer

b. Audit and Performance Committee

The function of the Audit and Performance Committee is primarily to assist the Municipality in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements. The Audit and Performance Committee had 3 members listed below and should meet 4 times per annum as per its approved terms of reference.

NUMBER	SURNAME AND INITIAL	QUALIFICATION
1.	Smith L - AC Chairperson	CA (SA), Registered Auditor
2.	Mdani M - AC Member	Master of Business Administration Post Graduate Diploma Management B.Tech HRM National Diploma in HRM
3.	Mafani K - AC Member	B.Com: Risk Strategic Management

		Diploma: Project Management Public Sector Risk Management Programme in Risk Management
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The Audit Committee had the following meetings during the year:

Ordinary Meetings
26 October 2020
09 Dec 2020
22 Jan 2021
26 May 2021

c. Training and Employment Equity Committee

In terms of the regulations to the Skills Development Act, every organisation with more than 50 employees must establish an institutional forum (Training & Employment Equity Committee) for purposes of consultation with regards to skills development. The Training & Employment Equity Committee consists of the following Councillors and Officials and it sit bi-monthly. In the year (20/21) under review the Training and Employment Equity Committee was functional and meetings were held as follows:

No.	Dates of Training & Employment Equity
1.	11 August 2020
2.	24 November 2020
3.	02 March 2021
4.	21 April 2021
5.	14 May 2021
6.	24 June 2021
7.	06 June 2021

d. COMPOSITION OF TRAINING AND EMPLOYMENT EQUITY COMMITTEE

No.	Names
1.	Cllr. N.P Mlahleki – TEEC Chairperson
2.	Cllr. M. Mjikelo
3.	Cllr. R. Desi
4.	Cllr. X. Mngxaso
5.	Cllr. N. Pose
6.	Mrs. I. Sikhulu-Nqwena: Municipal Manager -
7.	Mr. L. Manjingolo – Chief Financial Officer
8.	Mrs. N. Plaatjie – Acting Director: Corporate Services

9.	Manager: Human Resources Development
11.	Skills Development Facilitator/Training Coordinator
12.	Occupational Levels: Representatives: <ul style="list-style-type: none"> - Senior Management - Professionally qualified & experienced Specialists & Middle Management - Skills -technical - Semi-skilled - Unskilled
13	• Imatu Representative
14.	• Samwu Representative
15.	• Non Union member representative
16.	Mr. X. Njaba – Admin Officer

2.2 Administrative Structure of Amahlathi Municipality

The Principalship of the Administrative structures lies with the Municipal Manager with a number of Departments reporting directly to the Municipal Manager who is accountable to the Mayor. The financial year began with vacancies for two Head of Departments (Engineering Director and Corporate Services Director), Amathole District Municipality and MISA assisted the municipality in carrying out the duties for the vacated positions whilst the municipality the recruitment processes were taking place. The Community Services Director resigned in December 2020 and Amathole assisted the Municipality in carrying out its duties. In March 2021 the Council appointed Acting Director Engineering Services after the MISA personnel has been recalled.



**IVY SIKHULU-NQWENA
MUNICIPAL MANAGER**



**LUBABALO MANJINGOLO
CHIEF FINANCIAL OFFICER**



**MFUNDO BUKUBUKWANA
ACTING DIRECTOR ENGINEERING SERVICES
(MARCH –JUNE 2021)**



MAHLUBONKE MAKUNGA
DIRECTOR DEVELOPMENT AND PLANNING



MS NOMPUMELELO PLAATJIE
ACTING DIRECTOR CORPORATE SERVICES
(SECONDED IN 2020-21 FY)



PORTIA DIBELA
DIRECTOR COMMUNITY SERVICES
(RESIGNED IN DECEMBER 2020)



ANDISWA NOHOLOZA
ACTING DIRECTOR COMMUNITY SERVICES
(SECONDED FROM JANUARY-JUNE 2021)



VACANT
DIRECTOR STRATEGIC SERVICES

ROLES AND RESPONSIBILITIES OF DIRECTORATES

Role of the Chief Financial Officer:

- Is administratively in charge of the budget and treasury office.
- Must advise the accounting officer on the exercise of powers and duties assigned to the accounting officer in terms of this Act.
- Must assist the accounting officer in the administration of the municipality's bank accounts and in the preparation and implementation of the municipality's budget.
- Must advise senior managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79.
- Must perform budgeting, accounting, analysis, financial reporting, cash management, debt management and supply chain management.
- Financial management, review and other duties in terms of section 79 as delegated by the accounting officer.
- The chief financial officer of a municipality is accountable to the accounting officer for the performance of the duties referred to in subsection.

Role of the Director Engineering Services

- Responsible for the maintenance of all Municipal roads and storm water with the limited funding and machinery that is available. This does not include roads that fall under the Department of Roads and Public Works and South African National Road Agency Limited (SANRAL).
- The goal of the Building Control Unit is to enable the Amahlathi Municipality to fulfil its role as a controller of all Building activities & maintenance of all buildings, Engineering Planning aspects of services provision of new settlement areas and ensure that municipal buildings are continuously and adequately maintained.
- The goal of the PMU Unit is to see the proper implementation and control of all projects in Amahlathi Municipality funded by Municipal Infrastructure Grant (MIG) / INEP /DMRE. MIG programme is aimed at providing all South Africans with at least a basic level of service. INEP/DMRE programme aims for all households to be provided with an electricity supply.
- Electricity provided in Stutterheim, Cathcart & Amabele Village Station under the NERSA Distribution Licence NER/D/124EC. Eskom is responsible to provides electricity supply and connections to villages not covered in terms of NERSA Distribution Licence NER/D/124EC terms and conditions.
- Distribution & Reticulation: The goal is to maintain the systems in order to provide a safe, reliable and efficient electricity supply. Meter readings & monitoring of consumption with assistance of BTO to ensure efficiency in electricity service provided.
- Public Lights (Street & High masts): All Public lights funded through the municipal rates component, the electricity section responsible for planning, installation of new lights as well as the maintenance of public lights.
- Municipal Buildings: Ensure electrical supply to premises as a customer. Guidance with compliance in terms of SANS electricity wiring of premises. Monitoring of work quality in compliance with the

Occupational Health & Safety Legislation. HVAC (Air Conditioners) – guidance to other units, monitoring quality and compliance in terms of Occupational Health & Safety requirements and Legislation.

Role of the Director Development Planning

- Facilitation of Local Economic Development
- Co-ordination of agricultural programmes
- Support to SMME's and Co-operative's
- Co-ordination of Tourism development
- Promotion of Culture and Heritage sub-sectors within Amahlathi
- Development of Local Economic Development related policies
- Co-ordination of Human Settlement delivery within Amahlathi
- Management of Spatial Development and Town Planning
- Land Use Management
- Ensure effective use and management of Municipal land
- Lead the implementation of High Impact Development Initiatives
- Facilitation of Development Partnerships.

Role of the Director Corporate Services

- Plans, coordinates and manages activities of the Human Resources department to ensure the delivery of HR services such as HR Planning, Personnel Provisioning, and Administration of conditions of service, Personnel utilisation, Industrial relations and skills development.
- To develop a departmental vision and strategy and ensure implementation to provide effective service delivery.
- Manages performance of employees in the Department to ensure optimal work performance. Plans and manages utilisation of resources in order to perform activities. Develops and monitor systems, policies, procedures and processes to ensure correct working operations and practices.
- Manage the Human Resources department of the Amahlathi Council to ensure compliance with the corporate services directorate strategic plan.
- Develop, Manage and administer the recruitment and selection policy to ensure compliance with Recruitment and selection policy of the Municipality.
- Promote good and sound industrial relations environment to ensure labour stability in the municipality.
- Administer the implementation of the Employment Equity to ensure compliance with the Employment Equity Plan.
- Manage the Training and Development Function to ensure effective training system in the Municipality.
- Overall management of the Occupational Health and safety to ensure compliance with the OHS Act.
- Manage the use of Council resources to ensure economic, effective and efficient service delivery.

- Management of an administration system that is efficient and facilitates decision making and service delivery throughout the Amahlathi Municipality
- Manage the Municipality's administration in accordance with the constitution, local government municipal structures act and other applicable legislation.
- The effective management of Human Resources in order to ensure that transaction and implementation of skills development, employment equity, performance management and fleet management.

Role of the Director Community Services

- To contribute towards a safe and secure environment
- To promote a clean and healthy environment
- To promote a culture of reading and learning
- To ensure that public amenities are improved and well managed
- To reduce number of road carnages on our Public Roads
- To increase Traffic visibility in our Municipal Roads

Role of the Director Strategic Services

To assist and co-ordinate the operations for the offices of the Speaker, Executive Mayor, the Chief Whip of Council and the Chairperson of the Municipal Public Accounts Committee (MPAC) and coordinating the programs, projects, activities and support for the following Units:

- Monitoring and evaluation of municipal performance within Amahlathi Local Municipality.
- Information Communication Technology and support to the departments.
- Risk management as prescribed in the MFMA as a compliance issue.
- Communications.
- Special Programs (Youth, Women, Elderly, Children and the Disabled).
- To promote and implement the Integrated Development Planning with other spheres of Government including intergovernmental Relations.
- To gather information and research on specific policies, strategies and programs relevant to Local Government.
- To ensure explicit alignment between IDP and Budget during planning.
- To coordinate the implementation of the Performance Management System.
- To ensure public participation in decision making processes of the Municipality.
- Identify the Council's Development priorities and Objectives and internal transformation needs

B. INTER GOVERNMENTAL RELATIONS

2.3 INTER GOVERNMENTAL RELATIONS COMMITTEE

Chapter 3 of the Constitution Act 108 of 1996 provides for the principles that underpin the relations between the spheres of government. IGR meetings sit on a quarterly basis and are information-sharing sessions that seek to align planning between the municipality and other spheres of government.

Amahlathi Local Municipality has developed and adopted an IGR Policy Framework in 2016/17 that establishes IGR Clusters and the broader IGR to provide a platform for the meeting of minds of sector departments, stakeholders and the municipality.

It is critical to note that the IGR did not function as desired in 2020/21 due to the Covid-19 Joint Operations Committee. The IGR was able to resume its functions on the fourth Quarter and there was a fair representation of stakeholders. The only challenge that the municipality must address is the revival of cluster IGR Sessions.

C. PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 Public Accountability

The Municipality has a Public Participation Policy that was reviewed in 2019 and a Communication Strategy. In accordance with Municipal Systems Act 2000, the municipality should hold regular IDP/PMS/ Budget Representative Forum meeting in drafting the IDP and Budget. Forum meetings are convened 4 times per year or quarterly in preparation of each phase. The following methods are used to invite interested parties:

- Website
- Community Radio Stations
- Facebook
- Posters, pamphlets, ward councillors and announcements through community gatherings and community based organizations.
- Loud hailing

Other structures used to enhance public participation is through Ward Committee Meetings, LED Forums, SPU Forums and the Local Communication Forum.

2.4.1 IDP/PMS & Budget Rep Forum

This forum is established in terms of Chapter 4 of the Municipal Systems Act 32 of 2000 for community to participate in the matters of the Municipality. The purpose of this forum is to ensure maximized participation of different interest groups and sectors departments on IDP/PMS and Budget matters. The meetings are supposed to be convened quarterly as per legislative requirements on all IDP/PMS and Budget phases, however during the year under review there were challenges in sittings due to Covid-19 pandemic that prohibited gatherings and only 1 Rep forum meeting conducted in September 2020.

The following tables reflects the roadshows that were conducted during the year under review

Purpose	Cluster	Date	Venue	Time
Priority needs Identification	King Kei	06-10-2020	Frankfort	10:00
	Stutterheim	06-10-2020	Mlungisi Community hall	10:00
	Cathcart	06-10-2020	Cathcart town hall	10:00
IDP Rep Forum	All Clusters	30-09-2020	Mlungisi Community Hall	10:00
Annual Report Roadshows	King Kei	04/11/2020	Frankfort Community Hall	10:00

2.4.2 Ward Committees

In line with Chapter 4 of the Municipal Structures Act 1998, the municipality is committed to enhance democratic, open, transparent and participatory system of local governance within its area of jurisdiction. The municipality is mandated by the Municipal Structures Act to elect Ward Committees within 90 days after the local government elections.

There are 147 elected and functional ward committees. The municipality is supposed to have about 150 ward committees. The deficit of three ward committees is for various wards due to the resignations of other members. The ward committees have been functional for the financial year although the lack of tools of trade hampered the reporting of ward committees. The ward boundaries differ in nature from those that are vast, congested and those that are in the middle. The sittings differ from few to many however the number of meetings are not satisfactorily. The minimum expected for each ward was 12 meeting one in each month. The ward councillors should submit the reports and attendance registers as well as the payroll registers for the ward committees.

The functionality of ward committees is indicated on Appendix E of this report.

2.5 IDP Participation and Alignment

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes

Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	T 2.5.1

D. CORPORATE GOVERNANCE

The council recognises the wide range of risks to which Amahlathi Local Municipality is exposed. Amahlathi Local Municipality is committed to the effective management of risk in order to achieve our goals and objectives, as well as converting risk into opportunities that create value for our stakeholders. It is therefore a strategic objective to adopt a process of integrated risk management that will assist Amahlathi Local Municipality in meeting its key goals.

To achieve this risk policy statement, an integrated risk management programme must be implemented and is continuously reviewed in order to improve its adequacy and efficiency. The Council and Municipal Manager, being responsible for the total process of risk management, produces a formal risk assessment on an annual basis. This process is co-ordinated through the activities of the Risk Management Committee and Internal Audit Unit.

The Risk Management Committee is responsible for the assessment of risk to ensure that risk control and management efforts are not duplicated, risk identification "gaps" are avoided and that interdependencies at risk are identified and managed in a timely manner.

A Combined Assurance Model Policy is developed and adopted by Council to enhance co-ordination of managing key municipal risk to increase likelihood of achieving IDP strategies.

Top risks identified by the municipality

During risk assessment the strategic risk register and operational risk register were developed and the action plans were developed. The municipality identified and prioritized the following 11 top risks **2020/21 financial year**:

- Inadequate provision of the sustainable road network within Amahlathi
- Failure to roll out electricity infrastructure
- High salary Bill and Bloated organizational structure
- Staff turnover
- Low productivity due to widespread outbreak of Covid 19 virus
- None adherence to SCM Regulations
- Inability to maximize collection from existing revenue streams
- Unfunded budget
- Inadequate LED Strategy
- Land invasions
- Governance failure

Existence of the committee and functionality.

The municipality has IT & Risk Management Committee which consists of all section 56 managers and departmental risk champions. The committee meetings were held on the following dates:

- 29/06/2020 and 30/06/2020 (2020/21 Risk Assessment Sessions)
- 13 October 2020
- 26 March 2021
- 30 June 2021

2.6 Anti- Corruption and Fraud

The municipality has Fraud Prevention Plan and Anti-Corruption Policy in place that were adopted by Council. The municipality is utilising Presidential Fraud Hotline number.

Financial Disciplinary Board is established to investigate alleged financial misconducts.

MPAC and Audit Committee are the oversight committees to investigate irregularities in contravention with MFMA

Legal advice is provided from the Legal Office in fraudulent matters

CoGTA conducted fraud and corruption workshop on the 22 June 2021.

The Internal Audit Unit is conducting Fraud Awareness Campaigns within the municipality on quarterly basis and those awareness programs.

Fraud and Corruption Risk Register is in place.

Whistle-blowing policy for protection of the whistle-blowers has been developed and approved by the Council.

Code of Conduct is signed by employees and Councillors

Conflict of interest is signed by the Audit Committee, IT & Risk Committee, Internal Auditors and contractors when signing Service Level Agreement

Strategies in place for prevention i.e. campaigns etc.

The municipality four fraud awareness campaigns during the financial year under review as follows;

- 29/03/2021
- 30/03/2021,
- 22/06/2021 and
- 30/06/ 2021.

2.7 Supply Chain Management

Section 3(1) (b) and (c) of the SCM regulations states that the accounting officer of a municipality must at least annually review the implementation of SCM policy and when necessary submit proposal for the amendments of the policy to council. The SCM policy was initially developed in 2005 and implemented to give effect to the SCM regulations and it was last reviewed in May 2021. Amahlathi has established an SCM unit which comprises of four officials. The code of conduct, oath of secrecy and declaration forms are signed by all officials involved in supply chain management. The SCM manager has reached prescribed levels as required by the Minimum Competency Regulations Guidelines and the other three officials are still in the process of completing the minimum requirements. In line with Municipal Finance Management Act (MFMA), the accounting officer has also established various bid committees that are consistent with the SCM regulations and any applicable legislation for competitive bidding i.e.

- Bid Specification Committee
- Bid Evaluation Committee

- Bid Adjudication Committee

Range of procurement processes

STRUCTURE OF APPROVAL		
GOODS/SERVICE VALUE	PROCUREMENT METHOD MINIMUM	APPROVAL AUTHORITY
R0 – R2 000	Petty Cash	Head of Department or Delegated Authority
R2 001 – R5 000	Three Quotes	Head of Department or Delegated Authority
R5 001 – R30 000	Three Quotations	Head of Department or Delegated Official
R30 001-R200 000.00	1 Week Bulletin Notice and Advertisement via Website: Three Quotations	Chief Financial Officer
R200 001 – R2 Million	Competitive Bidding Process	Bid Adjudication Committee
R2 Million – R10 Million	Competitive Bidding Process	Bid Adjudication Committee
Above R10 Million	Competitive Bidding Process	Accounting Officer

2.8 Websites

Documents published on the Municipality's / Entity's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (Year -2018 /19)	Yes
The annual report (Year 2018/19) published/to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 2019/20) and resulting scorecards	No
All service delivery agreements (Year 2019/20)	No
All long-term borrowing contracts (Year 2019/20)	Not Applicable
All supply chain management contracts above a prescribed value (give value) for Year 2019/20	No
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 Year 2019/20	No
Contracts agreed in Year 2019/20 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in Year 2019/20	Not Applicable
All quarterly reports tabled in the council in terms of section 52 (d) during Year 2019/20	Yes

2.9 BYLAWS

NO.	LOCAL AUTHORITY NOTICE	GAZETTE NO.
1.	Local Government : Municipal Systems Act (32/2000) : Municipality of Amahlathi: Street trading By-Law	1668
2.	Keeping of dogs and other animals By-Law	1668
3.	Neglected buildings and premises By-Law	1668
4.	Prevention of nuisances By-Law	1668
5.	Solid waste disposal By-Law	1668
6.	Use and hire of municipal building By-Law	1668
7.	Public open space By-Law	1668
8.	Advertising signs By-Law	1668
9.	Cemeteries and crematoria By-Law	1668
10.	Ward committees By-Law	1668
11.	Delegation of powers By-Law	1668
12.	Community fire safety By-Law	1668
13.	Standing rules for council By-Law	1668
14.	Credit control By-Law	1668
15.	Indigent support By-Law	1668
16.	Rates policy By-Law	1668
17.	Tariff policy By-Law	4076

The institution has 19 by laws, 17 are promulgated and the two are still in the process of being promulgated.

2.10 Public Satisfaction on Municipal Services

The municipality conducted the Public Participation Survey to enhance public participation by ensuring that the communities' views and inputs on our public participation practices and methods are taken into consideration. Comments from the public are also received through the use of Complaints book, and suggestion boxes which are placed to the main building and all satellite offices. The municipality also procured Customer Care system that is used to logged complaints, faulty meters, high mast lights etc. The logged called are assigned and forwarded to the relevant department and closed on the system when resolved. Reports are submitted on a quarterly basis by user departments.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

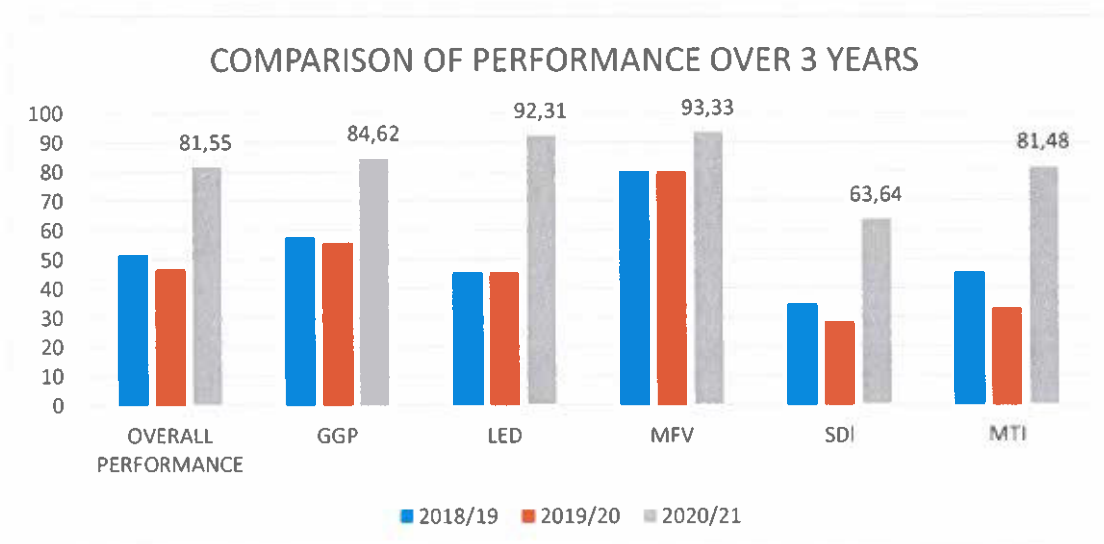
3.1 2020/21 PERFORMANCE PER KEY PERFORMANCE AREA

INSTITUTIONAL PERFORMANCE				
KPA	Total targets	Met	Not Met	Annual Performance
SDI	22	14	8	63.64
MFV	15	14	1	93.33
GGP	26	22	4	84.62
LED	13	12	1	92.31
MTI	27	22	5	81.48
Overall Performance	103	84	19	81.55

COMPARISONS OVER THREE FINANCIAL YEARS

KEY PERFORMANCE AREA	2018/19	2019/20	2020/21
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	57.62%	55.56	84.62
LOCAL ECONOMIC DEVELOPMENT	45.45%	45.45	92.31
MUNICIPAL FINANCIAL VIABILITY	80%	80.00	93.33
SERVICE DELIVERY AND INSTITUTIONAL DEVELOPMENT	34.62%	28.57	63.65
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	45.45%	33.33	81.48
OVERALL PERFORMANCE	51.57%	46.53	81.55

GRAPHICAL PRESENTATION ON ORGANISATIONAL PERFORMANCE



DEPARTMENTAL PERFORMANCE

The percentages depicted on the table below are only calculated according to the targets met and does not quantify any allocation of performance bonuses. The Core Competency Requirements (CCR's) are not included as the municipality is reflecting departmental performance based on service delivery only.

ENGINEERING SERVICES				
KPA	Total targets	Met	Not Met	%
SDI	13	8	5	61.54
MFV	1	1	0	100.00
LED	1	1	0	100.00
MTI	2	0	2	0.00
Overall Performance	17	10	7	58.82

Amahlathi Local Municipality – 2020/21 Annual Report

COMMUNITY SERVICES				
KPA	Total targets	Met	Not Met	%
SDI	9	6	3	66.67
MFV	5	5	0	100.00
MTI	6	5	1	83.33
Overall Performance	20	16	4	80.00

BUDGET AND TREASURY				
KPA	Total targets	Met	Not Met	%
MFV	9	8	1	88.89
GGP	2	2	0	100.00
LED	1	1	0	100.00
MTI	2	0	2	0.00
Overall Performance	14	11	3	78.57

MM'S OFFICE				
KPA	Total targets	Met	Not Met	%
MTI	2	0	2	0.00
GGP	17	14	3	82.35
Overall Performance	19	14	5	73.68

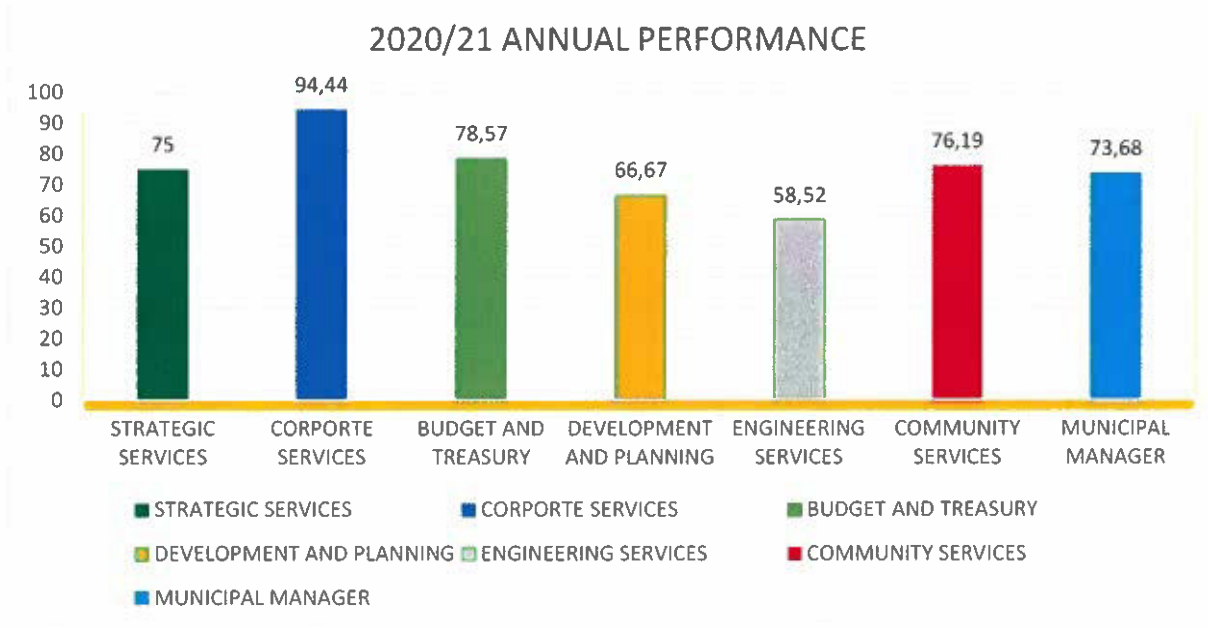
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STRATEGIC SERVICES				
KPA	Total targets	Met	Not Met	%
GGP	6	5	1	83.33
MTI	6	4	2	66.67
Overall Performance	12	9	3	75.00

PLANNING AND DEVELOPMENT				
KPA	Total targets	Met	Not Met	%
LED	11	10	1	90.91
MTI	4	0	4	0.00
Overall Performance	15	10	5	66.67

CORPORATE SERVICES				
KPA	Total targets	Met	Not Met	%
GGP	1	1	0	100.00
MTI	17	16	1	94.12
Overall Performance	18	17	1	94.44

Graphical presentation



In 2020/21 financial year the performance of Amahlathi Local Municipality reflects a performance rate of 81.55% indicating a significant increase of 35.02% when compared to 46.53% achieved in 2019/20. Financial constraints and filling of vacant critical positions were major concerns which could have led to more improvement on institutional performance. Covid-19 pandemic affected the operations of the municipality. The municipality still needs to focus on timeous submission of quarterly reports and collation of portfolio of evidence. The departments should also ensure that the information provided is credible and accurate. The head of departments need to ensure that all employees from task grade 12 and above sign accountability agreements and conduct reviews quarterly as outline in the PMS policy.

3.2 INSTITUTIONAL PERFORMANCE MANAGEMENT PROCESS OVERVIEW

In the 2020/2021 financial year, attempts were made to ensure that the municipality complies with legislation concerning the development, operation and maintenance of a performance management system that is commensurate to the institutional service delivery objectives enshrined in the IDP. The municipality has continued to maintain the effective operation of the following mechanisms:

- The 2017-2022 IDP included strategic objectives, strategies and key performance indicators (KPIs) as required by the Municipal Systems Act, 32 of 2000;
- The 2020/2021 budget for implementation of the IDP was approved within the prescribed timelines prescribed in the Municipal Finance Management Act, 56 of 2003;
- After approval of the budget, the SDBIP was developed to integrate the IDP and the budget and to ensure effective implementation of the institutional strategies. The development of the SDBIP was informed by below planning and reporting cycle in the quest to create a balance between integrated planning, reporting and accountability.

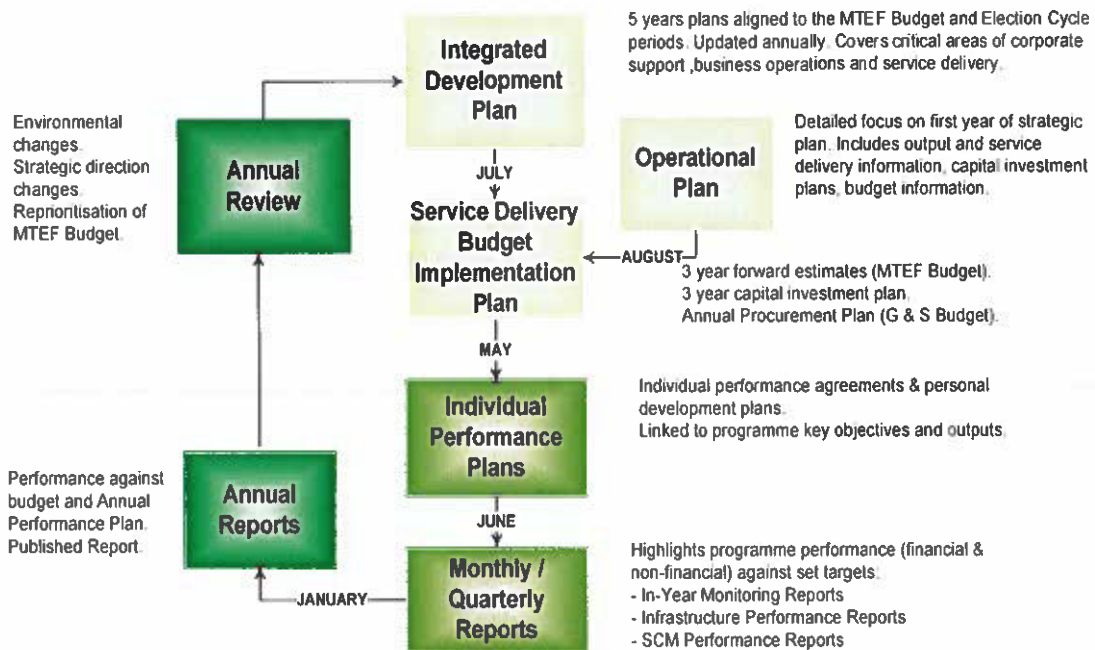


Figure 2: Planning & Reporting Cycle

- Adoption of the 2020/2021 Organizational Performance Management System and score card for monitoring and review of performance;

- Performance agreements with performance plans were developed, signed and approved by the Honorable Mayor as required by the Municipal Performance Regulations, 2006;
- Quarterly performance reports with supporting evidence were prepared by managers directly reporting to the Municipal Manager (MM); and
- Quarterly performance reports were objectively and independently audited by the Internal Audit unit to verify and to confirm performance information as reflected in the reports.

3.3 CHALLENGES FACED BY THE MUNICIPALITY

- The following challenges were encountered in the period under review:
- Financial constraints affected the municipal performance
- Lack of Office Space and tools of trade
- Slow revenue collection
- Vacant Position of the 4 Directors i.e. Strategic Services, Community Services, Corporate Services and Engineering Services
- Delays on re-engineering of organisational structure that hampers filling of critical positions i.e. Electricity,
- Covid-19 pandemic that prohibited and delayed some operations

STRATEGY TO OVERCOME THE CHALLENGES AND AREAS OF UNDERPERFORMANCE

- Finalization of Revenue Enhancement Strategy and implantation thereof,
- Renovation and Building of Municipal Offices
- Finalization of re-engineering of organizational Structure and filling of head of department positions
- Development of strategies to address high employee cost i.e. grading all job descriptions for both existing and vacant positions etc.

3.4 CHANGES TO PLANNED TARGETS

Section 72 (1)(a)(ii) of the MFMA states that an accounting officer of a municipality, must by 25 January of each year assess the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the SDBIP.

In preparation for the mid-year review of performance, management prepared quarterly reports, measured and analysed performance of the first six months of 2020/21. During the review management reviewed performance for the first and second quarter and also anticipated the last six months of the 2020/21 financial year incognisance of the feasibility to implement certain programmes based on priority and budget availability.

This process culminated to a *mid-year performance report* which highlighted achievements, non-achievements with reasons for non-achievement and corrective measures. The process also emerged with 6 (Key Performance Indicators) KPIs that had to be removed and others had to be amended going into the last

Amahlathi Local Municipality –2020/21 Annual Report

six months of the financial year, and these amendments were duly approved by all requisite authorities including Council. 4 targets were removed from the SDBIP these included KPI 13, 14, 90 and 105 which -also means the IDP Ref numbers for those targets will not reflect as affected by the removal of those targets (i.e. IDP Ref 1.13, 1.14, 5.13 and 5.27), changed custodian for KPI 10, 100 and 101, also have 1 new additional target (KPI 69) under LED KPA and 9 targets were amendments on either the annual target, quarterly targets or portfolio of evidence. The table below depicts the changes made on 2020/21 SDBIP financial year as alluded above.

(a) REGISTER FOR KPIS REMOVED/ AMENDED ON THE 2020/21 SCORECARD AS APPROVED ON THE 24/02/2021

KPI No	Objective	Strategy	Indicator	Proposed Change	Justification	Custodian
10	To ensure effective, compliant and efficient disaster management services by 2022 and beyond	Rehabilitation and proper management of waste disposal facilities to ensure compliance with NEMWA Act 59 of 2008	1 landfill site rehabilitated	To be removed	The landfill site is implemented by community services utilize a different budget	Director: Engineering Services
13	Facilitate maintenance and upgrade of sport, community halls, hawker stalls, cemeteries and recreational facilities	To ensure provision of sustainable public facilities by 2022 and beyond	1 Municipal Office constructed in Ward 2	To be removed	No budget is available. The municipality to develop a strategy to source funding.	Director: Engineering Services
14		To ensure provision of sustainable public facilities by 2022 and beyond	1 municipal offices renovated in Stutterheim	To be removed	No budget is available. The municipality to develop a strategy to source funding.	Director: Engineering Services
18	Ensure that solid waste is managed in an Integrated environmental friendly and	Review and Implementation of the Integrated Waste Management plan	No. of households and businesses with basic waste collection	6000 households and businesses with access to basic waste collected (ward 1, 4, 5, 6, 8 13,14, 15)	Number of households and businesses with access to basic waste collection has not increased from Community Services and that the system has reported	Director: Community Services

Amahlathi Local Municipality –2020/21 Annual Report

	sustainable manner				increased as per latest billing report from 6532 to 9252	
30	Ensure 80% collection of income due from consumer debtors by 2022	Collect 70% of billed income	No. of quarterly reports on implementation of revenue enhancement strategy submitted to standing committee	3 quarterly reports on implementation of revenue enhancement strategy submitted to standing committee	The Revenue Enhancement Strategy was only approved in the beginning of the 2 nd quarter of the financial year, hence no reports could be produced during the 1 st quarter.	CFO
37	To ensure unqualified audit opinion	Preparation and submission of credible and GRAP compliant annual financial statements	Date on which GRAP compliant annual financial statements prepared and submitted to the Auditor-General	GRAP compliant annual financial statements prepared and submitted to the Auditor-General and Treasury (Provincial & National) by 31 October 2020	Submission date was extended due to the Covid-19 pandemic	CFO
43	Coordination and integration of Stakeholder engagement by 2022	Strengthening of IGR structures	No. of broader IGR forum coordinate	Coordination and integration of Stakeholder engagement and curbing of Covid-19 positive cases by 2022	That the 2 nd quarter & 3 rd quarter targets be amended and talk to the JoC structures For the 2021/22 FY to review and amend the strategic objective to cater for both JoC and IGR structures	Municipal Manager
66	To improve implementation of the government intervention programme	Coordinating and monitoring the various economic growth and job creation.	100 jobs created through public works grant	Q3 POE to be removed	The target have already been met and achieved. We ran out of funds to employ more.	Director: Engineering Services

Amahlathi Local Municipality –2020/21 Annual Report

	e to eliminate poverty by 2022.					
70	To stimulate growth of the local economy through robust programmes by 2022.	Projects of R4million and above to subcontract local contractors	No. of local contractors supported to sub contracted	<ul style="list-style-type: none"> Q3 – Updated sub-contracting Process Plan Q4 – 1 local contractor supported towards sub-contracting 	D&P is not directly responsible for sub-contracting but facilitates and support contractors towards this end. Thus, Q3 & Q4 targets are aligned to this.	Director Development and Planning
		Support and development of SMMEs around Amahlathi Local Municipality.	No. of Trading By Law Enforcement Interventions	<ul style="list-style-type: none"> Q3 – 1 Trading By-Law Compliance Schedule Q4 – 1 Report of a Trading By Law Enforcement intervention 	It's a new target that replaces KPI 105 (LED Strategy Review). This also a response to rampant non-compliance with trading regulations across the Municipal jurisdiction.	Director Development and Planning
71		Stimulate and Strengthen relationship between Amahlathi and other strategic institutions	No. of twinning engagement programs commissioned	<ul style="list-style-type: none"> Q3 – 1 Signed twinning agreement with Strategic Institutions Q4 - 1 Signed twinning agreement with Strategic Institutions 	Delays encountered on the side of the targeted Institutions towards finalizing the agreements	Director Development and Planning
90	Promote safer communities- Community safety initiatives by	Effective management of public amenities	Developed Public amenities management plan submitted to Council for adoption	Target be moved to 2021/2022	This is a new plan that requires extensive consultations. Due to COVID 19 Regulation gatherings limitations the	Director: Community Services

Amahlathi Local Municipality –2020/21 Annual Report

	strengthening and expanding a variety of community safety platforms.				plan cannot be developed.	
100	To work on frameworks for improving performance incentives and the application of consequences for poor performance.	Improve the effective functionality and credulity of the performance management System	No of accountability agreements signed	That each department should be responsible for signing their own accountability agreements	Corporate services have been sending many reminders to departments to sign the Accountability agreements but failed to receive them from most employees	Corporate Services
101		Improve the effective functionality and credulity of the performance management System	No. of individual performance reviews coordinated (Task grade 12 and upwards)	Departments should conduct their own reviews	Reminders have been sent to departments to conduct reviews but nothing was received	Corporate Services
103	To develop and implement effective and compliant frameworks to improve planning and performance management by 2022	Improve the effective functionality and credibility of the performance management System	Date on which the 2019/20 final and unaudited Annual Report is submitted to AG	2019/20 Unaudited Annual report submitted to AG on 31 October 2020	National exemption from MFMA 56 of 2003 for 2019/2020 financial year (compliance with deadlines in sections 126(1), 127(1) (2), 129(1) and 133(2)). In line with this exemption the report was submitted in October and this might lead to target not met in terms of annual target.	Director: Strategic Services
104	To promote sustainable	Development and implementation	Reviewal of the SDF and	<ul style="list-style-type: none"> Q3 - Submission of 1st draft 	Delayed target attainment due to absence of	Director Development and Planning

Amahlathi Local Municipality –2020/21 Annual Report

	e Local economic development by 2022	of the Spatial Development Framework	submitted to council	SDF to Standing Committee <ul style="list-style-type: none"> • Q4 – Final Draft SDF 	internal Project Management capacity after the departure of the relevant official who is yet to be replaced	
105		Reviewal of the Local Economic Development Strategy	Reviewal of the Local Economic Development Strategy and submitted to Council	Complete removal of KPI from current SDBIP	Implementation reliant on COGTA has rendered this target non-realistic. With it being consistently not met. We will pursue other resource mobilization efforts towards securing a Service Provider to assist with this review	Director Development and Planning

3.5 PROGRESS REPORT AUDITOR GENERAL’S FINDINGS: PREDETERMINED OBJECTIVES

Refer to attached AG Action Plan in Chapter 6

3.6 FINANCIAL PERFORMANCE INFORMATION - CAPITAL EXPENDITURE 2020/21

Projects	Funding	Original Budget	Adjusted Budget	YTD Exp (Excl. Vat)	YTD Exp (Incl. Vat)
IT Capital Spares	Own	105 400.00	105 400	16 200.00	18 630.00
Upgrade Electricity Infrastructure	Own	-	50 000.00	575 990.12	582 459.36
Mlungisi Access Roads	MIG	-	6 000 000	4 301 315.53	4 946 512.86
Cata Internal Roads	MIG	500 000.00	870 000.00	847 826.08	869 999.99
Gxulu Internal Roads	MIG	500 000.00	-	-	-
Computer Equipment	Own	-	326 000.00	189 022.46	214 225.98
KKH Firestation	MIG	1 500 000	5 000 000	3 667 388.84	4 129 547.72
Mlungisi Sportfield	MIG	4 000 000	11 559 922	5 000 963.50	5 751 108.02
Ethembeni Internal Roads	MIG	500 000.00	1 000 000	78 426.40	113 718.28
Sophumelela Internal Roads	MIG	150 000.00	2 000 000	1 828 138.36	2 096 226.38
Fencing of Cemeteries	MIG	1 500 000	131 242	1 527 688.56	1 756 841.85
Gubevu Internal Roads	MIG	500 000.00	1 900 000	1 244 238.29	1 437 006.80
KKH Paving	MIG	1 500 000	3 600 000	3 815 658.43	4 475 956.64
Border Post Internal Roads	MIG	2 573 400	2 300 000	1 364 294.17	1 568 938.30
Nothenga Community Hall	MIG	150 000.00	1 400 000	1 527 084.68	1 756 147.38
Surfacing of Cathcart Streets	MIG	3 500 000	829 606.00	1 095 861.68	1 260 240.93
Rehabilitation of Landfill Sites	MIG	1 200 000	-	-	-
Paving of Matolaville Streets	MIG	3 500 000	6 532 008	10 328 518.51	11 877 796.28
Ngcamngeni Access Roads	MIG	2 500 000	204 302.00	1 160 660.07	1 334 759.10
Amabele Internal Roads	MIG	2 500 000	268 063	1 000 686.00	1 150 788.91
Electricity Repairs	MIG	-	3 000 000	2 600 018.37	3 069 950.41
Earth Moving Equipment(Front End Loader)	Waste Grant	3 500 000	3 500 000	2 288 589.46	2 631 877.88
Construction of Waste Site	Waste Grant	1 837 660	1 837 660	4 027 902.57	4 027 902.57

Amahlathi Local Municipality –2020/21 Annual Report

Projects	Funding	Original Budget	Adjusted Budget	YTD Exp (Excl. Vat)	YTD Exp (Incl. Vat)
Tools & Equipment	Own		115 023.00	144 965.82	144 965.82
Wheelie Bins	Waste Grant	-	200 000.00	176 964.25	176 964.25
		32 016 460.00	52 729 226	48 808 402.15	55 392 565.71

3.7 SERVICE PROVIDER PERFORMANCE

Project Managers were requested to rate the performance of the Service Providers appointed by Council on the various projects. Service Providers and Contractors are rated in terms of the following:

- **Below Standard** - The Contractor/Service Provider did not meet the basic requirements as spelt out in the tender or contract. This may result in the contract being cancelled and/or the retention fee being withheld from the contractor. The Contractor may be asked to rectify the problem or the contract may be cancelled and another Contractor/Service Provider may be appointed to complete the contract/ project.
- **Acceptable** - The Contractor/Service Provider completed the project and met the basic requirements of the tender/contract. The standard of work was good enough, passable or adequate in terms of the requirements by the ALM.
- **Excellent** - The Contractor/Service Provider has completed the work up to the expected standard required. The requirements of the tender were achieved to the expectation of the municipality. There is a high quality of work and outstanding results were achieved.

Below is the performance rating of the municipality's service providers;

<u>Bid No</u>	<u>Name of Service Provider</u>	<u>Project Name</u>	<u>Rating</u>	<u>Comment</u>
-	-	-	-	-
SCM/18/2017-18	Smith Tabata Attorney's	Provision of Legal Services for a Period of 36 Months	Acceptable	This is a term contract and has been extended
SCM/18/2017-18	Wesley Pretorius & Associates	Provision of Legal Services for a Period of 36 Months	Acceptable	This is a term contract and has been extended
SCM/28/2017-18	Redemption Estates cc	Compilation of General Valuation Roll together with Supplementary Roll	Acceptable	This is a term contract and is proceeding well
SCM/25/2018-19	East London Industrial Development zone	Hosting of IT Production environment for Amahlathi Local Municipality for a period of 2 years	Acceptable	Project is proceeding as expected

Amahlathi Local Municipality –2020/21 Annual Report

<u>Bid No</u>	<u>Name of Service Provider</u>	<u>Project Name</u>	<u>Rating</u>	<u>Comment</u>
SCM/11/2018-19	Yande Engineering	Auditing of Electricity meters and connections in Amahlathi local Municipal area	Acceptable	This is a term contract and has been extended
SCM/25/2018-19	Black Mountain Zinzame JV	Provision of Professional Engineering services for a period of 2 years	Acceptable	This is a term contract and is proceeding well
SCM/25/2018-19	Bigen Africa Services	Provision of Professional Engineering services for a period of 2 years	Acceptable	This is a term contract and is proceeding well
SCM/25/2018-19	Gigal consulting engineers	Provision of Professional Engineering services for a period of 2 years	Acceptable	This is a term contract and is proceeding well
SCM/01/2019-20	Contour Technology	Provision of prepaid vending solution	Acceptable	This is a term contract and is proceeding well
SCM/07/2019-20	SMS ICT Choice	Renewal of Cibecs endpoint Data Protection services for a period of 36 months	Acceptable	This is a term contract and is proceeding well
SCM/28/2019-20	AZA Kopano Incorporated	Compilation of GRAP Compliant Annual Financial Statements for years ending 30 June 2020 and 30 June 2021	Excellent	This is a term contract and is proceeding well
SCM/29/2019-20	Mubeko Pty (Ltd)	Compilation of GRAP Compliant Fixed Asset Register for years ending 30 June 2020 and 30 June 2021	Acceptable	This is a term contract and is proceeding well
SCM/34/2019-20	Ebusha General trading	Supply and Delivery of Cold Pre-mix Asphalt for a period of 12 months	Acceptable	This project is a term contract and is proceeding well
SCM/32/2019-20	C-Track Mzansi	Provision of a Fleet management, vehicle monitoring and tracking system for a period of 36 months	Acceptable	This project is a term contract and is proceeding well
SCM/11/2019-20	First Rand Bank limited	Provision of Banking services for a period of 60 months	Acceptable	This is a term project and is proceeding well

Amahlathi Local Municipality –2020/21 Annual Report

<u>Bid No</u>	<u>Name of Service Provider</u>	<u>Project Name</u>	<u>Rating</u>	<u>Comment</u>
ALM/SCM/08/2020-21	Enzokuhle Enterprise (Pty) Ltd	Provision for Landfillsite rehabilitation	Acceptable	The project is complete
SCM/34/2019-20	SMS ICT Choice (Pty) Ltd	Supply and delivery of 10 ICT laptops	Excellent	The project is complete
ALM/SCM/02/2020-21	Abantu Environmental Consultants (Pty) Ltd	Restoration Of Stutterheim Waste Disposal Site	Acceptable	The project is at a completion stage
ALM/SCM/10/2020-21	Thulandivile Trading	Construction Of Border Post Internal Roads	Acceptable	The project is paractically complete, they are working on additional work
ALM/SCM/12/2020-21	SNR Electrical Cc	Civid 19 Emergency Electricity Network Repairs	Acceptable	The project is at completion stage
ALM/SCM/13/2020-21	Masiyabu Trading	Surfacing Of Mlungisi Access Roads Phase-2	Acceptable	The project is delayed due to existing infrastructure (Water Pipes), Community disagreements and rain.
ALM/SCM/13/2020-21	Civil Element (Pty) Ltd	Paving Of Matollaville Streets	Excellent	The contractor is performing well on site and the project is 90% complete
ALM/SCM/11/2020-21	Gqwashu Construction & Civil Projects	Installation Of Security Upgrades For Traffic Section	Acceptable	The project has been completed
SCM/27/2019-20	Izizhamo zethu Trading (Pty) Ltd	Construction of Mlungisi Sportsfield Phase 2	Below standard	Contract is terminated
SCM/34/2019-20	Ebusha General Trading	Supply and Delivery of Cold Pre-mix Asphalt	Acceptable	This is a term contract, asphalt is delivered when needed
SCM/11/2019-20	First rand bank limited	Provision of Banking services for a period of 60 months	Acceptable	Project is proceeding accordingly

Amahlathi Local Municipality –2020/21 Annual Report

<u>Bid No</u>	<u>Name of Service Provider</u>	<u>Project Name</u>	<u>Rating</u>	<u>Comment</u>
N/A	Revenue consulting	Provision of Debt collection services to the state	Acceptable	This is a term contract and is proceeding well
SCM/17/2019-20	Masiyabu Trading	Construction of Sophumelela internal roads	Acceptable	The project is complete
SCM/16/2019-20	Dintwa Trading	Construction of Gubevu internal roads	Acceptable	The project is complete
SCM/18/2019-20	Freemason Trading	Construction of Nothenga Community Hall	Acceptable	The project is practically complete
SCM/09/2019-20	Naniswa Trading	Construction of Keiskamahock Firestation	Acceptable	The project has experienced delays due to the backlog of steel from manufactures across the country
SCM/15/2019-20	Naniswa Trading	Construction of Keiskamahock Paving	Acceptable	Project has been completed
ALM/SCM/20/2020 -21	Konstruk SGN (Pty) Ltd	Graveyard Fencing & Associated Works	Acceptable	The project is proceeding well
ALM/SCM/17/2020 -21	Amabhayi Construction	Construction Of Rabe Access Road	Acceptable	The project is at a completion stage
ALM/SCM/16/2020 -21	LR Projects	Paving Of Amabhele Access Roads	Acceptable	The project is proceeding well
ALM/SCM/23/2020 -21	Makhanyi B Ma K Concepts Trading (Pty) Ltd	Supply & Delivery Of Chainsaws and Wheedeaters	Acceptable	The project is complete
ALM/SCM/21/2020 -21	Lulutholo Trading	Supply, Delivery & Fitment Of Tyres	Acceptable	The project is complete
ALM/SCM/30/2020 -21	Enzokuhle Enterprise (Pty) Ltd	Reviewal of Intergrated Waste Management Plan	Acceptable	The project has been recently awarded
ALM/SCM/24/2020 -21	Qamis Trading Enterprise Cc	Supply & Delivery of Wheelie Bins	Acceptable	The project was completed within specified timeframes

Amahlathi Local Municipality –2020/21 Annual Report

<u>Bid No</u>	<u>Name of Service Provider</u>	<u>Project Name</u>	<u>Rating</u>	<u>Comment</u>
ALM/SCM/25/2020 -21	Innovo Networks	Supply & Delivery of PPE for Employees - Electricity Section	Acceptable	Sizes have been recently forwarded to the service provider

3.8 DETAILED 2020/21 PERFORMANCE RESULTS PRESENTED PER KEY PERFORMANCE AREA (KPA)

3.8.1 KPA 1: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT (SDI)

IDP Ref	Outcome Response	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 19/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
1,1	Output 2: Improving access to Basic Services	To ensure provision of a sustainable road network within Amahlathi by 2022 and beyond	Development, implementation and monitoring of the Roads Infrastructure Master plan for both tarred and gravel roads	No. of Kms of gravel roads maintained (Blading)	100 Kms of gravel roads maintained (Blading)	Target not met 23.8km of gravel access and internal roads bladed Quarterly reports attached	Target met 137.5 Kms of gravel roads maintained	N/A	Director: Engineering Services	1
1,2				No. of Kms of municipal roads re-gravelled	14 kms of municipal roads re-gravelled	Target met 12.265km of municipal roads re-gravelled Signed progress reports attached	Target met 20.168km of municipal roads re-gravelled	N/A	Director: Engineering Services	2
1,3				No. of Potholes repaired as per departmental inspections	1230 Potholes repaired as per departmental inspections	Target not met 705 potholes repaired as per departmental	Target met 1738 potholes repaired as per departmental	N/A	Director: Engineering Services	3

Amahlathi Local Municipality –2020/21 Annual Report

1,4				No. of km's of storm water drains unblocked	8 kms of storm water drains unblocked	Inspection reports, Weekly reports, expenditure report and quarterly report attached	<p>inspector reports</p> <p>Inspection report, Weekly reports, expenditure report and quarterly report attached</p>	N/A	Director: Engineering Services	4
1,5			No. of km's of roads constructed (gravelled)	12 kms of roads gravelled (insert coordinates)	Target not met Service providers appointed progress is as follows 1. Gubevu (construction 0% of 6km), 2. Border Post (Construction)	Quarterly reports and inspection reports attached	<p>inspector reports</p> <p>Quarterly reports and inspection reports attached</p>	N/A	Director: Engineering Services	5

Amahlathi Local Municipality –2020/21 Annual Report

1.6				<p>0% of 1.6km) and 3. Sophumelela internal roads (construction 50% of 5.5km.)</p>	<p>Target not met 95% of 2 km of roads surfaced at Mlungisi and 27% at Keiskammahoe paving</p>	<p>Target not met 9% of construction Delays in procurement processes</p>	<p>The variance is due to non-responsive bids received. A bid will be re-advertised during quarter 1 of 2021/22 financial year.</p>	<p>Director: Engineering Services</p>	6
1.7		<p>Development, implementation and monitoring of the Roads Infrastructure Master plan for both tarred and gravel roads</p>	<p>% of kms of roads paved.</p>	<p>% of 2 kms of roads paved. (Keiskammahoe town and Amatolaville</p>	<p>N/A</p>	<p>Target met 2.03 km paved 100% of 1.4km (KVA paving and 93% of 1km % constructed for Amatolaville and Amatolaville</p>	<p>N/A</p>	<p>Director: Engineering Services</p>	7
1.8	<p>To ensure connection of electricity to all households within the licensed areas by 2022.</p>	<p>Reduce electricity system losses</p>	<p>% of Faulty reported meters repaired per inspection report</p>	<p>80% of Faulty reported meters repaired as per inspection report</p>	<p>Target not met 100% of faulty meters repaired only in quarter 1</p>	<p>80% of Faulty reported meters repaired as per inspection report</p>	<p>N/A</p>	<p>Director: Engineering Services</p>	8

Amahlathi Local Municipality –2020/21 Annual Report

1.9	To ensure effective, compliant and efficient disaster management services by 2022 and beyond	Establishment of fire stations in Amahlathi service areas	No. of fire stations constructed	1 fire station constructed	Target not met Service provider appointed for Keiskammahok Fire Station and construction is at 10%	Target not met 85% of fire station constructed	The problem was unavailability of steel in the market owing to COVID 19 Closures. Given the easing on regulations the steel was obtained. The project is to be completed by the end of second quarter 2021/22 FY. The project is being constantly monitored.	Director: Engineering Services	9
1.10	To ensure effective, compliant and efficient disaster management services by 2022 and beyond	Rehabilitation and proper management of waste disposal facilities to ensure compliance with NEMWA Act 59 of 2008	% of phase 1 Stutterheim landfill site restored	100% of phase 1 Stutterheim landfill site restored	New Indicator	N/A	N/A	Director: Community Services	10
1.11	To ensure provision of sustainable public facilities	Facilitate maintenance and upgrade of sport, community	No of sport fields upgraded. (Mlungisi)	1 Sport field upgraded (phase 1 & 2)(Fencing, Ablution	Target not met 82.5% of sport filed upgraded.	Target not met 40% of sport field upgraded phase 2.	The contract was terminated due to underperformance	Director: Engineering Services	11

Amahlathi Local Municipality –2020/21 Annual Report

1.12		by 2022 and beyond	halls, hawker stalls and recreational facilities	No of community halls constructed	1 community hall constructed	facilities, dual pitch, storm water drainage, running track)	Target not met Service Provider appointed for Nothenga Community Hall and construction is at 58%.	Target met 100% of community hall constructed	N/A	Director: Engineering Services	12
1.15		To ensure provision of sustainable public facilities by 2022 and beyond	Facilitate maintenance and upgrade of sport, community halls and recreational facilities	No. of cemeteries fenced	3 cemeteries fenced	New Indicator	Target not met Kestamontse 41% Cathcart 8,7% Kor Road 0%	The problem was the deficit on the supplied fencing required. Suppliers as a result of Covid 19 did not meet the demand. Contractor has been appointed and currently on site and material is delivered. Budget has been made	Director: Engineering Services	13	

Amahlathi Local Municipality –2020/21 Annual Report

1.16	Compliance with building regulations	% of complying submitted building plans approved	100% of complying submitted building plans approved	Target met 100% of complying submitted building plans approved. Quarterly reports and register for building plans attached	Target not met 78.13% of complying building plans approved	Target not met due to Rezoning applications delaying due to staff shortages. Town Planner position will be advertised during quarter1 of 2021/22 financial year.	Director: Engineering Services	14	available for 2021/22 fy and project estimated to be completed by end of August.
1.17	Ensure that solid waste is managed in an Integrated environmental friendly and sustainable manner	Review and Implementation of the Integrated Waste Management plan	Reviewed Integrated Waste Management plan adopted by Council	Reviewed Integrated Waste Management plan adopted by Council	Target not met 2 phases of the draft IWMP has been completed, but there is still outstanding phase of waste characterization which requires practical work/assessment to	Target not met due to financial constraints as a result of low municipal revenue streams. An allocation for the review of the plan has been made and will be implemented on 2021/22.	Director: Community Services	15	Target not met due to financial constraints as a result of low municipal revenue streams. An allocation for the review of the plan has been made and will be implemented on 2021/22.

1,18			No. of households and businesses with basic waste collection	6000 households and businesses with access to basic waste collected (ward 1, 4, 5, 6, 8 13,14, 15)	Target not met 8029 households and businesses with access to basic waste collected (ward 1, 4, 5, 6, 8 13,14, 15)	be conducted in all municipal landfill sites (Status Quo) and the municipality doesn't have the capacity to do the assessment without technical		N/A	Director: Community Services	16
1,19		Conduct waste management campaigns	No of waste awareness campaigns conducted per cluster (Electronic Media Communication)	2 waste awareness campaigns conducted (Electronic Media Communication)	Target not met 3 awareness campaign conducted as follows: 1.Nomathamba and Mlungisi Primary School – 10/09/2019 2. Kei Road Combined School – 12/09/2019.	Target met 2 Waste and Environmental management campaign conducted in Kei Road of December 2020 1 awareness campaign conducted at Kei Road		N/A	Director: Community Services	17

Amahlathi Local Municipality –2020/21 Annual Report

1,20	To protect life, property, environment and economy from hazards	Conduct integrated fire awareness campaigns	No. of fire awareness campaigns per prioritization by the Disaster forum	2 awareness fire campaigns conducted per prioritization by the Disaster forum (Electronic Media)	Target met 5 awareness campaigns conducted 1.23/07/19- Upper Ngqumeya Village, 2.Mgwali village on the 24/07/2019 3. Laangdraai 25/11/2019, 4.Goshen primary 26/11/2019, 5.Frankfort 06/12/2019. Report and dated pictures not attached	<p>3. Keiskammahok on the 29th October 2019. Quarterly report signed by Hod, attendance registers, attached Dated pictures not attached</p> <p>Target met 5 awareness campaigns conducted 1.23/07/19- Upper Ngqumeya Village, 2.Mgwali village on the 24/07/2019 3. Laangdraai 25/11/2019, 4.Goshen primary 26/11/2019, 5.Frankfort 06/12/2019. Report and dated pictures not attached</p>	N/A	Director: Community Services	18
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Amahlathi Local Municipality –2020/21 Annual Report

1,21	To ensure provision of compliant and efficient community safety by 2022 and beyond	Conduct road blocks	No. of road blocks conducted	36 road blocks conducted	Target not met 12 roadblocks conducted	<p>Target Not met</p> <p>35 Road Blocks were conducted</p> <p>9 in Q1</p> <p>9 in Q3</p> <p>17 in Q4</p>	<p>Given Shortages of staff of law enforcement planning was done in agreement with other stakeholders. One road block could not be conducted due to lack of timeous response by other law enforcement agencies tasked with joint operations. Other law enforcement agencies including police have been engaged to forge partnership in joint roadblock operations with Amahlathi law enforcement department.</p>	Director: Community Services	19
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Amahlathi Local Municipality –2020/21 Annual Report

1,22	To promote and ensure safety on municipal and public roads	Implementation of National Road Traffic Act	No. of tickets issued on law enforcement	530 tickets issued on law enforcement	Officer attached , Target met 574 tickets issued on law enforcement	Target not met 411 Tickets issued on law enforcement	The tickets were planned to be issued out on the roadblocks. Most of these roadblocks concentrated on Enforcement Covid Regulations. The focus of the future roadblocks will be on National Road Traffic Act.	Director: Community Services	20
1,23	Provision of proper road marking and signage	% of inspected damaged road markings and signs maintained	100% of inspected damaged road markings and signs maintained per inspection report	New Indicator	Target met 100% of inspected damaged road markings and signs maintained per inspection report	N/A	Director: Community Services	21	
1,24	To promote the culture of reading and effective use of library resources	No. of library awareness campaigns conducted (Electronic Media Communication)	2 library awareness campaigns conducted (Electronic Media Communication)	Target met 4 library awareness campaign conducted on the 1.23/08/19 at Kati- Kati	Target met 4 campaigns conducted as follows 2nd March 2021 (Min library for the	N/A	Director: Community Services	22	

Amahlathi Local Municipality –2020/21 Annual Report

						<p>Community Hall – National Book Week, 2. Sivuyile Primary school KKH on the 01/11/2019. Mini library for the blind, 3. 20-02-2020 at Stone Henge Primary School, 4. eBooks virtual lending link and brochures distributed on the 24th of June</p>	<p>bind –online papers handover at (Cheremera) 20/03/2021 at Zaruwaniya farm school 2 activities conducted as follows: World book fair conducted on the 21/04/2021 at Dohwe Public School. Rezi a Thon event on the 03/06/2021 at Sivuyile Public School</p>			
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3.8.2 KPA 2 MUNICIPAL FINANCE VIABILITY (MFV)

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
2,1	Output 6: Administrative and Financial Capacity	To ensure an equitable, economical, transparent, fair and value - add supply chain management system/function by 2022	Monitoring and reporting on the performance of service providers	No. of quarterly Service Provider performance reports submitted to the Mayor by the 15th day after end of the quarter	4 quarterly Service Provider performance reports submitted to the Mayor by the 15th day after end of the quarter	Target met 4 Quarterly report were submitted to Mayor as follows; 14th of October 2019, 10th of January 2020, 14th of April 2020, 08 July 2020	Target met 4 Quarterly report were submitted to Mayor as follows; 14th of October 2020, 10th of January 2021, 14th of April 2021, 08 July 2021	N/A	Chief Financial Officer	23
2,2			Strict adherence to SCM Regulations	No. of quarterly reports on (tenders awarded, deviations report, contract management report) submitted to the Mayor by the 15th day after end of the quarter	4 quarterly reports on (tenders awarded, deviations report, contract management report) submitted to the Mayor by the 15th day after end of the quarter	Target met 4 Quarterly report were submitted to Mayor as follows; 14th of October 2019, 10th of January 2020, 14th of April 2020, 08 July 2020	Target met 4 Quarterly report were submitted to Mayor as follows; 14th of October 2020, 10th of January 2021, 14th of April 2021, 08 July 2021	N/A	Chief Financial Officer	24

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
2,3		To maintain an accurate and complete fixed asset register that is compliant with GRAP by 2022.	Maintain a fixed asset register that complies with GRAP	No. of material audit queries raised on the updated asset register by the AG.	Zero material audit queries raised on the updated asset register by the AG.	Target met Asset register and audit report attached with zero material audit queries on asset register raise by AG	Target met Asset registers and audit report attached with zero material audit queries on asset register raise by AG	N/A	Chief Financial Officer	25
2,4		To ensure 80% expenditure of capital budget by 2022	Monitoring and reporting on the spending	% expenditure of capital budget	100% expenditure of capital budget	Target not met 36% expenditure capital budget incurred	Target met 101.32% expenditure capital budget incurred	N/A	Director: Engineering Services, Community Services	26
2,5		Ensure 80% collection of income due from consumer debtors by 2022	Collect 70% of billed income	% of billed income collected	60% of billed income collected	Target met 66.82 of billed income collected	Target met 55.85 of billed income collected	N/A	Chief Financial Officer	27
2.6				No. of quarterly reports on implementation of revenue enhancement strategy submitted to standing committee	3 quarterly reports on implementation of revenue enhancement strategy submitted to standing committee	Target not met Draft strategy has been developed but not yet submitted to Council for Approval	Target met 3 quarterly reports on implementation of revenue enhancement strategy submitted to standing committee	N/A	Chief Financial Officer	28

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
2.7			Revenue collection	% collection of revenue on motor vehicle registration and licenses	100% collection of revenue on motor vehicle registration and licenses	Target met 100% collection of revenue and no revenue collected during April and May due to the Covid-19 pandemic that led to national lockdown for better part of 4 th quarter.	Target met 100% collection of revenue on motor vehicle registration and licenses	N/A	Director: Community Services	29
2.8				% collection of revenue on learners and drivers licenses	100% collection of revenue on learners and drivers licenses	Target met 100% collection of revenue on learners and drivers licenses. No revenue collected during April and May due to the Covid-19 pandemic that led to national lockdown for better part of 4 th quarter.	Target met 100% collection of revenue on learners and drivers licenses	N/A	Director: Community Services	30

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
2.9				% collection of revenue on law enforcement	100% collection of revenue on law enforcement	Target not met	Target met 100% collection of revenue on law enforcement	N/A	Director: Community Services	31
2.10				% collection of revenue on cemetery management	100% collection of revenue on cemetery management	Target met 100% collection of revenue on cemetery management.	Target met 100% collection of revenue on cemetery management	N/A	Director: Community Services	32
2.11				% collection of revenue hall hiring	100% collection of revenue hall hiring	Target met 100% collection of revenue hall hiring. No revenue collected in 4 th quarter due to Covid-19 pandemic that led national lock	Target met. There were challenges in quarters 1 and 2 due to Covid-19 that prohibited gatherings as such no hall bookings were made.	N/A	Director: Community Services	33
2.12		To ensure unqualified audit opinion	Preparation and submission of credible and GRAP compliant annual	No. of Monthly financial reports (Sec 71 and sec 52 reports) submitted to Mayor and Treasury on the	12 Monthly financial report submitted to Mayor and Treasury on the 10th working day of each month 4 sec 52 reports	Target met 12 Monthly financial reports were submitted to Mayor and Treasury on the 10th	Target met 12 monthly reports and 4 sec 52 Financial reports submitted (quarter 1)	N/A	Chief Financial Officer	34

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
			financial statements	10th working day of each month	within 30 days to Mayor and Treasury)	working day of each month 4 sec 52 reports within 30 days to Mayor and Treasury)	was not within time frames. Proof of submission attached Treasury-CA 21/1/2020 17/01/2020 14/10/2020 and 1 section 52 report submitted on the 12/11/2020. CZ submission to Mayor 1/31 December 2020. Acknowledge by Treasury 15 January 2021 13/1/2021 11/12/2020 1/01/2021 23 Proof of submission to the Mayor and Treasury action acknowledgement of receipt. Submission 2 days 72			

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
2,13			Preparation and submission of credible and GRAP compliant annual financial statements	Date on which GRAP compliant annual financial statements prepared and submitted to the Auditor-General	GRAP compliant annual financial statements prepared and submitted to the Auditor-General and Treasury (Provincial & National) by 31 October 2020	Target met GRAP compliant annual financial statements prepared and submitted to the Auditor-General and Treasury (Provincial & National)	February 2021 see 7.1 report submitted 12/06/2021 04 (Section 71 and 52 B) report submitted to mayor and treasury 11/07/2021 011 submitted to mayor and treasury 14/06/2021 MIG submitted on file 01/08/2021 Target met GRAP Compliant AFS and budget of submission to AGS and Treasury (Provincial and National) attached Date: 31 October 2020	N/A	Chief Financial Officer	35

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
2,14		To prepare a realistic and compliant budget in line with the objectives and strategies in the IDP by 2022	Coordinate and develop Amahlathi municipality's budget in line with developmental imperatives in the IDP	2021/2022 budget prepared and submitted to council for approval on by 31st May 2021	2021/2022 budget prepared and submitted to council for approval on by 31st May 2021	National) by 31 August 19	Target met Final 2021/22 budget submitted	N/A	Chief Financial Officer	36
2,15		To ensure effective, compliant and credible financial planning, management and reporting by 2022 and beyond.	To ensure effective, compliant and credible financial planning, management and reporting by 2022 and beyond.	% Cost coverage (B+C)÷D B represents all available cash at a particular time C represents investments D represents monthly fixed operating expenditure	To maintain a cost average ratio of 0.5% by June 2021	Target met 0.8% cost coverage ratio maintained by June 2020	Target Not Met 0.07 cost coverage ratio maintained by June 2021	Cash flow challenges. Cash flow challenges. The following strategies are being implemented: 1. Revenue Enhancement Strategy; 2. Financial Recovery Plan; 3. Cost containment measures	Chief Financial Officer	37

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
								policy to improve revenue collection and minimize operational costs		

3.8.3 KPA 3: GOOD GOVERNANCE AND PUBLIC PARTICIPATION DETAILED PERFORMANCE

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
3,1	Output 5: Deepen democracy through a refined ward committee model.	To deepen democracy through public participation	Implementation of Public Participation Policies	No. of quarterly petition Management status reports submitted to Council	4 Quarterly reports on the status of petitions received and submitted to Council	Target met 1 Report on petitions submitted to Council on the 30th of October 2019. There were no petitions submitted in 3 rd and 4 th quarter. Report and Council resolutions attached	Target met 4 quarterly reports signed by ward Chairpersons of submission to Council dated 28 August 2020 29 October 2020 30 March 2021 29 April 2021 attached	N/A	Municipal Manager	38
3,2				No. of civic awareness campaigns conducted (Electronic Media Communication)	4 civic awareness campaigns conducted (Electronic Media Communication)	Target met 4 awareness programme conducted in civic education for local communities (Cluster) as follows; 17 September 2019 at	Target met The office of the speaker organized a Civic Education Programme as follows Q1 Mlangisi Community	N/A	Municipal Manager	39

Amahliathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
						Rabula village in ward 11, 08th of October 2020 on youth enterprise development, 26-02-2020 at Frankfort hall on effective public participation. 1 4/04/2020 on national lockdown regulations and dangers of using home brewed concoction with community.	<p>Held on the 30 September 2020 at 10h00</p> <p>02 -King Kei Cluster on the 24/11/2020</p> <p>03 – Cenyiso on 31 March 2021</p> <p>04 – Report indicating electronic awareness on street trading by law. Poster signed by HOD and</p> <p>Screenshot of the website and Report signed by HOD has been submitted</p>			
3.3				No. of reports on functionality of ward committees	4 quarterly reports on functionality of ward committees	Target met 4quarterly reports on functionality of ward committees attached.	Target met 4 quarterly report on functionality of ward committees Signed by HOD attached	N/A	Municipal Manager	40

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
3.4		Coordination and integration of Stakeholder engagement by 2022	Strengthening of IGR structures	No. of Joint Command Council (JOC) forum coordinated	Joint Command Council (JOC) forum coordinated	Target met 2 broader IGR sat on the 03 September 2019, 26th November 2019 and 3 Joint Command Council meetings were convened in response to covid19 pandemic with IGR stakeholders as follows: 02-05-2020, 07-05-2020, 04-06-2020	Target met 15 JOC meetings were held with ALM stakeholders as follows: 10 in Quarter 1 1 in Quarter 2 4 in Quarter 3 and 1 broader JOC convened in Quarter 4	N/A	Municipal Manager	41
3.5				No. of quarterly reports on implementation of JOC resolutions	4 quarterly reports on implementation of JOC resolutions	Target not met 1 Report on implementation of IGR resolutions attached.	Target met Reports attached on implementation of resolutions	N/A	Municipal Manager	42
3.6		To develop and implement effective and compliant frameworks to	Strengthening the satellite model	Developed of integrated planning and reporting	Developed of integrated planning and reporting	Target not met The draft model was submitted to	Target not met The plan was submitted to EXCO.	The integrated report was submitted to Mayor. Mayor	Municipal Manager	43

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
		improve planning and performance management by 2022		mechanism for the satellite to be approved by Mayor	mechanism for the satellite to be approved by Mayor	Corporate Services Standing Committee		presented to the EXCO and certain issues were raised for rectification. Rectification took longer and was completed by end of financial year. The plan to be implemented in 2021.22.		
3.7				No of consolidated report on implementation of Satellite Operation Model	4 of consolidated report on implementation of Satellite Operation Model	Target met 4 consolidated report on implementation of Satellite Operation Model	Target met 4 consolidated report on implementation of Satellite Operation Model	N/A	Municipal Manager	44
3.8	To promote effective Communication of Amahlathi business by 2022		Functionality of B2B/ war room approach	No of reports on functionality of war rooms submitted to Council	4 reports on functionality of war rooms submitted to Council	Target not met Report prepared however not submitted to Council.	Target met 4 reports And Proof of submission to Council submitted 30/07/2020 29/10/2020 30/03/2021 and 29/11/2021	N/A	Municipal Manager	45

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
3.9		To ensure a clean and accountable governance in Amahlathi by 2022	Strengthening systems and mechanisms relating to governance processes, risks management and internal controls	% implementation of the MPAC Annual Programme of Action	100% implementation of the MPAC Annual Programme of Action	Target not met The meetings and visits did not sit due to the committee not being able to meet the quorum. The assessment of capital projects, annual report public hearings we conducted and oversight report was tabled to Council	Target not met	Annual report Roadshows could not take place in all areas due to poor attendance. Due to MPAC inadequate composition of the committee required capacitation. The council improved the composition and workshops were conducted to capacitate the MPAC.	Municipal Manager	46
3.10				No. of quarterly reports on the Functioning of the Executive Committee submitted to Council	4 quarterly reports on the Functioning of the Executive Committee submitted to Council	Lack of capacity on roles and responsibilities of Councilors that led to non-implementation of the some activities.	Target met 4 Reports submitted to Council on the functioning of Executive Committee as follows: 28/03/2021 25/11/2021	N/A	Municipal Manager	47

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
						Workshop on roles and responsibilities of Councilors was conducted in Third quarter. Meetings could not sit due to national lockdown. Implementation will be done once the regulations have been lifted	3/03/2021 23/04/2021			
3.11				No. of quarterly Reports on the Functioning of all Council Structures submitted to Council	4 quarterly Reports on the Functioning of all Council Structures submitted to Council	Target not met Training committee was clashing with Special Council Meeting. Ordinary Council meeting could not be conducted during level 4	Target not met 4 Reports submitted to Council on the functioning of Council Structures as follows:26/05/2020 29/10/2020 3/03/2021 23/04/2021	N/A	Municipal Manager	48

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
3.12				No. of risk management reports submitted to the Risk Committee	4 quarterly risk management reports submitted to Risk Committees	Target met 4 quarterly risk management report submitted to Risk Committee on the 12 September 2019, 10th December 2019, 24-25th February 2020, 29-20 June 2020	Target met 4 quarterly risk management reports submitted to Risk Committee on the 11/09/2019, 13/11/2019, 26/12/2019, 30/02/2021	N/A	Municipal Manager	49
3.13				% implementation of the 2020/2021 risk-based internal audit plan (all scheduled audits implemented)	100% implementation of the 2020/2021 risk-based internal audit plan	Target not met 94.44% implementation of the 2019/2020 risk-based internal audit plan	Target not met 93% implementation of the internal audit assignments scheduled for	There was a problem of staff turnover in the unit. The municipality has since improved staff complement.	Municipal Manager	50

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
3.14				No. of Anti-corruption and Fraud programmes conducted per implementation plan	4 Anti-corruption and Fraud programs conducted per implementation plan	Target not met 3 Fraud Awareness campaign took place on the 30 September 2019, 12th December 2019, 06th March 2020	Target met 4 Fraud workshops conducted on the 29/03/2021, 30/03/2021, 22/05/2021 and 30/05/2021		Municipal Manager	51
3.15				No. of reports submitted to the Audit Committee regarding implementation of AC resolutions	4 reports submitted to the Audit Committee regarding implementation of AC resolutions	Target met 4 reports have been submitted to Audit Committee meetings as follows; 12 September 2019, 22nd November 2019, 28th May 2020 and 09th June 2020	Target met 4 reports submitted to the Audit Committee regarding implementation of AC resolutions as follows: 28 October 2019 09 Dec 2019 25 Jan 2021 28 May 2021	N/A	Municipal Manager	52
3.16		Ensure effective & efficient resolution of legal matters	Develop of compliance register and compliance plan	% Implementation of compliance plan	100% Implementation of compliance plan	Target met 100% Implementation of compliance plan.	Target met 100% Implementation of compliance plan.	N/A	Municipal Manager	53

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
3.17			Resolve legal matters of the municipality	No. of reports on legal matters and their status with financial implications	4 reports on legal matters and their status with financial implications and legal opinion	Target met 4 reports on legal matters and status with financial implications attached	Target met 4 reports on legal matters and status with financial implications attached	N/A	Municipal Manager	54
3.18		To ensure mainstreaming of special programmes into Amahlathi Municipality programmes by 2022	Development, review and implementation of the Special programmes unit action plan	No. of SPU designated groups supported (Youth, Women, Elderly, Disabled, Children, HIV/AIDS and Sport)	7 SPU designated groups capacitated (Youth, Women, Elderly, Disabled, Children, HIV/AIDS and Sport)	Target met 7 SPU programmes were conducted to support Youth at Great Kei Town Hall on the 25/08/2019 (Sport Promotion Programme) and (Cleaning Campaign for women 26/07/19). capacitation programs on designated group conducted Condom distribution on	Target met 9 programmes conducted 1. Visited 2 women owned projects on the 10/08/2020 2. Sport promotion programme 3. Transferrable 4. of disabilities for Shegamoth Salies FC from Ex-Student from on the 08/08/2020 5. HIV program on the 09/08/2020 6. International Disability day 10/12/2020	N/A	Director, Strategic Services	55

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
						<p>the 18/12/2019 at ward 13, Fun run held at Kei road in respect of 16 days of activism against women and children abuse on the 30/11/2019, Handing over seedling to disabled on the 03/12/2019 at Ethembeni, Handover ceremony in respect of older persons on the 16th October at Keiskammaho ek. 10 uniforms were handed over to children at Sikhulule Primary school</p>	<p>Programs conducted @ Capacity building of HIV/AIDS support group at Mankwato-ol 28th March 2021 7 Visit at Ungabonkhulu Elderly center in Keiskammaho ek on the 12 March 2021 3 Children's program 20/11/2020 9 21-25 June 2021 (handing over of PPE to Sinokamva EDDU)</p>			

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
3.19		To promote effective Communication of Amahlathi's business by 2022	Effective implementation of the Public Communication Action Plan to revive public trust and confidence	No of Radio Interviews on Service Delivery highlights	4 Radio Interviews on Service Delivery Highlights	on the 03rd-07 February Target not met 2 programs conducted 1. Visited 2 women owned project on the 10/08/2020 2. Sport promotion programme (Transportation of tracksuits for Cheaptown Callies FC from EL-Stutterheim) on the 08/08/2020 Q2 – Due to covid 19 restrictions on elderly premises, target could not be met in Q2 Q3 - 2 programs conducted, Capacity	Target met Q1 – 1 radio interview field on 13 August 2020 with Fote Fij Q2-1 radio interview on the 08/08/2020 with Fote Fij Q3-1 radio interview field on 24 th February 2021 Interview with Fote Fij Q4 – Municipal community engagements on 25/05/2021 Radio highlights Ngqushwa FM, Khaya FM	Director; Strategic Services	56	

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
						building of HIV/AIDS support group at Ndakana at 26 th March 2021. Visit at Ungakhokhobi Elderly center in Keiskammaholek on the 12 March 2021 Q4 - Quarterly report signed by Hod, Signed attendance registers date 21-25 June 2021 (handing over of PPE to Sinekamva ECDC) And Dated photos				
3.20				No of Audio-visuals on Municipal Programs	12 Audio-visuals on Municipal Programs compiled	Target met 12 Audio-visuals on Municipal Programmes compiled Dated Screen	Target met 12 Audio-visuals on Municipal programs compiled	N/A	Strategic Services	57

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
						Shot of the website on the uploaded content attached. 14 August 2019 10 September 2019 25 September 2019, Team building, wellness day and commemorating world aids day, Candle light memorial in Cathcart, Keiskammahok cleanup campaign and business Trading bylaws, KKH clean-up campaign uploaded on the 31/01/2020,				

Amahliathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
						Introduction of construction company for Notherga Community hall uploaded on the 24/02/2020, Covid-19 National state of disaster uploaded on the 25/03/2020, Covid-19 National state of disaster uploaded on the 20/04/2020, First Joint Operation Committee meeting 25-6-2020, Clip on Phelophepha on the 27-05-2020	Target met 2 Newsletters developed			
3.21				No of Newsletters developed	2 Newsletters developed	Target not met 1Copy of the newsletter attached	Target met 2 Newsletters developed	N/A	Director; Strategic	58

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
3,22		Strengthening Amahlathi ICT systems and networks for future generations by 2022	Improvement of ICT infrastructure for efficiency and data recovery	% information for municipal users back-upped	80% information for municipal users back-upped	Target not met 60.65 Most end-users/employees where working from home during the quarter due to the national lockdown and the number of employees that was connecting to the municipal network was low and the 80% information backed up was not reach from 1 April – 30 June 2020.	Target not met 64.5% information for municipal users back-upped	Most end-users/employee where working from home during the quarter due to the national lockdown cause by the covid 19 pandemic and the number of employee that were connecting to the municipal network was low and the 80% information backed up was not reach from 1 July-30 September 2020. Planning will be done to accommodate covid-19 regulations. The	Director, Strategic Services	59

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
3,23		Strengthening Amahlathi ICT systems and networks for future generations by 2022	Improvement of ICT infrastructure for efficiency and data recovery	Turnaround time to attend to logged faults by users	10 working hours to attend to logged faults users	Target met An average of 2:17:49 minutes taken to attend to logged faults		N/A	Director; Strategic Services	60
3,24		To ensure compliant, effective and efficient customer management by 2022 and beyond.	Provide on-going support to users on system related queries	% of reported system related queries resolved	95% of reported system related queries resolved	Target met 100% of system related queries resolved. 1. Quarterly Report signed by Hod 2. Emails from users 3. Response email to users 4. Register of logged and resolved faults with dates and times		N/A	Chief Financial Officer	61
3,25		To ensure business continuity in the event of a disaster	Implementation and monitoring of controls to	Daily backups done on Financial system,	Daily backups done on Financial system,	Target met Daily backups done on Financial		N/A	Chief Financial Officer	62

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
		by 2022 and beyond	ensure security of information and business continuity	Payroll and HR system	Payroll and HR system	Pay day systems	system. Payroll and HR system			
3,26		Strengthening systems and mechanisms relating to governance processes, risk management and internal controls	To comply with all legislation applicable to the Corporate Services Department	Compliance certificate signed by HOD	Compliance certificates submitted	Target not met List of compliance matters attached however no Compliance certificate signed by HOD	Target Not Met Reports and proof of compliance submitted	N/A	Director: Corporate Services	63

3.8.4 KPA 4: LOCAL ECONOMIC DEVELOPMENT (LED)

IDP Ref	Outcome 9: A Responsive Implementation of Community Work Programmes	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
4,1	Output No 3: Implementation of Community Work Programmes	To improve implementation of the government intervention programme to eliminate poverty by 2022.	Implementation of the EPWP and municipal job creation programme	No. of jobs created through EPWP	100 jobs created through public works grant	Target met 204 jobs created through public works grant	Target met 252 jobs created through public works grant	N/A	Director Engineering Services	64
4,2		To stimulate growth of the local economy through robust programmes by 2022.	Support and development of SMMEs around Amahlathi Local Municipality.	% of Amahlathi procurement expenditure should benefit SMMEs	10% of Amahlathi procurement expenditure should benefit SMMEs	Target met 28% of Amahlathi procurement expenditure should benefit SMMEs	Target met 47,75% of Amahlathi procurement expenditure should benefit SMMEs	N/A	Chief Financial Officer	65
4.3				No of SMMEs supported to access government Relief Support Measures	20 SMMEs supported to access SMME Relief Measures	Target not met due to COVID-19 pandemic Regulation that led to lockdown	Target met 53 SMMEs supported on assessing relief measures	N/A	Director: Development and Planning,	66

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
4,4			Capacity of SMMEs and Co-ops through various interventions	No of Businesses that comply with Municipal business regulations	20 Businesses that comply with Municipal business regulations	Target met 16 Contractors were trained on the 09/03/2020 at Mlungisi community hall	Target met 32 temporary permits were issued to informal food traders and Spaza shops in quarter 1, 10 in Q2 and 32 in quarter 3.	N/A	Director: Development and Planning	67
4,5			Projects of R4million and above to subcontract local contractors	No. of local contractors supported to subcontracted (advocated)	1 local contractors supported for subcontracting	Target not met Process plan developed however the subcontracting document not submitted to Council	Target met 2 local contractors subcontracted on Fenny Project in Q1 and Q2. An additional contract at the bidding and of minutes	N/A	Director: Development and Planning	68
			Support and development of SMMEs around Amahlathi Local Municipality.	No. of quarterly report on Trading By Law Enforcement Interventions	2 quarterly report on Trading By Law Enforcement Interventions	New Indicator	Target met The report on law enforcement intervention reestablishment of committee in Suthareshi, Mankamasho and Tshikani	N/A	Director: Development and Planning	69
4,6			Stimulate and Strengthen	No. of twinning engagement	2 twinning agreements with	Target not met Meetings were held with both	Target not met 1 signed twinning agreements with	One Twinning Agreement was	Director: Development	70

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
			relationship between Amahlathi and other municipalities	programs commissioned	Strategic Institutions	strategic partners on 4th December 2019. Fort Cox needed more time to submit the draft MOU to its Legal Department for verification, hence the delayed signing	Fort Cox college on 21/05/2021	not formalized by DRDAR. The parties agreed that the existing arrangements be utilized.	nt and Planning	
4.7		Promotion of Tourism through the establishment of Local Tourism Organization and CTOs by 2022	Participate in marketing platforms and host events	No. of trainings conducted for LTOs and CTOs	2 support interventions for LTOs and CTOs	Target met 3 trainings conducted on Customer Care services in the work place, Costing Trainings and First Aid Training on the 16th August 2019 at Peddie.	Target met 2 support interventions for LTOs and CTOs. Session was convened on the 25-30 October 2020 for LTOs and CTOs on recycling and digital marketing of usual art	N/A	Director: Development and Planning	71
4.8				No. of tourism marketing platforms used to promote	4 tourism marketing platforms to promote crafters artefacts	Target not met 3 Events attended on (26 June- 08 July 2019- Grahamstown	Target met 1. Website Screen shot reflecting marketing of	N/A	Director: Development and Planning	72

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
				crafters artefacts		National Arts Festival), 1 exhibition of amahlathi crafters at Stutterheim on the 29/11/2019 attached, Grahamstown National Art Festival 2020 was digital this year due to Covid 19 pandemic. However Amahlathi Crafters Association were selected and profiled by Amahlathi Local Municipality and Department of Sport Recreation, Arts and Culture to meet the standards of Grahamstown National Art Digital Festival	<p>Amahlathi Large Mountain Craft Exhibition was included in Municipality website 3 Facebook page for Amahlathi Tourists SHINE s- Bright Sewing ideas and 4 Promotion up the (2019/2021) through Arts Market and Fashion show event held at Stutterheim.</p>			

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
4.9		Promotion of Tourism through identification of Tourist areas	Promotion of identified tourism sites.	No. of tourist attractions promoted	6 tourist attractions promoted	New Indicator	Target met 6 tourist attractions promoted (1) Solwe Agricultural Institute 2, Fort Cox Agricultural College 3, James Arthur, Calata profits 4, Sutu 5, Free project 6, KwaZange 6 Goshen Moravian church	N/A		73
4.10		To Stimulate local economy through Agricultural development by 2022	Provision of capacity building programs to support existing farmers	No. of farmers supported with capacity building	5 farmers to be supported with capacity building	Target met 5 farmers were trained on White and Red meat production in September 2019.	Target met 13 farmers trained (7 Training conducted on the 17-18 September 2020 and 13 October 2020 By Rabsiz For 13 farmers on poultry meat brooding 7 farmers and Piggery 4 farmers	N/A	Director: Development and Planning	74

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
4.11		To ensure value-maximization of the forestry natural resource in line with local economic development by 2022.	% Implementation of a forestry strategy in a Co-ordinated manner	% Implementation of the Forestry Strategy	50% implementation of the Forestry Strategy	Target not met In 4 th quarter there was supposed to be a business training intervention for the Forestry Coops. Which could take place due to its contact nature due to COVID-19 Lockdown regulations	Target met 100% implementation of the Forestry Strategy	N/A	Director: Development and Planning	75
4.12		To ensure development of the economic infrastructure required to enable increased economic growth	Source funding through development of business plans	No. of Catalytic Projects packaged	3 Catalytic Projects packaged	New Indicator	Target Met 3 Catalytic Projects packaged 1. Keisammithesh shopping Complex 2. Sutharain Master and Pheond Phe 3. Management of Municipality Property's portfolio	N/A		76

3.8.5 KPA 5: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT (MTI)

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5,1	Output 1: Implement and differentiate approach to Municipal Finance, Planning and support	To attract, retain, build capacity and maximize utilization of Amahlathi Human Capital by 2022 and beyond	Implementation of the approved organizational structure.	No. of Reviewed institutional policies adopted by council	60 Reviewed institutional policies adopted by council	Target not met 1 policy review workshop conducted on the 18th March however they were not submitted to Council for adoption	Target met 63 policies were submitted to Council by together with Strategic and Framework	N/A	Director: Corporate Services	77
5.2				Approved re-designed Organizational structure submitted to Council by June 2021	Approved re-designed Organizational structure submitted to Council by June 2021.	Target not met Meeting was held with on the 11 June 2020 with COGTA regarding Reviewal of structure and job evaluation process	Target not met Structure was submitted to LLF before submission to council and the session was scheduled for 23 June and was never convened.	The target not met due to meeting postponement on 23 June 2021. Submission of the organizational structure report will be done during first quarter of 2021/22 financial year.	Director: Corporate Services	78

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5.3				% of new and funded posts filled as per the approved staff establishment	100% of new and funded posts filled as per recruitment plan	New Indicator	Target met 100% of new and funded posts filled as per recruitment plan	N/A	Director: Corporate Services	79
5.4				No of implemented programs per Human Resource Strategy implementation plans	4 implemented programs per Human Resource Strategy implementation plans	New Indicator	Target met 4 implemented programs per Human Resource Strategy implementation plans 1. Labour offices on the 26/05/2021 2. 25 October 2020 Held in KPH 3. Annual meeting conducted 25 March 2021 4. 14/05/2021	N/A	Director: Corporate Services	80
5.5			Strengthening systems and mechanisms relating to governance	No. of EAP programmes implemented as per approved plan	4 EAP programmes implemented per approved plan (Cancer)	Target met 4 EAP programmes implemented Cancer	Target met 4 EAP programmes implemented Cancer	N/A	Director: Corporate Services	81

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
			processes, risks management and internal controls		awareness, World Aids day, Sexual health and TB awareness and Candle Light)	awareness session was held on the 20/08/19 and Financial wellness education session on the 04/09/19, World aids day and team building awareness on the 29/11/2019, sexual health awareness on the 6/03/2020 at Kei Road.	awareness and financial wellness programme was conducted on the 10/05/2021. 2. World Aids day conducted on 1st December 2020 at Stutterheim 3. TB and sexual transmitted diseases awareness and financial wellness programme was conducted on the 11/02/2021 at Cahrair 4. Candle light festival at Keiskammank on the 05 May 2021.			

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5.6				Development and implementation of Amahlathi LM COVID-19 containment strategy and compliance plan	Development and implementation of Amahlathi LM COVID-19 containment strategy and compliance plan	New Indicator	Target met Report on Amahlathi LM COVID-19 Maintenance strategy signed by HOD and Compliance team submitted	N/A		82
5.7			Strengthening systems and mechanisms relating to governance processes, risks management and internal controls	Review and Implementation of OHS plan	Review and Implementation of OHS plan	Target not met 1 OHS programme conducted on the 06-03-2020 Corporate Services department	Target met OHS plan reviewed and implemented 1. Site visits conducted in KwaKwamahek 20/10/2020 2. Capacity building session conducted at Gathuthathu on the 11/02/2021 meetings and site visits 05/05/2021	N/A	Director: Corporate Services	83

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5.8				No of employee satisfaction survey conducted	1 employee satisfaction survey conducted	Target not met No employee satisfaction conducted and as such nothing has been submitted to Standing committee	Target met 1 employee satisfaction survey conducted	N/A	Director: Corporate Services	84
5.9			LLF meetings held	No of LLF meetings	4 LLF meetings	New Indicator	Target met 6 LLF meetings were held as follows: 11/05/2020, 25/09/2020, 05/11/2020, 21/01/2021, 12/03/2021, 26/06/2021	N/A	Director: Corporate Services	85
5,10			Implementation of the approved EEP	No. of quarterly reports prepared on compliance with EEP annual targets	4 quarterly reports prepared on compliance with EEP annual targets	Target met 4 quarterly reports prepared on compliance with EEP annual targets.	Target met 4 quarterly reports prepared on compliance with EEP targets	N/A	Director: Corporate Services	86

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5,11		Promotion of Community safety	Development of Liquor by-laws	Amahlathi Liquor by-Laws developed and adopted by council - Yes/No	Amahlathi Liquor by-Laws developed and submitted to council for adoption	Target not met Draft liquor by-law attached however not submitted to Council for adoption	Target met Liquor By-law Draft of Amahlathi submitted to Council held on 25 May 2021	N/A	Director: Community Services	87
5,12		To ensure effective and efficient and economical management of cemeteries	Review of Cemetery Management Policy	Review cemetery management policy submitted to Council for adoption	Review cemetery management policy submitted to Council for adoption	Target not met Draft Cemetery Management Policy developed and submitted to standing committee on the 14th August 2019 but was never submitted to Council for adoption	Target met Cemetery policy was submitted to Council held on the 28.05.2021	N/A	Director: Community Services	88
5.14		Facilitate Review and Implementation of Disaster Management Plan	Facilitate Review and Implementation of Disaster Management Plan	Disaster Management Plan submitted to Council for adoption	Disaster Management Plan submitted to Council for adoption	New indicator	Target met Disaster Management Plan All Hazard Contingency Submitted to Council scheduled for 28.05.2021	N/A	Director: Community Services	89

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5.15		To ensure that all disaster incidents are attended	To ensure effective, efficient and economical management of Fire and that disasters are attended	Integrated Fire Management Plan adopted by council - Yes/No	Integrated Fire Management Plan adopted by council	New Indicator	Target Met Integrated Fire Management Plan submitted to council scheduled for 28/05/2021	N/A	Director: Community Services	90
5.16		To ensure appropriate capacity building interventions by 2022	Develop and implement programmes (for graduate re-skilling) especially linked to areas of scarce skills)	No of training intervention programs organized for Employees, Councilors and Communities implemented per approved annual training plan	4 trainings intervention programs implemented per approved annual training plan	Target not met Trainings occurred on the 15/07/19 (Local Labour Forum Training at Library) 04/09/19 (Training committee at Library).	Target Met Trainings done outside training plan no budget for trainings conducted as follows 1. Housing and Development for councilors by Human Settlements 16 October 2020 2. Bid Committee Trainings 3. Digitalization training 4 Annual Local Government Labour seminar	N/A	Director: Corporate Services	91

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5.17		To ensure cost efficient and economical use of council resources commensurate to effective IDP implementation by 2022 and beyond	Strengthening systems and mechanisms relating to governance processes, risks management and internal controls	No. of reports implementation of fleet management systems.	4 reports on implementation of fleet management systems.	Target not met 3 reports attached with system printouts on fleet management system	5.18- 19/04/2021 at Council by JLP and B additional training conducted on 12/15/2021 on Target Met 4 reports on implementatio n of fleet management systems	N/A	Director: Corporate Services	92
5.18				Developed fleet and fuel monitoring strategy submitted to Council for adoption	Developed fleet and fuel monitoring strategy submitted to Council for adoption	Target not met Draft strategy has been developed but not submitted to Council for adoption.	Developed fleet and fuel monitoring strategy submitted prior to submission to Council 25 January 2021 for adoption submitted	N/A	Director: Corporate Services	93
5.19			Efficient and economical utilization of council resources	% decrease in telephone expenditure	20% decrease in telephone expenditure	Target met 26.18% decrease in telephone expenditure	Target met 71.82% decrease in telephone expenditure	N/A	Director: Corporate Services	94

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5.20		To ensure compliant and prudent safeguarding and preservation of institutional memory by 2022 and beyond	Establishment of legal frameworks, standards and ethical principles to protect the confidentiality of data	No. of reports prepared on implementation with the file plan	4 reports prepared on implementation with the file plan	Target met 4 reports prepared on compliance with file plan.	Target met 4 reports prepared on implementation with file plan	N/A	Director, Corporate Services	95
5.21		To develop and implement effective and compliant frameworks to improve planning and performance management by 2022	Integrated Planning and Development	Date on which the 2020/20 IDP is submitted to Council for approval	2020/21 IDP submitted to Council for approval by 31st May 2020	Target met 2020/21 IDP was submitted to Council on the 29th May 2020	Final 2021/22 IDP submitted to Council 31 May 2021	N/A	Director, Strategic Services	96
5.22		Improve the effective functionality and credulity of the performance management System	Improve the effective functionality and credulity of the performance management System	No. of days by which the 2020/21 SDBIP is submitted to the Mayor for approval	2020/20SDBIP submitted to the Mayor for approval by the 28th day after approval of the budget	Target met SDBIP was submitted to the Mayor approval by the 24th	Copy of Final 2021/22 SDBIP and Final of submission Approval by Mayor dated 24 June 2021 submitted	N/A	Director, Strategic Services	97
5.23				No of accountability agreements signed	77 accountability agreements signed {17 Comm Serve, 7 Eng.	Target not met 29 accountability agreements were signed during Q1 of	Target not met 40 accountability agreements signed	Target was decentralized in the midst of organizational design and job description	All HODs	98

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
					Serv,6 Planning and Dev, 19 BTO, 6 Corp Serve, 5 office of MM, 6 Strategic Serve, 11 Executive Support}	2019/2020 financial year		writing implementation process. Corporate Services to institute policy directive on non-compliance to performance management as a result of the currently approved functional structure and its implementation.		
5.24				No. of individual performance reviews coordinated (Task grade 12 and upwards)	2 Quarterly individual Performance Reviews coordinated by each HOD (Task grade 12 and upwards	Target not met No reviews conducted Grade 12 upwards.)	Target not met 1 department conducted reviews during the year under review	Due to decentralization of Accountability Agreement process in the midst of organizational design and job description writing implementation process,	All HODs	99

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5.25				No. of quarterly organizational performance reports submitted to Council	4 quarterly organizational performance reported submitted to Council	Target not met 3 quarterly organizational performance reports submitted to Council. Third quarter report was not submitted to Council	<div style="background-color: red; color: white; padding: 5px;"> Target met 4 Organizational Performance assessment report 20/07/2020 20/10/2020 25/01/2021 31/03/2021 </div>	reviews were negatively impacted. Corporate Services to institute policy directive on non-compliance to performance management as a result of the currently approved functional structure and its implementation.	Director; Strategic Services	100

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5.26				Date on which the 2018/19 final and audited Annual Report is submitted to Council and AG	2019/20 Unaudited Annual report submitted to AG on 31 October 2020	Target met Copy of Unaudited Annual Report, Council resolutions and proof of Submission to Treasury and AG attached by 31 August 2013	Target met 2019/20 Unaudited Annual Report submitted to AG on 31 October 2020	N/A	Director, Strategic Services	101
5.27		To promote sustainable Local economic development by 2022	Development and implementation of the Spatial Development Framework	Reviewal of the SDF and submitted to council	Reviewal of the SDF and submission to council	Target not met Situation analysis developed on the file for the progress made	Target not met	Directorate has not secured internal town planning capacity to drive project Appointment of Town Planner will be made during 2021/22 financial year to drive the project.	Director Development and Planning	102

Amahlathi Local Municipality –2020/21 Annual Report

IDP Ref	Outcome 9: A Responsive	Strategic Objective	Strategy	Key Performance Indicator	Annual Target 2020/21	Annual Actual 2019/20	Annual Actual 2020/21	Reason/Comment and Corrective Action	Custodian	KPI NO
5.29			Ensure effective and efficient land administration within Amahlathi Local Municipality	Developed SPLUMA Compliant Wall to Wall Scheme and submitted to Council for adoption	Developed SPLUMA Compliant Wall to Wall Scheme and submitted to Council for adoption	Target not met	Target not met	Directorate has not secured internal town planning capacity to drive project Target to be deferred to next financial year	Director Development and Planning	103

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE**4.1 INTRODUCTION**

According to the Amahlathi Local Municipality organisational structure, the Municipality suppose have six (6) section 56 managers who supposed to sign performance agreements and submitted to the Department of Local Government and Traditional Affairs within the required time frames.

Three of the directors left the municipality. The positions have been advertised to fill in the vacant positions through recruitment processes and the recommended candidates will assume their duties on 01 July 2021.

The 6 section 56 managers lead the following departments:

DEPARTMENT	FILLED/NOT FILLED
Municipal Managers Office	Filled
Budget and Treasury Office	Filled
Development and Town Planning	Filled
Engineering Services	Vacant due to resignation and not filled. The candidate will assume the duties on 01 July 2021
Community Services	Vacant due to resignation and not filled. The candidate will assume the duties on 01 July 2021
Corporate Services	Vacant due to resignation and not filled. The candidate will assume the duties on 01 August 2021
Strategic Services	Vacant due to resignation and not filled. The department has been abolished in the approved structure.

Full time staff complement per functional area

Employees				
Description	Year 18/19	Year 2019/20		
	Employees	2019/2020	Current year 2020/21	Total No
	No.			Employees
Corporate Services	22	21	21	21
Development and Planning	19	19	19	19
Engineering Department	89	84	81	81
Community Services	117	115	106	106
Executive Services & Strategic Service	41	39	37	37
BTO	31	31	27	27
Totals	320	309	291	291

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, as per the approved organogram.

Amahlathi Local Municipality- 2020/21 Annual Report

Vacancy Rate: Year 2020/21			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0%
CFO	1	0	0%
Other S56 Managers (excluding Finance Posts)	4	3	75%
Senior Manager Levels 17-19	7	5	71.4%
Highly skilled supervision levels 12-16	64	3	4,6%
Skilled Technical & Academically Qualified Workers, Junior Management 9-11	104	2	1.9%
Total	181	13	7.2%

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.

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
Year (2020 / 2021)	7	Resignations - 8	
		Retirement - 11	
		Death - 2	
		Dismissals- 0	
		Promotions -0	
Total	7	21	7.2%

* 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 T 4.1.3

4.2 MANAGING THE MUNICIPAL WORKFORCE

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	.	
1	Code of conduct for councillors	100	March 2021	31 May 2021
2	Rules of order	100	March 2021	31 May 2021
3	Petitions Policy	100	March 2021	31 May 2021
4	Code of conduct for ward committees	100	March 2021	31 May 2021
5	Career Management policy	100	March 2021	31 May 2021
6	Experiential training policy	100	March 2021	31 May 2021
7	Scarce Skills Policy	100	March 2021	31 May 2021
8	Employee study assistance policy	100	March 2021	31 May 2021
9	Training and development policy	100	March 2021	31 May 2021
10	Acting allowance policy	100	March 2021	31 May 2021
11	Bereavement Policy	100	March 2021	31 May 2021
12	Leave Policy	100	March 2021	31 May 2021
13	Policy on policy development	100	March 2021	31 May 2021
14	Fleet management Policy	100	March 2021	31 May 2021
15	Subsistence and Travelling Policy	100	March 2021	31 May 2021
16	Official transport to attend Funerals (Bereavement Policy)	100	March 2021	31 May 2021
17	Job Evaluation review policy	100	March 2021	31 May 2021
18	Occupational health and safety policy	100	March 2021	31 May 2021
19	Overtime and shift allowance policy	100	March 2021	31 May 2021
20	Performance Management and Development	100	March 2021	31 May 2021
21	Recruitment, Selection policy	100	March 2021	31 May 2021
22	Code of conduct for staff members	100	March 2021	31 May 2021
23	Long Service Allowance Policy	100	March 2021	31 May 2021
24	Grievance procedure	100	March 2021	31 May 2021
25	Skills Development policy	100	March 2021	31 May 2021
26	Staff retention policy	100	March 2021	31 May 2021

Amahlathi Local Municipality- 2020/21 Annual Report

27	Telephone usage and cellular allowance phone	100	March 2021	31 May 2021
28	Records Management Policy	100	March 2021	31 May 2021
29	Uniforms and Protective Clothing (Health and Safety Policy)	100	March 2021	31 May 2021
30.	Placement Policy	100	March 2021	31 May 2021
31.	Covid 19 Management Policy	100	March 2021	31 May 2021
32.	Civic Policy	100	March 2021	31 May 2021
32.	Exit & Retirement Policy	100	March 2021	31 May 2021
33.	Fleet & Fuel Monitoring Strategy	100	March 2021	31 May 2021
Use name of local policies if different from above and at any other HR policies not listed. T 4.2.1				

4.3 SICK LEAVE

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	0	0	0%	0	0
Temporary total disablement	0	0	0%	0	
Permanent disablement	0	0	0%	0	0
Fatal	0	0	0%	0	
Total	0	0		0	0

T 4.3.1

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' 000
Lower skilled /Unskilled (Levels 2-5)	256	3.25%	35	101	2.72	
Semi-Skilled (Levels 6-11)	462	4.32%	41	129	3.94	
Highly skilled production (levels 12-19)	246	4.87%	24	58	3.19	
Interns	0	0%	0	0	0	
Other (task grade pending)	0	0%	0	0	0	
MM and S57	5	0%	1	3	1.66	
Total	969	7.93%	101	291	3.32	

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

T 4.3.2

Amahlathi Local Municipality – 2020/21 Annual Report

Number and Period of Suspensions			
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised
Human Resources Development Manager	Insolent behaviour/ Conduct Gross Misconduct	Not Suspended	We have appointed a new Presiding Officer and a Prosecutor to convene on this matter, because of the pandemic we had to put the matter on hold.
Senior Electrician	Three Counts of Gross Misconduct	Not Suspended	Disciplinary hearing was scheduled for the 26 th of March but due to the Covid-19 pandemic we had to postpone the matter. The hearing was scheduled for the 25 th of June 2021 but due to the unavailability of the employees' representative and postponed until further notice
Artisan Assistant	Gross Misconduct	Not Suspended	Disciplinary hearing was scheduled for the 26 th of March but due to the Covid-19 pandemic we had to postpone the matter until 06 July 2021.
Unit Manager Cathcart satellite	Gross Misconduct	Suspended	Disciplinary hearing was held on the 11 June 2021 and postponed until further notice due to submission of medical certificate by alleged employee.

4.4 CAPACITATING THE MUNICIPAL WORKFORCE - SKILLS DEVELOPMENT AND TRAINING

SKILLS DEVELOPMENT MATRIX

Skills Matrix												
Management Level	Gender	Employees in post as at 30 June Year 2021	Learnerships			Skills programmes & other short courses			Actual: End of Year 2020	Actual: End of Year 2021	Year 2021 Target	Actual: End of Year 2021
			Actual: End of Year 2020	Actual: End of Year 2021	Year 2021 Target	Actual: End of Year 2020	Actual: End of Year 2021	Year 2021 Target				
		No.										
MM and s56	Female					MM and s56		1	1	1		2
	Male							1	1	1		2
Councillors, senior officials and managers	Female					Councillors, senior officials and managers		0	1	1		2
	Male							1	1	1		3
Technicians and associate professionals*	Female					Technicians and associate professionals*		1	1	1		2
	Male							1	1	1		1
Professionals	Female					Professionals		1	1	1		2
	Male							1	1	1		2

Amahlathi Local Municipality –2020/21 Annual Report

Semi-Skilled and Unskilled	Female							1	1	1	1	4
	Male							1	1	1	1	3
Sub total	Female							0	3	3	0	0
	Male							15	10	10	10	24
Total								22	15	10	10	24

*Registered with professional Associate Body e.g. CA (SA)

1.5 MANAGING THE WORKFORCE EXPENDITURE

Designation	Wages and benefits 2019/20	Wages and benefits 2020/21
Municipal Manager	R1 303 761	R1 386 637
Corporate Services Manager	R774 048	Vacant
Planning and Development Manager	R830 434	R894 447
Engineering Services Manager	R803 635	Vacant
Community Services Manager	R830 434	Vacant
Finance Manager (CFO)	R946 669	R1 022 226

EMPLOYEE RELATED COSTS	2019/20	2020/21
Basic	R84 192 301	85 046 071
Bonus	R6 960 305	7 176 306
Medical aid contributions	R6 155 797	6 579 487
UIF	R552 122	527 433
Travel, motor car, accommodation, subsistence and other allowances	R1 752 665	3 149 186
Overtime payments	R1 037 209	1 453 755
Acting allowance	R383 157	761 858
Travel allowance	R5 367 477	5 710 776
Housing benefit and allowances	R3 136 500	2 976 180
Industrial Council Levy	R 35 351	35 737
Pension fund contributions by Council	R14 893 583	15 328 292

REMUNERATION OF COUNCILLORS	2019/20	2020/21
Mayor	R840 313	R840 313
Speaker	R683 003	R681 131
Council Salaries	R7 094 938	R7 094 938
Councilor allowances	R3 375 213	R2 963 438

CHAPTER 5: FINANCIAL PERFORMANCE

5.1 INTRODUCTION

This chapter contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

Amahlathi Local Municipality –2020/21 Annual Report

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

Reconciliation of Table A1
Budget Summary

Description	Year 2020/21										Year -2019/20				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
R thousands	Original Budget	Budget Adjustments (i.l.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.l.o. s31 of the MFMA)	Virement (i.l.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Financial Performance															
Property rates	23 785	-	23 785			23 785	20 796		-14%	87%	87%				18 993
Service charges	44 992	3 541	48 533			48 533	49 583		2%	102%	110%				38 497
Investment revenue	1 845	-	1 845			1 845	1 001		-84%	54%	54%				1 434
Transfers recognised operational	119 345	5 835	144 927			144 927	137 729		-5%	95%	115%				111 626
Other own revenue	11 221	1 512	12 733			12 733	20 110		37%	158%	179%				47 060
Total Revenue (excluding capital transfers and contributions)	201 188	10 888	231 823	-	-	231 823	229 220								217 611
Employee costs	113 837	-	113 837			113 837	132 726	19 513	14%	117%	117%	15 346			124 000
Remuneration of councillors	12 200	-	12 200			12 200	11 599		-5%	95%	95%				11 993
Debt impairment	10 000	-	10 000			10 000	26 485	16 485	62%	265%	265%	22 644			32 644
Depreciation & asset impairment	26 000	-	26 000			26 000	25 570		-2%	98%	98%	598			26 647
Finance charges	1 000	2 000	3 000			3 000	3 802	802	21%	127%	380%	1 667			2 667

Amahlathi Local Municipality –2020/21 Annual Report

Materials and Bulk	31 507	33 507	33 507	33 507	312	2 884	-	1%	1%	1 696	33 309
Transfers and grants	-	-	-	-	312	-	10645%	0%	0%	-	-
Other expenditure	32 922	32 483	32 483	32 483	71 313	6 205	54%	220%	217%	389	30 253
Total Expenditure	227 466	231 027	231 027	231 027	271 807	45 889				42 341	261 513
Surplus/(Deficit)	(26 278)	796	796	(42 588)	(42 588)						(43 902)
Transfers recognised - capital Contributions	31 911	51 933	51 933	53 144	53 144		0	102%	167%		12 310
recognised - capital & contributed assets	20 022	-	-	-	-						
Surplus/(Deficit) after capital transfers & contributions	5 633	52 729	52 729	10 556	10 556						(31 593)
Loss on disposal of assets	20 482	-	-	-	-	1 215					(4 075)
Fair value gain on biological assets	-	-	-	-	-						-
Loss on disposal of biological assets	-	-	-	-	-						(200)
Surplus/(Deficit) for the year	5 633	52 729	52 729	10 556	10 556						(35 868)
Capital expenditure & funds sources											
Capital expenditure	31 911	51 933	51 933	45 105	45 105		-15%	87%	141%		13 298
Transfers	-	-	-	-	-						
Public contributions & donations	-	-	-	-	-						
Borrowing	-	-	-	-	3 703		78%	465%	0%		351
Internally generated funds	105	796	796	796	48 808		63%	552%	141%		13 649
Total sources of capital funds	32 016	52 729	52 729	48 808	48 808						
Cash flows											
Net cash from (used) operating	33 115	54 239	54 239	21 433	21 433		-153%	40%	65%		48 921
Net cash from (used) investing	(32 016)	(52 729)	(52 729)	(54 762)	(54 762)		4%	104%	171%		(11 932)
Net cash from (used) financing	-	(172)	(172)	(172)	(177)						(172)

Amahlathi Local Municipality –2020/21 Annual Report

Cash/cash equivalents at the year end	26 818	239	27 056	27 056	13 426					46 931
T 5.1.1										

Notes

3 = sum of column 1 and 2

2 represents movements in original budget to get to final adjustment budget (including shifting of funds)

Virements must offset each other so that virements in Total Expenditure equals zero

6 = sum of column 3, 4 and 5

8 does not necessarily equal the difference between 9 and 8 because overspending is not the only reason for unauthorised expenditure

9 = 7 - 6

10 = (7/6)*100

11 = (9/1)*100

14 = 13 - 12

15 in revenue equals Audited Outcome plus funds actually recovered

15 in expenditure equals Audited Outcome less funds actually recovered

15 in Cash Flow equals Audited Outcome plus funds recovered

This schedule must be part of the financial statements of the municipality (all other schedules, A2 - A7, should form part of the annexures to the financial statements. These schedules do not directly form part of the audit opinion)

Amahlathi Local Municipality –2020/21 Annual Report

Financial Performance of Operational Services						
R '000						
Description	Year -2019/20	Year 2020/21			Year 2020/21 Variance	
	Actual	Original Budget	Adj Budget	Actual	Original Budget	Adj Budget
Operating Cost						
Electricity	(8 930)	(892)	(4 751)	6 297	114%	175%
Waste Management	(4 401)	9 643	12 318	(5 653)	271%	318%
Housing	6	(2 511)	(2 611)	13	20009%	20802%
Component A: sub-total	(13 324)	6 240	4 956	656		
Roads	(46 373)	(46 912)	(44 412)	(35 225)	-33%	-26%
Component B: sub-total	(46 373)	(46 912)	(44 412)	(35 225)		
Planning & Development	4 603	18 462	38 622	56 212	67%	31%
Component C: sub-total	4 603	18 462	38 622	56 212		
Community & Social Services	(7 236)	(9 404)	(9 886)	(3 690)	-155%	-168%
Environmental Protection	-	(670)	(690)	20	100%	100%
Public Safety	(2 589)	(2 283)	(2 433)	(3 014)	24%	19%
Sport and Recreation	2 066	3 658	3 658	2 177	-68%	-68%
Component D: sub-total	(7 759)	(8 699)	(9 351)	(4 507)		
Total Expenditure	(62 853)	(30 909)	(10 185)	17 135		

In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. T 5.1.2

Grant Performance						
R' 000						
Description	Year - 2019/20	Year 2020/21			Year 2020/21 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adj Budget (%)
Operating Transfers and Grants						
National Government:	110 426	116 494	136 519	136 385		
Equitable share	105 863	111 895	131 642	131 642	15%	0%
FMG Grant	2 235	2 200	2 200	2 200	0%	0%
EPWP Grant	887	1 000	1 000	1 000	0%	0%
PMU 5%	1 123	1 399	1 399	1 399	0%	0%
Disaster Relief Grant	318	-	278	145	100%	-92%
Provincial Government:	1 200	1 200	1 200	1 200		
Sports and Recreation	1 200	1 200	1 200	1 200	0%	0%
District Municipality:	-	-	-	-	-	-
Other grant providers:	-	356	913	356		
Waste Grant	-	356	356	356	0%	0%

Amahlathi Local Municipality –2020/21 Annual Report

<i>Seta Grant</i>	-	-	557	-	0%	0%
Total Operating Transfers and Grants	111 626	118 050	138 632	137 941		
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.</i>						T 5.2.1

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant Year -2019/20	Actual Grant Year 2020/21	Year 2020/21 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
Parastatals						
A - "Project 1"	-	-	-	N/A	N/A	N/A
Foreign Governments/Development Aid Agencies						
A - "Project 1"	-	-	-	N/A	N/A	N/A
Private Sector / Organisations						
A - "Project 1"	-	-	-	N/A	N/A	N/A
<i>Provide a comprehensive response to this schedule</i>						T 5.2.3

5.2. ASSET MANAGEMENT

The Amahlathi Local Municipality believes that an Asset Management Policy is essential to ensure effective and efficient utilization of public monies and accountability thereof is heavily dependent on accurate recoding and accounting with the compilation of the Asset Register that is GRAP compliant. The policy is deemed necessary in order to facilitate the effective management, control and maintenance of the assets. The prime objectives of the policy is to ensure that the assets of Amahlathi Municipality are properly managed and accounted for by:-

- Ensuring the accurate recording of asset information
- The accurate recording of asset movements
- Exercising strict control over all assets
- Providing correct and meaningful management information
- Affecting adequate insurance of all assets
- Maintenance of Council's Assets

The policy is reviewed and amended by council annually during IDP and Budget process. The last review was done in May 2021.

An asset tracking system using bar-coded discs and scanners is implemented. The system allows for regular audits of all assets to be completed in a shorter time frame and therefore allowing for more regular updates of the register.

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2020/21				
Asset 1				
Name	Mlungisi Sport field			
Description	Construction of Mlungisi Sport field			
Asset Type	Community Assets			
Key Staff Involved	2			
Staff Responsibilities	Monitoring, Managing & Reporting on the implementation of the Project			
Asset Value	Year 22/23	Year 21/22	Year 20/21	Year 19/20
			11 559 922,00	12 000 000,00
Capital Implications	11 559 922,00			
Future Purpose of Asset	To provide the community with at least a basic level of service			
Describe Key Issues				
Policies in Place to Manage Asset	Asset Management Policy			
Asset 2				
Name	Paving of Matollaville Streets			
Description	Construction of Matolaville Streets			
Asset Type	Road Infrastructure			
Key Staff Involved	2			
Staff Responsibilities	Monitoring, Managing & Reporting on the implementation of the Project			

Amahlathi Local Municipality –2020/21 Annual Report

Asset Value	Year 22/23	Year 21/22	Year 20/21	Year 19/20
			6532 008,00	-
Capital Implications				
Future Purpose of Asset	To provide the community with at least a basic level of service			
Describe Key Issues				
Policies in Place to Manage Asset	Asset Management Policy			
Asset 3				
Name	Mlungisi Access Road			
Description	Construction of Mlungisi Access Road			
Asset Type	Roads Infrastructure			
Key Staff Involved	2			
Staff Responsibilities	Monitoring, Managing & Reporting on the implementation of the Project			
Asset Value	Year 22/23	Year 21/22	Year 20/21	Year 19/20
			6 000 000,00	3 500 000,00
Capital Implications				
Future Purpose of Asset	To provide the community with at least a basic level of service			
Describe Key Issues				
Policies in Place to Manage Asset	Asset Management Policy, Roads Maintenance Policy			
				T 5.3.2

Repair and Maintenance Expenditure: Year 2020/21				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	3 790	4 865	3 146	-35%
				T 5.3.4

Amahlathi Local Municipality –2020/21 Annual Report

Financial Ratios

FINANCIAL VIABILITY ASSESSMENT			
		As at 30 June 2021	As at 30 June 2020
Expenditure management			
1.1	Creditor-payment period	296.2 Days	418 Days
Revenue management			
2.1	Debt-collection period (after impairment)	67.0 Days	63.1 Days
2.2	Debt-impairment provision as a percentage of accounts receivable	86.6%	81.6%
	· Amount of debt-impairment provision	R106 742 080	R80 257 034
	· Amount of accounts receivable		
		R123 192 768	R98 331 951
Asset and liability management			
3.1	A deficit for the year was realised (total expenditure exceeded total revenue)	No	Yes
	· Amount of the surplus / (deficit) for the year	R10 556 138	R35 867 922
3.2	A net current liability position was realised (total current liabilities exceeded total current assets)	Yes	Yes
	· Amount of the net current assets / (liability) position	R93 356 960	-R 82 537 891
3.3	A net liability position was realised (total liabilities exceeded total assets)	No	No
	· Amount of the net asset / (liability) position	R270 5254 663	R259 698 522
Cash management			
4.1	The year-end bank balance was in overdraft	No	No
	· Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft)	R13 426 476	R46 931 240
4.2	Net cash flows for the year from operating activities were negative	No	No
	· Amount of net cash in / (out)flows for the year from operating activities	R21 433 403	R48 920 891
4.3	Creditors as a percentage of cash and cash equivalents	753.7%	183.8 %
	· Amount of creditors (accounts payable)	R101 201 856	R86 263 309
	· Amount of cash and cash equivalents / (bank overdraft) at year-end	R13 426 476	R46 931 240
4.4	Current liabilities as a percentage of next year's budgeted resources **	93.3%	93.9%
	· Amount of current liabilities	R125 999 297	R148 023 703
	· Amount of next year's budgeted income	R134 986 750	R157 718 635

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

Capital Expenditure - Funding Sources: Year -2019/20 to Year 2020/21							R' 000
Details	Year - 2019/20	Year 2020/21					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adj to OB Variance (%)	Actual to OB Variance (%)	
Source of finance							
External loans							
Public contributions and donations							
Grants and subsidies	12 317	31 911	51 933	45 105	63%	41%	
Other	1 332	105	796	3 703	0%	0%	
Total	13 649	32 016	52 729	48 808	63%	41%	
Percentage of finance							
External loans	-	-	-				
Public contributions and donations	-	-	-				
Grants and subsidies	90,2%	99,7%	98,5%	92,4%	99%	93%	
Other	9,8%	0,3%	1,5%	7,6%	0%	0%	
Capital expenditure							
Water and sanitation	-	-	-				
Electricity	981	-	50	576			
Housing	-	-	-				
MIG Projects	12 317	26 573	46 595	47 705	75%	80%	
Other	351	5 443	6 084	527	12%	-90%	
Total	13 649	32 016	52 729	48 808			
Percentage of expenditure							
Water and sanitation	-	-	-	-	0%	0%	
Electricity	7,2%	0,0%	0,1%	1,2%			
Housing	-	-	-	-	0%	0%	
Roads and storm water	90,2%	83,0%	88,4%	97,7%			
Other	2,6%	17,0%	11,5%	1,1%			
T 5.6.1							

Amahlathi Local Municipality –2020/21 Annual Report

Municipal Infrastructure Grant (MIG)* Expenditure Year 2020/21 on Service backlogs						
R' 000						
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adj Budget	
Infrastructure - Road transport	18 223	25 504	27 066	33%	6%	
<i>Roads</i>	18 223	25 504	27 066	33%	6%	
<i>Road Structures</i>						
Infrastructure - Electricity	–	50	576	100%	91%	
<i>Power Plants</i>						
<i>Capital Spares</i>						
<i>MV Networks</i>	–	50	576	100%	91%	
Infrastructure - Water						
<i>Dams & Reservoirs</i>						
<i>Water purification</i>						
<i>Reticulation</i>						
Infrastructure - Sanitation						
<i>Reticulation</i>						
<i>Sewerage purification</i>						
Infrastructure - Other						
<i>Landfill Sites</i>	3 038	1 838	6 316	52%	71%	
<i>Waste Transfer Stations</i>						
<i>Capital Spares</i>						
Other Specify:	13 793	24 175	21 167	35%	-14%	
<i>Sports fields</i>	4 000	11 560	5 001	20%	-131%	
<i>Fire, Safety & Emergency</i>	1 500	5 000	3 668	59%	-36%	
<i>Hawker Stalls</i>	–	–	–	–	–	
<i>Other</i>	8 293	7 615	12 498	34%	39%	
Total	32 016	49 729	48 808			

* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

T 5.8.3

COMPONENT C: CASH FLOW STATEMENT

Cash Flow Outcomes				
R'000				
Description	Year -2019/20	Current: Year 2020/21		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts	204 115	233 099	249 265	254 284
Ratepayers and other	71 628	73 998	42 561	55 351
Government - operating	111 626	119 345	144 927	137 729
Government - capital	12 310	31 911	51 933	53 144
Interest	8 550	7 845	9 845	8 059
Dividends	-	-	-	-
Payments	(155 194)	(199 984)	(195 027)	(232 850)
Suppliers and employees	(152 527)	(198 984)	(192 027)	(229 048)
Finance charges	(2 667)	(1 000)	(3 000)	(3 802)
Transfers and Grants	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	48 921	33 115	54 239	21 433
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE				
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
Payments				
Capital assets	(11 932)	(32 016)	(52 729)	(54 762)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(11 932)	(32 016)	(52 729)	(54 762)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
Payments				
Repayment of borrowing	(172)	-	(172)	(177)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(172)	-	(172)	(177)
NET INCREASE/ (DECREASE) IN CASH HELD	36 816	1 098	1 337	(33 505)
Cash/cash equivalents at the year begin:	10 115	6 922	25 719	46 931
Cash/cash equivalents at the year-end:	46 931	8 021	27 056	13 426
Source: MBRR A7				T 5.9.1

Amahlathi Local Municipality –2020/21 Annual Report

Actual Borrowings: Year -2018/19 to Year 2020/21			
			R' 000
Instrument	Year 2018/19	Year 2019/20	Year 2020/21
Municipality			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit	-	-	-
Financial Leases	-	-	-
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Municipality Total	NIL	NIL	NIL
Municipal Entities			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Entities Total	NIL	NIL	NIL

T 5.10.2

Amahlathi Local Municipality –2020/21 Annual Report

Municipal and Entity Investments			
			R' 000
investment* type	Year 2018/19	Year 2019/20	Year 2020/21
	Actual	Actual	Actual
Municipality			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank	8 309	46 339	12 959
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers' Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Municipal Bonds			
Other			
Municipality sub-total	8 309	46 339	12 959
Municipal Entities			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers' Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Other			
Entities sub-total	-	-	-
Consolidated total:	5 709	8 309	46 339
			T 5.10.4

5.3 SUPPLY CHAIN MANAGEMENT

Section 3(1) (b) and (c) of the SCM regulations states that the accounting officer of a municipality must at least annually review the implementation of SCM policy and when necessary submit proposal for the amendments of the policy to council. The SCM policy was initially developed in 2005 and implemented to give effect to the SCM regulations and it was last reviewed in May 2017. Amahlathi has established an SCM unit which comprises of four officials. The code of conduct, oath of secrecy and declaration forms are signed by all officials involved in supply chain management. The SCM manager has reached prescribed levels as required by the Minimum Competency Regulations Guidelines and the other three officials are still in process. In line with Municipal Finance Management Act (MFMA), the accounting officer has also established various bid committees that are consistent with the SCM regulations and any applicable legislation for competitive bidding i.e.

- Bid Specification Committee
- Bid Evaluation Committee
- Bid Adjudication Committee

5.4 GRAP COMPLIANCE

The municipality is required by legislation to report on its financial affairs using GRAP Reporting Framework. The Annual Financial Statements and Fixed Asset Register have been prepared and submitted using applicable GRAP standards. In the current year, the municipality has not adopted any new standards and interpretations as there are none effective in the current financial year. The municipality also became aware that it had to comply with the requirements of GRAP 27 (Biological Assets) due to the identification of plantations under its control. The Asset Register and the Annual Financial Statements have been updated through restatements.

CHAPTER 6: AUDITOR GENERAL FINDINGS

6.1. AUDITOR GENERAL OPINION 2020/21

The Amahlathi Local Municipality received an unqualified audit opinion in 2020/2021 audit and the following issues were raised;

1. **Material uncertainty relating to going concern-** the municipality inability to pay creditors within due dates, negative key financial ratio, and net current liability was realised, these were identified that may cast significant doubt on the entity's ability to continue as a going concern. As stated in note 43, these events or conditions, along with the other matters as set forth in note 43, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.
- **Material impairments consumer debtors and receivables from non-exchange transactions-** As disclosed in note 4 and 5, respectively, to the financial statements, material impairments for consumer debtors and other debtors of R58,3 million (2020: R44.9, million) and for receivables from non-exchange transactions of R48,5 million (2020: R35,4 million) were incurred.
- **Material electricity distribution losses-** As disclosed in note 47 to the financial statements, material electricity losses of R11, 7 million (2020: R9, 8 million) was incurred, which represents 34.2% (2020: 29.5%) of total electricity purchased. The losses are attributed to normal losses and illegal connections.
- **Expenditure Management-**
 - Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R2 million included in note 45 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid on overdue accounts.
 - Reasonable steps were not taken to prevent unauthorised expenditure amounting to R49, 1 million, as disclosed in note 44 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the unauthorised expenditure was caused by exceeding budget

AUDIT ACTION PLAN TO ADDRESS 2019/20 FINDINGS

No.	Finding	Classification	Impact	Action Plan	Progress	Responsible	Time Frame	Status
29	Expenditure: finance costs not included in fruitless and wasteful expenditure	Misstatements in AFS	The impact of the finding is a factual understatement of fruitless and wasteful expenditure amounting to R1 102 916.42	Finance cost will be reconciled with the listing of fruitless and wasteful expenditure.	Fruitless and wasteful expenditure schedule is reconciled with the interest paid vote.	Mr. S Kambi	2021/05/31	Completed
45	Procurement and Contract Management- The municipality failed to implement recommendations (from Consultants) in terms of the GCC	Internal Control deficiency	This finding may result to internal control deficiency and non-compliance with laws and regulations. This could further result in fruitless and wasteful expenditure depending on the outcome of the investigation	Management will review all contracts to ensure that they are in line with General Conditions of Contract.	Contracts have been reviewed and filed to ensure that they are in line with General Conditions of Contract.	Mr. S Kambi	2021/06/30	Completed
46	Procurement and Contract Management- No penalties charged for non-performance of the service provider	Misstatements in AFS & Non Compliance with legislation	This finding may result to internal control deficiency and non-compliance with laws and regulations. This could further result in fruitless and wasteful expenditure depending on the outcome of the investigation	Penalties will be charged for non-performance.	Contracts are monitored on a monthly basis in order to determine if there is any underperformance so that penalties could be charged.	Mr. S Kambi	2021/06/30	Completed

Amahlathi Local Municipality – 2020/21 Annual Report

56	Non-compliance with section 35(4)	Non-Compliance with legislation	The finding indicates non-compliance with laws and regulations	The UIFW reports will be prepared and submitted to relevant stakeholders as legislated	Reports have been prepared and will be submitted to the relevant stakeholders as legislated.	Mr. S Kambi	2021/06/30	In Progress
60	Planning - Internal control deficiencies identified	Internal Control deficiency	The internal auditors may not be up to date with all the changes that are made to the standards in the IIA and the finding may result in non-compliance with laws and regulations and an internal control deficiency	Internal Auditors will be trained on audit processes, internal audit methodology will be reviewed. To request for external assistance for assistance for internal quality assurance review in preparation for external quality assurance In-house training will be conducted in April 2021 on: -Combined Assurance model - Risk management by Treasury -Report writing	The following training were conducted: -Risk management and AFS facilitated by CoGTA - Risk management and fraud training was conducted CoGTA - The In-house combined assurance training was conducted and CoGTA will conduct a training in July -QAIP was conducted by IIA (SA) and the training will also be conducted August. CoGTA will share information in July on QAIP - Report writing training was performed in house by the CAE and	Ms. Z Goba	2021/06/30	Completed

Amahlathi Local Municipality – 2020/21 Annual Report

64	Planning - No offsite back up of information	Internal Control deficiency	This could result in loss of important information and may affect business continuity, had the servers in East London not operated according to plan	Municipality will look at an option to have a cloud based solution to store and backup all data.	CoGTA will share information in July. Data Management and Disaster Recovery Services will be tested for the servers at the East London Data Centre. Service provider will then be engaged for Endpoint cloud platform to extend the service to include the servers and not only desktops and laptops.	Mr. L Jwaqu	2021/06/30	In Progress
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Amahlathi Local Municipality – 2020/21 Annual Report

67	Planning - internal control deficiencies identified	Internal Control deficiency	The impact of the finding is an internal control deficiency due to poor governance being exercised by the audit committee	<p>1. The Audit Committee will sit on quarterly basis according to AC annual work plan in line with Council calendar to provide independent oversight responsibilities on matters relating to governance processes, risk management and internal controls.</p> <p>2. AC will periodically review financial reports, performance reports, internal audit reports, risk managements, litigations, human resource reports, ICT governance etc.</p> <p>3. AC recommendations will be escalated to MPAC</p> <p>4. Member/Chairperson of AC will participate in Financial Disciplinary Board</p>	Audit Committee sits quarterly and reviews various reports, i.e. financial reports, internal audit reports etc.	Ms. Z Goba	2021/06/30	Completed
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Amahlathi Local Municipality – 2020/21 Annual Report

70	AOPO - control deficiencies identified	Internal Control deficiency	The impact of the finding is a control deficiency.	An oversight will be conducted during the compilation of reported performance information	Reported achievements in quarterly reports are checked against evidence to ensure true reflection of performance.	Mr. N Mbende	2021/08/31	Completed
1	Expenditure not paid within 30 days	Non-Compliance with legislation	The impact of the finding is non-compliance with the MFMA	Payment arrangements will be entered into with major creditors. Expenditure with available funding will be paid within 30 days.	Payment arrangements with major suppliers are in place, however there is a challenge with cash flow where in certain instances the arrangement is not adhered to. Expenditure with funds is paid within 30 days.	Mr. B Mashiyi	N/A	Completed
2	AoPO Reliability testing - misstatements identified	Misstatements in APR	KPI 1.2 - factual overstatement of 2.165 km KPI 1.3 - factual understatement of 80 potholes KPI 1.19 - factual overstatement of 1591 KPI 1.6 - factual overstatement of 8% KPI 1.7 - factual overstatement of 54 faulty meters Limitation of scope on completeness of	Reported achievements will be reviewed to ensure that they agree with supporting information.	Reported achievements are thoroughly checked quarterly against supporting evidence.	Mrs. Z Mashologu	2021/08/31	Completed

Amahlathi Local Municipality – 2020/21 Annual Report

	indicators 1.1, 1.2, 1.3 and 1.7								
3	Quotations and Deviations: Non-submission of declarations	Non-Compliance with legislation	Quotations and Deviations: Non-submission of declarations	Declaration forms will be signed and filed.	Declarations are signed and filed.	Mr. S Kambi	2021/06/30	Completed	
4	Usefulness misstatements identified	Misstatements in APR	The impact of the above audit finding could result in factual material disagreement on the usefulness of the predetermined objectives	Quarterly Performance information will be thoroughly reviewed to avoid misstatements.	Quarterly performance information is reviewed.	Mrs. Z Mashologu	2021/08/31	Completed	
5	Declaration of interest signed after the appointment	Non-Compliance with legislation	The impact of the finding results in internal control deficiencies and non-compliance with the MFMA section 13 C	Declaration forms will be signed before appointment is done and filed.	Declarations are signed prior to appointment of a service provider and filed.	Mr. S Kambi	2021/05/31	Completed	
6	Quotations and Deviations - Supplier not tax compliant	Non-Compliance with legislation	The finding has resulted in irregular expenditure amounting to R85 015,99: Ntshuza Trading - R29 050.00 I and A Diesel - <u>R55 965.90</u> R85	The tax status will be checked before an order is issued.	Tax status is checked and printed before each order.	Mr. S Kambi	2021/05/31	Completed	
7	No investigations or disciplinary actions taken with regards to irregular expenditure	Non-Compliance with legislation	Non-compliance with the MFMA section 32 (2) and (5)	The investigation is still in progress, disciplinary action will be determined by	The investigation is still in progress, disciplinary action will be determined	Mr. S Kambi	N/A	In Progress	

Amahlathi Local Municipality – 2020/21 Annual Report

				the outcome of investigation	by the outcome of investigation		
8	Asset Management: Memo Approving disposal of assets not approved by the council	Non-Compliance with legislation	The finding results in a non-compliance	Disposals will be approved by council.	Disposals were submitted to council and subsequently approved.	CFO	N/A Completed
9	Prior year error not corrected	Internal Control deficiency	Resulted in a recurring finding for a non-compliance due to expenditure incurred for invalid indigents	A new indigent register will be developed and reviewed.	The indigent register has been developed and reviewed.	Mr. B Mashiya	N/A Completed
10	Comparative figures materially misstated due to uncorrected misstatements	Misstatements in AFS	The above misstatements will result in the annual financial statements comparative figures including the current year figures being materially misstated (these have a direct impact on the opening balance) and a qualification in the line items may be reported in the audit report if not corrected. Also, the annual financial statements are not fairly presented as required by GRAP 1	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	CFO	2021/08/31 In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

11	Contingent Assets- Current year contingent assets not disclosed in the AFS	Misstatements in AFS	This finding result into a material misstatement of R92 487 183	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	Mr. A Gareishi	2021/08/31	In Progress
12	Receivables from the non-exchange Transaction-Debtors not found in the valuation roll	Misstatements in AFS	The impact for this is the projected misstatement of R64 630 987,95, being an overstatement of the receivables, as follows: -Consumer debtors (Receivables from the exchange transactions): R30 246 075,39 -Receivables from the non-exchange transactions: R34 384 912, 56	Municipality will check that all debtors are included in the valuation roll.	The exercise was performed and closed	Mr. B Mashiyi	2021/06/30	Completed
13	Debtors age analysis and AFS do not agree	Misstatements in AFS	The impact of the misstatement is as follows and they are factual: -Receivables from the exchange transaction (consumer debtors) is understated by R2 893 960, 80. -Receivables from the non-exchange	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	Mr. B Mashiyi	2021/08/31	In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

14	Trade payables: difference between age analysis & AFS/TB	Misstatements in AFS	transaction is overstated by R2 428 897,74	The finding has resulted in a factual understatement of trade payables amounting to R572 538,79	Trade Payables reconciliation will be prepared and agreed with TB and age analysis. Interim AFS will be prepared and reviewed to avoid misstatements.	Trade Payables Reconciliation has been prepared, resolving differences. Interim AFS were prepared to prevent misstatements at year end.	Mr. B Mashiyi	2021/08/31	In Progress
15	Trade payables - Supplier statement does not agree with age analysis	Misstatements in AFS	Trade payables in the annual financial statements being factually misstated by R871,570.00	Statements will be requested early and checked against the age analysis.	Statements will be prepared early and reviewed to avoid misstatements.	Statements are being reconciled to the age analysis	Mr. B Mashiyi	2021/08/31	In Progress
16	Recalculation misstatements identified	Misstatements in AFS	The impact of the finding results in a factual misstatement of R 149 800.00	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	The AFS will be thoroughly reviewed before submission.	CFO	2021/08/31	In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

17	Existence of debtors could not be confirmed	Misstatements in AFS	The impact for this is the projected misstatement of R1 173 888,11, being an overstatement of the receivables, as follows: - Consumer debtors (Receivables from the exchange transactions): R597 302,65 - Receivables from the non-exchange transactions: R576 585,46	Deeds information will be used to support the existence of the debtors. Old debt will be written-off.	Awaiting supporting documentation from our service provider so as to continue with the write offs	Mr. B Mashiyi	N/A	In Progress
18	Expenditure - free basic services: Invalid Indigent households	Non-Compliance with legislation	The impact of the finding is possible non-compliance with the MSA and an understatement of irregular expenditure by R4 317 327	A new indigent register will be developed and reviewed.	The indigent register has been developed and reviewed.	Mr. B Mashiyi	2021/06/30	Completed
19	Cash on hand- Supporting documents requested not submitted	Misstatements in AFS	This resulted in the limitation of scope for cash on hand amounting to R 1 908 261	Unallocated deposits and Cash Banked will be cleared and the balance left supported.	Unallocated and Cash Banked are cleared on a monthly basis and will be finalised by year end.	Mr. B Mashiyi	2021/08/31	In Progress
20	Interest on debtors - the interest that is recorded in the listing/GL is different to the one stated in the debtors' statement and an incorrect rate is used	Misstatements in AFS	The impact of the finding results to a projected overstatement of revenue from exchange transactions by R509 860, 34 and consumer debtors by the same amount. Further, the interest from debtors is being factual	Interest will be checked in the system that it charges according to the policy i.e. prime rate plus 1.	Interest has been checked in the system and is calculating correctly, still to rectify the first few months of the financial year.	Mr. B Mashiyi	2021/08/31	In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

21	Prior year restatement of the insurance refund	Misstatements in AFS	understated by R233 940,75	Comparative amount for insurance refund is misstated by R 7 630 448	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	Interim AFS as at 30 April have been prepared to prevent misstatements at year end.	CFO	2021/08/31	In Progress
22	Sale of electricity: The consumption units are different between the billing report and the meter reading book	Misstatements in AFS	This would result in projected disagreement amounting to R 2 250 456,93	Meter readings will be checked against the billing report.	Review of meter readings with the billing report is in progress.	Mr. B Mashiyi	2021/08/31	In Progress	
23	Depreciation: Recalculation difference of PPE Depreciation	Misstatements in AFS	The cause of the finding is because the depreciation had been calculated as though there was a change in estimate while there was not a change in estimate	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	Reconciliations are being finalised to ensure that the financial statements agree to the supporting documentation.	CFO	2021/08/31	In Progress	
24	Sale of revenue - meter readings/customer is not found in the billing report	Misstatements in AFS	The impact of the finding results in a projected understatement of revenue from exchange transactions by R1 953 213,41 and consumer	Take on readings will be taken and disconnections effected so that there is a closing reading for an out-	All the meter books are being reviewed to ensure that what is in the system is the same as what is	Mr. B Mashiyi	2021/06/30	In Progress	

Amahlathi Local Municipality – 2020/21 Annual Report

25	Disagreement Between AFS and FAR	Misstatements in AFS	debtors by the same amount	going customer and a take-on for the new customer, and those need to be filed.	contained in the meter books.	CFO	2021/08/31	In Progress
26	Assets with negative carrying amounts	Misstatements in AFS	This finding has resulted in a factual misstatement of R1 054 093 due to an overstatement of the Property, Plant and Equipment	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	Reconciliations are being finalised to ensure that the financial statements agree to the supporting documentation.	CFO	2021/08/31	In Progress
27	Presentation and disclosure: The change in estimate note is not disclosed in the AFS	Misstatements in AFS	This resulted in an understatement of assets by R122 035.66 due to impaired assets being written down beyond their respective carrying amounts	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	Reconciliations are being finalised to ensure that the financial statements agree to the supporting documentation.	CFO	2021/06/30	In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

28	Bulk purchases misstatement identified	Misstatements in AFS	Factual misstatement of R1 172 880.53 and an understatement of fruitless and wasteful expenditure amounting to R651 565.43	Bulk Purchases will be checked against invoices or supporting information.	Bulk purchases are being checked on a monthly basis.	Mr. B Mashiyi	2021/08/31	Completed
30	Other revenue: receipts not recorded in the general ledger	Misstatements in AFS	The impact of the finding results to a projected understatement of revenue from exchange transactions by R213 381,33 and consumer debtors by the same amount	Unallocated deposits and Cash Banked will be cleared and the balance left supported.	Unallocated and Cash Banked are cleared on a monthly basis and will be finalised by year end.	Mr. B Mashiyi	2021/08/31	In Progress
31	Basic salaries - Payroll amount does not agree to amount per AFS	Misstatements in AFS	This resulted in an overstatement of basic salaries by R616 907 in the financial statements	Monthly reconciliations will be prepared to ensure that misstatements are identified and corrected.	Reconciliations have been prepared, still resolving misstatements identified.	Mr. B Mashiyi	2021/08/31	In Progress
32	Expenditure - contracted services: transaction recorded in the incorrect period	Misstatements in AFS	A factual understatement of irregular expenditure amounting to R86 842.10 and projected disagreement misstatement of R300 331.34	Transactions will be reviewed to ensure that they are accounted for in the year they occur.	Review process is in progress	Mr. B Mashiyi	2021/08/31	In Progress
33	Listing/Reconciliation and AFS do not agree	Misstatements in AFS	The impact will result to an understatement of inventories by R20 276,25	Reconciliation will be prepared to ensure that misstatements are identified and corrected.	Inventory reconciliation has been prepared and agreed to interim AFS.	Mr. S Kambi	2021/08/31	In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

34	The unauthorised listing and the AFS do not agree	Misstatements in AFS & Non Compliance with legislation	The impact is the understatement of the unauthorised expenditure by R483 334,73	Annual AFS will be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	CFO	2021/08/31	In Progress
35	Corresponding amounts per the current year financial statements and the prior year final AFS are different	Misstatements in AFS	Comparative amount for inventories is misstated by following amount: - Electricity: R1 165 853 - factural understatement - Rates and general: R1 165 854 – factural overstatement	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	Interim AFS as at 30 April have been prepared to prevent misstatements at year end. The inventory reconciliation has been agreed with the AFS.	Mr. B Mashiyi	2021/08/31	Completed
36	Commitments: Understatement of Commitments	Misstatements in AFS	The impact of this finding is the factual misstatement for commitments of R 1 339 052,35	Register will be prepared and reviewed to ensure that misstatements are identified and corrected	Commitments register has been prepared and reviewed.	Mr. S Kambi	2021/08/31	Completed
37	Material Losses- Incorrect values and quantity used to calculate the losses	Misstatements in AFS	The impact of the misstatement identified is the understatement of the material losses by R1 753 257,76	Schedule of material losses will be prepared and reviewed prior to submission of AFS.	Schedule of material losses is currently in a draft stage and is being finalised.	Mr. B Mashiyi	2021/08/31	In Progress
38	Difference between MSCOA budget summary and the budget statement as per AFS	Misstatements in AFS	This result in the misstatement and the disagreement between the MSCOA and the financial statements	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to	The AFS will be thoroughly reviewed before submission.	CFO	2021/08/31	In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

39	PPE movable assets opening balance: Assets could not be verified	Misstatements in AFS	The impact of the finding is an overstatement of property, plant and equipment balance by a projected amount of R9 066 280.81	allow thorough review. The municipality will prepare an interim FAR to ensure thorough review before preparation of annual AFS.	Reconciliations are being finalised to ensure that the financial statements agree to the supporting documentation.	CFO	2021/08/31	In Progress
40	Third party payments do not agree to Note 48 of AFS	Misstatements in AFS	The impact of the finding is the understatement of note 48 in the annual financial statements by an amount of R14 064 988	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	Mr. B Mashiyi	2021/08/31	In Progress
41	Directors remuneration and Council fees have not been included in the note	Misstatements in AFS	This finding may result in a material misstatement on related parties disclosure of R16 630 447 determined as follows: - Total remuneration of Key management R4 636 981 - Total remuneration of councillors R11 993 466	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	Mr. B Mashiyi	2021/08/31	In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

42	Commitments: Difference between the commitment's listing and the disclosed amount in the AFS	Misstatements in AFS	The impact of this finding is the factual misstatement for commitments of R6 928 930, 33	Register will be prepared and reviewed to ensure that misstatements are identified and corrected	Commitments register has been prepared and reviewed.	Mr. S Kambi	2021/08/31	Completed
43	Contingent Liabilities: Incorrectly disclosed paid contingent liability	Misstatements in AFS	This finding result in a misstatement amounting to R 507 841	Legal confirmation will be reviewed by Legal to ensure correctness.	Legal confirmations have been requested and checked against the register.	Mr. A Gareishi	2021/08/31	In Progress
44	Accumulated surplus and statement of changes in net assets: misstatements identified	Misstatements in AFS	1. Factual overstatement of comparative amount for loss on disposal of assets and liabilities amounting to R628 929.00 2. Factual understatement of restated balance at 01 July 2019 of the Statement of changes in net assets amounting to R346 039.00	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	CFO	2021/08/31	In Progress
47	PPE-Disposals- Non submission of information for Immovable assets disposals	Misstatements in AFS	This results in a limitation of scope with a projected misstatement of R2 654 427	Information will be properly filed to ensure that it is provided to the auditor within the set time frames to avoid limitation of scope.	Information is properly filed.	CFO	N/A	Completed

Amahlathi Local Municipality – 2020/21 Annual Report

48	No training was conducted to improve and maintain core skills	Internal Control deficiency	This results in non-compliance with the MFMA section 119	Provision will be made in the budget.	Provision has been made in the 2021/22 budget.	Ms. N Plaatjie / Ms. Tom N.E	N/A	Completed
49	Procurement and Contract Management - Scope Limitation (2 000-10 000)	Non-Compliance with legislation	Non-submission of requested information could result in scope limitation to the value of R5 789, 55 of scope on the audit. Further, this could result in non-compliance and also irregular expenditure	Information will be properly filed to ensure that it is provided to the auditor within the set time frames to avoid limitation of scope.	Information is properly filed.	Mr. S Kambi	2021/06/30	Completed
50	Incorrect classification of general expenditure as impairment	Misstatements in AFS	This finding have resulted in an overstatement of impairment loss and understatement of current year general expenditure by R480	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	Mr. B Mashiya	2021/08/31	In Progress
51	Use of Consultants: No transfer of skills	Internal Control deficiency	No transfer of skills was made to the employees of the auditee which resulted in an internal control deficiency due to the reliance on consultants for key business functions (i.e. compilation of the asset register and the annual financial statements) and	A skills transfer plan will be developed and implemented.	Skills transfer plans are in draft stage.	CFO	N/A	In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

52	Cash and cash equivalents- Bank confirmation does not agree with the Bank statement and AFS	Misstatements in AFS	possible non-compliance with MFMA This resulted in a factual understatement of the cash and cash equivalents by an amount of R10 045, 45	Bank confirmations will be thoroughly checked against bank statement at year end.	Bank confirmations will be checked against bank statements at year end.	Mr. B Mashiyi	2021/08/31	In Progress
53	Biological assets are not fairly valued in the FAR and Q7 is not included in the FAR	Misstatements in AFS	Biological assets are factually misstated by the following: 1. Understatement amounting to R280 500 due to the fact that the FAR was not complete. A tree plantation was incorrectly omitted. 2. Overstatement amounting to R 200 074 due to the value noted in the FAR being higher than the valuation report and disposal is also overstated by the same amount	Interim FAR will be prepared and reviewed to identify any misstatements before preparation of annual FAR. Annual FAR will also be prepared early to allow thorough review.	Reconciliations are being finalised to ensure that the financial statements agree to the supporting documentation.	CFO	2021/08/31	In Progress

Amahliathi Local Municipality – 2020/21 Annual Report

54	Inventories is not presented and disclosed as per GRAP 12 requirements	Misstatements in AFS	The value of the inventory may be misstated	Interim AFS will be prepared and reviewed to identify any misstatements before preparation of annual AFS. Annual AFS will also be prepared early to allow thorough review.	The AFS will be thoroughly reviewed before submission.	CFO	2021/08/31	In Progress
55	Employees did not take the compulsory 16 leave days during the leave cycle	Non-Compliance with legislation	Non-compliance with South African Local Government Bargaining Council Main Collective Agreement	Letters will be issued to all affected employees. Employees who fail to take leave and above threshold will forfeit leave days.	Letters have been issued to employees.	Ms. N Plaatjie	N/A	Completed
57	Strategic Planning and Performance: SDBIP was not approved by the Mayor	Non-Compliance with legislation	Non-compliance with section 53 of the MFMA	SDBIP was approved by the Mayor and supporting evidence was provided to auditor.	SDBIP is approved by Mayor and supporting evidence is filed.	Mrs. Z Mashologu	N/A	Completed
58	Non-submission of information requested in RFI 87	Internal Control deficiency	Non-submission of requested information is a limitation of scope on the audit. Depending on the assessment of the management response received, the above matter may be included in the management	Information will be properly filed to ensure that it is provided to the auditor within the set time frames to avoid limitation of scope.	Information is properly filed.	Mrs. I Sikhulu-Nqwena	N/A	Completed

Amahlathi Local Municipality – 2020/21 Annual Report

59	Overall Planning outstanding documents – Limitation of scope	Internal Control deficiency	<p>report and audit report as other important matters</p> <p>Non-submission of requested information is a limitation of scope on the audit. The planned time lines may not be achieved due to the non-submission of requested information.</p> <p>Should the information be submitted at a later date, auditors will indicate whether or not they will accept the submission of this information as well as the resource (financial and human) and other implications that accepting this late information will have. Depending on the assessment of the management response received, the above matter may be included in the management report as other important matters</p>	Information will be properly filed to ensure that it is provided to the auditor within the set time frames to avoid limitation of scope.	Information is properly filed.	Mrs. I Sikhulu-Nqwena	N/A	Completed
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Amahlathi Local Municipality – 2020/21 Annual Report

61	Internal control deficiencies identified	Internal Control deficiency	Scope limitation will result in a non-completion of planning phase of audit which ultimately leads to non-compliance with MFMA	Information will be properly filed to ensure that it is provided to the auditor within the set time frames to avoid limitation of scope.	Information is properly filed.	Mrs. I Sikhulu-Nqwena	N/A	Completed
62	Planning: Reconciliations are not prepared on a monthly basis	Internal Control deficiency	The impact of the finding result to non-compliance with laws and regulations and an internal control deficiency	Reconciliations will be prepared and reviewed.	Reconciliations are prepared and reviewed.	CFO	2021/08/31	In Progress
63	Planning: Internal control deficiencies and non-compliance identified	Non-Compliance with legislation & Internal Control deficiency	The impact of the finding may result in poor consequence management, non-compliance with laws and regulations and internal control deficiency	The investigation is still in progress, disciplinary action will be determined by the outcome of investigation	The investigation is still in progress, disciplinary action will be determined by the outcome of investigation	Mr. S Kambi	N/A	In Progress
65	Planning - Internal control deficiency identified	Internal Control deficiency	The capital assets may be material misstated due to unverified movable assets	Interim FAR will be prepared and reviewed to identify any misstatements before preparation of annual FAR. Annual FAR will also be prepared early to allow thorough review.	Reconciliations are being finalised to ensure that the financial statements agree to the supporting documentation.	CFO	2021/08/31	In Progress
66	Planning: No controls in place to ensure the verification of Bulk	Internal Control deficiency	The impact of the finding is an internal control deficiency that may result in a material misstatement in	Invoices will be verified using the 30 minute meter data from Eskom to test for any anomalies.	To be implemented at year end as part of the validation process.	CFO	2021/08/31	In Progress

Amahlathi Local Municipality – 2020/21 Annual Report

68	electricity consumption IT environment-The Municipality does not have an IT risk register	Internal Control deficiency	expenditure - bulk purchases The impact of the finding results to management not identifying significant risks affecting IT	1. The ICT risk register is in place and will be updated with action plans. 2. ICT risk register will be reviewed before the end of June 2020.	1. The ICT risk register is in place and action plans are updated. 2. ICT risk register has been reviewed.	Ms. Z Goba	2021/06/30	Completed
69	(ICD) PPE - Infrastructure asset with incorrect residual value	Internal Control deficiency	This has also resulted in non-compliance with the asset management policy of the municipality	Interim FAR will be prepared and reviewed to identify any misstatements before preparation of annual FAR. Annual FAR will also be prepared early to allow thorough review.	Reconciliations are being finalised to ensure that the financial statements agree to the supporting documentation.	CFO	2021/08/31	In Progress

Report of the auditor-general to Eastern Cape Provincial Legislature and the council of Amahlathi Local Municipality

Report on the audit of the financial statements

Opinion

2. I have audited the financial statements of the Amahlathi Local municipality set out on pages 4 to 87 of annual financial statements (annexure volume ii of this report), which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
3. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Amahlathi Local Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act of South Africa (Act no.4 of 2020) (Dora).

Basis for the opinion

4. 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.
5. 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.
6. 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

7. I draw attention to the matters below. My opinion is not modified in respect of matters.
8. I draw attention to note 43 to the financial statements, which indicates that the municipality inability to pay creditors within due dates, negative key financial ratio, and net current liability was realised, these were identified that may cast significant doubt on the entity's ability to continue as a going concern. As stated in note 43, these events or conditions, along with the other matters as set forth in note 43,

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

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

Restatement of corresponding figures

10. As disclosed in note 41 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.

Material impairment consumer debtors and receivables from non-exchange transactions

11. As disclosed in note 4 and 5, respectively, to the financial statements, material impairments for consumer debtors and other debtors of R58, 3 million (2020: R44.9, million) and for receivables from non-exchange transactions of R48, 5 million (2020: R35, 4 million) were incurred.

Material electrical distribution losses

12. As disclosed in note 47 to the financial statements, material electricity losses of R11, 7 million (2020: R9, 8 million) was incurred, which represents 34.2% (2020: 29.5%) of total electricity purchased. The losses are attributed to normal losses and illegal connections.

Other matter

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

Unaudited disclosure note

14. In terms of section 125(2) (e) of the MFMA, the municipality is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

16. 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

17. 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.

18. 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

19. 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 key performance area presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
20. 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.
21. 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 key performance area presented in the municipality's annual performance report¹ for the year ended 30 June 2021:

Key performance area	Pages in the annual performance report
KPA 01: Service delivery and infrastructure development	xx – xx

22. 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.
23. The material findings on the usefulness and reliability of the performance information of the selected key performance area are as follows:

KPA 1 – Service delivery and infrastructure development (SDI)

No. of km's of roads constructed (gravelled)

24. The planned target of no. of km's of roads constructed (gravelled) for this indicator was not specific in clearly identifying the nature and required level of performance and did not specify the place or location of where the work will be performed.

% of Faulty reported meters repaired per inspection report

25. The achievement of 96% of faulty reported meters repaired per inspection report was reported against target 80% of faulty reported meters repaired as per inspection report in the annual performance report. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.

% of kms of roads paved

26. The planned target was % of 2 kms of roads paved (Keiskammahoek town and Amatolaville), but the reported achievement(s) referred to was 2.03 km paved (100% of 1.1km KKH paving and 93% of 1km % constructed for Amatolaville paving Amatolaville paving).

Other matters

27. I draw attention to the matters below.

Achievement of planned targets

28. Refer to the annual performance report on pages 24 to 78 for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 23 to 25 of this report.

Adjustment of material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 01: service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

30. 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.

31. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, annual performance report and annual report

32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of commitments,

statement of change in net asset and prior year correction note identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

33. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R2 million included in note 45 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid on overdue accounts.
34. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R49, 1 million, as disclosed in note 44 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the unauthorised expenditure was caused by exceeding budget.

Consequence management

35. All unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
36. All irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
37. All fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Strategic planning and performance management

38. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).

Other information

39. 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 key performance area presented in the annual performance report that have been specifically reported in this auditor's report.
40. 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.
41. 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 key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, I conclude there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

42. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
43. The municipality did not implement adequate controls and proper records management in order to verify the supporting evidence for each reported indicator on the annual performance report.
44. The annual financial statements submitted for audit had numerous material misstatements which were subsequently corrected. Adequate and detailed reviews was not performed on the annual financial statements.
45. The municipality did not implement measures to investigate irregular expenditure,unauthorised expenditure,and fruitless and wastefull expenditure.

Material irregularities

46. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities identified during the audit

47. The material irregularities identified are as follows:

Material irregularities in progress

48. I identified material irregularities during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not yet completed the process of evaluating the responses from the accounting officer. These material irregularities will be included in the next year's auditor's report.

Other reports

49. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
50. The President of South Africa promulgated that an investigation be conducted by the Special Investigating Unit (SIU) based on the allegation of possible procurement irregularities. This investigation was still in progress at the date of this report.
51. An independent consultant finalised a forensic investigation on possible irregularities in the traffic department and possible procurement irregularities. Investigation is finalised.
52. An inquiry by the Department of Cooperative Governance and Traditional Affairs (Cogta) into allegations of impropriety and irregularities in terms of section 105 of the Municipal Systems Act. Investigation is finalised.

53. An independent firm was appointed by Cogta to investigate various allegations into procurement processes not followed. The investigation is finalised.

54. An independent consultant firm finalised the investigation on procurement irregularities

Auditor General

East London
31 January 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 key performance area and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

REPORT OF THE AUDIT COMMITTEE

Purpose

The function of the Audit Committee (hereinafter referred to as the Committee) is primarily to assist the Amahlathi Municipality (hereinafter referred to as the Council) in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements.

Legal / Statutory Requirements

The Committee operates in terms of Section 166 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003 and has endeavoured to comply with its responsibilities arising from those requirements. Other pieces of legislation that regulates function of the Committee are:-

- Municipal Structures Act
- Municipal Systems Act 32 of 2000

BACKGROUND

An audit committee is an independent advisory body which must meet at least four times a year in order to perform the following duties:

Advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to—

- a) internal financial control and internal audits;
- b) risk management;
- c) accounting policies;
- d) the adequacy, reliability and accuracy of financial reporting and information;
- e) performance management;
- f) effective governance;
- g) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; h) performance evaluation; and
- i) Any other issues referred to it by the municipality or municipal entity;
 - a. review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
 - b. respond to the council on any issues raised by the Auditor-General in the audit report;

- c. carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request; and
- d. Perform such other functions as may be prescribed.

Role and Responsibility of the Audit Committee

The function of the Audit Committee is primarily to assist the Amahlathi Municipality (hereinafter referred to as the Council) in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes, the preparation of financial reports and statements and ensuring good governance.

Audit Committee Members and Attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. In terms of the Audit Committee Charter, the committee should consist of a minimum of 3 members. Ms L. Smith was appointed as the Chairperson of the Audit Committee. The audit committee held 3 ordinary meetings and 1 special meeting during the year under review.

Name of Member	No of ordinary meetings attended
Ms. L. Smith (Chairperson)	4
Mr. M. Mafani	4
Mr. M Mdani	3

Dates of Audit Committee Meetings

- 26 October 2020
- 09 Dec 2020
- 22 Jan 2021
- 26 May 2021

The ordinary audit committee meetings are also attended by the Municipal Manager, Section 56 Managers, internal and external auditors and other relevant stakeholders.

The effectiveness of internal controls

The audit committee has assessed the internal controls for the municipality through the Internal Audit unit on a quarterly basis. Below there are some of the findings that have been identified regarding the internal controls for the municipality.

REVIEW OF THE ANNUAL FINANCIAL STATEMENTS

Annual Financial Statements were reviewed by both the Internal Audit Unit and the Audit Committee. There were no major issues that were found on the draft Financial Statement. The following were some of the findings that were identified:

- Differences between the prior year amounts and the restated amounts;
- Differences between the Annual Financial Statements and the Trial Balance; and
- Differences between the notes of the Annual Financial Statements and the face of the Statement of the Financial Position and the Statement of the Financial Performance.

PERFORMANCE MANAGEMENT

It was noted that the municipality has not fully implemented the Performance Management System indicating the process of monitoring, measuring and reviewing performance on a quarterly basis. 2019/20 Annual Performance information report was reviewed and the committee noted that information was prepared appropriately with regressed performance rate of 46.53% when compared to the previous financial year (2018/19). Service delivery, local economic development and municipal transformation key performance areas had poor performance results.

During the 2020/21 mid-term review the performance of the municipality is currently sitting at 63.94%. Management were advised to address recommendations from internal audit for compliance, reliability and usefulness before the report is escalated to Council for adoption.

The municipality has been adversely affected by the community protests that have been ongoing since the 16 October 2018. This has caused inefficiencies in the operations of the municipality.

FOLLOW-UP ON THE INTERNAL AUDIT REPORTS ISSUED

It was noted that the municipality has implemented satisfactory recommendations from previous internal audit reports. Management needs to monitor the implementation of audit action plans for continuous improvement in the control environment. Robust monitoring of audit action plans needs to take place particularly on high risks areas that were identified on fleet management. Furthermore control mechanisms need to be instituted and extensive investigation need to be conducted on the misuse of fuel.

AUDITOR GENERAL REPORT

The municipality has not addressed audit findings relating to the Office of the Auditor General as only 15% of the findings were implemented and in-progress at 69%. Improvement was noted as compared to previous financial year. This has affected the municipality negatively as there might be repeat findings that will be raised by the Office of the Auditor General.

The quality of In-year management and monthly/quarterly reports

The Municipal Manager submitted reports during the year under review with regard to financial and non-financial performance. It was noted that the municipality is adversely affected financially as the result majority of the targets relating to service delivery were not met.

Developed process plans for both IDP and Budget have not been adhered to, which resulted in non-compliance on the implementation of the plan.

Internal Audit

The Internal Audit Unit managed to assess control environment during the financial. 100% planned audits were executed completely and the reports were discussed with management. There was a delay in developing risk based internal audit plan for 2020/21 financial year. During 2020/21 mid-term the emerging risks were reported and management need to ensure that risk mitigation plans developed:

Auditor General South Africa

It must be noted that the municipality needs to put more controls in terms of implementing and monitoring the AG and internal audit action plans including risk mitigation plans. There is a sound and professional relationship between the Audit Committee and the Office of the Auditor General so as to ensure compliance.

SIGNED BY:



Chairperson of the Audit Committee

CHAPTER 7 APPENDICES

APPENDIX A: COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE

Council Members	23-Jul-20	28-Aug-20	30-Sep-20	07-Oct-20	22-Oct-20	27-Oct-20	29-Oct-20	13-Nov-20	19-Nov-20	15-Dec-20	17-Dec-21	25-Jan-21	24-Feb-21	11-Mar-21	16-Apr-21	30-Apr-21	31-May-21	01-Jun-21	no of meetings	percentage of council meetings	percentage of apologies for non	percentage of absences
1. Cllr. Mxolisi Mjikelu	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	100	0	0
2. Cllr. Agnes Hobo	P	P	P	P	P	P	P	P	P	P	P	P	P	P	AP OL OG Y	AB SE NT	P	AP OL OG Y	18	83	11	6
3. Cllr. Neliswa Busika	P	P	P	P	P	P	P	P	P	P	P	D							18	100	0	0
4. Cllr. Nicholas Monti	P	P	AB SE NT	P	AP OL OG Y	AP OL OG Y	P	P	P	AB SE NT	AB SE NT	P	P	AP OL OG Y	P	P	P	P	18	67	16,5	16,5
5. Cllr. Nobathembu Manyika	P	P	P	P	P	P	P	P	P	P	P	P	AB SE NT	P	P	AB SE NT	P	P	18	89	0	11
6. Cllr. Pateka Qaba	P	P	P	AP OL OG Y	P	P	P	P	AB SE NT	P	P	AP OL OG Y	AP OL OG Y	AP OL OG Y	P	P	P	P	18	67	27	6

7. Cllr. Nosiphiwo Pose	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	67	11	22
8. Cllr. Nomakosazana Calpurnia Nongqayi	AB SE NT	AP OL OG Y	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	67	22	11
9. Cllr. Nokuzola Mlahleki	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	94	0	6
10. Cllr. Dumisa Sivaret Gxekwa	P	AB SE NT	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	39	0	61
11. Cllr. Mlungiseleli Ngcofe	P	AB SE NT	P	AP OL OG Y	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	33	11	56
12. Cllr. Xhanti Mngxaso	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	78	0	22
13. Cllr. Xola Moses Tokwe	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	83	0	17
14. Cllr. N. Klaas	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	56	0	44
15. Cllr. Noluvoyo Jikazayo	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	88	6	6
16. Cllr. Busisa Xongwana																					4	50	0	50

17. Cllr. Xola Nqata	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	AB SE NT	P	18	83	6	11
18. Cllr. Mosina Nqini	P	AB SE NT	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	94	0	6
19. Cllr. Vuyani Winston Tshaka	P	P	P	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	P	18	56	0	44
20. Cllr. Siphwo Godfrey Venkile	P	AP OL OG Y	P	AP OL OG Y	AB SE NT	AB SE NT	AP OL OG Y	P	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT		18	44	44	12
21. Cllr. Robert Thanduxolo Desi	P	P	P	AP OL OG Y	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	72	17	11
22. Cllr. Pakamile Griffiths Noxeke	AB SE NT	P	P	P	AB SE NT	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	78	0	22
23. Cllr. Nosiphiwo Arina Mtati	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	72	11	17
24. Cllr. Thamsanqa Balindlela	P	P	P	AP OL OG Y	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	61	22	17
25. Cllr. Robert Brennand Pickering	P	P	P	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	18	39	22	39

26. Cllr. Ndileka Ngxakangxaka	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	AB SE NT	18	83	6	11	
27. Cllr. Gcobani Dumalisile Mxosa	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	77	17	6	
28. Cllr. Cythia Thembeke Ngxingolo	AP OL OG Y	AB SE NT	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	AB SE NT	18	50	11	39	
29. Cllr. Phumla Ntwanambi	AB SE NT	AP OL OG Y	AB SE NT	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P		4	0	25	75	
30. Cllr. Neliswa Mbulawa				P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	AB SE NT	14	79	0	21	
31. Cllr. Nicholas Ncevu																				P	10	80	0	20	
32. Cllr. Nosipho Cynthia Mkiva																				P	10	80	0	20	
33. Cllr. Sizeka Mqwebedu																				AB SE NT	2	50	0	50	
34. Traditional Leader: Mr. K. Sandile	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	89	0	11	
35. Traditional Leader: Mr. Z. Ngudle	AB SE NT	P	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	AB SE NT	P	18	33	0	67

36. Traditional Leader: Mr. S.N. Mledle	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	83	0	17	
37. Traditional Leader: Mr. A.T. Daka	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	89	0	11
38 Traditional Leader: Mrs. N.G. Mekuto	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	83	0	17
39. Traditional Leader: Mr. X. Zake	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	18	83	6	11

APPENDIX B: COUNCIL COMMITTEES (Other than Mayoral/ Executive Committee) and Purposes of the Committees

Municipal Committees	Purpose of Committee
Budget and Treasury	The purpose of the Budget and Treasury Standing Committee as a Section 79 Committee of Council is to:- Provide Political Leadership by being responsible for Policy outcomes, oversight and holds the Chief Financial Officer accountable for Performance by regular and consistent reporting to Council through the Committee.
Service Delivery	Report on Progress and Challenges on Capital Projects. Report on work done as per the Maintenance programme of Roads, also alerting the committee of the repairs done on Machinery That might have caused delays in the Programme. Challenges in the Department in General. Amount of Jobs created. The response time in repairing any complaints from the Community. Report on Budget Expenditure.
Development and Planning	To create a conducive environment for business to invest at Amahlathi area. To encourage business to create jobs in order to reduce unemployment. To promote SMME's and co-operatives within Amahlathi. To promote tourism as a vehicle for Job creation within Amahlathi. To support emerging farmers that are within Amahlathi and link them with business in order to sell their products.
Community Services	To provide accessible, affordable, equitable and sustainable service as well as a healthy environment to residents and business operating in the Amahlathi Local Municipality. To contribute towards a safe and secure environment.

Municipal Committees	Purpose of Committee
	To promote a clean and healthy environment.
	To promote a culture of reading and learning.
	To ensure that Public Amenities are improved and well managed.
Corporate Services	To oversee the proper, efficient and effective operations of Human Resources and Administration Department.
	To ensure that Policy Formulation and recommendation from both Sections are in line with vision and mission of the municipality as well as
	Compliant with National and Provincial Legislation.
	To represent employer component in Provincial Institution Cluster of SALGA, Amathole District Municipality
	To champion good working relations between the employer and employee component of the municipality.
	To ensure that Departmental goals and Departmental Budget are aligned.
	To devise programs for imparting of skills to Stakeholders within the municipal area.
	To oversee that proper employment procedures are undertaken without disadvantaging anyone.

APPENDIX C. THIRD TIER STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
BUDGET AND TREASURY OFFICE	MR L MANJINGOLO
CORPORATE SERVICES DEPARTMENT	MRS. N. PLAATJIE – ACTING DIRECTOR (SECONDED AS AT JULY 2020- JUNE 2021)
ENGINEERING SERVICES DEPARTMENT	MR. MR BUKUBUKWANA – ACTING DIRECTOR (AS AT MARCH 2021)
COMMUNITY SERVICES DEPARTMENT	MS A NOHOLOZA (SECONDED AS AT JANUARY 2021-JUNE 2021)
PLANNING AND DEVELOPMENT DEPARTMENT	MR M MAKUNGA
STRATEGIC SERVICE DEPARTMENT	VACANT
<i>Use as a spill-over schedule if top 3 tiers cannot be accommodated in chapter 2 (T2.2.2).</i>	

TC

APPENDIX D: FUNCTIONS OF MUNICIPALITY

MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*
Constitution Schedule 4, Part B functions:	
Air pollution	Yes
Building regulations	Yes
Child care facilities	Yes
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
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	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Storm water management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No
Beaches and amusement facilities	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes
<i>* If municipality: indicate (yes or No); * If entity: Provide name of entity</i>	

APPENDIX E: WARD REPORTING

Ward Name (Number)	Name of Councillor elected Committees	Ward and Ward	Committee established (Yes /NO)	Number of Committee meetings held during the year	Number of quarterly reports submitted to the Speaker on time	Number of quarterly public meeting held during year
WARD 1	Cllr N.Mkiva 1.Lindela Manyakanya 2.Nokrisimesi Mbande 3.Nozolile Mfuleni 4.Lulama Kwankwa 5.Cynthia Vane 6.Phumla Bobo 7.Nokuthula Madlokazi 8.Mzolisi Ndlangalavu 9.Vuyokazi Bikitsha 10.Vuyisile Mandla		YES	6	1	1
WARD 2	Cllr D.S.Gxekwa 1.Veliswa Mhluzi 2.Vuyelwa Nkovu 3.Siyabulela Mpayipheli 4.Siseko Cawa 5. 6.Cebo Madlokazi 7.Kungeka Sixholo 8.Ndodomzi Manyakanyaka 9.Mongameli Rode 10.Nomataru Mhlauli		YES	4	0	1
WARD 3	Cllr M.Ngcofe 1.Sikelelwa Tamba 2.Alfred Veto 3.Phiweka Socishe 4.Thozama Madlokazi 5.Zimasa Mthi 6.Akhona Tweni 7.Mfuyo Jumba 8.Nkosabantu Busika 9.Fundiswa Luthuli 10.Makhi Manentsa		YES	2	0	1
WARD 4	Cllr M Mjikelo 1.Nocwaka Nonyongo 2.Portia Mbesi Nancy Cofa 4. 5.Ntombizakhe Nkwentsha 6.Veronica Vellem		YES	6	1	3

Amahlathi Local Municipality –2020/21 Annual Report

	7.Ali Sautana 8.Thandiswa Tshali 9.Nonzuzo Mahlathi 10.Nonkanyiso Charlie				
WARD 5	Cllr Klaas 1.Sakhumzi Lubengu 2.Ntombizanele Nono 3.Nomakorinte Ngcaku 4.Thobigunya Kolobile 5.Vukaphi Mpumelelo 6.Neliswa Nyathi 7.Vivian Sajini 8.Phindiwe Blom	YES	3	0	0
WARD 6	Cllr Tokhwe 1.Olwethu Boo 2.Nosango Manoni 3.Luyanda Sindi 4.Hussein Wayne Mopp 5.Nontekelelelo Xiniwe 6.Siphokazi Funani 7.Gudiswa Matomela 8.Nosiphiwo Nogqala 9.Bonele Patsa 10.Veliswa Mondeleki	YES	5	0	2
WARD 7	Cllr N Jikazayo 1.Sihlalo Magibizela 2.Phatheka Nojoko 3.Nontuthuzelo Damane 4.Nozukile Felem 5.Nosithile Momeni 6.Nwabisa Mbelwana 7.Nokona Bacela 8.Norah Toyiya 9.Kholiwe Sindaphi 10.Nomsa Balindlela	YES	7	0	1
WARD 8	Cllr X.Nqatha 1.Lulama Kama 2.Vusiwe Nkunzi 3.Lee Fletcher 4.X.Mbiko 5.Mthuthuzeli Mkefu 6.Bulelwa Pinana 7.Mlamli Dabi 8.Thenjiwe Vena 9.Wonke Ntlombe 10.Nosiphiwo	YES	9	1	2
WARD 9	Cllr M.Nqini 1.Vuyo Mdutywa	YES	10	1	2

	2.Athini Somana 3.Zukisani Tancu 4.Khanya Sotyantsi 5.Msa Madliwa 6.Mzolisi Jwaqu 7.Thandeka Ntsasa 8.Zoleka Mbekeni 9.Zameka Sotyantsi 10.Nobekaphi Wawa				
WARD 10	Cllr V.Tshaka 1.Aviwe Qakana 2.Lungisa Tyanase 3.Ntombizakhe Jaza 4.Bukelwa Soyi 5.Buntu Mpondo 6.Unathi Potose 7.Ndileka Magwaxaza 8.Nomfanelo Fikilane 9.Ntombizanele Sodzeme 10.Veliswa Bongoza	YES	4	0	1
WARD 11	Cllr S.Mati 1.Nonkosi Mcothshana 2.Nontando Kasba 3.Ntsikane Mesele 4.Lusanda Habule 5.Andile Ngwalangwala 6.Nomsebenzi Lantu 7.Nontyantyambo Charles 8.Mzwamabhele Norushe 9.Sindiswa Lunge 10.Bukiwe Madikane	YES	6	0	1
WARD 12	Cllr R.Desi 1.Thandeka Blom 2.Thumeka Nobavu 3.Nomvuyo Ntsudushe 4.Cebo Kotsobe 5.Phelisa Zipindile 6.Fanelwa Ngese 7.Luvuyo Mtila 8.Nosicelo Tishala 9.Lote Nosipiwo 10.Zukiswa Komani	YES	9	0	2
WARD 13	Cllr N.Ncevu 1.Sivuyile Cetwayo 2.Lindelwa Mbandezi 3.Mandeli Gobodwana 4.Tshona Caswell	YES	9	0	2

Amahlathi Local Municipality –2020/21 Annual Report

	5.Bonelwa Nikani 6.Zingaphi Sawuti 7.Vuyelwa Nyamakazi 8.Vuyo Jakuja 9.Veliswa Lamana 10.				
WARD 14	CLlr D.Noxeke 1.Sibulele Vuso 2.Lina Busika 3.Victoria Poni 4.Zukile Jaqula 5.Yoliswa Mapukatha 6.Nozuko Mbiko 7.Mlingiseleli Cetywayo 8.Mziyanda Mtsewu 9.Bulelani Ndoloshe 10.Nomsa Jeremiah	YES	5	0	1
WARD 15	CLLR Mtati 1.Vulindlela Mvandaba 2.Zoliswa Kweleta 3.Mandeli Mbende 4.Desmond Dyosi 5.Mbulelo Ndinisa 6.Vusumzi Foslara 7.Sintombi Frans 8.Mzikayise Dyosi 9.Asanda Tyira 10.Yolanda Mampangashe	YES	10	1	2

APPENDIX F: MUNICIPAL AUDIT COMMITTEE RECOMMENDATIONS

ITEM	RESPONSIBLE	PROGRESS
<p><u>Attendance of AC Meetings by COGTA</u> 1. It was resolved that going forward COGTA should form part of AC Meetings, invitations should be sent through to their office.</p> <p><u>Support given by External Stakeholders to the Municipality</u> It was resolved that Provincial Treasury should set up meeting with ADM Municipal Support and prepare presentation in order to avoid duplication of support functions.</p> <p>It was further emphasised that going forward Treasury, COGTA and ADM should make representations on AC Meetings about support provided to ALM so that:</p> <ul style="list-style-type: none"> • The Committee can recognise and commend support provided , • Improvement plans or impact on the support services can be identified and reported • Duplication of efforts can be reduced 	<p>Municipal Manager IAM External Stakeholders</p>	<p>The following external stakeholders were invited to and attended all ordinary AC meetings:</p> <ul style="list-style-type: none"> • Office of the Auditor General • Provincial Treasury • CoGTA • Amathole District Municipality <p>Treasury and ADM have worked partnership to ensure that Amathole Audit & Risk Forum is capacitated through trainings.</p> <p>Training were jointly conducted by Provincial Treasury, CoGTA at CAE Forum</p> <p>ADM managed to organised trainings for the District during the year. There was also a training from the Institute of Internal Auditing on Quality Assurance and Improvement Plan.</p> <p>Presentation by Treasury was done to the Committee.</p>

<p><u>Budget vs Actual Expenditure</u></p> <ul style="list-style-type: none"> To make presentation on Revenue Enhancement Strategy to Council It was recommended that the Municipality's Revenue Enhancement Strategy should also include electricity distribution losses that are incurred by the municipality. CFO was requested by AC to prepare a report to AC on implications for not paying main suppliers like ESKOM, Department of Transport, AG & other suppliers. 	<p>Chief Financial Officer</p>	<ul style="list-style-type: none"> Revenue Enhancement Strategy was presented to and adopted by Council. Electricity distribution losses incurred by the municipality are incorporated in the Revenue Enhancement Strategy The report on the was prepared and reported to the Committee
<p><u>Fraud Awareness Report</u></p> <ul style="list-style-type: none"> It was resolved that the Municipal Manager should give detailed actions on how to deal with the protection of whistle-blowers. It was resolved that the Municipal Manager should develop policy on Protection of Whistle blowers so as to give assurance to the Whistle-blowers. 	<p>Municipal Manager</p>	<ul style="list-style-type: none"> Whistleblowing policy was developed by management and communicated to internal stakeholders before submission to Council for adoption The Audit Committee reviewed the policy for adoption by Council.
<p><u>Financial Misconduct</u></p> <p>When the municipality suffered losses or damage through criminal acts or possible criminal acts or omissions, the matter must be reported in writing to the Accounting Officer and the SAPS (Treasury regulations).</p> <p>In cases of financial misconduct, the MM to compile and forward SAPS Register in respect of reported cases to AC Members.</p>	<p>Municipal Manager</p>	<p>There were no cases of fraud or financial misconduct during the financial year, however the MM has started to obtain information from the SAPS.</p>
<p><u>Fraud Risk Register</u></p> <p>MM to compile and forward Fraud Register to AC Members</p>	<p>Municipal Manager</p>	<p>2020/21 Fraud risk register in place has been reviewed by the Committee</p>

Municipal Re-engineering

On 22nd November 2019, it was indicated that Corporate Services Department needs to present the solution regarding unavailability of job descriptions and the issue of Institutional organogram.

COGTA has assisted the municipality in conducting an organisational analysis, report will be presented to Management and the Council.

AC proposed that Municipal approved SDBIP should be taken into consideration when tackling the issue of re-engineering.

Municipal Manager/Director -
Corporate Services

The structure was adopted by Council on 13 July 2021 Implementation/Process Plan was developed with clear timelines

The job descriptions were last reviewed in 2014.

The process of reviewing will resume again during August 2021

Job Description Writing Committee (JDWC) is in place. It consists of two employees from each department.

Training of the JDWC was conducted by SALGA on 29-30 July 2021. Terms of reference are also in place

ADM 7 SALGA provided ALM with the generic job descriptions

On the developed Implementation/Process plan development of job descriptions is one of the key action that need urgent attention.

In the event of unavailability of job descriptions and there's a critical position that need to be advertised a benchmarking with the municipality which is on the same Category should be done.

<p>Fleet Management Report On the 22nd November 2019, it was resolved that Director Corporate Services should provide detailed actions to address the findings that were raised on the Fleet Management Audit Report and present those actions in the AC Meeting due to the fact that the findings that were raised were of serious nature with huge financial implications.</p> <p>Leave Management Report It was resolved that a comprehensive management action plans to address the findings raised on the Leave Management Audit Report should be compiled and be presented by Director – Corporate Services in the AC Meeting.</p>	<p>Director Services</p> <p>Corporate</p>	<p>Detailed Management Action plan was prepared by Acting Director – Corporate Services</p> <p>The following risk mitigation strategies to address internal control weaknesses were developed and monitored during the year:</p> <ul style="list-style-type: none"> • Appointment of service provider and ensure proper functioning of the tracker system • Review of daily notifications from Wesbank (Petrol Cards); • Vehicle checklist will be done on daily basis; Report with regard to the driving behaviours will be submitted to the fleet management committee to recommend findings to the MANCO. • Log books will be monitored on a weekly basis; • Trip authorisation forms will be issued by the HODs on a daily/weekly basis; • Coordinate sitting of Fleet Management committee
<p>Supply Chain Management Report</p> <p>It was resolved that SCM should develop action plans on findings raised on the report and these actions will be discussed in the next AC Meeting.</p>	<p>Chief Financial Officer</p>	<p>Action Plans have been prepared by CFO and submitted to internal Audit for periodic monitoring</p>
<p>Municipal Commonage</p> <p>It was resolved that the Director Community Services should write a letter to Provincial Treasury and Environmental Affairs and seek advice regarding Municipal Commonages.</p>	<p>Director Community Services</p>	<p>Draft Tariff Structure was developed and submitted to Council for adoption.</p> <p>The MM reported that a letter was drafted and submitted, site visits were conducted</p>

<p><u>Risk Management</u> It was resolved that ALL Directors should also have a Risk Management KPA as per Instruction note by Treasury Regulations. It was further resolved that Risk Register should be monitored regularly by management.</p>	<p>MM's Office</p>	<ul style="list-style-type: none"> • All Directors have KPI for risk management included in the 2021/22 SDBIP • Risk management activities were discussed with management in October.
<p><u>Recommendations of the AC / Matters arising from the minutes that:</u></p> <ul style="list-style-type: none"> • The word "ongoing" must not be used again on the action plans so that progress can be evaluated appropriately. • The structure of the SCM reports to improve and report should be detailed. • AG management report to be issued on February 2021. • Internal Audit Manager to write a letter to COGTA- Integrity Management for assistance with Fraud and Corruption awareness • CoGTA or Treasury to assist in Fraud Awareness and review risk register. • MM to support IA Manager when communicating with COGTA so that the process can be fast tracked • IA Manager to email the Whistleblowing Policy to the Committee for review and approval • Risk tolerance and appetite must be included in the risk management policy and presented to Council for adoption • Register for Legal Matters needs to be reviewed and be more detailed. • Register must also include the closed previous matters and indicate whether the municipality won the case or not. • That the report should include a schedule of pay-outs per case and also include the dates on the progress per case • The amount that was paid for Travel Agency should be added on the Fruitless and Wasteful Expenditure. 	<p>All Managers</p>	<ul style="list-style-type: none"> • AG Report and management letter and audit improvement plan was reviewed by the Committee. • Fraud awareness was conducted by CoGTA on the 22nd of June 2021. • Whistleblowing policy was reviewed by the Committee before submission to Council for approval. • The risk management policy was reviewed. Risk tolerance and appetite levels and control effectiveness were included in the policy

<p><u>2021/22 Integrated and Development Plan</u></p> <ul style="list-style-type: none"> • The recommended that: In relation to the crafting of the IDP and its implementation have been made not only for the current financial year but also for the following year because the planning periods of municipalities and province/national are different. • In the development of indicators management should ensure that where the one indicator is developed, that indicator should be broken down into two separate indicators to minimize ambiguity, for example; -No of households with basic waste collection; -No of businesses with basic waste collection; • The municipality should consider developing an M&E framework to serve as an early warning system. It is important to determine if there is value add (return on investment) made by the implementation of these projects (both municipal and provincial projects) to the lives of the people in the Amahlathi Local Municipality. • To evaluating the impact on the implemented projects and consider using the National Evaluation Framework (approved by national cabinet in 2011) and it guidelines. • To consider getting into MoU or SLA to enhance the implementation of provincial projects in different wards of the municipalities. The implementation of the M&E framework would be enabled by the existence of the MoU/SLA, • That there should be clear and strategically aligned operations or project plans to enable the drafting of individual performance agreements that will be able to contribute to the overall departmental and organizational performance and by extension address the identified social and economic problem • The fundamental issues raised in Chapter Two: Demographic Profile of the ALM need the attention of municipality and are, inter alia, as follows: - Large scale poverty and consequences thereof, including increased crime levels; - Lack of knowledge of/sources of financing of SMME's; 	<p>Municipal Manager</p>	<p>The recommendation were implemented and some of the targets will be reviewed during the revision of strategies in January 2022</p>
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<p>- Inadequate access of subsistence/emerging farmers to agricultural implements.</p> <ul style="list-style-type: none"> ● It is recommended that the current chapter two of the IDP be used to inform the planning process of relevant departments (i.e., DRDAR, DEDEAT, and DoE) that will be starting in September for the following year. This is intended to address the parallel planning processes that are taking place between municipality and the province 		
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APPENDIX G: DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July 2020 to 30 June of Year 2021		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	Cllr A. Hobo	Nil
Member of EXCO	Cllr. N Pose	Nil
	Cllr. N Kato Manyika	Nil
	Cllr. N Mlahleki	Nil
	Cllr. N Monti	Nil
	Cllr. M Mjikelo	Nil
	Cllr. T Balindlela	Nil
Councillor		
Municipal Manager	I Sikhulu-Nqwena	Nil
Chief Financial Officer	L Manjingolo	Nil
Directors	O Makunga	Nil
	P Dibela	Nil
	N Plaatjie (Acting)	Nil
	A Noholoza (Acting)	Nil
Other S57 Officials		

* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A
TJ

APPENDIX H: REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
						R' 000
Vote Description	Year 2019/20	Current: Year 2020/21			Year 2020/21 Variance	
	Actual	Original Budget	Adj Budget	Actual	Original Budget	Adj Budget
Vote 1 - Executive & Council	97 048	119 026	144 583	138 490	14%	-4%
Vote 2 - Budget & Treasury Office	74 823	26 263	26 267	31 196	16%	16%
Vote 3 - Corporate Services	-	-	835	-	0%	0%
Vote 4 - Planning & Development	13 464	28 022	48 044	47 712	41%	-1%
Vote 5 - Community & Social Services	1 482	1 579	1 497	1 315	0%	0%
Vote 6 - Housing	8	230	130	14	-1548%	-831%
Vote 7 - Public Safety	-	5	5	251	0%	0%
Vote 8 - Sport & Recreation	-	-	-	-	-100%	-100%
Vote 9 - Waste Management	8 832	17 989	20 989	19 249	-100%	0%
Vote 10 - Road Transport	4 922	4 930	4 830	4 826	-2%	0%
Vote 11 - Electricity	29 340	34 992	36 533	39 289	11%	7%
Vote 12 - Environmental Protection	-	63	43	22	-193%	-100%
Total Revenue by Vote	229 920	233 099	283 756	282 364		
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i> <i>This table is aligned to MBRR table A3</i>						

T K.1

APPENDIX I: LONG TERM CONTRACTS

Long Term Contracts (20 Largest Contracts Entered into during Year 2020/21)					
					R' 000
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
None					
					T.H.1

Public Private Partnerships Entered into during Year 2020/21					
					R' 000
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value 2018/19
None					
					T.H.2

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source							R '000
Description	Year 2019/20	Year 2020/21			Year 2020/21 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adj Budget	
Property rates	18 993	23 785	23 785	20 796	-14%	-14%	
Property rates - penalties & collection charges	-	-	-	-			
Service Charges - electricity revenue	26 445	34 992	36 533	37 467	7%	2%	
Service Charges - water revenue	-	-	-	-	0%	0%	
Service Charges - sanitation revenue	-	-	-	-	0%	0%	
Service Charges - refuse revenue	12 052	10 000	12 000	12 115	17%	1%	
Service Charges - other	-	-	-	-	0%	0%	
Rentals of facilities and equipment	58	251	171	58	-330%	-193%	
Interest earned - external investments	1 434	1 845	1 845	1 001	-84%	-84%	
Interest earned - outstanding debtors	7 116	6 000	8 000	7 057	15%	-13%	
Dividends received	-	-	-	-	0%	0%	
Fines	16	106	106	6	-1719%	-1719%	
Licences and permits	1 183	2 740	2 340	2 389	0%	2%	
Agency services	1 758	1 000	1 300	1 394	28%	7%	
Transfers recognised - operational	111 626	345	144 927	137 729	13%	-5%	
Other revenue	49 239	1 124	816	62 349	98%	99%	
Gains on disposal of PPE	-	-	-	-	0%	0%	
Total Revenue (excluding capital transfers and contributions)	229 920	201 188	231 823	282 364	28,75%	17,90%	

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.

T K.2

APPENDIX L: CONDITIONAL GRANTS EXCLUDING MIG

Conditional Grants: excluding MIG							R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)	
				Budget	Adj Budget		
Neighbourhood Development Partnership Grant							
Public Transport Infrastructure and Systems Grant							
<i>Other Specify:</i>							
FMG Grant	2 200	2 200	2 200	0%	0%	Yes	
MSIG Grant	–	–	–	0%	0%	Yes	
EPWP Grant	1 000	1 000	1 000	0%	0%	Yes	
Equitable Share	111 895	131 642	131 642	15%	0%	Yes	
PMU 5%	1 399	1 399	1 399	-	-	Yes	
Disaster Relief Grant	–	278	145	1,00	0,92		
<i>Provincial</i>							
Library Grant	1 200	1 200	1 200	0%	0%	Yes	
Waste Grant	–	356	356	0%	0%	Yes	
Total	117 694	138 075	137 941				
<p>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T 5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Obtain a list of grants from national and provincial government.</p>							

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APPENDIX M: CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							R '000
Description	Year 2020/21			Planned Capital expenditure			
	Original Budget	Adjustment Budget	Actual Expenditure	FY + 2021/22	FY + 2022/23	FY + 2023/24	
Capital expenditure by Asset Class							
Infrastructure - Total	21 261	27 392	31 670	-	-	-	
Infrastructure: Road transport - Total	18 223	25 504	27 066	-	-	-	
Roads	18 223	25 504	27 066				
Capital Spares	-	-	-				
Infrastructure: Electricity - Total	-	50	576	-	-	-	
Power Plants							
MV Networks	-	50	576				
Capital Spares	-	-	-				
Infrastructure: Water - Total	-	-	-	-	-	-	
Dams & Reservoirs							
Water purification							
Reticulation							
Infrastructure: Sanitation - Total	-	-	-	-	-	-	
Reticulation							
Sewerage purification							
Infrastructure: Other - Total	3 038	1 838	4 028	-	-	-	
Waste Management	3 038	1 838	4 028				
Transportation							
Gas							
Other							

Amahlathi Local Municipality- 2020/21 Annual Report

<u>Community - Total</u>	7 150	18 091	11 723	-	-
Halls	150	1 400	1 527		
Centres					
Crèches					
Clinics/Care Centres					
Fire/Ambulance Stations	1 500	5 000	3 667		
Testing Stations					
Museums					
Galleries					
Theatres					
Libraries					
Cemeteries/Crematoria	1 500	131	1 528		
Police					
Purils					
Public Open Space	4 000	11 560	5 001		

Table continued next page

Capital Expenditure - New Assets Programme*							R '000
Description	Year 2020/21			Planned Capital expenditure			
	Original Budget	Adjustment Budget	Actual Expenditure	FY + 2021/22	FY + 2022/23	FY + 2023/24	
Capital expenditure by Asset Class							
Heritage assets - Total	-	-	-	-	-	-	-
Buildings							
Other							
Investment properties - Total	-	-	-	-	-	-	-
Housing development							

Table continued from previous page

Amahlathi Local Municipality- 2020/21 Annual Report

Other	-	-	-	-	-	-	-
Other assets	105	746	527	-	-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment		326	189				
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)	105	420	338				
Other							
Agricultural assets	-	-	-	-	-	-	-
<i>List sub-class</i>							
Biological assets	-	-	-	-	-	-	-
<i>List sub-class</i>							
Intangibles	-	-	-	-	-	-	-
<i>List sub-class</i>							
Computers - software & programming							
Other (list sub-class)							
Total Capital Expenditure on new assets	32 016	49 729	46 208	-	-	-	-

Amahlathi Local Municipality- 2020/21 Annual Report

<u>Specialised vehicles</u>	3 500	3 500	2 289	-	-	-
Refuse Fire Conservancy Ambulances	3 500	3 500	2 289	-	-	-

* Note: Information for this table may be sourced from MBRR (2009: Table SA34a)

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Capital Expenditure - Upgrade/Renewal Programme*							R '000
Description	Year 2020/21			Planned Capital expenditure			
	Original Budget	Adjustment Budget	Actual Expenditure	FY + 2021/22	FY + 2022/23	FY + 2023/24	
Capital expenditure by Asset Class							
Infrastructure - Total	-	3 000	2 600	-	-	-	
Infrastructure: Road transport - Total	-	-	-	-	-	-	
Roads, Pavements & Bridges							
Storm water							
Infrastructure: Electricity - Total	-	3 000	2 600	-	-	-	
Power Plants		-	-	-	-	-	
LV Networks	-	3 000	2 600				
Capital Spares							
Infrastructure: Water - Total	-	-	-	-	-	-	
Dams & Reservoirs							
Water purification							
Reticulation							
Infrastructure: Sanitation - Total	-	-	-	-	-	-	
Reticulation							

Amahlathi Local Municipality- 2020/21 Annual Report

Sewerage purification	-	-	-	-	-	-	-
Infrastructure: Other - Total	-	-	-	-	-	-	-
Waste Management							
Transportation							
Gas							
Other							
Community	-	-	-	-	-	-	-
Parks & gardens							
Sports fields & stadia	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-
Museums & Art Galleries	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-
Buildings							
Other							
<i>Table continued next page</i>							
<i>Table continued from previous page</i>							

Capital Expenditure - Upgrade/Renewal Programme*

R '000

Amahlathi Local Municipality- 2020/21 Annual Report

Description	Year 2020/21			Planned Capital expenditure		
	Original Budget	Adjustment Budget	Actual Expenditure	FY + 2021/22	FY + 2022/23	FY + 2023/24
<u>Capital expenditure by Asset Class</u>						
<u>Investment properties</u>						
Housing development	-	-	-	-	-	-
Other						
<u>Other assets</u>						
General vehicles						
Specialised vehicles						
Plant & equipment						
Computers - hardware/equipment						
Furniture and other office equipment						
Abattoirs						
Markets						
Civic Land and Buildings						
Other Buildings						
Other Land						
Surplus Assets - (Investment or Inventory)						
Other						
<u>Agricultural assets</u>						
List sub-class						
<u>Biological assets</u>						
List sub-class						

APPENDIX N: CAPITAL PROGRAMME

Capital Programme by Project: Year 2020/21						R' 000
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %	
Executive & Council						
Buildings	-	-	-			
Budget & Treasury						
Other Assets	-	-	-			
Corporate Services						
Other Assets	105	431	205	-110%	49%	
Planning & Development						
Other Assets	-	-	-	0%	0%	
MIG Projects	26 573	46 595	41 389	-13%	36%	
Community & Social Services						
Other Assets	-	-	-			
Housing						
Other Assets	-	-	-			
Public Safety						
Other Assets	-	-	-			
Sports & Recreation - Parks & Gardens						
Other Assets	-	115	145	21%	100%	
Refuse						
Other Assets	5 338	5 538	6 493	15%	18%	
Road Transport						
Other Assets						
Electricity						

Amahlathi Local Municipality – 2020/21 Annual Report

Upgrade Electricity Infrastructure	-	50	576	91%	100%
Environmental Protection					
Other Assets	-	-	-		
	32 016	52 729	48 808		

APPENDIX O: Capital Programme by Project by Ward:

Capital Programme by Project by Ward: Year 20/21		
		R27 672 000
Capital Project	Ward(s) affected	Works completed (Yes/No)
Surfacing Of Mlungisi Access Road Phase 2	14 and 15	In progress 60%
Mlungisi Sport Complex Phase 2	15	In progress 40%
Fencing Of Cemeteries	4, 8 and 15	In progress 30%
Amabhele Internal Roads	9	In progress 35%
Rabe Internal Roads	10	In progress 45%
Surfacing Of Amatolaville Streets	6	In progress 85%
Surfacing Of Cathcart Streets	4	In progress. Tender Stage
Capital Programme by Project by Ward: Year 19/20		
Gubevu Internal Roads	12	Complete
Border Post Internal Roads Phase 1	8	Complete
Sophumelela Internal Roads	1	Complete
Keiskammahoek paving	1	Complete
Keiskammahoek Fire Station	1	In progress 85%
Capital Programme by Project by Ward: Year 18/19		
Ethembeni Internal Roads Phase 3	7	Not Complete
Kei Road Internal Roads	8	Complete
Nothenga Internal Roads	12	Complete
Rhawini Internal Roads	5	Complete
Langdrai Internal Roads	4	Complete
Zingcuka Internal Roads	1	Complete
Rabhula Internal Roads	3	Complete
Cata Internal Roads	2	Complete
Surfacing Of Mlungisi Access Road Phase 1	14	Complete
Gxulu Internal Roads	1	In progress
Khayelitsha Internal Roads	8	In progress
Lower Xholorha Surfacing	13	In progress
Water		
"Project A"		
"Project B"		
Sanitation/Sewerage		

Amahlathi Local Municipality – 2020/21 Annual Report

Electricity		
Amahlathi Highmast Lights	1 and 5	Complete
Bushpig Sub Station Upgrade	13	In progress
Covid 19 Emergency Electricity Network Repairs	13	In progress 95% Complete
Housing		
Refuse removal		
Storm water		
N/A		
Economic development		
Sports, Arts & Culture		
Mlungisi Sports field Ph1	15	In progress (Outstanding Scope has been included in Phase 2)
Mlungisi Sports field Phase 2	15	In progress 40% Complete
Environment		
Health		
Safety and Security		
ICT and Other		
		T O

APPENDIX Q: Service Delivery Backlog experienced by the community where another sphere of government is responsible for service provision

Services by Sector Departments	Services Implemented/Provided	Service Backlogs
Access to Sanitation	93%	5,9%
Access to Water	89,7%	10,3%
Electricity	85,9%	10,3% (New extensions)
Housing	459	3 172
Refuse Removal	30,8%	69,2%
Roads	18%	82%

ANNEXURE R: COGTA KEY PERFORMANCE INDICATORS

RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS

IN THE ANNUAL REPORT FOR 2019//20 FINANCIAL YEAR

The following is the list of indicators that were agreed upon and on how the performance information should be populated:-

CHAPTER: ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT –KPA 1

Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	0	0	0	There were no positions advertised as there were no planning for the current year
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	2	33.33%	The two directors have resigned and we are in a process of filling the positions
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	0	0		
4	Percentage of Managers in Technical Services	0	0	0	

	with a professional qualification				
6	Level of effectiveness of PMS in the LM – (LM to report)	In effective because employees do not comply, Not signing the accountability agreement and no reviews done.			
7	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	142	None		No new changes for the current financial year
8	Percentage of councillors who attended a skill development training within the current 5 year term	10	None		No training has been done in the current financial year
9	Percentage of staff complement with disability	1	3	33.33%	No new employees, the status quo remains the same
10	Percentage of female employees	331	None		The number of employees has dropped due to the fact that there were only resignations and no new employees
11	Percentage of employees that are aged 35 or younger	89	None		No new employees
12	Adoption and implementation of a District Wide/ Local Performance Management System				

CHAPTER: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)

Annual performance as per key performance indicators in Electricity services

	Indicator name	Total number of household/customer expected to benefit Total House Holds=34159	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	24 269	3 429	20 840	20 840	100
2	Percentage of indigent households with access to basic electricity services	24 269	3 429	24 269	20 840	86
3	Percentage of indigent households with access to free alternative energy sources	24 269	886	886	886	100

Electricity – 2016 Community Survey as per the table above indicates that 92.7% of households at Amahlathi uses electricity for lighting compared to 87.4% calculated in the Census 2011 meaning there is a great improvement of about 5.3%.

Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	24 269	14 561	3 000	3 000	100
2	Percentage of road infrastructure requiring upgrade	980 km	487 km	4 km	2 km	50
3	Percentage of planned new road infrastructure actually constructed	980 km	493 km	12 km	12 km	100
4	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	R 522 m	R 522m	R 26.2 m	R 26.2 m	100

Annual performance as per key performance indicators in waste management services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
--	----------------	--	-------------------------------------	---	-------------------------------	---

Percentage of households with access to refuse removal services	No. of households and businesses with basic waste collection	29 994 House Holds	23 536 households and businesses with access to basic waste. (29 994- 6458 =23 536)	6458 households and businesses with access to basic waste	21,53% in the Amahlathi Municipality (6458 / 29 994 X 100= 21.53%)	Percentage of households with access to refuse removal services 21.53%
2	Existence of waste management plan	<ul style="list-style-type: none"> Integrated Waste Management Plan is currently under review The municipality was funded by DEDEAT, for the restoration of Stutterheim Waste Disposal Facility and this was completed in June 2021. 				

Annual performance as per key performance indicators in housing and town planning services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements	4,4%	1527	N/A	N/A	0%
2	Percentage of informal settlements that have been provided with basic services	N/A	N/A	N/A	N/A	N/A
3	Percentage of households in formal housing that conforms to the minimum building standards for	57%	19950	N/A	N/A	N/A

	residential houses				
4	Existence of an effective indigent policy	There is Indigent policy that has been adopted and it is reviewed annually.			
5	Existence of an approved SDF	There is an approved Amahlathi Municipality Spatial Development Framework (2012) which is valid up until 2015/2016 FY. This SDF is currently being reviewed to make it SPLUMA compliant, but the process was delayed due to the Municipality's cash flow position that affected the payment of the Service Provider. The reviewed SDF will be ready for implementation by the 4 th Quarter of 2021/22 as the review process has resumed			
6	Existence of Land Use Management System (LUMS)	Land Use Surveys (determination of land uses within Amahlathi Local Municipality), informed by Land Use Ordinance of 15 1985 was conducted in August 2012 and Zoning Maps were created. However a completed Zoning Scheme to regulate land development/ to control land use rights was not finalised, due to the fact that the Municipality was awaiting on the Implementation of Spatial Planning and Land Use Management Act No 13 of 2013. The development of a SPLUMA compliant Wall to Wall Land Use Scheme is under way and will be submitted to Council for approval by Quarter 3 of 2021/22.			

CHAPTER: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

Annual performance as per key performance indicators in LED

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Existence of LED unit	None	- No new recruitments	0%
2	Percentage of LED Budget spent on LED related activities.	100%	100%	100%
3	Existence of LED strategy	LED strategy was adopted by Council in 2012 and it is being reviewed with assistance from COGTA, which has stalled due to the limitations of this support process.		
4	Number of LED stakeholder forum meetings held	8	<ul style="list-style-type: none"> - 2 Contractors meeting held - 4 Agricultural Forum Meeting held - 2 CTO's and LTO's meetings - 3 Hawkers meeting held - 3 Cooperative meeting held (Amahlathi Wethu Secondary Co-Op). 	100%

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
5	Plans to stimulate second economy	-3 business plans developed for 3 cluster towns - Target 2 twinning agreements with Strategic-Institutions in the EC	- Developer for the Keiskammahoek shopping complex has been appointed - MOU has been concluded with Fort Cox College	50%
6	Percentage of SMME that have benefited from a SMME support program	-Sub-contracting resolution has been taken by Council and is being implemented - 30% of Amahlathi budget allocated to local SMME's - 3 trainings conducted for Community Tourism Organisation (CTO) and Local Tourism Organisations (LTO'S)	- 19 Contractors trained through a Department of Human Settlements intervention which was designed to enable them to sub-contract in two new Housing Projects - % of Amahlathi budget allocated to local SMME's (BTO should provide the figure) - 3 training session conducted for CTOs & LTOs - 11 contractors met requirements for subcontracting on Cenyulands and Cenyu Village housing project implemented by the Department of Public Works. -SMME business training by IDC at Mgwali Village - Farmers supported on Capacity building.	80%

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
		-3 contractors subcontracted and benefited. - 5 farmers to be supported with capacity building -4 tourism event attended to provide access to market for Crafters	- 2 Tourism Events attended to market Amahlathi craft artefacts	
7	Number of job opportunities created through EPWP	100 people to be employed by 30 June 2020	249 people were employed under EPWP Programme	249%
8	Number of job opportunities created through PPP	n/a	n/a	n/a

CHAPTER: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	R 38 132 050	R 13 649 432.32	31%
2		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
3	Salary budget as a percentage of the total operational budget	R121 381 334	R135 993 101	112%

Amahlathi Local Municipality – 2020/21 Annual Report

4	(Including Councillor Allowances)	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
5	Total municipal own revenue as a percentage of the total actual budget	R112 607 793	R112 596 526	99.9%
6		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
7	Rate of municipal consumer debt reduction	10 000 000	R32 643 558	326%
8	Percentage of MIG budget appropriately spent	R38 132 050	R12 317 096	32%
9	Percentage of MSIG budget appropriately spent	R 0	R 0	0%
10	AG Audit opinion	Unqualified	Unqualified	
11	Functionality of the Audit Committee	4 meetings	4 meetings	100%
12	Submission of AFS after the end of financial year	31 October 2020	31 October 2020	100%

CHAPTER: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	% war room	12 meetings	12	100%
3	Existence of an effective system to monitor CDWs	Currently there is no tool to motor CDWs. Only assisting them administratively (i.e. venue and communicating their meetings to relevant stakeholders)		
5	Effective of IGR structural meetings	Amahlathi Political IGR forum meetings sit on a quarterly basis and are led by the Honourable Mayor. All the Executive Committee members of the Council also form part of the forum as required by the terms of reference of the committee. The IGR is currently coordinated in the Office of the MM and is attached to the Office Administrator.		
6	Existence of an effective communication strategy	Communication Strategy adopted by council February 2015, and it is reviewed on an annually basis by reviewing the Communication Action Plan		
6	Existence of an effective communication strategy	Communication Strategy adopted by council February 2015, and it is reviewed on an annually basis by reviewing the Communication Action Plan		
7	Number of mayoral imbizos conducted	2	2	100%

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
8	Existence of a fraud prevention mechanism	<p>The Internal Audit Unit is conducting Fraud Awareness Campaigns within the municipality on quarterly basis and those awareness programs are included on the Approved Risk Based Internal Audit Plan for 2015/16 financial year.</p> <p>Employees are workshopped on what constitutes Fraud and what they should do when they suspect that fraud is happening within the municipality.</p> <p>The Internal Audit Unit has also developed Fraud Prevention Plan and Whistle-blowing policy for protection of the Whistle blowers. Policy was submitted to the Council and was adopted in April 2015.</p>		

VOLUME II: 2020-21 ANNUAL FINANCIAL STATEMENTS



**Amahlathi Local Municipality
(Registration number EC 124)
Annual Financial Statements
for the year ended 30 June 2021**

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

General Information

Grading of local authority	Grade 3
Chief Finance Officer (CFO)	L Manjingolo
Accounting Officer	I Sikhulu-Nqwena
Registered office	12 Maclean Street Stutterheim 4930
Business address	12 Maclean Street Stutterheim 4930
Postal address	Private Bag X 4002 Stutterheim 4930
Bankers	First National Bank Stutterheim
Auditors	Auditor-General South Africa Registered Auditors
Mayoral Committee	A Hobo (Mayor) N Mlahleki (Exco) N Pose (Exco) N Monti (Exco) N Kato-Manyika (Exco) T Balindlela (Exco)

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

General Information

Councillors

M Mjikelo (Speaker)
X Nqata (MPAC)
N Nongqayi
X Mngxaso
P Qaba
N Busika (Deceased)
P Ntwanambi
N Ngxakangxaka
C Ngxingolo
R Pickering
D Gxekwa
M Ngcofe
X Tokwe
N Tikazayo
M Nqini
V Tshaka
S Venkile (Deceased)
R Desi
G Noxeke
N Nkonya-Mtati
G Mxosa
N Klaas
N Ncevu
NC Mkiva
B Xongwana
SC Matini
N Mbulana

Traditional leaders

Z Gundle
S Mdiédle
K Sandile
X Zake
N Mekuto
A Daka

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Index

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

	Page
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 11
Accounting Policies	12 - 43
Notes to the Annual Financial Statements	44 - 87

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

The annual financial statements set out on pages 4 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

I Sikhulu-Nqwena
Accounting officer

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	229 697	360 455
Consumer debtors	4	6 432 515	7 124 458
Receivables from non-exchange transactions	5	10 018 173	10 950 459
Cash and cash equivalents	6	13 426 476	46 931 240
VAT receivable	7	2 535 476	119 200
		32 642 337	65 485 812
Non-Current Assets			
Long-term receivables	8	346 551	346 551
Biological assets that form part of an agricultural activity	9	4 060 087	3 420 800
Investment property	10	11 810 023	13 602 261
Property, plant and equipment	11	389 495 242	359 768 819
Intangible assets	12	187 038	428 191
Heritage assets	13	610 183	610 183
		406 509 124	378 176 805
Total Assets		439 151 461	443 662 617
Liabilities			
Current Liabilities			
Finance lease obligation	14	16 244	176 620
Payables from exchange transactions	15	106 121 710	90 693 206
Consumer deposits	16	1 838 186	1 799 583
Employee benefit obligation	17	16 699 114	17 144 597
Unspent conditional grants and receipts	18	906 313	38 067 472
Provisions	19	417 728	142 225
		125 999 295	148 023 703
Non-Current Liabilities			
Finance lease obligation	14	-	16 244
Employee benefit obligation	17	35 849 000	31 421 000
Provisions	19	7 048 501	4 503 148
		42 897 501	35 940 392
Total Liabilities		168 896 796	183 964 095
Net Assets		270 254 665	259 698 522
Accumulated surplus		270 254 665	259 698 522
Total Net Assets		270 254 665	259 698 522

* See Note 41

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	49 582 506	38 496 868
Rental of facilities and equipment		58 386	58 379
Interest received - debtors		7 057 481	7 115 796
Licences and permits		2 388 017	1 182 695
Other revenue		6 900 482	961 134
Administration and management fees received		1 348	-
Insurance refund		1 501 602	35 967 739
Interest received - investment	21	1 001 492	1 434 498
Fair value adjustments		802 832	-
Total revenue from exchange transactions		69 294 146	85 217 109
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	20 796 268	18 993 139
Transfer revenue			
Government grants & subsidies	23	190 873 276	123 936 090
Fines, Penalties and Forfeits		5 826	15 617
Motor vehicle registrations		1 394 015	1 758 447
Total revenue from non-exchange transactions		213 069 385	144 703 293
Total revenue		282 363 531	229 920 402
Expenditure			
Employee related costs	24	(132 726 200)	(123 999 634)
Remuneration of councillors	25	(11 598 706)	(11 993 467)
Vending management fee	26	(253 552)	(838 884)
Depreciation and amortisation	27	(24 354 885)	(26 647 423)
Impairment loss on non-current assets	28	(1 215 365)	-
Finance costs	29	(3 801 999)	(2 667 328)
Rentals - Printing machines		(184 112)	(11 583)
Debt Impairment	30	(26 485 045)	(32 643 558)
Leave pay provision		-	(149 792)
Bulk purchases	31	(35 883 789)	(33 308 552)
Contracted services	32	(13 270 111)	(12 019 749)
Loss on disposal of assets and liabilities		(1 661 813)	(4 075 155)
Fair value adjustments		-	(200 074)
General Expenses	33	(20 371 816)	(17 233 125)
Total expenditure		(271 807 393)	(265 788 324)
Surplus (deficit) for the year		10 556 138	(35 867 922)

* See Note 41

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	295 157 687	295 157 687
Adjustments		
Prior year adjustments	408 757	408 757
Balance at 01 July 2019 as restated*	295 566 444	295 566 444
Changes in net assets		
Deficit for the prior year as previous reported	(28 259 898)	(28 259 898)
Prior period adjustments	(7 608 024)	(7 608 024)
Deficit for the year	(35 867 922)	(35 867 922)
Restated* Balance at 01 July 2020	259 698 527	259 698 527
Changes in net assets		
Surplus for the year	10 556 138	10 556 138
Total changes	10 556 138	10 556 138
Balance at 30 June 2021	270 254 665	270 254 665
Note(s)		

* See Note 41

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		55 351 358	71 628 482
Grants		190 873 276	123 936 090
Interest income		8 058 973	8 550 295
		<u>254 283 607</u>	<u>204 114 867</u>
Payments			
Employee costs		(144 324 907)	(135 993 100)
Suppliers		(84 723 298)	(16 533 548)
Finance costs		(3 801 999)	(2 667 328)
		<u>(232 850 204)</u>	<u>(155 193 976)</u>
Net cash flows from operating activities	35	<u>21 433 403</u>	<u>48 920 891</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(54 761 550)	(11 907 946)
Purchase of other intangible assets	12	-	(24 300)
Net cash flows from investing activities		<u>(54 761 550)</u>	<u>(11 932 246)</u>
Cash flows from financing activities			
Finance lease payments		<u>(176 620)</u>	<u>(172 353)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(33 504 767)</u>	<u>36 816 292</u>
Cash and cash equivalents at the beginning of the year		46 931 240	10 114 948
Cash and cash equivalents at the end of the year	6	<u>13 426 473</u>	<u>46 931 240</u>

* See Note 41

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	44 992 000	3 541 053	48 533 053	49 582 506	1 049 453	FinPerf1
Rental of facilities and equipment	251 000	(80 000)	171 000	58 386	(112 614)	FinPerf2
Interest received (trading)	6 000 000	2 000 000	8 000 000	7 057 481	(942 519)	FinPerf3
Licences and permits	2 740 000	(400 000)	2 340 000	2 388 017	48 017	FinPerf4
Other revenue	1 123 300	(423 000)	700 300	6 900 482	6 200 182	FinPerf5
Administration and management fees received	-	-	-	1 348	1 348	FinPerf6
Insurance refunds	1 000	115 023	116 023	1 501 602	1 385 579	FinPerf7
Interest received - investment	1 845 000	-	1 845 000	1 001 492	(843 508)	FinPerf8
Total revenue from exchange transactions	56 952 300	4 753 076	61 705 376	68 491 314	6 785 938	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23 784 700	-	23 784 700	20 796 268	(2 988 432)	FinPerf9
Transfer revenue						
Transfer and subsidies	119 344 962	25 581 947	144 926 909	190 873 276	45 946 367	FinPerf10
Fines, Penalties and Forfeits	106 000	-	106 000	5 826	(100 174)	FinPerf11
Motor vehicle registrations	1 000 000	300 000	1 300 000	1 394 015	94 015	FinPerf12
Total revenue from non-exchange transactions	144 235 662	25 881 947	170 117 609	213 069 385	42 951 776	
Total revenue	201 187 962	30 635 023	231 822 985	281 560 699	49 737 714	
Expenditure						
Employee related costs	(113 212 703)	-	(113 212 703)	(132 726 200)	(19 513 497)	FinPerf13
Remuneration of councillors	(12 200 000)	-	(12 200 000)	(11 598 706)	601 294	FinPerf14
Vending management fee	(450 000)	(50 000)	(500 000)	(253 552)	246 448	FinPerf15
Depreciation and amortisation	(26 000 000)	-	(26 000 000)	(24 354 885)	1 645 115	FinPerf16
Impairment loss on non-current assets	-	-	-	(1 215 365)	(1 215 365)	
Finance costs	(1 000 000)	(2 000 000)	(3 000 000)	(3 801 999)	(801 999)	FinPerf17
Lease rentals on operating lease	(300 000)	150 000	(150 000)	(184 112)	(34 112)	FinPerf18
Debt Impairment	(10 000 000)	-	(10 000 000)	(26 485 045)	(16 485 045)	FinPerf19
Leave pay provision	(624 450)	-	(624 450)	-	624 450	FinPerf20
Bulk purchases	(31 000 000)	(2 000 000)	(33 000 000)	(35 883 789)	(2 883 789)	FinPerf21
Contracted Services	(13 956 509)	(4 181 690)	(18 138 199)	(13 270 111)	4 868 088	FinPerf22
General Expenses	(18 444 300)	4 243 090	(14 201 210)	(20 371 816)	(6 170 606)	FinPerf23
Total expenditure	(227 187 962)	(3 838 600)	(231 026 562)	(270 145 580)	(39 119 018)	
Operating surplus	(26 000 000)	26 796 423	796 423	11 415 119	10 618 696	
Loss on disposal of assets and liabilities	-	-	-	(1 661 813)	(1 661 813)	
Fair value adjustments	-	-	-	802 832	802 832	

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	(858 981)	(858 981)	
Surplus before taxation	(26 000 000)	26 796 423	796 423	10 556 138	9 759 715	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(26 000 000)	26 796 423	796 423	10 556 138	9 759 715	

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 313 847	(127 407)	1 186 440	229 697	(956 743)	FinPos1
Receivables from non-exchange transactions	12 550 019	3 733 077	16 283 096	10 018 173	(6 264 923)	FinPos2
VAT receivable	-	-	-	2 535 476	2 535 476	FinPos3
Consumer debtors	23 660 398	(16 535 940)	7 124 458	6 432 515	(691 943)	FinPos4
Cash and cash equivalents	26 817 752	238 603	27 056 355	13 426 476	(13 629 879)	FinPos5
	64 342 016	(12 691 667)	51 650 349	32 642 337	(19 008 012)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	3 620 874	(200 074)	3 420 800	4 060 087	639 287	FinPos6
Investment property	20 720 569	(7 116 538)	13 604 031	11 810 023	(1 794 008)	FinPos7
Property, plant and equipment	421 456 998	(2 946 744)	418 510 254	389 495 242	(29 015 012)	FinPos8
Intangible assets	737 970	(216 771)	521 199	187 038	(334 161)	FinPos9
Heritage assets	610 183	-	610 183	610 183	-	FinPos10
Long-term receivables	346 550	-	346 550	346 551	1	FinPos11
	447 493 144	(10 480 127)	437 013 017	406 509 124	(30 503 893)	
Total Assets	511 835 160	(23 171 794)	488 663 366	439 151 461	(49 511 905)	
Liabilities						
Current Liabilities						
Finance lease obligation	146 213	30 407	176 620	16 244	(160 376)	FinPos12
Payables from exchange transactions	52 149 956	39 716 130	91 866 086	106 121 711	14 255 625	FinPos13
Consumer deposits	1 815 116	(15 533)	1 799 583	1 838 186	38 603	FinPos14
Employee benefit obligation	20 997 276	(3 852 679)	17 144 597	16 699 114	(445 483)	FinPos15
Unspent conditional grants and receipts	4 400 590	599 410	5 000 000	906 313	(4 093 687)	FinPos16
Provisions	142 225	-	142 225	417 728	275 503	FinPos14
	79 651 376	36 477 735	116 129 111	125 999 296	9 870 185	
Non-Current Liabilities						
Finance lease obligation	219 004	(202 760)	16 244	-	(16 244)	FinPos12
Employee benefit obligation	32 965 980	(1 544 980)	31 421 000	35 849 000	4 428 000	FinPos13
Provisions	-	4 503 148	4 503 148	7 048 501	2 545 353	FinPos17
	33 184 984	2 755 408	35 940 392	42 897 501	6 957 109	
Total Liabilities	112 836 360	39 233 143	152 069 503	168 896 797	16 827 294	
Net Assets	398 998 800	(62 404 937)	336 593 863	270 254 664	(66 339 199)	
Net Assets						
Accumulated surplus	398 998 800	(62 404 937)	336 593 863	270 254 664	(66 339 199)	

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from customers	73 998 000	(31 437 492)	42 560 508	55 351 358	12 790 850	C1
Grants	151 256 022	45 603 690	196 859 712	190 873 276	(5 986 436)	C2
Interest income	7 845 000	2 000 000	9 845 000	8 058 973	(1 786 027)	C3
	233 099 022	16 166 198	249 265 220	254 283 607	5 018 387	
Payments						
Employee costs	(125 412 703)	-	(125 412 703)	(144 324 906)	(18 912 203)	C4
Suppliers	(73 571 383)	6 957 524	(66 613 859)	(84 723 298)	(18 109 439)	C5
Finance costs	(1 000 000)	(2 000 000)	(3 000 000)	(3 801 999)	(801 999)	C6
	(199 984 086)	4 957 524	(195 026 562)	(232 850 203)	(37 823 641)	
Net cash flows from operating activities	33 114 936	21 123 722	54 238 658	21 433 404	(32 805 254)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(32 016 460)	(20 712 766)	(52 729 226)	(54 761 550)	(2 032 324)	C7
Cash flows from financing activities						
Finance lease payments	-	(172 353)	(172 353)	(176 620)	(4 267)	C8
Net increase/(decrease) in cash and cash equivalents	1 098 476	238 603	1 337 079	(33 504 766)	(34 841 845)	
Cash and cash equivalents at the beginning of the year	25 719 276	-	25 719 276	46 931 240	21 211 964	
Cash and cash equivalents at the end of the year	26 817 752	238 603	27 056 355	13 426 474	(13 629 881)	

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade and other receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on an individual debtor basis, based on historical loss ratios, debtor type and other indicators present at the reporting date that correlate with defaults on the portfolio.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including municipality specific variables and economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the 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 the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

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

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets are 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.

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Biological assets that form part of an agricultural activity (continued)

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 Investment property

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

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

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

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

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

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	20 - 30 years
Lifts	10 - 80 years
Air-conditioners	10 -15 years
Other components	5 - 50 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Property, plant and equipment

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Infrastructure	Straight-line	
• Roads and Paving		10 - 80 years
• Cemeteries		25 - 30 years
• Airports		25 - 30 years
Community	Straight-line	
• Capital work in progress		Not depreciated
• Land		Indefinite
• Electricity		10 - 60 years
• Landfill sites		15 - 40 years
Other	Straight-line	
• Buildings		25 - 30 years
• Machinery and equipment		4 - 15 years
• Computer equipment		3 - 5 years
• Furniture and office equipment		5 - 7 years
• Transport assets		4 - 7 years
• Office equipment - Leased Assets		3 - 15 years
• Buildings airconditioning system		10 - 15 years

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Assets capitalised under finance lease are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where shorter the term of the relevant lease if there is no reasonable surety terms of the asset.

Infrastructure assets

Infrastructure assets are any assets that are part of a network or similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similar to all assets of the municipality in terms of the asset management policy.

1.8 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	2 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Financial Instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial Instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Bank and Cash	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial Instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

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

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

Reclassification

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

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial Instruments (continued)

Presentation

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

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

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

1.11 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.11 Statutory receivables (continued)

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.12 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement of cash-generating units

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 municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Provisions and contingencies (continued)

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Service charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. The tariffs are determined per category of property usage and levied monthly based on the number of refuse containers on each property, regardless of whether or not the containers are emptied during the month.

Finance income

Interest earned on investment is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorisation tariff. This includes the issue of licenses and permits.

Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of the agents has been quantified. The income is recognised in terms of the agency agreement.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such term spans over more than one financial year a straight-line basis is used

1.20 Revenue from non-exchange transactions

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

Measurement

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

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

Transfers

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Public contributions

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not been met, a liability is recognised.

Gifts and donations, including goods in-kind

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

Government grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investment is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

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

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

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

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.23 Accounting by principals and agents (continued)

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

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

If the expenditure is not subsequently certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.27 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.27 Irregular expenditure (continued)

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Revenue from 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 when the recovery from the responsible councilors or officials is virtually certain. Such revenue is based on legislated procedures.

1.28 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.31 Events after reporting date

Events after 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:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.32 Change in accounting policy, estimates and errors

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

Details for the change in accounting policy are disclosed in the notes to the financial statements where applicable. Change in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Details of change in estimates are disclosed in the notes to the annual financial statements where applicable.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.32 Change in accounting policy, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details for the prior period errors are disclosed in the note to the financial statements where applicable.

1.33 Contingent assets and liabilities

The municipality does not recognised contingent liabilities or contingent assets, but discloses them. A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefit is probable. Contingent asset and contingent liabilities are disclosed in note 38.

1.34 Value added tax (VAT)

Output VAT is levied on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the Municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the Municipality would a recognise a payable for VAT.

The Municipality accounts for VAT on a payments basis.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2099	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2099	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2021	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2021	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Unlikely there will be a material impact

2.2 Standards and interpretations issued and effective

The municipality has applied the following standards and interpretations, which have been published and are mandatory:

Standard/ Interpretation:
• GRAP 1 (amended): Presentation of Financial Statements
• GRAP 2: Cash flow statements
• GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors
• GRAP 9: Revenue from Exchange Transactions
• GRAP 13 : Leases
• GRAP 14: Events After the Reporting Date
• GRAP 19 : Provisions, Contingent Liabilities and Contingent Assets
• GRAP 20: Related Party Disclosures
• GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)
• GRAP 24: Presentation of Budget Information in Financial Statements
• GRAP 25: Employee Benefits
• GRAP 27: Agriculture
• GRAP 104: Financial Instruments
• Directive 5: Determining the GRAP Reporting Framework
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue
• IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities
• IGRAP 3: Determining Whether an Arrangement Contains a Lease
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme
• GRAP 110 (as amended 2016): Living and Non-living Resources
• GRAP 109: Accounting by Principals and Agents
• GRAP 108: Statutory Receivables

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- GRAP 21 (as amended 2016): Impairment of non-cashgenerating assets
- Directive 7 (revised): The Application of Deemed Cost
- GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements
- IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land
- IGRAP 19: Liabilities to Pay Levies
- GRAP 16 (as amended 2016): Investment Property
- GRAP 17 (as amended 2016): Property, Plant and Equipment
- GRAP 26 (as amended 2016): Impairment of cashgenerating assets
- GRAP 103 (as amended 2016): Heritage Assets
- GRAP 18 (as amended 2016): Segment Reporting
- IGRAP 20: Accounting for Adjustments to Revenue
- GRAP 34: Separate Financial Statements

3. Inventories

Electricity	196 251	291 318
Rates and general	33 446	69 137
	229 697	360 455

3.1 Non - Financial Information

Electricity inventories recognised as an expense during the year	95 067	74 341
Rates and general inventories recognised as an expense during the year	35 691	29 790
Electrical cables stolen - April/May 2020 - Council resolution for write off November 2020	-	849 077
	130 758	953 208

Included in the inventory balances above are the following types of inventory:

Electricity

Electrical sockets, transformers, plugs, meter boxes and othe smaller items.

Rates and general

Cleaning materials, staff refreshments (coffee, tea, milk, etc.) stationery, fuel and other smaller items.

Inventory pledged as security

None of the inventory was pledged as security during the period.

4. Consumer debtors and other debtors

Gross balances

Consumer Debtors - Electricity	25 170 464	24 051 640
Consumer Debtors - Refuse	35 704 826	24 429 455
Consumer Debtors - Sundry debtors	3 278 745	3 037 043
Other Debtors	538 133	489 693
Consumer Debtors - Impairment of exchange debtors	(58 259 653)	(44 883 373)
	6 432 515	7 124 458

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

4. Consumer debtors and other debtors (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 3 517 766 (2020: R 3 724 787) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 274 416	1 317 321
2 months past due	835 606	1 272 374
3 months past due	1 407 745	1 135 092

Consumer debtors impaired

As of 30 June 2021, consumer debtors of R64 692 168 (2020: R52 007 831) were impaired and provided for.

The amount of the provision was R58 259 653 as of 30 June 2021 (2020: R44 883 373).

The ageing of these loans is as follows:

Reconciliation of allowance for impairment of consumer debtors

Opening balance	44 883 373	26 808 353
Provision for impairment	13 376 280	18 075 020
	<u>58 259 653</u>	<u>44 883 373</u>

5. Receivables from non-exchange transactions

Consumer debtors - Rates	58 500 600	46 324 120
Consumer debtors - Impairment non-exchange debtors	(48 482 427)	(35 373 661)
	<u>10 018 173</u>	<u>10 950 459</u>

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

5. Receivables from non-exchange transactions (continued)

Statutory receivables - Property rates

Included in Receivables from non-exchange transactions are statutory receivables of R 58 500 600 (2020: R46 324 120).

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Property Rates arise from the MUNICIPAL PROPERTY RATES ACT NO. 6 OF 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Impairment of Statutory receivables are assessed based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

Reconciliation of provision for impairment for statutory receivables

Consumer debtors - Rates	58 500 600	46 324 120
Impairment	<u>(48 482 427)</u>	<u>(35 373 661)</u>
	<u>10 018 173</u>	<u>10 950 459</u>

Credit quality of statutory receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Statutory receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R1 202 334 (2020: R 2 304 137) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	421 463	797 996
2 months past due	308 186	762 694
3 months past due	472 685	743 447

Statutory receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of R58 500 600 (2020: R46 324 120) were impaired and provided for.

The amount of the provision was R48 482 427 as of 30 June 2021 (2020: R35 373 661).

The ageing of these loans is as follows:

Reconciliation of provision for impairment of statutory receivables from non-exchange transactions

Opening balance	35 373 661	20 805 123
Provision for impairment	13 108 766	14 568 538
	<u>48 482 427</u>	<u>35 373 661</u>

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
6. Cash and cash equivalents (continued)		
Cash on hand	538 741	502 756
Bank balances	(71 201)	82 635
Investments	12 958 936	46 345 849
	13 426 476	46 931 240

Cash and cash equivalents guarantees

Guarantee for Department of Minerals and Energy	73 700	73 700
Guarantee for Eskom	4 848 000	4 848 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Cash on hand	-	-	-	538 741	502 756	(2 365)
First National Bank Cheque Account (Primary Bank Account): 53813535227	(78 402)	67 566	2 357 026	(71 201)	82 635	1 782 718
First National Bank Current Account: 62116156987	-	-	-	-	-	18 341
First National Bank Current Account: 62135193770	7 382 705	32 419 404	3 179 688	7 382 705	32 419 404	3 179 688
First National Bank Account: 62063171351	48	(2 012)	1 447	48	(8 937)	1 447
First National Bank Account: 61381739619	45 747	1 076 697	1 108	45 747	1 076 697	1 108
First National Bank Account: 74568809858	5 364 781	5 503 314	5 103 072	5 364 781	5 503 314	5 103 072
First National Bank Account: 62774381942	33 573	684 741	1 681	33 573	684 741	1 681
First National Bank Account: 62774381009	1 103	2 352	2 240	1 103	2 352	2 240
First National Bank Account: 62774381413	17 124	16 705	15 770	17 124	16 705	15 770
First National Bank Account: 62774382445	2 116	1 102	1 050	2 116	1 102	1 050
First National Bank Account: 62774382966	102 099	6 642 267	2 163	102 099	6 645 267	2 163
First National Bank Account: 62774383592	9 640	1 476	8 037	9 640	1 476	8 037
Total	12 880 534	46 413 612	10 673 282	13 426 476	46 927 512	10 114 950

7. VAT receivable

VAT	2 535 476	119 200
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8. Long-term receivables

Cost of HT Lines	346 551	346 551
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The cost of HT Lines comprise trade debtors and interest is charged at 6% per annum.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

9. Biological assets that form part of an agricultural activity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in a plantation forest	4 060 087	-	4 060 087	3 420 800	-	3 420 800

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Total
Trees in a plantation forest	3 420 800	(163 545)	802 832	4 060 087

Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Disposals	Total
Trees in a plantation forest	3 620 874	(200 074)	3 420 800

Non-financial information

Immature biological assets

Trees in a plantation forest	199 107	199 107
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Pledged as security

None of the biological assets are pledged as security.

Revaluation

The biological assets were revalued by Mr Martin Engelbrecht, an independent Forest Economist as at 30 June 2021. The Faustmann valuation technique was applied for the valuation of biological assets.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

10. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	28 014 551	(16 204 528)	11 810 023	29 229 916	(15 627 655)	13 602 261

Reconciliation of investment property - 2021

	Opening balance	Impairments	Depreciation	Total
Investment property	13 602 261	(1 215 365)	(576 873)	11 810 023

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	15 720 569	(2 118 308)	13 602 261

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality has developed a comprehensive asset register encompassing movable assets, land, buildings and infrastructure assets.

The investment property includes land registered under the name of the municipality and Mlungisi Mall.

The Mlungisi Mall components are the only assets within the investment properties which are depreciated.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

11. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	6 933 932	-	6 933 932	6 933 932	-	6 933 932
Buildings	63 467 472	(30 649 686)	32 817 786	60 207 754	(28 301 121)	31 906 633
Machinery and equipment	5 577 844	(4 034 856)	1 542 988	5 400 877	(3 865 563)	1 535 314
Furniture and office equipment	1 737 661	(1 623 839)	113 822	1 729 861	(1 550 551)	179 310
Transport assets	30 050 357	(20 569 251)	9 481 106	27 713 139	(18 801 026)	8 912 113
Computer equipment	2 444 878	(2 006 731)	438 147	2 268 736	(1 830 663)	438 073
Roads	369 109 133	(152 422 623)	216 686 510	354 555 371	(136 906 757)	217 648 614
Electricity	44 126 528	(15 912 562)	28 213 966	44 636 016	(14 896 509)	29 739 507
Work in progress	85 698 419	(1 062 819)	84 635 600	57 032 531	(1 062 819)	55 969 712
Office Equipment - Leased Asset	312 227	(312 227)	-	312 227	(312 227)	-
Cemeteries	1 256 961	(819 401)	437 560	1 256 961	(791 044)	465 917
Airports	1 127 000	(827 805)	299 195	1 127 000	(804 735)	322 265
Landfill sites	10 930 052	(3 035 422)	7 894 630	8 351 371	(2 633 942)	5 717 429
Total	622 772 464	(233 277 222)	389 495 242	571 525 776	(211 756 957)	359 768 819

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals / Derecognitions	Transfers	Depreciation	Total
Land	6 933 932	-	-	-	-	6 933 932
Buildings	31 906 633	2 727 084	(90 847)	693 005	(2 418 089)	32 817 786
Machinery and equipment	1 535 314	321 930	-	-	(314 256)	1 542 988
Furniture and office equipment	179 310	7 800	-	-	(73 288)	113 822
Transport assets	8 912 113	2 288 589	-	-	(1 719 596)	9 481 106
Computer equipment	438 073	176 141	-	-	(176 067)	438 147
Roads	217 648 614	9 100 155	(566 152)	7 626 287	(17 122 394)	216 686 510
Electricity	29 739 507	575 990	(841 269)	-	(1 260 262)	28 213 966
Work in Progress	55 969 712	36 985 180	-	(8 319 292)	-	84 635 600
Cemeteries	465 917	-	-	-	(28 357)	437 560
Airports	322 265	-	-	-	(23 070)	299 195
Landfill sites	5 717 429	2 578 681	-	-	(401 480)	7 894 630
Total	359 768 819	54 761 550	(1 498 268)	-	(23 536 859)	389 495 242

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020			
11. Property, plant and equipment (continued)					
Reconciliation of property, plant and equipment - 2020					
	Opening balance	Additions	Disposals	Depreciation	Total
Land	6 933 932	-	-	-	6 933 932
Buildings	34 658 908	-	(397 984)	(2 354 291)	31 906 633
Machinery and equipment	1 940 237	35 281	(63 825)	(376 379)	1 535 314
Furniture and office equipment	249 838	16 994	(20 350)	(67 172)	179 310
Transport assets	11 015 032	83 034	(479 564)	(1 706 389)	8 912 113
Computer equipment	499 717	188 362	(50 751)	(199 255)	438 073
Roads	236 165 067	282 717	(883 317)	(17 915 853)	217 648 614
Electricity	32 217 152	-	(1 272 739)	(1 204 906)	29 739 507
Work in progress	44 703 308	11 301 558	(35 154)	-	55 969 712
Office Equipemnt - Leased Asset	22 387	-	(22 387)	-	-
Cemeteries	494 398	-	-	(28 481)	465 917
Airports	346 124	-	-	(23 859)	322 265
Landfill sites	6 098 195	-	(2)	(380 764)	5 717 429
	375 344 295	11 907 946	(3 226 073)	(24 257 349)	359 768 819

Pledged as security

Carrying value of assets pledged as security:

Office equipment - Leased Assets - 134 351

Derecognitions

During 2021 assets with a carrying value of R1 498 268 were derecognised as they no longer meet the definition of an asset.

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	40 455 548	5 397 981	10 116 183	55 969 712
Additions/capital expenditure	36 985 180	-	-	36 985 180
Transferred to completed items	(7 626 287)	-	(693 005)	(8 319 292)
	69 814 441	5 397 981	9 423 178	84 635 600

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	29 189 144	5 397 981	10 116 183	44 703 308
Additions/capital expenditure	11 301 558	-	-	11 301 558
Impairments	(35 154)	-	-	(35 154)
	40 455 548	5 397 981	10 116 183	55 969 712

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

12. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 921 435	(1 734 397)	187 038	1 921 435	(1 493 244)	428 191

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	428 191	(241 153)	187 038

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	675 658	24 300	(271 767)	428 191

Pledged as security

None of the intangible assets pledged as security.

13. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	610 183	-	610 183	610 183	-	610 183

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	610 183	610 183

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	610 183	610 183

Pledged as security

No heritage assets are pledged as security:

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
14. Finance lease obligation		
Minimum lease payments due		
- within one year	16 509	199 019
- in second to fifth year inclusive	-	16 509
	<u>16 509</u>	<u>215 528</u>
less: future finance charges	(265)	(22 665)
Present value of minimum lease payments	<u>16 244</u>	<u>192 863</u>
Present value of minimum lease payments due		
- within one year	16 244	176 620
- in second to fifth year inclusive	-	16 243
	<u>16 244</u>	<u>192 863</u>
Non-current liabilities	-	16 244
Current liabilities	16 244	176 620
	<u>16 244</u>	<u>192 864</u>

The finance lease obligation is made up of numerous rental agreements for the office equipment.

Office Equipment Leases

The discount rate used in calculation the present value of the minimum lease payments is the implicit interest rate in the lease, if this is practicable to determine; if not, it is the prime interest rate. Due to the nature of the information provided the implicit rate for copiers could not be determined, as the cost of the copiers is not provided in the agreement. Any initial direct costs of leases are added to the amount recognised as an asset. Only the terms and payment amount are provided. The office equipment finance lease has an implicit interest rate ranging between 7.50% - 19% per annum, by taking into account the market values of the office equipment at initial recognition.

15. Payables from exchange transactions

Trade payables	78 965 209	64 534 117
Consumer debtors with credit balances	2 097 978	2 094 319
Other payables	22 236 645	21 729 193
Retention creditors	2 190 043	(5 706)
Agency fees payable	631 835	2 341 283
	<u>106 121 710</u>	<u>90 693 206</u>

Consumer receivables with net credit balances have been classified to Payables from exchange transactions.

16. Consumer deposits

Electricity	<u>1 838 186</u>	<u>1 799 583</u>
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Consumer deposits are made of deposits from consumers from electricity connections. for those making use of conventional electricity.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

17. Employee benefit obligations

Defined benefit plan

The defined benefit plan consists of the Prost Retirement Medical Aid and the Long Service Bonus.

Post retirement medical aid plan

The municipality operates six accredited medical aid schemes, namely:

Bestmed

Bonitas

Discovery La Health

Hosmed

Keyhealth

Samwu

Pensioners continue on the option they belonged to on the day of retirement.

The independent valuers, Arch Actuaries carried out a statutory valuation on 30 June 2021 (30 June 2020 Arch Actuaries).

Carrying value

Present value of the defined benefit obligation-wholly unfunded	25 981 000	27 804 637
Present value of the defined benefit obligation-partly or wholly funded	888 000	1 096 544
Interest costs	2 617 000	2 571 649
Net actuarial gains	1 690 627	(4 351 866)
Benefits paid	(1 149 627)	(1 139 964)
	30 027 000	25 981 000
Non-current liabilities	28 886 000	24 755 000
Current liabilities	1 141 000	1 226 000
	30 027 000	25 981 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.12 %	10.31 %
Expected rate of return on assets	3.12 %	3.69 %
Medical cost trend rates	6.79 %	6.38 %

Other assumptions

Pre retirement age	SA 85-90 L	SA 85-90 L
Post retirement age	PA (90)-1	PA (90)-1
Normal retirement age	62 years	62 years
Spouse age differences (male older female)	3 years	3 years
AIDS	No assumptions made	No assumptions made

Membership data

Female members	80	78
Male members	72	69

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020		
17. Employee benefit obligations (continued)				
	1% decrease	Base (6,38%)	1% increase	
Defined benefit obligation	-	(27 001)	(30 027)	(34 129)
Service cost (next financial year)	-	(722)	(888)	(1 104)
Interest cost (next financial year)	-	(2 304)	(2 617)	(2 998)
Long Service Awards				
The Long service bonus for the portion of the next interval already rendered by the employee. The employee receives a leave pay and percentage of salary amount for reaching certain interval (5 years, 10 years, 15 years etc.). This provision is accrued in terms of the collective bargain agreement. The Long service bonus plans are defined benefit plans. As at period ended 30 June 2021 289, (2020: 315) employees were eligible for Long service bonus.				
Carrying value				
Present value of the defined benefit obligation		7 628 000		7 134 236
Service costs		925 000		996 426
Interest costs		509 000		540 550
Net actuarial gains		(7 261)		(223 566)
Benefits paid		(857 739)		(819 646)
		8 197 000		7 628 000
Non-current liabilities		6 963 000		6 666 000
Current liabilities		1 234 000		962 000
		8 197 000		7 628 000
Key assumptions used				
Assumptions used at the reporting date:				
Discount rates used		9.06 %		7.12 %
Net discount rates used		3.12 %		3.16 %
Salary inflation		5.76 %		3.84 %
Other assumptions				
Normal retirement age		62 years		62 years
Number of trading days per year		252		252
Membership data				
Female members		100		104
Male members		189		198
Short term employee benefits obligations				
Provision for bonus				
A bonus provision is raised for the amount which the Municipality is obligated to pay employees				

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
17. Employee benefit obligations (continued)		
Provision for bonuses		
Opening balance	3 758 528	3 643 026
Service bonus	4 120 374	3 758 528
Utilised during the year	(3 758 528)	(3 643 026)
	4 120 374	3 758 528

Accrual for leave gratuity

Leave gratuity is raised for the amount which the Municipality is obligated to pay employees in lieu of annual leave, if they are to leave the Municipality

Accrual for leave gratuity		
Opening balance	11 198 069	11 120 667
Leave gratuity - obligation	5 741 369	7 366 413
Utilised during the year	(6 735 698)	(7 289 011)
	10 203 740	11 198 069

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Non-current portion of Post Retirement Benefits	(28 886 000)	(24 755 000)
Non-current portion of Long Service Awards	(6 963 000)	(6 666 000)
Current portion of Post Retirement Benefits	(1 141 000)	(1 226 000)
Current portion of Long Service Awards	(1 234 000)	(962 000)
Provision for bonus	(4 120 374)	(3 758 528)
Accrual for leave gratuity	(10 203 740)	(11 198 069)
	(52 548 114)	(48 565 597)
Non-current liabilities	(35 849 000)	(31 421 000)
Current liabilities	(16 699 114)	(17 144 597)
	(52 548 114)	(48 565 597)

Net expense recognised in the statement of financial performance

Current service cost	1 813 000	2 092 970
Interest cost	3 126 000	3 112 199
Actuarial (gains) losses	1 683 366	(4 575 432)
	6 622 366	629 737

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2021	2020	2019	2018	2017
Post Retirement Benefits	30 027 000	25 981 000	27 804 355	29 374 981	32 424 718
Long Service Awards	8 197 000	7 628 000	7 134 236	5 608 531	5 774 000

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
WCG	-	233 712
Waste Collection Grant	-	6 633 000
Recycling Center	-	122 310
Disaster Relief Grant	133 506	278 257
MIG Funding	-	29 895 677
Staff training	772 807	556 690
Extended Public Works Programme	-	347 826
	906 313	38 067 472
Movement during the year		
Balance at the beginning of the year	38 067 472	4 400 590
Surrendered to NRF/Roll over not approved	(10 175 000)	(529 000)
Grants received during the year	163 887 116	52 268 972
Income recognition during the year	(190 873 275)	(18 073 090)
	906 313	38 067 472

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

19. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Increased during the year	Total
Provision for landfill sites	4 645 373	2 820 856	7 466 229

Reconciliation of provisions - 2020

	Opening Balance	Increased during the year	Total
Provision for landfill sites	4 403 197	242 176	4 645 373
Non-current liabilities		7 048 501	4 503 148
Current liabilities		417 728	142 225
		7 466 229	4 645 373

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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19. Provisions (continued)

Provision for Landfill rehabilitation

The municipality has an obligation to restore three landfill sites situated in Stutterheim, ERF 80, Cathcart, Erf 474 and Keiskammahoek, Erf 1. The Stutterheim and Keiskammahoek sites are currently licenced and used for general waste disposal (nonhazardous) purposes. The Cathcart site was previously licenced and the permit expired in 2013. The municipality has approached the Department of Environmental Affairs (DEA) with the view of obtaining assistance to renew the licence for the site.

An environmental specialist was appointed to assist the municipality with the management of the landfill sites. The environmental specialist has undertaken site visits and prepared preliminary designs and costing of works to be completed.

Where appropriate a discounting rate of 9.64% was used.

The remaining site life:

- Cathcart landfill site is approximately +/- 2 years
- Stutterheim landfill site is approximately +/- 8 years
- Keiskammahoek landfill site is approximately +/- 32 years

20. Service charges

Sale of electricity	37 353 269	26 368 381
Refuse removal	12 115 099	12 052 087
Other service charges	114 138	76 400
	49 582 506	38 496 868

21. Investment revenue - investments

Interest revenue

Bank	1 001 492	1 434 498
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Interest is earned on municipal investments and municipal cheque account in note 6.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
22. Property rates		
Rates received		
Property rates	22 151 666	23 740 111
Less: Rebates	(1 355 398)	(4 746 972)
	<u>20 796 268</u>	<u>18 993 139</u>
Valuations		
Residential	1 159 618 500	1 361 185 877
Commercial	225 211 255	187 860 986
State	752 576 208	246 981 500
Municipal	357 463 601	29 704 332
Small holdings and farms	2 462 899 299	1 077 198 612
Public benefit organisations	101 280 903	73 402 300
Vacant land	-	1 973 000
Properties used for multi purposes (Mix)	5 165 000	-
Industrial properties	42 887 501	-
	<u>5 107 102 267</u>	<u>2 978 306 607</u>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an monthly basis as per the approved tariffs with interest at prime plus 1% per annum is levied on rates outstanding monthly.

23. Government grants and subsidies

Operating grants

Equitable share	131 642 000	105 863 000
Library grant	1 200 000	1 200 000
Municipal Infrastructure Grant (MIG)	47 697 503	13 432 997
Expanded Public Works Programme (EPWP)	1 000 000	887 350
Financial Management Grant (FMG)	2 200 000	2 235 000
Waste Grant	6 989 022	-
Disaster Relief Grant	144 751	317 743
	<u>190 873 276</u>	<u>123 936 090</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Operating and maintenance cost of municipalities..

Waste site grant

Balance unspent at beginning of year	233 712	233 712
Conditions met - transferred to revenue	(233 712)	-
	<u>-</u>	<u>233 712</u>

Conditions still to be met - remain liabilities (see note 18).

To improve waste site management and ensure clean environment.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
23. Government grants and subsidies (continued)		
Financial management grant (FMG)		
Current-year receipts	2 200 000	2 235 000
Conditions met - transferred to revenue	(2 200 000)	(2 235 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 18).		
The grant is received to ensure sound and sustainable management of the fiscal and financial affairs of the municipality. To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Act.		
Waste Collection Grant		
Balance unspent at beginning of year	6 633 000	6 633 000
Conditions met - transferred to revenue	(6 633 000)	-
	<u>-</u>	<u>6 633 000</u>
Conditions still to be met - remain liabilities (see note 18).		
The grant is made to assist the municipality in promotion of clean environment.		
Recycling centre		
Balance unspent at beginning of year	122 310	122 310
Conditions met - transferred to revenue	(122 310)	-
	<u>-</u>	<u>122 310</u>
Conditions still to be met - remain liabilities (see note 18).		
The grant is made to assist the municipality in promotion of clean environment.		
Library Grant		
Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 18).		
To transform urban and rural community infrastructure, facilities and services through a recapitalised programme.		
Disaster relief grant		
Balance unspent at beginning of year	278 257	-
Current-year receipts	-	596 000
Conditions met - transferred to revenue	(144 751)	(317 743)
	<u>133 506</u>	<u>278 257</u>
Conditions still to be met - remain liabilities (see note 18).		

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
23. Government grants and subsidies (continued)		
Municipal infrastructure grant (MIG)		
Balance unspent at beginning of year	29 895 677	3 189 674
Surrendered to NRF/Roll over not Approved	(9 827 174)	-
Current-year receipts	27 629 000	40 139 000
Conditions met - transferred to revenue	(46 298 903)	(12 309 738)
Operating expenditure	(1 398 600)	(1 123 259)
	<u>-</u>	<u>29 895 677</u>

Conditions still to be met - remain liabilities (see note 18).

The Grant was received from the Department of Cooperative Governance and Traditional Affairs. The purpose of the grant is to provide specific finance for basic Municipal Infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Staff training

Balance unspent at beginning of year	556 690	326 718
Current-year receipts	216 117	229 972
	<u>772 807</u>	<u>556 690</u>

Conditions still to be met - remain liabilities (see note 18).

The grant was obtained from the Sectoral Education Training Authority (SETA) for training of staff. In terms of the Skills Development Act regarding monies by SETA's published in Government Notice 990 in Government Gazette No. 34940, LG SETA is required to disburse in quarterly intervals.

Extended public works programme (EPWP)

Balance unspent at beginning of year	347 826	528 176
Current-year receipts	1 000 000	1 236 000
Conditions met - transferred to revenue	(1 000 000)	(887 350)
Surrendered to NRF/Roll over not approved	(347 826)	(529 000)
	<u>-</u>	<u>347 826</u>

Conditions still to be met - remain liabilities (see note 18).

The grant is provided to expand the Public Works programme and job creation efforts. The municipality is incentivised to use labour intensive delivery methods in the following areas:

- Road maintenance and the maintenance of buildings;
- Parks beautification;
- Waste management;
- Low traffic volume roads and rural roads.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Employee related costs		
Basic	85 944 555	84 192 301
Bonus	7 176 307	6 960 305
Medical aid - company contributions	6 579 486	6 155 797
UIF	527 434	552 122
Employee benefit movements	5 217 937	(466 833)
Travel, motor car, accommodation, subsistence and other allowances	1 456 406	1 752 665
Overtime payments	1 453 755	1 037 209
Acting allowances	761 859	383 157
Travel allowances	5 268 371	5 367 477
Housing benefits and allowances	2 976 180	3 136 500
Industrial Council Levy	35 618	35 351
Pension Fund Contributions by Council	15 328 292	14 893 583
	132 726 200	123 999 634
Remuneration of municipal manager		
Annual Remuneration	786 839	773 580
Car Allowance	322 524	322 524
Contributions to UIF, Medical and Pension Funds	199 270	183 657
Cellphone Allowance	24 000	24 000
	1 332 633	1 303 761
Remuneration of chief finance officer		
Annual Remuneration	854 144	807 972
Travelling Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	10 292	1 897
Cellphone Allowance	16 800	16 800
	1 001 236	946 669
Remuneration of Corporate Services Manager		
Annual Remuneration	-	591 466
Travel Allowance	-	94 090
Performance Bonuses	-	60 000
Contributions to UIF, Medical and Pension Funds	812	15 320
Cellphone Allowance	-	13 172
Leave	81 159	-
	81 971	774 048
Remuneration of Development and Planning Manager		
Annual Remuneration	852 138	811 738
Backpay	6 734	-
Contributions to UIF, Medical and Pension Funds	10 660	1 896
Other Allowance	16 800	16 800
	886 332	830 434

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Employee related costs (continued)		
Remuneration of Infrastructure Director		
Annual Remuneration	-	556 139
Travel Allowance	-	93 181
Performance Bonuses	-	60 000
Contributions to UIF, Medical and Pension Funds	-	27 527
Cellphone Allowance	-	13 045
Acting Allowance	-	53 743
	<u>-</u>	<u>803 635</u>
Remuneration of Community Service Manager		
Annual Remuneration	317 227	760 271
Backpay	6 734	-
Contributions to UIF, Medical and Pension Funds	33 161	53 363
Cellphone Allowance	8 400	16 800
Leave	4 361	-
	<u>369 883</u>	<u>830 434</u>
25. Remuneration of councillors		
Mayor	296 277	840 313
Speaker	625 785	683 003
Councillors' salaries	7 603 257	7 094 938
Councillors' allowances	3 073 387	3 375 213
	<u>11 598 706</u>	<u>11 993 467</u>
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.		
26. Vending management fee		
Management fees - third party	<u>253 552</u>	<u>838 884</u>
The municipality pays vendor management fees to Contour, this service provider owns the system used to manage the sales of prepaid electricity to external outlets and the municipal office cashiers.		
27. Depreciation and amortisation		
Property, plant and equipment	23 536 859	24 257 349
Investment property	576 873	2 118 308
Intangible assets	241 153	271 766
	<u>24 354 885</u>	<u>26 647 423</u>

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
28. Impairment of assets		
Impairments		
Property, plant and equipment	1 215 365	-
On the 16th, 17th October 2018 and the subsequent days the community staged a protest which led to municipal buildings being torched and or looting of municipal assets both immovable (significant items at Mlungisi Commercial Park) and movable. This resulted to a drastic decline in the market value of the Mlungisi Commercial Park and write off and impairing of a significant number of municipal assets.		
29. Finance costs		
Interest expense	-	1 712 506
Service concession arrangements	3 801 999	954 822
	3 801 999	2 667 328
30. Debt impairment		
Debt impairment	26 485 045	32 643 558
31. Bulk purchases		
Electricity - Eskom	35 883 789	33 308 552
32. Contracted services		
Outsourced Services		
Burial Services	40 000	5 000
Catering Services	7 788	24 485
Cleaning Services	22 043	-
Fire Services	134 130	-
Litter Picking and Street Cleaning	101 336	3 450
Professional Staff	102 061	(4 105)
Security Services	374 364	248 006
Electrical	2 238 984	680 469
Consultants and Professional Services		
Business and Advisory	6 384 863	8 003 721
Legal Cost	1 297 478	1 162 406
Contractors		
Event Promoters	16 200	8 730
Graphic Designers	-	24 960
Maintenance of Buildings and Facilities	74 318	-
Maintenance of Equipment	37 750	5 930
Maintenance of Unspecified Assets	2 244 712	1 659 599
Safeguard and Security	194 084	197 098
	13 270 111	12 019 749

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. General expenses		
Advertising	233 132	136 518
Audit Fees	2 995 665	1 763 373
Bank charges	1 492 040	575 006
Consumables	294 773	439 787
Insurance	1 129 351	999 130
Fuel and oil	1 512 129	1 551 616
Postage and courier	2 580	59 850
Printing and stationery	339 505	616 231
Project maintenance costs	903 724	173 674
Vehicle license fees	446 616	327 116
Subscriptions and membership fees	1 303 632	1 342 890
Telephone and fax	5 633 455	1 962 448
Vehicle license fees	335 575	54 030
Electricity	385 995	(49 876)
Uniforms	1 229	169 193
Free basic electricity	25 455	4 317 327
Skills development levy	1 068 265	1 073 188
Other expenses	2 268 695	1 721 624
	20 371 816	17 233 125
34. Auditors' remuneration		
Auditors Remuneration	2 995 665	1 763 373
35. Cash generated from operating activities		
Surplus (deficit)	10 556 138	(35 867 922)
Adjustments for:		
Depreciation and amortisation	24 354 885	26 647 423
Loss/(Gain) on sale of assets and liabilities	1 661 813	4 075 155
Fair value adjustments	(802 832)	200 074
Impairment deficit	1 215 365	-
Debt impairment	26 485 045	32 643 558
Movements in retirement benefit assets and liabilities	3 982 517	(1 136 687)
Movements in provisions	2 820 856	242 176
Changes in working capital:		
Inventories	130 758	104 316
Consumer debtors	(25 793 102)	(26 107 618)
Other receivables from non-exchange transactions	932 286	510 994
Payables from exchange transactions	15 428 506	14 166 985
VAT	(2 416 276)	(208 912)
Unspent conditional grants and receipts	(37 161 159)	33 666 882
Consumer deposits	38 603	(15 533)
	21 433 403	48 920 891

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

36. Financial Instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Consumer debtors and other debtors	6 432 515	6 432 515
Other receivables from non-exchange transactions	10 018 173	10 018 173
Cash and cash equivalents	13 426 476	13 426 476
Long-term receivables	346 551	346 551
	30 223 715	30 223 715

Financial liabilities

	At amortised cost	Total
Finance lease obligation	16 244	16 244
Payables from exchange transactions	106 121 712	106 121 712
Unspent conditional grants	906 313	906 313
Consumer deposits	1 838 186	1 838 186
	108 882 455	108 882 455

2020

Financial assets

	At amortised cost	Total
Consumer debtors and other debtors	7 124 458	7 124 458
Other receivables from non-exchange transactions	10 950 459	10 950 459
Cash and cash equivalents	46 931 240	46 931 240
Long-term receivables	346 551	346 551
	65 352 708	65 352 708

Financial liabilities

	At amortised cost	Total
Finance lease obligation	176 620	176 620
Payables from exchange transactions	90 693 206	90 693 206
Unspent conditional grants	38 067 472	38 067 472
Consumer deposits	1 799 583	1 799 583
	130 736 881	130 736 881

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	23 982 121	21 531 473
Total capital commitments		
Already contracted for but not provided for	23 982 121	21 531 473

This committed expenditure relates to property, plant and equipment and intangible assets will be financed by a combination of MIG and internally generated funds.

38. Contingencies

Contingent Liabilities

2021

The total contingent liabilities for the year 2021 are R7 075 151.67 and their details are as follows:

- Amahlathi / Iziqhamo Civil Construction: Termination of contract. The matter is at plea stage. Amount R2 304 760.77.
- Amahlathi / Konstruct SGN: Damages claim arising from contractual agreement. Matter awaiting discovery. Claimed amount R603 670.30.
- Amahlathi / Scholes CJ: Damages claim arising from contractual agreement. Currently awaiting revised instruction on offer of settlement. Claimed amount R1 034 857.32.
- Amahlathi / Vollex (Pty) Ltd: Payment of money owed in terms of cessionary agreement. Court order outstanding at year end. Claimed amount R1 204 194.43.
- A303 Themisa Dilika & 3 others / Amahlathi Local Municipality. Thembisa Dilika and 3 others referred an unfair dismissal dispute to the SALGBC claiming that they had reasonable expectation that they would be permanently appointed. R700 000 for back-pay costs. The unfair dismissal dispute was dismissed. Dilika and 3 others have taken the arbitration award on Review in the Labour Court. The Review Application is pending.
- A325 Amahlathi / Tyekana Security and Cleaning Services: Tyekana Security and Cleaning Services has instituted action in the High Court against the municipality for alleged services rendered of R1 227 668.85 in respect of unpaid invoices.
- A326 Xolela Roji / Amahlathi: Roji brought an application in the High Court that he be declared elected top of the ANC party list for the filling of a vacancy on the municipal council, that he be declared as councillor elect and that he be paid a councillors' remuneration.
- A253 Amahlathi / Various Employees: The municipality has brought an application in the High Court to challenge the implementation of the standardization policy.

2020

- Amahlathi / Sikhulu-Nqwena Ivy. Legal fees to date are R45 080.
- Amahlathi / Opinion on contracts. Legal fees to date are R183 022.50.
- Amahlathi / Phambili Prop - Termination of lease . The legal fees of the matter to date are R33 327.22.
- Amahlathi / Konstruction SGN.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

38. Contingencies (continued)

- A262 XL Aloe Travel / Amahlathi Local Municipality. XL Aloe Travel referred a dispute to the Arbitration Foundation of South Africa claiming a sum of R244 452.36 for damages caused to one of its vehicles by one of the municipality's employees.
- A302 IMATU obo T Busakwe / Amahlathi Local Municipality. IMATU referred an unfair dismissal dispute to the SALGBC on behalf of T Busakwe, claiming that she had a reasonable expectation that her fixed-term contract of employment would be renewed. R200 000 for back-pay costs.
- A303 Themisa Dilika & 3 others / Amahlathi Local Municipality. Themisa Dilika and 3 others referred an unfair dismissal dispute to the SALGBC claiming that they had reasonable expectation that they would be permanently appointed. R700 000 for back-pay costs.
- A309 Madoda Zamkana / Amahlathi Local Municipality. Madoda Zamkana instituted legal proceedings against the municipality R7 300.38 for damages and R2 000 for legal fees, damages caused to his septic tank by a person who drove a vehicle into his yard.
- A301 Nomabali Tom / Amahlathi Local Municipality. Ms Tom referred an unfair labour practice dispute to the SALGBC claiming total remuneration package upper limit: Mid-point equal to R929 869 per annum, alternatively to be placed on task grade 19 equal to R850 668 per annum and legal fees of R199 630.80.
- A317 S Malawu / MEC for COGTA and Amahlathi Local Municipality. Mr Malawu brought an application in the High Court to review and set aside the MEC's decision to remove Mr Malawu as a councilor. R81 127.25 legal fees.

Contingent assets

2021

There is a civil claim against Kwane Capital and Mcebisi Mlonzi R92 481 183 and the estimated legal costs are R1 500 000.

2020

There is a civil claim against Kwane Capital and Mcebisi Mlonzi R92 481 183 and the estimated legal costs are R1 500 000.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
39. Related parties		
Relationships		
Accounting Officer	Refer to accounting officer's report	
Councillors	Refer to general information page	
Members of key management	I Sikhulu-Nqwena - Municipal Manager L Manjingolo - Chief Financial Officer P Dibela - Director Community Services M Makunga - Director Planning and Development	
Related party balances		
Companies owned by people/spouses/partners/associates in the service of the state		
ICT Choice	1 068 823	271 264
Ebusha General Trading	143 900	154 790

Amahlathi Local Municipality

(Registration number EC 124)
Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

Remuneration of management

Management class: Councillors

2021

Name	Councillors salaries	Telephone allowance	Travel allowance	3G card	Subsistence	Total
A Hobo (Mayor)	596 935	40 800	198 978	3 600	-	840 313
M Mjikelo (Speaker)	477 548	40 800	159 183	3 600	-	681 131
N Pose (Exco)	537 531	40 800	59 405	3 600	-	641 336
NP Mlahleki (Exco)	436 509	40 800	144 876	3 600	-	625 785
N Monti (Exco)	524 395	40 800	72 541	3 600	-	641 336
T Balindlela (Exco)	254 476	40 800	78 542	3 600	-	377 418
NA Kato-Manyika (Exco)	520 700	40 800	76 236	3 600	-	641 336
N Ngxakangxaka	192 472	40 800	59 405	3 600	-	296 277
NP Tikazayo	192 472	40 800	59 405	3 600	-	296 277
P Ntwanambi	52 652	11 127	16 363	982	-	81 124
P Qaba	179 336	40 800	72 541	3 600	-	296 277
AT Daka	80 784	6 000	3 600	-	2 400	92 784
DS Gxekwa	192 472	40 800	59 405	3 600	-	296 277
EX Zakhe	113 424	6 000	3 600	-	2 400	125 424
GD Mxosa	192 472	40 800	59 405	3 600	-	296 277
GP Noxeke	192 472	40 800	59 405	3 600	-	296 277
K Sandile	111 792	6 000	3 600	-	2 400	123 792
M Nqini	192 472	40 800	59 405	3 600	-	296 277
MN Ngcofe	192 472	40 800	59 405	3 600	-	296 277
NS Mdledle	86 496	6 000	3 600	-	2 400	98 496
RB Pickering	192 472	40 800	59 405	3 600	-	296 277
SG Venkile	83 975	17 773	26 011	1 568	-	129 327
TR Desi	192 472	40 800	59 405	3 600	-	296 277
VW Tshaka	192 472	40 800	59 405	3 600	-	296 277
X Mngxaso	179 336	40 800	72 541	3 600	-	296 277
X Nqata	242 431	40 800	80 811	3 600	-	367 642

Amahlathi Local Municipality

(Registration number EC 124)
Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

XM Tokwe	192 472	40 800	59 405	3 600	-	296 277
Z Ngudle	79 968	6 000	3 600	-	2 400	91 968
CT Ngxingolo	192 472	40 800	59 405	3 600	-	296 277
N Busika	93 962	21 327	37 701	1 888	-	154 878
NA Nikonya-Mtati	192 472	40 800	59 405	3 600	-	296 277
NC Nongqayi	179 336	40 800	72 541	3 600	-	296 277
NG Mekuto	101 184	6 000	3 600	-	2 400	113 184
NZ Klaas	191 581	40 800	60 296	3 600	-	296 277
NM Mbulawa	138 029	29 673	46 009	2 618	-	216 329
N Ncevu	118 783	25 191	36 732	2 223	-	182 929
NC Mkiva	118 783	25 191	36 732	2 223	-	182 929
B Xongwana	74 715	15 764	24 032	1 391	-	115 902
SC Matini	21 860	3 482	5 373	307	-	31 022
X Roji	3 578	773	1 193	68	-	5 612
	8 102 235	1 206 301	2 172 502	103 268	14 400	11 598 706

2020

Name	Councillors salaries	Telephone allowance	Travel allowance	3G card	Backpay	Subsistence	Total
A Hobo (Mayor)	596 935	40 800	198 978	3 600	-	-	840 313
M Mjikelo (Speaker)	477 548	42 672	159 183	3 600	-	-	683 003
N Pose (Exco)	537 531	43 556	59 405	3 600	28 755	-	672 847
NP Mlahleki (Exco)	250 701	52 478	72 541	3 600	5 947	-	385 267
D Mzili (Exco)	298 468	42 590	99 489	2 400	-	-	442 947
N Monti (Exco)	524 395	54 318	72 541	3 600	28 755	-	683 609
T Balindlela (Exco)	254 476	40 800	78 542	3 600	-	-	377 418
NA Kato-Manyika (Exco)	520 700	43 032	76 236	3 600	22 808	-	666 376
N Ngxakangxaka	192 472	47 538	59 405	3 600	-	-	303 015
NP Tikazayo	192 472	53 625	59 405	3 600	-	-	309 102
P Ntwanambi	192 472	44 515	59 405	3 600	-	244	300 236
P Qaba	179 336	58 338	72 541	3 600	-	-	313 815
AT Daka	66 912	9 300	3 600	-	-	2 400	82 212
DS Gxekwa	192 472	44 100	59 405	3 600	-	244	299 821

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)	16 039	12 958	4 950	300	-	-	-	34 247
EN Brukwe	126 722	6 000	3 600	-	-	-	2 400	138 722
EX Zakhe	192 472	52 065	59 405	3 600	-	-	-	307 542
GD Mxosa	192 742	44 100	59 405	3 600	-	-	-	299 847
GP Noxeke	131 376	9 300	3 600	-	-	-	2 400	146 676
K Sandile	192 472	44 100	59 405	3 600	-	-	-	299 577
M Ngini	192 472	42 888	59 405	3 600	-	-	-	298 365
MN Ngcofe	84 864	8 756	3 600	-	-	-	2 400	99 620
NS Mdledle	192 472	44 100	59 405	3 600	-	-	-	299 577
RB Pickering	134 502	32 160	54 405	2 700	-	-	-	223 767
S Malawu	192 472	43 345	59 405	3 600	-	-	-	298 822
SG Venkile	192 472	45 960	59 405	3 600	-	-	-	301 437
TR Desi	192 472	56 190	59 405	3 600	-	-	-	311 667
VW Tshaka	179 336	47 086	72 541	11 920	-	-	-	310 883
X Mngxaso	242 431	52 065	80 811	3 600	-	-	244	379 151
X Ngata	192 472	43 556	59 405	3 600	-	-	-	299 033
XM Tokwe	49 776	6 000	3 600	-	-	-	2 400	61 776
Z Ngudle	192 472	40 800	59 405	3 600	-	-	-	296 277
CT Ngxingolo	179 336	56 190	72 541	3 600	-	-	-	311 667
N Busika	192 472	43 556	59 405	3 600	-	-	-	299 033
NA Nkonya-Mtati	179 336	56 190	72 541	3 600	-	-	-	311 667
NC Nongqayi	88 944	9 300	3 600	-	-	-	2 400	104 244
NG Mekuto	128 315	27 526	39 603	2 430	-	2 015	-	199 889
NZ Klaas								
	8 135 329	1 441 853	2 199 523	113 350	88 280	15 132	11 993 467	

Management class: Executive management

*Refer to note "Employee related costs" 24

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

40. Change in estimate

Property, plant and equipment

The useful life of the certain items of Property, Plant and Equipment was revised during the current financial year. The effect of this revision has decreased the depreciation charges for the current period by R 2 096 238 and increase in depreciation in future periods by R 2 096 238.

41. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment		374 935 538	408 757	375 344 295
Accumulated surplus		(295 157 676)	(408 757)	(295 566 433)
		<u>79 777 862</u>	<u>-</u>	<u>79 777 862</u>

2020

	Note	As previously reported	Correction of error	Restated
Inventories		1 209 532	(849 077)	360 455
Cash and Cash equivalents		48 330 017	(1 398 777)	46 931 240
VAT receivable		5 332 637	(5 213 437)	119 200
Property, plant and equipment		359 506 789	262 029	359 768 818
Accumulated surplus		(266 897 784)	7 199 262	(259 698 522)
		<u>147 481 191</u>	<u>-</u>	<u>147 481 191</u>

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Property rates		20 209 467	(1 216 328)	18 993 139
Insurance refund		41 363 625	(5 395 886)	35 967 739
Depreciation and amortization		(26 598 371)	(49 049)	(26 647 420)
Loss on disposal of assets and liabilities		(3 128 398)	(946 757)	(4 075 155)
Surplus for the year		<u>31 846 323</u>	<u>(7 608 020)</u>	<u>24 238 303</u>

Errors

2019

Property Plant and Equipment – Correction of depreciation that was incorrectly calculated due to omission of residual values.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
41. Prior-year adjustments (continued)		
2020		
Inventories - Correction of Inventory stolen during 2020 financial year.		
Cash and cash equivalents – Correction of VAT refund which was duplicated under Revenue and the VAT control account.		
VAT Receivable – Correction of VAT refund incorrectly classified as Revenue.		
Property Plant and Equipment – Correction of depreciation that was incorrectly calculated due to omission of residual values.		
Accumulated surplus – Correction of VAT incorrectly classified as Revenue, Correction of VAT refund which was duplicated under Revenue and the VAT control account and Correction of depreciation that was incorrectly calculated due to omission of residual values.		
Property rates - Correction of VAT refund incorrectly classified as Revenue.		
Insurance refund - Correction of VAT refund incorrectly classified as Revenue.		
Depreciation and amortisation - Correction of depreciation that was incorrectly calculated due to omission of residual values.		
Loss on disposal of assets and liabilities - Correction of depreciation that was incorrectly calculated due to omission of residual values & write-off of stolen inventory.		
Irregular expenditure opening balance 2020		
Opening balance	-	82 476 589
Adjustments made	-	(4 695 455)
Restated opening balance	-	77 781 134
Irregular Expenditure on Free Basic Electricity - Correction of disclosure to reflect actual amounts paid.		
Irregular expenditure - Movement 2020		
Previously reported	-	20 501 981
Adjustments made	-	(3 817 327)
Restated movement	-	16 684 654
Irregular Expenditure on Free Basic Electricity - Correction of disclosure to reflect actual amounts paid.		
Inventories		
Opening balance	-	1 209 532
Adjustments made - Stolen Inventory	-	(849 077)
Restated opening balance	-	360 455
Cash and cash equivalents		
Opening balance	-	48 330 017
Adjustments made - SARS Refund incorrectly captured	-	(1 398 777)
Restated opening balance	-	46 931 240

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
41. Prior-year adjustments (continued)		
VAT receivable		
Opening balance	-	5 332 637
Adjustments made - Insurance refund VAT	-	(5 395 886)
Adjustments made - VAT output correction	-	182 449
Restated opening balance	-	119 200
Property rates		
Previously reported	-	20 209 467
Adjustments made - SARS refund captured incorrectly	-	(1 216 328)
Restated opening balance	-	18 993 139
Insurance refund		
Previously reported	-	41 363 625
Adjustments made - Insurance refund VAT	-	(5 395 886)
Restated opening balance	-	35 967 739
Depreciation and amortisation		
Previously reported	-	(26 598 371)
Adjustments made - Transport assets depreciation	-	(49 049)
Restated opening balance	-	(26 647 420)
Loss on disposal of assets and liabilities		
Previously reported	-	(3 128 398)
Adjustment made - Depreciation on recalculation of residual values	-	(97 680)
Adjustment made - Stolen Inventory	-	(849 077)
Restated opening balance	-	(4 075 155)

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

42. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2021	2020
Consumer debtors and other debtors	6 432 515	7 124 458
Receivables from non-exchange transactions	10 018 173	10 950 458
Cash and cash equivalents	13 426 476	48 330 017
Long-term receivables	346 550	346 550

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Liquidity risk

The municipality does not hedge foreign exchange fluctuations.

The municipality risk relates to funds available for future commitments. The Municipality manages liquidity risk through ongoing review of future commitments, projected grant receipts and cash forecasting. Cash flow forecasts are prepared and borrowing facilities are monitored.

The municipality is not exposed to currency as no transactions are negotiated in foreign.

43. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is facing a number of financial risks that negatively impact its ability to sustain its current level of operations in the near future, before taking into account government grants. The key financial risks identified include:

- An inability to pay creditors within due dates.
- Negative key financial ratios.
- Net current liability was realised.

There is a material uncertainty related to existing conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

43. Going concern (continued)

The actions taken by management to mitigate the impact of these risks include:

- Management maintains detailed financial plans and manages working capital elements as necessary.
- Budget controls are in place to ensure that over-expenditure is eliminated.
- The treasury will continue to provide funding to the municipality in the foreseeable future.
- Council of the municipality has approved cost containment policy in line with the MFMA: Cost Containment Regulations.

44. Unauthorised expenditure

Opening balance	223 664 699	181 324 035
Add: Operating Expenditure identified - current	47 104 413	42 340 664
Add: Capital Expenditure identified - current	2 032 324	-
Closing balance	<u>272 801 436</u>	<u>223 664 699</u>

No investigations or disciplinary action has been taken yet with regards to the expenditure disclosed above.

45. Fruitless and wasteful expenditure

Opening balance	11 632 472	7 376 569
Add: Expenditure identified - current	3 723 612	4 255 903
Closing balance	<u>15 356 084</u>	<u>11 632 472</u>

No investigations or disciplinary action has been taken yet with regards to the expenditure disclosed above.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020	
46. Irregular expenditure			
Opening balance as previously reported	94 465 788	82 476 589	
Correction of prior period error	-	(4 695 455)	
Opening balance as restated	94 465 788	77 781 134	
Add: Irregular Expenditure - current	17 733 598	16 684 654	
Closing balance	112 199 386	94 465 788	
Details of irregular expenditure			
Irregular expenditure on payroll	Due processes were not followed before standardisation of salaries were paid	14 570 057	13 880 853
Irregular expenditure on contracts	SCM processes were not followed	1 229 678	2 303 801
Irregular expenditure on Free Basic Electricity	The municipality paid for indigents that do not appear on the indigent register	1 933 863	500 000
		17 733 598	16 684 654
Scope limitation			
<p>The limitation of scope relates to the burning down of municipal buildings during the second quarter of the 2018/19 financial year. There are 14 contracts that were awarded during the first and second quarter of 2018/19 financial year which were affected by the fire. Efforts made by the municipality to recreate the lost documentation proved to be impracticable. The contracts affected amount to R34,429,654.92 where the expenditure on these contracts amounts to R1,874,704.96 (2020:R5,962,796.81).</p>			
<p>A majority of the contracts affected relates to capital projects which are funded through the municipal infrastructure grant.</p>			
<p>Due to the event of the fire as mentioned and the subsequent effort to recreate the lost documents that proved to be impracticable, we cannot determine whether the expenditure incurred on these contracts is irregular or not.</p>			
Cases under investigation			
<p>No investigations or disciplinary action has been taken yet with regards to the expenditure disclosed above.</p>			
47. Additional disclosure in terms of Municipal Finance Management Act			
Contributions to organised local government			
Current year subscription / fee	1 301 962	1 342 890	
Amount paid - current year	(1 301 962)	(1 342 890)	
	-	-	
Material electrical distribution losses			
Current year	11 689 860	9 777 464	
<p>The municipality lost 8,767,780. kwhr (2020: 8,190,970 kwh) representing 34.24% (2020: 29.51%) of total bulk purchases of electricity from Eskom during the year. The losses are attributed to normal losses and illegal connections.</p>			
Audit fees			
Current year subscription / fee	2 995 665	1 763 373	
Amount paid - current year	(2 995 665)	(1 763 373)	
	-	-	

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
47. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year subscription / fee	23 823 658	21 654 307
Amount paid - current year	(24 063 370)	(21 654 307)
	<u>(239 712)</u>	<u>-</u>
Pension and Medical Aid Deductions		
Opening balance	7 403 733	-
Current year subscription / fee	34 458 343	33 297 307
Amount paid - current year	(31 799 525)	(25 893 574)
	<u>10 062 551</u>	<u>7 403 733</u>
VAT		
VAT receivable	<u>2 535 476</u>	<u>119 200</u>

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Monti N	340	450	790
Busika N	294	1 385	1 679
Pickering R	4 360	35 078	39 438
	<u>4 994</u>	<u>36 913</u>	<u>41 907</u>

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations the accounting officer may dispense of the official procurement process requirements in certain circumstances (e.g emergency or single procurement) and the accounting officer may ratify minor breaches of the procurement process if the breach is purely of a technical nature. However all such departures need to be approved by the Municipal Manager and noted by Council.

Incident

Babcock Africa Services	514 971	194 882
Buffalo Toyota	26 243	24 937
Cathcart Farms	50 708	-
Conlog (Pty) Ltd	-	11 730
Eyabantu	-	130 767
I and A Diesel Engines	-	55 966
Jambase Security Services	191 250	-
JD Strategic Investments	73 186	64 210
Management Integrity Evaluation	3 575	3 845
Meyers Motors	40 187	331 828
Multisurge	-	151 800
Ntshuza Trading (Pty) Ltd	-	29 050
One Pangae Expertise & Solutions	-	58 000
Peugair Border CC	74 909	-
Rencor Engineering	59 369	-
SignWorx	28 000	-
SNR Electrical CC	612 791	179 023
Stutt Delt Garage	256 098	43 626
Syco Machinery (Pty) Ltd	10 465	-
Titan Stutt	43 162	-
Tractor World	-	8 560
Universal Equipment	114 821	296 277
Unqondo Projects	-	70 187
Yande Engineering & Projects	-	183 931
	2 099 735	1 838 619

48. Segment Information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: electricity and solid waste removal services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

48. Segment Information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Electricity	Solid Waste Removal	Total
Revenue			
Revenue from non-exchange transactions	-	7 133 773	7 133 773
Revenue from exchange transactions	37 467 407	12 115 099	49 582 506
Total segment revenue	37 467 407	19 248 872	56 716 279
Interest revenue			8 058 972
Property rates			20 796 269
Government grants and subsidies			183 739 503
Other unallocated revenue			13 052 507
Total revenue reconciling items			225 647 251
Entity's revenue			282 363 530
Expenditure			
Salaries and wages	3 537 617	12 610 451	16 148 068
Vending management fee	253 552	-	253 552
Depreciation and amortisation	1 260 262	401 480	1 661 742
Bulk purchases	35 883 789	-	35 883 789
Contracted services	1 987 779	443 155	2 430 934
General expenses	105 447	140 465	245 912
Total segment expenditure	43 028 446	13 595 551	56 623 997
Total segmental surplus/(deficit)			92 282
Interest expense			(3 801 999)
Employee costs			(116 578 130)
Councillors remuneration			(11 598 706)
Depreciation and amortisation			(22 693 142)
Contracted services			(10 839 177)
General expenses			(20 125 906)
Unallocated expenses			(29 546 332)
Total revenue reconciling items			225 647 251
Entity's surplus (deficit) for the period			10 556 141
Assets			
Segment assets	37 233 212	19 412 647	56 645 859
Unallocated assets			382 505 600
Total assets as per Statement of financial Position			439 151 459
Liabilities			
Segment liabilities	-	149 749	149 749
Unallocated liabilities			168 747 047
Total liabilities as per Statement of financial Position			168 896 796

Information about geographical areas

The municipality operates throughout the Amahlathi Municipality in 3 towns in the Eastern Cape, ie., Stutterheim, Cathcart and Keiskammahoek. Segments were not organised on the basis of differences in geographical areas of operation and the cost to develop such information would be excessive.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

49. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 394 015 (2020: R1 758 447).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Category 1 MV Licences and registration

Opening balance	2 341 283	276 807
Amounts received on behalf of the principal	2 388 995	5 836 297
Amounts transferred to the principal	(3 188 409)	(2 013 374)
Amounts recognised as revenue for services rendered	(1 394 015)	(1 758 447)
	<u>147 854</u>	<u>2 341 283</u>

All categories

Opening balance	2 341 283	276 807
Amounts received on behalf of the principal	2 388 995	5 836 297
Amounts transferred to the principal	(3 188 409)	(2 013 374)
Amount recognised as revenue for services rendered	(1 394 015)	(1 758 447)
	<u>147 854</u>	<u>2 341 283</u>

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

50. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

FinPerf1

Variance not material

FinPerf2

Covid regulations which reduced the demand for hiring of halls

FinPerf3

Variance not material

FinPerf4

Variance not material

FinPerf5

Variance not material

FinPerf6

This is due to mscoa chart where donations are mapped under transfers and subsidies

FinPerf7

This is due to insurance claims relating to prior years.

FinPerf8

Cash flow problems.

FinPerf9

Variance not material

FinPerf10

This is due to donations which must be reported as other revenue, but in mscoa chart mapped to transfers and subsidied

FinPerf11

This is due to lack of capacity in the traffic department to conduct law enforcement.

FinPerf12

Variance not material

FinPerf13

Variance not material

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

50. Budget differences (continued)

FinPerf14

Variance not material

FinPerf15

Ariance not material

FinPerf16

Still waiting for interest journal for 3rd parties

FinPerf17

This is due to late payment of creditors due to cash flow problems

FinPerf18

This is due to late payment of creditors due to cash flow problems

FinPerf19

This is due to late payments by debtors

FinPerf20

This is due to late payment of creditors due to cash flow problems

FinPerf21

This is due to different mSCOA and GRAP mapping

FinPerf22

This is due to different mSCOA and GRAP mapping.

Statement of Financial Position

FinPos1

This is due to theft that occurred in the electrical stores.

FinPos2

This is due to late payments by debtors.

FinPos3

This is due to late payments of creditors.

FinPos4

The difference is not material.

FinPos5

Due to changes in the market as per expert valuation

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

50. Budget differences (continued)

FinPos6

Variance not material

FinPos7

Variance not material

FinPos8

This is due to derecognition of some of the assets no longer meeting the recognition criteria

FinPos9

This is due to derecognition of some assets no longer meeting the recognition criteria.

FinPos10

Variance not material

FinPos11

Variance not material.

FinPos12

Variance not material

FinPos13

Variance not material

FinPos14

Pprovision still to be included

FinPos15

Full spending in majority of the grants

FinPost16

Due to changes in the market as per expert valuation

FinPos17

Due to expiry of some of the leases

FinPos18

Provision still to be included

FinPos19

Due to changes in the market as per expert valuation

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

50. Budget differences (continued)

Cash Flow Statementt

C1

Implementation of meter audit which improved electricity revenue

C2

Variance not material

C3

Cash flow problems

C4

variance not material

C5

This is due to late payment of creditors due to cash flow problems

C6

Still waiting for interest journal for 3rd parties

C7

Variance not material

C8

Variance not material



Amahlathi Local Municipality
(Registration number EC 124)
Annual Financial Statements
for the year ended 30 June 2021

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

General Information

Grading of local authority	Grade 3
Chief Finance Officer (CFO)	L Manjingolo
Accounting Officer	I Sikhulu-Nqwena
Registered office	12 Maclean Street Stutterheim 4930
Business address	12 Maclean Street Stutterheim 4930
Postal address	Private Bag X 4002 Stutterheim 4930
Bankers	First National Bank Stutterheim
Auditors	Auditor-General South Africa Registered Auditors
Mayoral Committee	A Hobo (Mayor) N Mlahleki (Exco) N Pose (Exco) N Monti (Exco) N Kato-Manyika (Exco) T Balindlela (Exco)

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

General Information

Councillors

M Mjikelo (Speaker)
X Nqata (MPAC)
N Nongqayi
X Mngxaso
P Qaba
N Busika (Deceased)
P Ntwanambi
N Ngxakangxaka
C Ngxingolo
R Pickering
D Gxekwa
M Ngcofe
X Tokwe
N Tikazayo
M Nqini
V Tshaka
S Venkile (Deceased)
R Desi
G Noxeke
N Nkonya-Mtati
G Mxosa
N Klaas
N Ncevu
NC Mkiva
B Xongwana
SC Matini
N Mbulana

Traditional leaders

Z Gundle
S Mdledle
K Sandile
X Zake
N Mekuto
A Daka

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Index

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

	Page
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 11
Accounting Policies	12 - 43
Notes to the Annual Financial Statements	44 - 87

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

The annual financial statements set out on pages 4 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

I Sikhulu-Nqwena
Accounting officer

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	229 697	360 455
Consumer debtors	4	6 432 515	7 124 458
Receivables from non-exchange transactions	5	10 018 173	10 950 459
Cash and cash equivalents	6	13 426 476	46 931 240
VAT receivable	7	2 535 476	119 200
		32 642 337	65 485 812
Non-Current Assets			
Long-term receivables	8	346 551	346 551
Biological assets that form part of an agricultural activity	9	4 060 087	3 420 800
Investment property	10	11 810 023	13 602 261
Property, plant and equipment	11	389 495 242	359 768 819
Intangible assets	12	187 038	428 191
Heritage assets	13	610 183	610 183
		406 509 124	378 176 805
Total Assets		439 151 461	443 662 617
Liabilities			
Current Liabilities			
Finance lease obligation	14	16 244	176 620
Payables from exchange transactions	15	106 121 710	90 693 206
Consumer deposits	16	1 838 186	1 799 583
Employee benefit obligation	17	16 699 114	17 144 597
Unspent conditional grants and receipts	18	906 313	38 067 472
Provisions	19	417 728	142 225
		125 999 295	148 023 703
Non-Current Liabilities			
Finance lease obligation	14	-	16 244
Employee benefit obligation	17	35 849 000	31 421 000
Provisions	19	7 048 501	4 503 148
		42 897 501	35 940 392
Total Liabilities		168 896 796	183 964 095
Net Assets		270 254 665	259 698 522
Accumulated surplus		270 254 665	259 698 522
Total Net Assets		270 254 665	259 698 522

* See Note 41

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	49 582 506	38 496 868
Rental of facilities and equipment		58 386	58 379
Interest received - debtors		7 057 481	7 115 796
Licences and permits		2 388 017	1 182 695
Other revenue		6 900 482	961 134
Administration and management fees received		1 348	-
Insurance refund		1 501 602	35 967 739
Interest received - investment	21	1 001 492	1 434 498
Fair value adjustments		802 832	-
Total revenue from exchange transactions		69 294 146	85 217 109
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	20 796 268	18 993 139
Transfer revenue			
Government grants & subsidies	23	190 873 276	123 936 090
Fines, Penalties and Forfeits		5 826	15 617
Motor vehicle registrations		1 394 015	1 758 447
Total revenue from non-exchange transactions		213 069 385	144 703 293
Total revenue		282 363 531	229 920 402
Expenditure			
Employee related costs	24	(132 726 200)	(123 999 634)
Remuneration of councillors	25	(11 598 706)	(11 993 467)
Vending management fee	26	(253 552)	(838 884)
Depreciation and amortisation	27	(24 354 885)	(26 647 423)
Impairment loss on non-current assets	28	(1 215 365)	-
Finance costs	29	(3 801 999)	(2 667 328)
Rentals - Printing machines		(184 112)	(11 583)
Debt Impairment	30	(26 485 045)	(32 643 558)
Leave pay provision		-	(149 792)
Bulk purchases	31	(35 883 789)	(33 308 552)
Contracted services	32	(13 270 111)	(12 019 749)
Loss on disposal of assets and liabilities		(1 661 813)	(4 075 155)
Fair value adjustments		-	(200 074)
General Expenses	33	(20 371 816)	(17 233 125)
Total expenditure		(271 807 393)	(265 788 324)
Surplus (deficit) for the year		10 556 138	(35 867 922)

* See Note 41

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	295 157 687	295 157 687
Adjustments		
Prior year adjustments	408 757	408 757
Balance at 01 July 2019 as restated*	295 566 444	295 566 444
Changes in net assets		
Deficit for the prior year as previous reported	(28 259 898)	(28 259 898)
Prior period adjustments	(7 608 024)	(7 608 024)
Deficit for the year	(35 867 922)	(35 867 922)
Restated* Balance at 01 July 2020	259 698 527	259 698 527
Changes in net assets		
Surplus for the year	10 556 138	10 556 138
Total changes	10 556 138	10 556 138
Balance at 30 June 2021	270 254 665	270 254 665
Note(s)		

* See Note 41

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		55 351 358	71 628 482
Grants		190 873 276	123 936 090
Interest income		8 058 973	8 550 295
		<u>254 283 607</u>	<u>204 114 867</u>
Payments			
Employee costs		(144 324 907)	(135 993 100)
Suppliers		(84 723 298)	(16 533 548)
Finance costs		(3 801 999)	(2 667 328)
		<u>(232 850 204)</u>	<u>(155 193 976)</u>
Net cash flows from operating activities	35	<u>21 433 403</u>	<u>48 920 891</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(54 761 550)	(11 907 946)
Purchase of other intangible assets	12	-	(24 300)
Net cash flows from investing activities		<u>(54 761 550)</u>	<u>(11 932 246)</u>
Cash flows from financing activities			
Finance lease payments		<u>(176 620)</u>	<u>(172 353)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(33 504 767)</u>	<u>36 816 292</u>
Cash and cash equivalents at the beginning of the year		<u>46 931 240</u>	<u>10 114 948</u>
Cash and cash equivalents at the end of the year	6	<u>13 426 473</u>	<u>46 931 240</u>

* See Note 41

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	44 992 000	3 541 053	48 533 053	49 582 506	1 049 453	FinPerf1
Rental of facilities and equipment	251 000	(80 000)	171 000	58 386	(112 614)	FinPerf2
Interest received (trading)	6 000 000	2 000 000	8 000 000	7 057 481	(942 519)	FinPerf3
Licences and permits	2 740 000	(400 000)	2 340 000	2 388 017	48 017	FinPerf4
Other revenue	1 123 300	(423 000)	700 300	6 900 482	6 200 182	FinPerf5
Administration and management fees received	-	-	-	1 348	1 348	FinPerf6
Insurance refunds	1 000	115 023	116 023	1 501 602	1 385 579	FinPerf7
Interest received - investment	1 845 000	-	1 845 000	1 001 492	(843 508)	FinPerf8
Total revenue from exchange transactions	56 952 300	4 753 076	61 705 376	68 491 314	6 785 938	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23 784 700	-	23 784 700	20 796 268	(2 988 432)	FinPerf9
Transfer revenue						
Transfer and subsidies	119 344 962	25 581 947	144 926 909	190 873 276	45 946 367	FinPerf10
Fines, Penalties and Forfeits	106 000	-	106 000	5 826	(100 174)	FinPerf11
Motor vehicle registrations	1 000 000	300 000	1 300 000	1 394 015	94 015	FinPerf12
Total revenue from non-exchange transactions	144 235 662	25 881 947	170 117 609	213 069 385	42 951 776	
Total revenue	201 187 962	30 635 023	231 822 985	281 560 699	49 737 714	
Expenditure						
Employee related costs	(113 212 703)	-	(113 212 703)	(132 726 200)	(19 513 497)	FinPerf13
Remuneration of councillors	(12 200 000)	-	(12 200 000)	(11 598 706)	601 294	FinPerf14
Vending management fee	(450 000)	(50 000)	(500 000)	(253 552)	246 448	FinPerf15
Depreciation and amortisation	(26 000 000)	-	(26 000 000)	(24 354 885)	1 645 115	FinPerf16
Impairment loss on non-current assets	-	-	-	(1 215 365)	(1 215 365)	
Finance costs	(1 000 000)	(2 000 000)	(3 000 000)	(3 801 999)	(801 999)	FinPerf17
Lease rentals on operating lease	(300 000)	150 000	(150 000)	(184 112)	(34 112)	FinPerf18
Debt Impairment	(10 000 000)	-	(10 000 000)	(26 485 045)	(16 485 045)	FinPerf19
Leave pay provision	(624 450)	-	(624 450)	-	624 450	FinPerf20
Bulk purchases	(31 000 000)	(2 000 000)	(33 000 000)	(35 883 789)	(2 883 789)	FinPerf21
Contracted Services	(13 956 509)	(4 181 690)	(18 138 199)	(13 270 111)	4 868 088	FinPerf22
General Expenses	(18 444 300)	4 243 090	(14 201 210)	(20 371 816)	(6 170 606)	FinPerf23
Total expenditure	(227 187 962)	(3 838 600)	(231 026 562)	(270 145 580)	(39 119 018)	
Operating surplus	(26 000 000)	26 796 423	796 423	11 415 119	10 618 696	
Loss on disposal of assets and liabilities	-	-	-	(1 661 813)	(1 661 813)	
Fair value adjustments	-	-	-	802 832	802 832	

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	(858 981)	(858 981)	
Surplus before taxation	(26 000 000)	26 796 423	796 423	10 556 138	9 759 715	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(26 000 000)	26 796 423	796 423	10 556 138	9 759 715	

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 313 847	(127 407)	1 186 440	229 697	(956 743)	FinPos1
Receivables from non-exchange transactions	12 550 019	3 733 077	16 283 096	10 018 173	(6 264 923)	FinPos2
VAT receivable	-	-	-	2 535 476	2 535 476	FinPos3
Consumer debtors	23 660 398	(16 535 940)	7 124 458	6 432 515	(691 943)	FinPos4
Cash and cash equivalents	26 817 752	238 603	27 056 355	13 426 476	(13 629 879)	FinPos5
	64 342 016	(12 691 667)	51 650 349	32 642 337	(19 008 012)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	3 620 874	(200 074)	3 420 800	4 060 087	639 287	FinPos6
Investment property	20 720 569	(7 116 538)	13 604 031	11 810 023	(1 794 008)	FinPos7
Property, plant and equipment	421 456 998	(2 946 744)	418 510 254	389 495 242	(29 015 012)	FinPos8
Intangible assets	737 970	(216 771)	521 199	187 038	(334 161)	FinPos9
Heritage assets	610 183	-	610 183	610 183	-	FinPos10
Long-term receivables	346 550	-	346 550	346 551	1	FinPos11
	447 493 144	(10 480 127)	437 013 017	406 509 124	(30 503 893)	
Total Assets	511 835 160	(23 171 794)	488 663 366	439 151 461	(49 511 905)	
Liabilities						
Current Liabilities						
Finance lease obligation	146 213	30 407	176 620	16 244	(160 376)	FinPos12
Payables from exchange transactions	52 149 956	39 716 130	91 866 086	106 121 711	14 255 625	FinPos13
Consumer deposits	1 815 116	(15 533)	1 799 583	1 838 186	38 603	FinPos14
Employee benefit obligation	20 997 276	(3 852 679)	17 144 597	16 699 114	(445 483)	FinPos15
Unspent conditional grants and receipts	4 400 590	599 410	5 000 000	906 313	(4 093 687)	FinPos16
Provisions	142 225	-	142 225	417 728	275 503	FinPos14
	79 651 376	36 477 735	116 129 111	125 999 296	9 870 185	
Non-Current Liabilities						
Finance lease obligation	219 004	(202 760)	16 244	-	(16 244)	FinPos12
Employee benefit obligation	32 965 980	(1 544 980)	31 421 000	35 849 000	4 428 000	FinPos13
Provisions	-	4 503 148	4 503 148	7 048 501	2 545 353	FinPos17
	33 184 984	2 755 408	35 940 392	42 897 501	6 957 109	
Total Liabilities	112 836 360	39 233 143	152 069 503	168 896 797	16 827 294	
Net Assets	398 998 800	(62 404 937)	336 593 863	270 254 664	(66 339 199)	
Net Assets						
Accumulated surplus	398 998 800	(62 404 937)	336 593 863	270 254 664	(66 339 199)	

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Cash receipts from customers	73 998 000	(31 437 492)	42 560 508	55 351 358	12 790 850	C1
Grants	151 256 022	45 603 690	196 859 712	190 873 276	(5 986 436)	C2
Interest income	7 845 000	2 000 000	9 845 000	8 058 973	(1 786 027)	C3
	233 099 022	16 166 198	249 265 220	254 283 607	5 018 387	

Payments

Employee costs	(125 412 703)	-	(125 412 703)	(144 324 906)	(18 912 203)	C4
Suppliers	(73 571 383)	6 957 524	(66 613 859)	(84 723 298)	(18 109 439)	C5
Finance costs	(1 000 000)	(2 000 000)	(3 000 000)	(3 801 999)	(801 999)	C6
	(199 984 086)	4 957 524	(195 026 562)	(232 850 203)	(37 823 641)	

Net cash flows from operating activities	33 114 936	21 123 722	54 238 658	21 433 404	(32 805 254)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(32 016 460)	(20 712 766)	(52 729 226)	(54 761 550)	(2 032 324)	C7
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Cash flows from financing activities

Finance lease payments	-	(172 353)	(172 353)	(176 620)	(4 267)	C8
Net increase/(decrease) in cash and cash equivalents	1 098 476	238 603	1 337 079	(33 504 766)	(34 841 845)	
Cash and cash equivalents at the beginning of the year	25 719 276	-	25 719 276	46 931 240	21 211 964	
Cash and cash equivalents at the end of the year	26 817 752	238 603	27 056 355	13 426 474	(13 629 881)	

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade and other receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on an individual debtor basis, based on historical loss ratios, debtor type and other indicators present at the reporting date that correlate with defaults on the portfolio.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including municipality specific variables and economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the 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 the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

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

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets are 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.

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Biological assets that form part of an agricultural activity (continued)

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 Investment property

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

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

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

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

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

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	20 - 30 years
Lifts	10 - 80 years
Air-conditioners	10 -15 years
Other components	5 - 50 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Property, plant and equipment

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Infrastructure	Straight-line	
• Roads and Paving		10 - 80 years
• Cemeteries		25 - 30 years
• Airports		25 - 30 years
Community	Straight-line	
• Capital work in progress		Not depreciated
• Land		Indefinite
• Electricity		10 - 60 years
• Landfill sites		15 - 40 years
Other	Straight-line	
• Buildings		25 - 30 years
• Machinery and equipment		4 - 15 years
• Computer equipment		3 - 5 years
• Furniture and office equipment		5 - 7 years
• Transport assets		4 - 7 years
• Office equipment - Leased Assets		3 - 15 years
• Buildings airconditioning system		10 - 15 years

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Assets capitalised under finance lease are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where shorter the term of the relevant lease if there is no reasonable surety terms of the asset.

Infrastructure assets

Infrastructure assets are any assets that are part of a network or similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similarly to all assets of the municipality in terms of the asset management policy.

1.8 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	2 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Bank and Cash	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

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

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

Reclassification

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

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Financial instruments (continued)

Presentation

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

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

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

1.11 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.11 Statutory receivables (continued)

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.12 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement of cash-generating units

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 municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Provisions and contingencies (continued)

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Service charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. The tariffs are determined per category of property usage and levied monthly based on the number of refuse containers on each property, regardless of whether or not the containers are emptied during the month.

Finance income

Interest earned on investment is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorisation tariff. This includes the issue of licenses and permits.

Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of the agents has been quantified. The income is recognised in terms of the agency agreement.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial year a straight-line basis is used

1.20 Revenue from non-exchange transactions

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

Measurement

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

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

Transfers

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

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Public contributions

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not been met, a liability is recognised.

Gifts and donations, including goods in-kind

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

Government grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investment is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

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

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

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

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.23 Accounting by principals and agents (continued)

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

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

If the expenditure is not subsequently certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.27 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.27 Irregular expenditure (continued)

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Revenue from 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 when the recovery from the responsible councilors or officials is virtually certain. Such revenue is based on legislated procedures.

1.28 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.31 Events after reporting date

Events after 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:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.32 Change in accounting policy, estimates and errors

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

Details for the change in accounting policy are disclosed in the notes to the financial statements where applicable. Change in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Details of change in estimates are disclosed in the notes to the annual financial statements where applicable.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.32 Change in accounting policy, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the ealiest period for which retrospective treatment is practicable. Details for the prior period errors are disclosed in the note to the financial statements where applicable.

1.33 Contingent assets and liabilities

The municipality does not recognised contingent liabilities or contingent assets, but discloses them. A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefit is probable. Contingent assest and contingent liabilities are disclosed in note 38.

1.34 Value added tax (VAT)

Output VAT is levield on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the Municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the Municipality would a recognise a payable for VAT.

The Municipality accounts for VAT on a payments basis.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments	01 April 2009	Unlikely there will be a material impact
<ul style="list-style-type: none">Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2021	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 32: Service Concession Arrangements: Grantor	01 April 2021	Unlikely there will be a material impact
<ul style="list-style-type: none">IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Unlikely there will be a material impact

2.2 Standards and interpretations issued and effective

The municipality has applied the following standards and interpretations, which have been published and are mandatory:

Standard/ Interpretation:
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial StatementsGRAP 2: Cash flow statementsGRAP 3: Accounting Policies, Changes in Accounting Estimates and ErrorsGRAP 9: Revenue from Exchange TransactionsGRAP 13 : LeasesGRAP 14: Events After the Reporting DateGRAP 19 : Provisions, Contingent Liabilities and Contingent AssetsGRAP 20: Related Party DisclosuresGRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)GRAP 24: Presentation of Budget Information in Financial StatementsGRAP 25: Employee BenefitsGRAP 27: AgricultureGRAP 104: Financial InstrumentsDirective 5: Determining the GRAP Reporting FrameworkIGRAP 1 (revised): Applying the Probability Test on Initial Recognition of RevenueIGRAP 2: Changes in Existing Decommissioning, Restoration and Similar LiabilitiesIGRAP 3: Determining Whether an Arrangement Contains a LeaseGuideline: Accounting for Arrangements Undertaken i.t.o the National Housing ProgrammeGRAP 110 (as amended 2016): Living and Non-living ResourcesGRAP 109: Accounting by Principals and AgentsGRAP 108: Statutory Receivables

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- GRAP 21 (as amended 2016): Impairment of non-cashgenerating assets
- Directive 7 (revised): The Application of Deemed Cost
- GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements
- IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land
- IGRAP 19: Liabilities to Pay Levies
- GRAP 16 (as amended 2016): Investment Property
- GRAP 17 (as amended 2016): Property, Plant and Equipment
- GRAP 26 (as amended 2016): Impairment of cashgenerating assets
- GRAP 103 (as amended 2016): Heritage Assets
- GRAP 18 (as amended 2016): Segment Reporting
- IGRAP 20: Accounting for Adjustments to Revenue
- GRAP 34: Separate Financial Statements

3. Inventories

Electricity	196 251	291 318
Rates and general	33 446	69 137
	229 697	360 455

3.1 Non - Financial information

Electricity inventories recognised as an expense during the year	95 067	74 341
Rates and general inventories recognised as an expense during the year	35 691	29 790
Electrical cables stolen - April/May 2020 - Council resolution for write off November 2020	-	849 077
	130 758	953 208

Included in the inventory balances above are the following types of inventory:

Electricity

Electrical sockets, transformers, plugs, meter boxes and othe smaller items.

Rates and general

Cleaning materials, staff refreshments (coffee, tea, milk, etc.) stationery, fuel and other smaller items.

Inventory pledged as security

None of the inventory was pledged as security during the period.

4. Consumer debtors and other debtors

Gross balances

Consumer Debtors - Electricity	25 170 464	24 051 640
Consumer Debtors - Refuse	35 704 826	24 429 455
Consumer Debtors - Sundry debtors	3 278 745	3 037 043
Other Debtors	538 133	489 693
Consumer Debtors - Impairment of exchange debtors	(58 259 653)	(44 883 373)
	6 432 515	7 124 458

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

4. Consumer debtors and other debtors (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 3 517 766 (2020: R 3 724 787) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 274 416	1 317 321
2 months past due	835 606	1 272 374
3 months past due	1 407 745	1 135 092

Consumer debtors impaired

As of 30 June 2021, consumer debtors of R64 692 168 (2020: R52 007 831) were impaired and provided for.

The amount of the provision was R58 259 653 as of 30 June 2021 (2020: R44 883 373).

The ageing of these loans is as follows:

Reconciliation of allowance for impairment of consumer debtors

Opening balance	44 883 373	26 808 353
Provision for impairment	13 376 280	18 075 020
	<u>58 259 653</u>	<u>44 883 373</u>

5. Receivables from non-exchange transactions

Consumer debtors - Rates	58 500 600	46 324 120
Consumer debtors - Impairment non-exchange debtors	(48 482 427)	(35 373 661)
	<u>10 018 173</u>	<u>10 950 459</u>

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

5. Receivables from non-exchange transactions (continued)

Statutory receivables - Property rates

Included in Receivables from non-exchange transactions are statutory receivables of R 58 500 600 (2020: R46 324 120).

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Property Rates arise from the MUNICIPAL PROPERTY RATES ACT NO. 6 OF 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Impairment of Statutory receivables are assessed based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

Reconciliation of provision for impairment for statutory receivables

Consumer debtors - Rates	58 500 600	46 324 120
Impairment	(48 482 427)	(35 373 661)
	<u>10 018 173</u>	<u>10 950 459</u>

Credit quality of statutory receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Statutory receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R1 202 334 (2020: R 2 304 137) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	421 463	797 996
2 months past due	308 186	762 694
3 months past due	472 685	743 447

Statutory receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of R58 500 600 (2020: R46 324 120) were impaired and provided for.

The amount of the provision was R48 482 427 as of 30 June 2021 (2020: R35 373 661).

The ageing of these loans is as follows:

Reconciliation of provision for impairment of statutory receivables from non-exchange transactions

Opening balance	35 373 661	20 805 123
Provision for impairment	13 108 766	14 568 538
	<u>48 482 427</u>	<u>35 373 661</u>

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
6. Cash and cash equivalents (continued)		
Cash on hand	538 741	502 756
Bank balances	(71 201)	82 635
Investments	12 958 936	46 345 849
	13 426 476	46 931 240

Cash and cash equivalents guarantees

Guarantee for Department of Minerals and Energy	73 700	73 700
Guarantee for Eskom	4 848 000	4 848 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Cash on hand	-	-	-	538 741	502 756	(2 365)
First National Bank Cheque Account (Primary Bank Account): 53813535227	(78 402)	67 566	2 357 026	(71 201)	82 635	1 782 718
First National Bank Current Account: 62116156987	-	-	-	-	-	18 341
First National Bank Current Account: 62135193770	7 382 705	32 419 404	3 179 688	7 382 705	32 419 404	3 179 688
First National Bank Account: 62063171351	48	(2 012)	1 447	48	(8 937)	1 447
First National Bank Account: 61381739619	45 747	1 076 697	1 108	45 747	1 076 697	1 108
First National Bank Account: 74568809858	5 364 781	5 503 314	5 103 072	5 364 781	5 503 314	5 103 072
First National Bank Account: 62774381942	33 573	684 741	1 681	33 573	684 741	1 681
First National Bank Account: 62774381009	1 103	2 352	2 240	1 103	2 352	2 240
First National Bank Account: 62774381413	17 124	16 705	15 770	17 124	16 705	15 770
First National Bank Account: 62774382445	2 116	1 102	1 050	2 116	1 102	1 050
First National Bank Account: 62774382966	102 099	6 642 267	2 163	102 099	6 645 267	2 163
First National Bank Account: 62774383592	9 640	1 476	8 037	9 640	1 476	8 037
Total	12 880 534	46 413 612	10 673 282	13 426 476	46 927 512	10 114 950

7. VAT receivable

VAT	2 535 476	119 200
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8. Long-term receivables

Cost of HT Lines	346 551	346 551
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The cost of HT Lines comprise trade debtors and interest is charged at 6% per annum.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

9. Biological assets that form part of an agricultural activity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in a plantation forest	4 060 087	-	4 060 087	3 420 800	-	3 420 800

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Total
Trees in a plantation forest	3 420 800	(163 545)	802 832	4 060 087

Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Disposals	Total
Trees in a plantation forest	3 620 874	(200 074)	3 420 800

Non-financial information

Immature biological assets

Trees in a plantation forest	199 107	199 107
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Pledged as security

None of the biological assets are pledged as security.

Revaluation

The biological assets were revalued by Mr Martin Engelbrecht, an independent Forest Economist as at 30 June 2021. The Faustmann valuation technique was applied for the valuation of biological assets.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

10. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	28 014 551	(16 204 528)	11 810 023	29 229 916	(15 627 655)	13 602 261

Reconciliation of investment property - 2021

	Opening balance	Impairments	Depreciation	Total
Investment property	13 602 261	(1 215 365)	(576 873)	11 810 023

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	15 720 569	(2 118 308)	13 602 261

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality has developed a comprehensive asset register encompassing movable assets, land, buildings and infrastructure assets.

The investment property includes land registered under the name of the municipality and Mlungisi Mall.

The Mlungisi Mall components are the only assets within the investment properties which are depreciated.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

11. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	6 933 932	-	6 933 932	6 933 932	-	6 933 932
Buildings	63 467 472	(30 649 686)	32 817 786	60 207 754	(28 301 121)	31 906 633
Machinery and equipment	5 577 844	(4 034 856)	1 542 988	5 400 877	(3 865 563)	1 535 314
Furniture and office equipment	1 737 661	(1 623 839)	113 822	1 729 861	(1 550 551)	179 310
Transport assets	30 050 357	(20 569 251)	9 481 106	27 713 139	(18 801 026)	8 912 113
Computer equipment	2 444 878	(2 006 731)	438 147	2 268 736	(1 830 663)	438 073
Roads	369 109 133	(152 422 623)	216 686 510	354 555 371	(136 906 757)	217 648 614
Electricity	44 126 528	(15 912 562)	28 213 966	44 636 016	(14 896 509)	29 739 507
Work in progress	85 698 419	(1 062 819)	84 635 600	57 032 531	(1 062 819)	55 969 712
Office Equipment - Leased Asset	312 227	(312 227)	-	312 227	(312 227)	-
Cemeteries	1 256 961	(819 401)	437 560	1 256 961	(791 044)	465 917
Airports	1 127 000	(827 805)	299 195	1 127 000	(804 735)	322 265
Landfill sites	10 930 052	(3 035 422)	7 894 630	8 351 371	(2 633 942)	5 717 429
Total	622 772 464	(233 277 222)	389 495 242	571 525 776	(211 756 957)	359 768 819

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals / Derecognitions	Transfers	Depreciation	Total
Land	6 933 932	-	-	-	-	6 933 932
Buildings	31 906 633	2 727 084	(90 847)	693 005	(2 418 089)	32 817 786
Machinery and equipment	1 535 314	321 930	-	-	(314 256)	1 542 988
Furniture and office equipment	179 310	7 800	-	-	(73 288)	113 822
Transport assets	8 912 113	2 288 589	-	-	(1 719 596)	9 481 106
Computer equipment	438 073	176 141	-	-	(176 067)	438 147
Roads	217 648 614	9 100 155	(566 152)	7 626 287	(17 122 394)	216 686 510
Electricity	29 739 507	575 990	(841 269)	-	(1 260 262)	28 213 966
Work in Progress	55 969 712	36 985 180	-	(8 319 292)	-	84 635 600
Cemeteries	465 917	-	-	-	(28 357)	437 560
Airports	322 265	-	-	-	(23 070)	299 195
Landfill sites	5 717 429	2 578 681	-	-	(401 480)	7 894 630
	359 768 819	54 761 550	(1 498 268)	-	(23 536 859)	389 495 242

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Land	6 933 932	-	-	-	6 933 932
Buildings	34 658 908	-	(397 984)	(2 354 291)	31 906 633
Machinery and equipment	1 940 237	35 281	(63 825)	(376 379)	1 535 314
Furniture and office equipment	249 838	16 994	(20 350)	(67 172)	179 310
Transport assets	11 015 032	83 034	(479 564)	(1 706 389)	8 912 113
Computer equipment	499 717	188 362	(50 751)	(199 255)	438 073
Roads	236 165 067	282 717	(883 317)	(17 915 853)	217 648 614
Electricity	32 217 152	-	(1 272 739)	(1 204 906)	29 739 507
Work in progress	44 703 308	11 301 558	(35 154)	-	55 969 712
Office Equipemnt - Leased Asset	22 387	-	(22 387)	-	-
Cemeteries	494 398	-	-	(28 481)	465 917
Airports	346 124	-	-	(23 859)	322 265
Landfill sites	6 098 195	-	(2)	(380 764)	5 717 429
	375 344 295	11 907 946	(3 226 073)	(24 257 349)	359 768 819

Pledged as security

Carrying value of assets pledged as security:

Office equipment - Leased Assets - 134 351

Derecognitions

During 2021 assets with a carrying value of R1 498 268 were derecognised as they no longer meet the definition of an asset.

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	40 455 548	5 397 981	10 116 183	55 969 712
Additions/capital expenditure	36 985 180	-	-	36 985 180
Transferred to completed items	(7 626 287)	-	(693 005)	(8 319 292)
	69 814 441	5 397 981	9 423 178	84 635 600

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	29 189 144	5 397 981	10 116 183	44 703 308
Additions/capital expenditure	11 301 558	-	-	11 301 558
Impairments	(35 154)	-	-	(35 154)
	40 455 548	5 397 981	10 116 183	55 969 712

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

12. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 921 435	(1 734 397)	187 038	1 921 435	(1 493 244)	428 191

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	428 191	(241 153)	187 038

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	675 658	24 300	(271 767)	428 191

Pledged as security

None of the intangible assets pledged as security.

13. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	610 183	-	610 183	610 183	-	610 183

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	610 183	610 183

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	610 183	610 183

Pledged as security

No heritage assets are pledged as security:

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
14. Finance lease obligation		
Minimum lease payments due		
- within one year	16 509	199 019
- in second to fifth year inclusive	-	16 509
	<u>16 509</u>	<u>215 528</u>
less: future finance charges	(265)	(22 665)
Present value of minimum lease payments	<u>16 244</u>	<u>192 863</u>
Present value of minimum lease payments due		
- within one year	16 244	176 620
- in second to fifth year inclusive	-	16 243
	<u>16 244</u>	<u>192 863</u>
Non-current liabilities	-	16 244
Current liabilities	16 244	176 620
	<u>16 244</u>	<u>192 864</u>

The finance lease obligation is made up of numerous rental agreements for the office equipment.

Office Equipment Leases

The discount rate used in calculation the present value of the minimum lease payments is the implicit interest rate in the lease, if this is practicable to determine; if not, it is the prime interest rate. Due to the nature of the information provided the implicit rate for copiers could not be determined, as the cost of the copiers is not provided in the agreement. Any initial direct costs of leases are added to the amount recognised as an asset. Only the terms and payment amount are provided. The office equipment finance lease has an implicit interest rate ranging between 7.50% - 19% per annum, by taking into account the market values of the office equipment at initial recognition.

15. Payables from exchange transactions

Trade payables	78 965 209	64 534 117
Consumer debtors with credit balances	2 097 978	2 094 319
Other payables	22 236 645	21 729 193
Retention creditors	2 190 043	(5 706)
Agency fees payable	631 835	2 341 283
	<u>106 121 710</u>	<u>90 693 206</u>

Consumer receivables with net credit balances have been classified to Payables from exchange transactions.

16. Consumer deposits

Electricity	<u>1 838 186</u>	<u>1 799 583</u>
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Consumer deposits are made of deposits from consumers from electricity connections. for those making use of conventional electricity.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
17. Employee benefit obligations		
Defined benefit plan		
The defined benefit plan consists of the Prost Retirement Medical Aid and the Long Service Bonus.		
Post retirement medical aid plan		
The municipality operates six accredited medical aid schemes, namely:		
Bestmed		
Bonitas		
Discovery La Health		
Hosmed		
Keyhealth		
Samwu		
Pensioners continue on the option they belonged to on the day of retirement.		
The independent valuers, Arch Actuaries carried out a statutory valuation on 30 June 2021 (30 June 2020 Arch Actuaries).		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	25 981 000	27 804 637
Present value of the defined benefit obligation-partly or wholly funded	888 000	1 096 544
Interest costs	2 617 000	2 571 649
Net actuarial gains	1 690 627	(4 351 866)
Benefits paid	(1 149 627)	(1 139 964)
	30 027 000	25 981 000
Non-current liabilities	28 886 000	24 755 000
Current liabilities	1 141 000	1 226 000
	30 027 000	25 981 000
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	10.12 %	10.31 %
Expected rate of return on assets	3.12 %	3.69 %
Medical cost trend rates	6.79 %	6.38 %
Other assumptions		
Pre retirement age	SA 85-90 L	SA 85-90 L
Post retirement age	PA (90)-1	PA (90)-1
Normal retirement age	62 years	62 years
Spouse age differences (male older female)	3 years	3 years
AIDS	No assumptions made	No assumptions made
Membership data		
Female members	80	78
Male members	72	69

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020		
17. Employee benefit obligations (continued)				
	1% decrease	Base (6,38%)	1% increase	
Defined benefit obligation	-	(27 001)	(30 027)	(34 129)
Service cost (next financial year)	-	(722)	(888)	(1 104)
Interest cost (next financial year)	-	(2 304)	(2 617)	(2 998)
Long Service Awards				
The Long service bonus for the portion of the next interval already rendered by the employee. The employee receives a leave pay and percentage of salary amount for reaching certain interval (5 years, 10 years, 15 years etc.). This provision is accrued in terms of the collective bargain agreement. The Long service bonus plans are defined benefit plans. As at period ended 30 June 2021 289, (2020: 315) employees were eligible for Long service bonus.				
Carrying value				
Present value of the defined benefit obligation		7 628 000		7 134 236
Service costs		925 000		996 426
Interest costs		509 000		540 550
Net actuarial gains		(7 261)		(223 566)
Benefits paid		(857 739)		(819 646)
		8 197 000		7 628 000
Non-current liabilities		6 963 000		6 666 000
Current liabilities		1 234 000		962 000
		8 197 000		7 628 000
Key assumptions used				
Assumptions used at the reporting date:				
Discount rates used		9.06 %		7.12 %
Net discount rates used		3.12 %		3.16 %
Salary inflation		5.76 %		3.84 %
Other assumptions				
Normal retirement age		62 years		62 years
Number of trading days per year		252		252
Membership data				
Female members		100		104
Male members		189		198
Short term employee benefits obligations				
Provision for bonus				
A bonus provision is raised for the amount which the Municipality is obligated to pay employees				

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
17. Employee benefit obligations (continued)		
Provision for bonuses		
Opening balance	3 758 528	3 643 026
Service bonus	4 120 374	3 758 528
Utilised during the year	(3 758 528)	(3 643 026)
	4 120 374	3 758 528

Accrual for leave gratuity

Leave gratuity is raised for the amount which the Municipality is obligated to pay employees in lieu of annual leave, if they are to leave the Municipality

Accrual for leave gratuity

Opening balance	11 198 069	11 120 667
Leave gratuity - obligation	5 741 369	7 366 413
Utilised during the year	(6 735 698)	(7 289 011)
	10 203 740	11 198 069

The amounts recognised in the statement of financial position are as follows:

Carrying value

Non-current portion of Post Retirement Benefits	(28 886 000)	(24 755 000)
Non-current portion of Long Service Awards	(6 963 000)	(6 666 000)
Current portion of Post Retirement Benefits	(1 141 000)	(1 226 000)
Current portion of Long Service Awards	(1 234 000)	(962 000)
Provision for bonus	(4 120 374)	(3 758 528)
Accrual for leave gratuity	(10 203 740)	(11 198 069)
	(52 548 114)	(48 565 597)

Non-current liabilities	(35 849 000)	(31 421 000)
Current liabilities	(16 699 114)	(17 144 597)
	(52 548 114)	(48 565 597)

Net expense recognised in the statement of financial performance

Current service cost	1 813 000	2 092 970
Interest cost	3 126 000	3 112 199
Actuarial (gains) losses	1 683 366	(4 575 432)
	6 622 366	629 737

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2021	2020	2019	2018	2017
Post Retirement Benefits	30 027 000	25 981 000	27 804 355	29 374 981	32 424 718
Long Service Awards	8 197 000	7 628 000	7 134 236	5 608 531	5 774 000

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

WCG	-	233 712
Waste Collection Grant	-	6 633 000
Recycling Center	-	122 310
Disaster Relief Grant	133 506	278 257
MIG Funding	-	29 895 677
Staff training	772 807	556 690
Extended Public Works Programme	-	347 826
	906 313	38 067 472

Movement during the year

Balance at the beginning of the year	38 067 472	4 400 590
Surrendered to NRF/Roll over not approved	(10 175 000)	(529 000)
Grants received during the year	163 887 116	52 268 972
Income recognition during the year	(190 873 275)	(18 073 090)
	906 313	38 067 472

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

19. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Increased during the year	Total
Provision for landfill sites	4 645 373	2 820 856	7 466 229

Reconciliation of provisions - 2020

	Opening Balance	Increased during the year	Total
Provision for landfill sites	4 403 197	242 176	4 645 373
Non-current liabilities		7 048 501	4 503 148
Current liabilities		417 728	142 225
		7 466 229	4 645 373

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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19. Provisions (continued)

Provision for Landfill rehabilitation

The municipality has an obligation to restore three landfill sites situated in Stutterheim, ERF 80, Cathcart, Erf 474 and Keiskammahoek, Erf 1. The Stutterheim and Keiskammahoek sites are currently licenced and used for general waste disposal (nonhazardous) purposes. The Cathcart site was previously licenced and the permit expired in 2013. The municipality has approached the Department of Environmental Affairs (DEA) with the view of obtaining assistance to renew the licence for the site.

An environmental specialist was appointed to assist the municipality with the management of the landfill sites. The environmental specialist has undertaken site visits and prepared preliminary designs and costing of works to be completed.

Where appropriate a discounting rate of 9.64% was used.

The remaining site life:

- Cathcart landfill site is approximately +/-2 years
- Stutterheim landfill site is approximately +/- 8 years
- Keiskammahoek landfill site is approximately +/-32 years

20. Service charges

Sale of electricity	37 353 269	26 368 381
Refuse removal	12 115 099	12 052 087
Other service charges	114 138	76 400
	49 582 506	38 496 868

21. Investment revenue - investments

Interest revenue

Bank	1 001 492	1 434 498
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Interest is earned on municipal investments and municipal cheque account in note 6.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
22. Property rates		
Rates received		
Property rates	22 151 666	23 740 111
Less: Rebates	(1 355 398)	(4 746 972)
	20 796 268	18 993 139
Valuations		
Residential	1 159 618 500	1 361 185 877
Commercial	225 211 255	187 860 986
State	752 576 208	246 981 500
Municipal	357 463 601	29 704 332
Small holdings and farms	2 462 899 299	1 077 198 612
Public benefit organisations	101 280 903	73 402 300
Vacant land	-	1 973 000
Properties used for multi purposes (Mix)	5 165 000	-
Industrial properties	42 887 501	-
	5 107 102 267	2 978 306 607

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an monthly basis as per the approved tariffs with interest at prime plus 1% per annum is levied on rates outstanding monthly.

23. Government grants and subsidies

Operating grants

Equitable share	131 642 000	105 863 000
Library grant	1 200 000	1 200 000
Municipal Infrastructure Grant (MIG)	47 697 503	13 432 997
Expanded Public Works Programme (EPWP)	1 000 000	887 350
Financial Management Grant (FMG)	2 200 000	2 235 000
Waste Grant	6 989 022	-
Disaster Relief Grant	144 751	317 743
	190 873 276	123 936 090

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Operating and maintenance cost of municipalities..

Waste site grant

Balance unspent at beginning of year	233 712	233 712
Conditions met - transferred to revenue	(233 712)	-
	-	233 712

Conditions still to be met - remain liabilities (see note 18).

To improve waste site management and ensure clean environment.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
23. Government grants and subsidies (continued)		
Financial management grant (FMG)		
Current-year receipts	2 200 000	2 235 000
Conditions met - transferred to revenue	(2 200 000)	(2 235 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 18).		
The grant is received to ensure sound and sustainable management of the fiscal and financial affairs of the municipality. To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Act.		
Waste Collection Grant		
Balance unspent at beginning of year	6 633 000	6 633 000
Conditions met - transferred to revenue	(6 633 000)	-
	<u>-</u>	<u>6 633 000</u>
Conditions still to be met - remain liabilities (see note 18).		
The grant is made to assist the municipality in promotion of clean environment.		
Recycling centre		
Balance unspent at beginning of year	122 310	122 310
Conditions met - transferred to revenue	(122 310)	-
	<u>-</u>	<u>122 310</u>
Conditions still to be met - remain liabilities (see note 18).		
The grant is made to assist the municipality in promotion of clean environment.		
Library Grant		
Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 18).		
To transform urban and rural community infrastructure, facilities and services through a recapitalised programme.		
Disaster relief grant		
Balance unspent at beginning of year	278 257	-
Current-year receipts	-	596 000
Conditions met - transferred to revenue	(144 751)	(317 743)
	<u>133 506</u>	<u>278 257</u>
Conditions still to be met - remain liabilities (see note 18).		

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
23. Government grants and subsidies (continued)		
Municipal infrastructure grant (MIG)		
Balance unspent at beginning of year	29 895 677	3 189 674
Surrendered to NRF/Roll over not Approved	(9 827 174)	-
Current-year receipts	27 629 000	40 139 000
Conditions met - transferred to revenue	(46 298 903)	(12 309 738)
Operating expenditure	(1 398 600)	(1 123 259)
	<u>-</u>	<u>29 895 677</u>

Conditions still to be met - remain liabilities (see note 18).

The Grant was received from the Department of Cooperative Governance and Traditional Affairs. The purpose of the grant is to provide specific finance for basic Municipal Infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Staff training

Balance unspent at beginning of year	556 690	326 718
Current-year receipts	216 117	229 972
	<u>772 807</u>	<u>556 690</u>

Conditions still to be met - remain liabilities (see note 18).

The grant was obtained from the Sectoral Education Training Authority (SETA) for training of staff. In terms of the Skills Development Act regarding monies by SETA's published in Government Notice 990 in Government Gazette No. 34940, LG SETA is required to disburse in quarterly intervals.

Extended public works programme (EPWP)

Balance unspent at beginning of year	347 826	528 176
Current-year receipts	1 000 000	1 236 000
Conditions met - transferred to revenue	(1 000 000)	(887 350)
Surrendered to NRF/Roll over not approved	(347 826)	(529 000)
	<u>-</u>	<u>347 826</u>

Conditions still to be met - remain liabilities (see note 18).

The grant is provided to expand the Public Works programme and job creation efforts. The municipality is incentivised to use labour intensive delivery methods in the following areas:

- Road maintenance and the maintenance of buildings;
- Parks beautification;
- Waste management;
- Low traffic volume roads and rural roads.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Employee related costs		
Basic	85 944 555	84 192 301
Bonus	7 176 307	6 960 305
Medical aid - company contributions	6 579 486	6 155 797
UIF	527 434	552 122
Employee benefit movements	5 217 937	(466 833)
Travel, motor car, accommodation, subsistence and other allowances	1 456 406	1 752 665
Overtime payments	1 453 755	1 037 209
Acting allowances	761 859	383 157
Travel allowances	5 268 371	5 367 477
Housing benefits and allowances	2 976 180	3 136 500
Industrial Council Levy	35 618	35 351
Pension Fund Contributions by Council	15 328 292	14 893 583
	132 726 200	123 999 634
Remuneration of municipal manager		
Annual Remuneration	786 839	773 580
Car Allowance	322 524	322 524
Contributions to UIF, Medical and Pension Funds	199 270	183 657
Cellphone Allowance	24 000	24 000
	1 332 633	1 303 761
Remuneration of chief finance officer		
Annual Remuneration	854 144	807 972
Travelling Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	10 292	1 897
Cellphone Allowance	16 800	16 800
	1 001 236	946 669
Remuneration of Corporate Services Manager		
Annual Remuneration	-	591 466
Travel Allowance	-	94 090
Performance Bonuses	-	60 000
Contributions to UIF, Medical and Pension Funds	812	15 320
Cellphone Allowance	-	13 172
Leave	81 159	-
	81 971	774 048
Remuneration of Development and Planning Manager		
Annual Remuneration	852 138	811 738
Backpay	6 734	-
Contributions to UIF, Medical and Pension Funds	10 660	1 896
Other Allowance	16 800	16 800
	886 332	830 434

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Employee related costs (continued)		
Remuneration of Infrastructure Director		
Annual Remuneration	-	556 139
Travel Allowance	-	93 181
Performance Bonuses	-	60 000
Contributions to UIF, Medical and Pension Funds	-	27 527
Cellphone Allowance	-	13 045
Acting Allowance	-	53 743
	<u>-</u>	<u>803 635</u>
Remuneration of Community Service Manager		
Annual Remuneration	317 227	760 271
Backpay	6 734	-
Contributions to UIF, Medical and Pension Funds	33 161	53 363
Cellphone Allowance	8 400	16 800
Leave	4 361	-
	<u>369 883</u>	<u>830 434</u>
25. Remuneration of councillors		
Mayor	296 277	840 313
Speaker	625 785	683 003
Councillors' salaries	7 603 257	7 094 938
Councillors' allowances	3 073 387	3 375 213
	<u>11 598 706</u>	<u>11 993 467</u>
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.		
26. Vending management fee		
Management fees - third party	<u>253 552</u>	<u>838 884</u>
The municipality pays vendor management fees to Contour, this service provider owns the system used to manage the sales of prepaid electricity to external outlets and the municipal office cashiers.		
27. Depreciation and amortisation		
Property, plant and equipment	23 536 859	24 257 349
Investment property	576 873	2 118 308
Intangible assets	241 153	271 766
	<u>24 354 885</u>	<u>26 647 423</u>

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
28. Impairment of assets		
Impairments		
Property, plant and equipment	1 215 365	-
On the 16th, 17th October 2018 and the subsequent days the community staged a protest which led to municipal buildings being torched and or looting of municipal assets both immovable (significant items at Mlungisi Commercial Park) and movable. This resulted to a drastic decline in the market value of the Mlungisi Commercial Park and write off and impairing of a significant number of municipal assets.		
29. Finance costs		
Interest expense	-	1 712 506
Service concession arrangements	3 801 999	954 822
	3 801 999	2 667 328
30. Debt impairment		
Debt impairment	26 485 045	32 643 558
31. Bulk purchases		
Electricity - Eskom	35 883 789	33 308 552
32. Contracted services		
Outsourced Services		
Burial Services	40 000	5 000
Catering Services	7 788	24 485
Cleaning Services	22 043	-
Fire Services	134 130	-
Litter Picking and Street Cleaning	101 336	3 450
Professional Staff	102 061	(4 105)
Security Services	374 364	248 006
Electrical	2 238 984	680 469
Consultants and Professional Services		
Business and Advisory	6 384 863	8 003 721
Legal Cost	1 297 478	1 162 406
Contractors		
Event Promoters	16 200	8 730
Graphic Designers	-	24 960
Maintenance of Buildings and Facilities	74 318	-
Maintenance of Equipment	37 750	5 930
Maintenance of Unspecified Assets	2 244 712	1 659 599
Safeguard and Security	194 084	197 098
	13 270 111	12 019 749

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. General expenses		
Advertising	233 132	136 518
Audit Fees	2 995 665	1 763 373
Bank charges	1 492 040	575 006
Consumables	294 773	439 787
Insurance	1 129 351	999 130
Fuel and oil	1 512 129	1 551 616
Postage and courier	2 580	59 850
Printing and stationery	339 505	616 231
Project maintenance costs	903 724	173 674
Vehicle license fees	446 616	327 116
Subscriptions and membership fees	1 303 632	1 342 890
Telephone and fax	5 633 455	1 962 448
Vehicle license fees	335 575	54 030
Electricity	385 995	(49 876)
Uniforms	1 229	169 193
Free basic electricity	25 455	4 317 327
Skills development levy	1 068 265	1 073 188
Other expenses	2 268 695	1 721 624
	20 371 816	17 233 125
34. Auditors' remuneration		
Auditors Remuneration	2 995 665	1 763 373
35. Cash generated from operating activities		
Surplus (deficit)	10 556 138	(35 867 922)
Adjustments for:		
Depreciation and amortisation	24 354 885	26 647 423
Loss/(Gain) on sale of assets and liabilities	1 661 813	4 075 155
Fair value adjustments	(802 832)	200 074
Impairment deficit	1 215 365	-
Debt impairment	26 485 045	32 643 558
Movements in retirement benefit assets and liabilities	3 982 517	(1 136 687)
Movements in provisions	2 820 856	242 176
Changes in working capital:		
Inventories	130 758	104 316
Consumer debtors	(25 793 102)	(26 107 618)
Other receivables from non-exchange transactions	932 286	510 994
Payables from exchange transactions	15 428 506	14 166 985
VAT	(2 416 276)	(208 912)
Unspent conditional grants and receipts	(37 161 159)	33 666 882
Consumer deposits	38 603	(15 533)
	21 433 403	48 920 891

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

36. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Consumer debtors and other debtors	6 432 515	6 432 515
Other receivables from non-exchange transactions	10 018 173	10 018 173
Cash and cash equivalents	13 426 476	13 426 476
Long-term receivables	346 551	346 551
	30 223 715	30 223 715

Financial liabilities

	At amortised cost	Total
Finance lease obligation	16 244	16 244
Payables from exchange transactions	106 121 712	106 121 712
Unspent conditional grants	906 313	906 313
Consumer deposits	1 838 186	1 838 186
	108 882 455	108 882 455

2020

Financial assets

	At amortised cost	Total
Consumer debtors and other debtors	7 124 458	7 124 458
Other receivables from non-exchange transactions	10 950 459	10 950 459
Cash and cash equivalents	46 931 240	46 931 240
Long-term receivables	346 551	346 551
	65 352 708	65 352 708

Financial liabilities

	At amortised cost	Total
Finance lease obligation	176 620	176 620
Payables from exchange transactions	90 693 206	90 693 206
Unspent conditional grants	38 067 472	38 067 472
Consumer deposits	1 799 583	1 799 583
	130 736 881	130 736 881

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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37. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- | | | |
|---------------------------------|-------------------|-------------------|
| • Property, plant and equipment | <u>23 982 121</u> | <u>21 531 473</u> |
|---------------------------------|-------------------|-------------------|

Total capital commitments

- | | | |
|---|-------------------|-------------------|
| Already contracted for but not provided for | <u>23 982 121</u> | <u>21 531 473</u> |
|---|-------------------|-------------------|

This committed expenditure relates to property, plant and equipment and intangible assets will be financed by a combination of MIG and internally generated funds.

38. Contingencies

Contingent Liabilities

2021

The total contingent liabilities for the year 2021 are R7 075 151.67 and their details are as follows:

- Amahlathi / Iziquhamo Civil Construction: Termination of contract. The matter is at plea stage. Amount R2 304 760.77.
- Amahlathi / Konstruct SGN: Damages claim arising from contractual agreement. Matter awaiting discovery. Claimed amount R603 670.30.
- Amahlathi / Scholes CJ: Damages claim arising from contractual agreement. Currently awaiting revised instruction on offer of settlement. Claimed amount R1 034 857.32.
- Amahlathi / Voltex (Pty) Ltd: Payment of money owed in terms of cessionary agreement. Court order outstanding at year end. Claimed amount R1 204 194.43.
- A303 Themisa Dilika & 3 others / Amahlathi Local Municipality. Themisa Dilika and 3 others referred an unfair dismissal dispute to the SALGBC claiming that they had reasonable expectation that they would be permanently appointed. R700 000 for back-pay costs. The unfair dismissal dispute was dismissed. Dilika and 3 others have taken the arbitration award on Review in the Labour Court. The Review Application is pending.
- A325 Amahlathi / Tyekana Security and Cleaning Services: Tyekana Security and Cleaning Services has instituted action in the High Court against the municipality for alleged services rendered of R1 227 668.85 in respect of unpaid invoices.
- A326 Xolela Roji / Amahlathi: Roji brought an application in the High Court that he be declared elected top of the ANC party list for the filling of a vacancy on the municipal council, that he be declared as councillor elect and that he be paid a councillors' remuneration.
- A253 Amahlathi / Various Employees: The municipality has brought an application in the High Court to challenge the implementation of the standardization policy.

2020

- Amahlathi / Sikhulu-Nqwena Ivy. Legal fees to date are R45 080.
- Amahlathi / Opinion on contracts. Legal fees to date are R183 022.50.
- Amahlathi / Phambili Prop - Termination of lease . The legal fees of the matter to date are R33 327.22.
- Amahlathi / Konstruction SGN.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

38. Contingencies (continued)

- A262 XL Aloe Travel / Amahlathi Local Municipality. XL Aloe Travel referred a dispute to the Arbitration Foundation of South Africa claiming a sum of R244 452.36 for damages caused to one of its vehicles by one of the municipality's employees.
- A302 IMATU obo T Busakwe / Amahlathi Local Municipality. IMATU referred an unfair dismissal dispute to the SALGBC on behalf of T Busakwe, claiming that she had a reasonable expectation that her fixed-term contract of employment would be renewed. R200 000 for back-pay costs.
- A303 Themisa Dilika & 3 others / Amahlathi Local Municipality. Themisa Dilika and 3 others referred an unfair dismissal dispute to the SALGBC claiming that they had reasonable expectation that they would be permanently appointed. R700 000 for back-pay costs.
- A309 Madoda Zamkana / Amahlathi Local Municipality. Madoda Zamkana instituted legal proceedings against the municipality R7 300.38 for damages and R2 000 for legal fees, damages caused to his septic tank by a person who drove a vehicle into his yard.
- A301 Nomabali Tom / Amahlathi Local Municipality. Ms Tom referred an unfair labour practice dispute to the SALGBC claiming total remuneration package upper limit: Mid-point equal to R929 869 per annum, alternatively to be placed on task grade 19 equal to R850 668 per annum and legal fees of R199 630.80.
- A317 S Malawu / MEC for COGTA and Amahlathi Local Municipality. Mr Malawu brought an application in the High Court to review and set aside the MEC's decision to remove Mr Malawu as a councilor. R81 127.25 legal fees.

Contingent assets

2021

There is a civil claim against Kwane Capital and Mcebisi Mlonzi R92 481 183 and the estimated legal costs are R1 500 000.

2020

There is a civil claim against Kwane Capital and Mcebisi Mlonzi R92 481 183 and the estimated legal costs are R1 500 000.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

39. Related parties

Relationships

Accounting Officer

Councillors

Members of key management

Refer to accounting officer's report

Refer to general information page

I Sikhulu-Nqwena - Municipal Manager

L Manjingolo - Chief Financial Officer

P Dibela - Director Community Services

M Makunga - Director Planning and Development

Related party balances

Companies owned by people/spouses/partners/associates in the service of the state

ICT Choice

1 068 823

271 264

Ebusha General Trading

143 900

154 790

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

Remuneration of management

Management class: Councillors

2021

Name	Councillors salaries	Telephone allowance	Travel allowance	3G card	Subsistence	Total
A Hobo (Mayor)	596 935	40 800	198 978	3 600	-	840 313
M Mjikelo (Speaker)	477 548	40 800	159 183	3 600	-	681 131
N Pose (Exco)	537 531	40 800	59 405	3 600	-	641 336
NP Mlahleki (Exco)	436 509	40 800	144 876	3 600	-	625 785
N Monti (Exco)	524 395	40 800	72 541	3 600	-	641 336
T Balindlela (Exco)	254 476	40 800	78 542	3 600	-	377 418
NA Kato-Manyika (Exco)	520 700	40 800	76 236	3 600	-	641 336
N Ngxakangxaka	192 472	40 800	59 405	3 600	-	296 277
NP Tikazayo	192 472	40 800	59 405	3 600	-	296 277
P Ntwanambi	52 652	11 127	16 363	982	-	81 124
P Qaba	179 336	40 800	72 541	3 600	-	296 277
AT Daka	80 784	6 000	3 600	-	2 400	92 784
DS Gxekwa	192 472	40 800	59 405	3 600	-	296 277
EX Zakhe	113 424	6 000	3 600	-	2 400	125 424
GD Mxosa	192 472	40 800	59 405	3 600	-	296 277
GP Noxeke	192 472	40 800	59 405	3 600	-	296 277
K Sandile	111 792	6 000	3 600	-	2 400	123 792
M Nqini	192 472	40 800	59 405	3 600	-	296 277
MN Ngcofe	192 472	40 800	59 405	3 600	-	296 277
NS Mdledle	86 496	6 000	3 600	-	2 400	98 496
RB Pickering	192 472	40 800	59 405	3 600	-	296 277
SG Venkile	83 975	17 773	26 011	1 568	-	129 327
TR Desi	192 472	40 800	59 405	3 600	-	296 277
VW Tshaka	192 472	40 800	59 405	3 600	-	296 277
X Mngxaso	179 336	40 800	72 541	3 600	-	296 277
X Nqata	242 431	40 800	80 811	3 600	-	367 642

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

XM Tokwe	192 472	40 800	59 405	3 600	-	296 277
Z Ngudle	79 968	6 000	3 600	-	2 400	91 968
CT Ngxingolo	192 472	40 800	59 405	3 600	-	296 277
N Busika	93 962	21 327	37 701	1 888	-	154 878
NA Nkonya-Mtati	192 472	40 800	59 405	3 600	-	296 277
NC Nongqayi	179 336	40 800	72 541	3 600	-	296 277
NG Mekuto	101 184	6 000	3 600	-	2 400	113 184
NZ Klaas	191 581	40 800	60 296	3 600	-	296 277
NM Mbulawa	138 029	29 673	46 009	2 618	-	216 329
N Ncevu	118 783	25 191	36 732	2 223	-	182 929
NC Mkiva	118 783	25 191	36 732	2 223	-	182 929
B Xongwana	74 715	15 764	24 032	1 391	-	115 902
SC Matini	21 860	3 482	5 373	307	-	31 022
X Roji	3 578	773	1 193	68	-	5 612
	8 102 235	1 206 301	2 172 502	103 268	14 400	11 598 706

2020

Name	Councillors salaries	Telephone allowance	Travel allowance	3G card	Backpay	Subsistence	Total
A Hobo (Mayor)	596 935	40 800	198 978	3 600	-	-	840 313
M Mjikelo (Speaker)	477 548	42 672	159 183	3 600	-	-	683 003
N Pose (Exco)	537 531	43 556	59 405	3 600	28 755	-	672 847
NP Mlahleki (Exco)	250 701	52 478	72 541	3 600	5 947	-	385 267
D Mzili (Exco)	298 468	42 590	99 489	2 400	-	-	442 947
N Monti (Exco)	524 395	54 318	72 541	3 600	28 755	-	683 609
T Balindlela (Exco)	254 476	40 800	78 542	3 600	-	-	377 418
NA Kato-Manyika (Exco)	520 700	43 032	76 236	3 600	22 808	-	666 376
N Ngxakangxaka	192 472	47 538	59 405	3 600	-	-	303 015
NP Tikazayo	192 472	53 625	59 405	3 600	-	-	309 102
P Ntwanambi	192 472	44 515	59 405	3 600	-	244	300 236
P Qaba	179 336	58 338	72 541	3 600	-	-	313 815
AT Daka	66 912	9 300	3 600	-	-	2 400	82 212
DS Gxekwa	192 472	44 100	59 405	3 600	-	244	299 821

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

EN Brukwe	16 039	12 958	4 950	300	-	-	34 247
EX Zakhe	126 722	6 000	3 600	-	-	2 400	138 722
GD Mxosa	192 472	52 065	59 405	3 600	-	-	307 542
GP Noxeke	192 742	44 100	59 405	3 600	-	-	299 847
K Sandile	131 376	9 300	3 600	-	-	2 400	146 676
M Nqini	192 472	44 100	59 405	3 600	-	-	299 577
MN Ngcofe	192 472	42 888	59 405	3 600	-	-	298 365
NS Mdledle	84 864	8 756	3 600	-	-	2 400	99 620
RB Pickering	192 472	44 100	59 405	3 600	-	-	299 577
S Malawu	134 502	32 160	54 405	2 700	-	-	223 767
SG Venkile	192 472	43 345	59 405	3 600	-	-	298 822
TR Desi	192 472	45 960	59 405	3 600	-	-	301 437
VW Tshaka	192 472	56 190	59 405	3 600	-	-	311 667
X Mngxaso	179 336	47 086	72 541	11 920	-	-	310 883
X Nqata	242 431	52 065	80 811	3 600	-	244	379 151
XM Tokwe	192 472	43 556	59 405	3 600	-	-	299 033
Z Ngudle	49 776	6 000	3 600	-	-	2 400	61 776
CT Ngxingolo	192 472	40 800	59 405	3 600	-	-	296 277
N Busika	179 336	56 190	72 541	3 600	-	-	311 667
NA Nkonya-Mtati	192 472	43 556	59 405	3 600	-	-	299 033
NC Nongqayi	179 336	56 190	72 541	3 600	-	-	311 667
NG Mekuto	88 944	9 300	3 600	-	-	2 400	104 244
NZ Klaas	128 315	27 526	39 603	2 430	2 015	-	199 889
	8 135 329	1 441 853	2 199 523	113 350	88 280	15 132	11 993 467

Management class: Executive management

*Refer to note "Employee related costs" 24

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

40. Change in estimate

Property, plant and equipment

The useful life of the certain items of Property, Plant and Equipment was revised during the current financial year. The effect of this revision has decreased the depreciation charges for the current period by R 2 096 238 and increase in depreciation in future periods by R 2 096 238.

41. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment		374 935 538	408 757	375 344 295
Accumulated surplus		(295 157 676)	(408 757)	(295 566 433)
		79 777 862	-	79 777 862

2020

	Note	As previously reported	Correction of error	Restated
Inventories		1 209 532	(849 077)	360 455
Cash and Cash equivalents		48 330 017	(1 398 777)	46 931 240
VAT receivable		5 332 637	(5 213 437)	119 200
Property, plant and equipment		359 506 789	262 029	359 768 818
Accumulated surplus		(266 897 784)	7 199 262	(259 698 522)
		147 481 191	-	147 481 191

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Property rates		20 209 467	(1 216 328)	18 993 139
Insurance refund		41 363 625	(5 395 886)	35 967 739
Depreciation and amortization		(26 598 371)	(49 049)	(26 647 420)
Loss on disposal of assets and liabilities		(3 128 398)	(946 757)	(4 075 155)
Surplus for the year		31 846 323	(7 608 020)	24 238 303

Errors

2019

Property Plant and Equipment – Correction of depreciation that was incorrectly calculated due to omission of residual values.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

41. Prior-year adjustments (continued)

2020

Inventories - Correction of Inventory stolen during 2020 financial year.

Cash and cash equivalents – Correction of VAT refund which was duplicated under Revenue and the VAT control account.

VAT Receivable – Correction of VAT refund incorrectly classified as Revenue.

Property Plant and Equipment – Correction of depreciation that was incorrectly calculated due to omission of residual values.

Accumulated surplus – Correction of VAT incorrectly classified as Revenue, Correction of VAT refund which was duplicated under Revenue and the VAT control account and Correction of depreciation that was incorrectly calculated due to omission of residual values.

Property rates - Correction of VAT refund incorrectly classified as Revenue.

Insurance refund - Correction of VAT refund incorrectly classified as Revenue.

Depreciation and amortisation - Correction of depreciation that was incorrectly calculated due to omission of residual values.

Loss on disposal of assets and liabilities - Correction of depreciation that was incorrectly calculated due to omission of residual values & write-off of stolen inventory.

Irregular expenditure opening balance 2020

Opening balance	-	82 476 589
Adjustments made	-	(4 695 455)
Restated opening balance	-	77 781 134

Irregular Expenditure on Free Basic Electricity - Correction of disclosure to reflect actual amounts paid.

Irregular expenditure - Movement 2020

Previously reported	-	20 501 981
Adjustments made	-	(3 817 327)
Restated movement	-	16 684 654

Irregular Expenditure on Free Basic Electricity - Correction of disclosure to reflect actual amounts paid.

Inventories

Opening balance	-	1 209 532
Adjustments made - Stolen Inventory	-	(849 077)
Restated opening balance	-	360 455

Cash and cash equivalents

Opening balance	-	48 330 017
Adjustments made - SARS Refund incorrectly captured	-	(1 398 777)
Restated opening balance	-	46 931 240

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
41. Prior-year adjustments (continued)		
VAT receivable		
Opening balance	-	5 332 637
Adjustments made - Insurance refund VAT	-	(5 395 886)
Adjustments made - VAT output correction	-	182 449
Restated opening balance	-	119 200
Property rates		
Previously reported	-	20 209 467
Adjustments made - SARS refund captured incorrectly	-	(1 216 328)
Restated opening balance	-	18 993 139
Insurance refund		
Previously reported	-	41 363 625
Adjustments made - Insurance refund VAT	-	(5 395 886)
Restated opening balance	-	35 967 739
Depreciation and amortisation		
Previously reported	-	(26 598 371)
Adjustments made - Transport assets depreciation	-	(49 049)
Restated opening balance	-	(26 647 420)
Loss on disposal of assets and liabilities		
Previously reported	-	(3 128 398)
Adjustment made - Depreciation on recalculation of residual values	-	(97 680)
Adjustment made - Stolen Inventory	-	(849 077)
Restated opening balance	-	(4 075 155)

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

42. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2021	2020
Consumer debtors and other debtors	6 432 515	7 124 458
Receivables from non-exchange transactions	10 018 173	10 950 458
Cash and cash equivalents	13 426 476	48 330 017
Long-term receivables	346 550	346 550

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Liquidity risk

The municipality does not hedge foreign exchange fluctuations.

The municipality risk relates to funds available for future commitments. The Municipality manages liquidity risk through ongoing review of future commitments, projected grant receipts and cash forecasting. Cash flow forecasts are prepared and borrowing facilities are monitored.

The municipality is not exposed to currency as no transactions are negotiated in foreign.

43. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is facing a number of financial risks that negatively impact its ability to sustain its current level of operations in the near future, before taking into account government grants. The key financial risks identified include:

- An inability to pay creditors within due dates.
- Negative key financial ratios.
- Net current liability was realised.

There is a material uncertainty related to existing conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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43. Going concern (continued)

The actions taken by management to mitigate the impact of these risks include:

- Management maintains detailed financial plans and manages working capital elements as necessary.
- Budget controls are in place to ensure that over-expenditure is eliminated.
- The treasury will continue to provide funding to the municipality in the foreseeable future.
- Council of the municipality has approved cost containment policy in line with the MFMA: Cost Containment Regulations.

44. Unauthorised expenditure

Opening balance	223 664 699	181 324 035
Add: Operating Expenditure identified - current	47 104 413	42 340 664
Add: Capital Expenditure identified - current	2 032 324	-
Closing balance	272 801 436	223 664 699

No investigations or disciplinary action has been taken yet with regards to the expenditure disclosed above.

45. Fruitless and wasteful expenditure

Opening balance	11 632 472	7 376 569
Add: Expenditure identified - current	3 723 612	4 255 903
Closing balance	15 356 084	11 632 472

No investigations or disciplinary action has been taken yet with regards to the expenditure disclosed above.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
46. Irregular expenditure		
Opening balance as previously reported	94 465 788	82 476 589
Correction of prior period error	-	(4 695 455)
Opening balance as restated	94 465 788	77 781 134
Add: Irregular Expenditure - current	17 733 598	16 684 654
Closing balance	112 199 386	94 465 788

Details of irregular expenditure

Irregular expenditure on payroll	Due processes were not followed before standardisation of salaries were paid	14 570 057	13 880 853
Irregular expenditure on contracts	SCM processes were not followed	1 229 678	2 303 801
Irregular expenditure on Free Basic Electricity	The municipality paid for indigents that do not appear on the indigent register	1 933 863	500 000
		17 733 598	16 684 654

Scope limitation

The limitation of scope relates to the burning down of municipal buildings during the second quarter of the 2018/19 financial year. There are 14 contracts that were awarded during the first and second quarter of 2018/19 financial year which were affected by the fire. Efforts made by the municipality to recreate the lost documentation proved to be impracticable. The contracts affected amount to R34,429,654.92 where the expenditure on these contracts amounts to R1,874,704.96 (2020:R5,962,796.81).

A majority of the contracts affected relates to capital projects which are funded through the municipal infrastructure grant.

Due to the event of the fire as mentioned and the subsequent effort to recreate the lost documents that proved to be impracticable, we cannot determine whether the expenditure incurred on these contracts is irregular or not.

Cases under investigation

No investigations or disciplinary action has been taken yet with regards to the expenditure disclosed above.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 301 962	1 342 890
Amount paid - current year	(1 301 962)	(1 342 890)
	-	-

Material electrical distribution losses

Current year	11 689 860	9 777 464
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The municipality lost 8,767,780. kwhr (2020: 8,190,970 kwh) representing 34.24% (2020: 29.51%) of total bulk purchases of electricity from Eskom during the year. The losses are attributed to normal losses and illegal connections.

Audit fees

Current year subscription / fee	2 995 665	1 763 373
Amount paid - current year	(2 995 665)	(1 763 373)
	-	-

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	23 823 658	21 654 307
Amount paid - current year	(24 063 370)	(21 654 307)
	<u>(239 712)</u>	<u>-</u>

Pension and Medical Aid Deductions

Opening balance	7 403 733	-
Current year subscription / fee	34 458 343	33 297 307
Amount paid - current year	(31 799 525)	(25 893 574)
	<u>10 062 551</u>	<u>7 403 733</u>

VAT

VAT receivable	<u>2 535 476</u>	<u>119 200</u>
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VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Monti N	340	450	790
Busika N	294	1 385	1 679
Pickering R	4 360	35 078	39 438
	<u>4 994</u>	<u>36 913</u>	<u>41 907</u>

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations the accounting officer may dispense of the official procurement process requirements in certain circumstances (e.g emergency or single procurement) and the accounting officer may ratify minor breaches of the procurement process if the breach is purely of a technical nature. However all such departures need to be approved by the Municipal Manager and noted by Council.

Incident

Babcock Africa Services	514 971	194 882
Buffalo Toyota	26 243	24 937
Cathcart Farms	50 708	-
Conlog (Pty) Ltd	-	11 730
Eyabantu	-	130 767
I and A Diesel Engines	-	55 966
Jambase Security Services	191 250	-
JD Strategic Investments	73 186	64 210
Management Integrity Evaluation	3 575	3 845
Meyers Motors	40 187	331 828
Multisurge	-	151 800
Ntshuza Trading (Pty) Ltd	-	29 050
One Pangae Expertise & Solutions	-	58 000
Peugair Border CC	74 909	-
Rencor Engineering	59 369	-
SignWorx	28 000	-
SNR Electrical CC	612 791	179 023
Stutt Delt Garage	256 098	43 626
Syco Machinery (Pty) Ltd	10 465	-
Titan Stutt	43 162	-
Tractor World	-	8 560
Universal Equipment	114 821	296 277
Unqondo Projects	-	70 187
Yande Engineering & Projects	-	183 931
	2 099 735	1 838 619

48. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: electricity and solid waste removal services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Electricity	Solid Waste Removal	Total
Revenue			
Revenue from non-exchange transactions	-	7 133 773	7 133 773
Revenue from exchange transactions	37 467 407	12 115 099	49 582 506
Total segment revenue	37 467 407	19 248 872	56 716 279
Interest revenue			8 058 972
Property rates			20 796 269
Government grants and subsidies			183 739 503
Other unallocated revenue			13 052 507
Total revenue reconciling items			225 647 251
Entity's revenue			282 363 530
Expenditure			
Salaries and wages	3 537 617	12 610 451	16 148 068
Vending management fee	253 552	-	253 552
Depreciation and amortisation	1 260 262	401 480	1 661 742
Bulk purchases	35 883 789	-	35 883 789
Contracted services	1 987 779	443 155	2 430 934
General expenses	105 447	140 465	245 912
Total segment expenditure	43 028 446	13 595 551	56 623 997
Total segmental surplus/(deficit)			92 282
Interest expense			(3 801 999)
Employee costs			(116 578 130)
Councillors remuneration			(11 598 706)
Depreciation and amortisation			(22 693 142)
Contracted services			(10 839 177)
General expenses			(20 125 906)
Unallocated expenses			(29 546 332)
Total revenue reconciling items			225 647 251
Entity's surplus (deficit) for the period			10 556 141
Assets			
Segment assets	37 233 212	19 412 647	56 645 859
Unallocated assets			382 505 600
Total assets as per Statement of financial Position			439 151 459
Liabilities			
Segment liabilities	-	149 749	149 749
Unallocated liabilities			168 747 047
Total liabilities as per Statement of financial Position			168 896 796

Information about geographical areas

The municipality operates throughout the Amahlathi Municipality in 3 towns in the Eastern Cape, ie., Stutterheim, Cathcart and Keiskammahoek. Segments were not organised on the basis of differences in geographical areas of operation and the cost to develop such information would be excessive.

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

49. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 394 015 (2020: R1 758 447).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Category 1 MV Licences and registration

Opening balance	2 341 283	276 807
Amounts received on behalf of the principal	2 388 995	5 836 297
Amounts transferred to the principal	(3 188 409)	(2 013 374)
Amounts recognised as revenue for services rendered	(1 394 015)	(1 758 447)
	<u>147 854</u>	<u>2 341 283</u>

All categories

Opening balance	2 341 283	276 807
Amounts received on behalf of the principal	2 388 995	5 836 297
Amounts transferred to the principal	(3 188 409)	(2 013 374)
Amount recognised as revenue for services rendered	(1 394 015)	(1 758 447)
	<u>147 854</u>	<u>2 341 283</u>

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

50. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

FinPerf1

Variance not material

FinPerf2

Covid regulations which reduced the demand for hiring of halls

FinPerf3

Variance not material

FinPerf4

Variance not material

FinPerf5

Variance not material

FinPerf6

This is due to mscoa chart where donations are mapped under transfers and subsidies

FinPerf7

This is due to insurance claims relating to prior years.

FinPerf8

Cash flow problems.

FinPerf9

Variance not material

FinPerf10

This is due to donations which must be reported as other revenue, but in mscoa chart mapped to transfers and subsidied

FinPerf11

This is due to lack of capacity in the traffic department to conduct law enforcement.

FinPerf12

Variance not material

FinPerf13

Variance not material

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

50. Budget differences (continued)

FinPerf14

Variance not material

FinPerf15

Ariance not material

FinPerf16

Still waiting for interest journal for 3rd parties

FinPerf17

This is due to late payment of creditors due to cash flow problems

FinPerf18

This is due to late payment of creditors due to cash flow problems

FinPerf19

This is due to late payments by debtors

FinPerf20

This is due to late payment of creditors due to cash flow problems

FinPerf21

This is due to different mSCOA and GRAP mapping

FinPerf22

This is due to different mSCOA and GRAP mapping.

Statement of Financial Position

FinPos1

This is due to theft that occurred in the electrical stores.

FinPos2

This is due to late payments by debtors.

FinPos3

This is due to late payments of creditors.

FinPos4

The difference is not material.

FinPos5

Due to changes in the market as per expert valuation

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

50. Budget differences (continued)

FinPos6

Variance not material

FinPos7

Variance not material

FinPos8

This is due to derecognition of some of the assets no longer meeting the recognition criteria

FinPos9

This is due to derecognition of some assets no longer meeting the recognition criteria.

FinPos10

Variance not material

FinPos11

Variance not material.

FinPos12

Variance not material

FinPos13

Variance not material

FinPos14

Provision still to be included

FinPos15

Full spending in majority of the grants

FinPost16

Due to changes in the market as per expert valuation

FinPos17

Due to expiry of some of the leases

FinPos18

Provision still to be included

FinPos19

Due to changes in the market as per expert valuation

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

50. Budget differences (continued)

Cash Flow Statement

C1

Implementation of meter audit which improved electricity revenue

C2

Variance not material

C3

Cash flow problems

C4

variance not material

C5

This is due to late payment of creditors due to cash flow problems

C6

Still waiting for interest journal for 3rd parties

C7

Variance not material

C8

Variance not material