

LETSEMENG LOCAL MUNICIPALITY



Draft Annual Report

2020/21 Financial Year

"A responsive Municipality in pursuit of service excellence"

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1 MAYOR'S FOREWORD

COMPONENT A: MAYOR'S FOREWORD



It is a great pleasure and honour for me, to present the annual report to the community of Letsemeng. The report covers the work done during 2020/21 financial year, which started in July 2020 to June 2021.

The municipality was operating under severe unprecedented times and devastating situation under Global Pandemic. Service delivery has been our priority by ensuring that the community is receiving services they are entitled to receive. The impact of Covid-19 negatively affected the provision of service delivery whereby the President, Cyril Ramaphosa issued a directive in terms of reprioritisation of projects implementation within the country to accommodate Covid-19 related issues to reduce the outbreak of the corona virus.

The greater importance of accelerated provision service delivery through various mechanisms which were implemented by the senior management of the municipality to ensure that there is an effective and efficient projects implementation. The municipal offices were most of the time closed, except for the employees who were directly responsible for essential services, including, frontline desk and customer care services.

It is important to ensure that the municipality addresses most of the challenges resulted by the Covid-19 pandemic. However, strategies and plans will be revived to ensure that the service delivery related deficiencies are also addressed, accordingly.

1.1 Vision

“A responsive Municipality in pursuit of Service excellence”

1.2 Mission

“Providing sustainable quality services through partnering with Stakeholders and Communities”.

1.3 Values

- Integrity

- Commitment
- Transparency
- Innovation
- Accountability

1.4 Key Policy Developments

Although the municipality is still facing challenges with the developmental agenda as espoused in the IDP and the Free State Growth and Development Strategy, there is progress in achieving some of the goals we have set for ourselves. We have to ensure that our policies becomes consistent in its delivery to achieve the set objectives. We also have the responsibility to address the issues raised by the Auditor General on the pre-determined objectives and our Annual Financial Statements.

1.5 Key Service Delivery Improvements

The municipality has retained its audit outcomes. Some of the Capital projects could not be completed as a result of service delivery protests and the municipality is attentively looking into these challenges which contributed towards deficiencies identified. Detailed information will be reflected in this report in terms of its implementation of these capital projects.

1.6 Public Participation

Public Participation is the cornerstone of deepening the relationship between the communities and the municipality through improved community engagement mechanisms. It creates a an opportunity aim at involving communities to better understand Letsemeng jurisdictions and practically direct efforts at the real needs of our communities. It also requires the involvement of stakeholder groups, including marginalised groups. These involvements are solely directed to create an opportunity for our stakeholders to present the interests of their constituencies. It has always been a challenge in terms of making sure that the regular coordination of our local stakeholder meetings and direct representation in some of the structures which are aimed at improving service delivery due to lack of staff. However, necessary measures are put in place in ensuring that these deficiencies are addressed. Ward Committees are also expected to narrow the gap between the various stakeholder groups, community and the municipality through their involvement during public participation programmes. The challenge had been the number of vacant sits which were deliberately abandoned by a number of ward committee members. However, this shortcoming had been addressed and vacant sits had been filled.

Thus the functionality of the Ward Committees and regular ward meetings are imperative. The municipality did not do well in this field. However, the situation is improving gradually and for the better since one public participation

officer was appointed. The Council should look at some of the issues below for effective strategy to be developed in addressing the failures;

- ❖ Public communication systems;
- ❖ Feedback to communities.
- ❖ Public Participation Models
- ❖ Service Delivery Satisfaction Survey for 19/20 Financial Year.

Amongst the above-mentioned issues, electronic complaints management system had been implemented and the municipality need to conduct awareness campaign by making sure that the community is aware of this service.

Capacity building of the Ward Committees will also be the main key in ensuring that our communities participate fully in the democratic processes and strengthening of the municipality.

1.7 Future Actions

I also need to inform that our plans have been drawn to accommodate public participation, implementation of revenue enhancement strategy without any fail. The municipality has also considered to interconnect human resource management, performance management system and strengthen retention strategies in order to ensure that we retain skilled employees. That the management fill up critical vacant positions promptly to improve remarkably on service delivery.

1.8 Agreements / Partnerships

The municipality did not enter into any agreement or partnership with any entity or service provider regarding local economic development as a result of long unrest and community protest that took place during the financial year under review

1.9 Conclusion

We rendered services under difficult circumstances mainly influenced by external forces within the space of service delivery.

We remain committed in making sure that we provide a responsive systems which support service delivery initiatives and local economic development.

We also recognised all the identified areas of development within communities. We anticipate improvements more especially on developmental needs of the communities through service delivery projects and programmes.

I must say that we remain committed to the principle of a responsive and accountable local government, a local government by the people, for the people.

Thank you,

.....
Cllr. B Mocwaledi
Mayor

2 EXECUTIVE SUMMARY

COMPONENT B: MUNICIPAL MANAGER'S OVERVIEW



Our motto “we sparkle in pursuit of service delivery” compels administration in general, and management in particular, to perform to our utmost best in ensuring that service delivery is rendered in an efficient and effective manner at all our communities irrespective of socio-economic status, colour or creed. In pursuance of the motto, minor changes were effected in the technical department to accommodate the electrical manager in the organogram. Further staff placement and re-assignment of duties in the technical and community services departments were made in order to minimise escalating overtime costs and improve efficiencies. Some improvement is starting to show through the downward trend of overtime costs at one of our units and slight improvement of refuse removal at the other unit.

The following specific activities highlight where there has been either improvement or under performance.

Year after year the municipality seem to be facing the same challenges. The situation can only change if the municipality and the supporting economic sector cluster can bring about a radical economic transformation in the area. **The key challenges are;**

- ❖ Attracting economic investment opportunities to improve the economy of the municipal area;
- ❖ Professionalizing the institution so as to enable it to render efficient government services to the people as per the electoral mandate;
- ❖ Creating adequate job opportunities in attempting to alleviate poverty;
- ❖ Empowerment of the SMMEs and entrepreneurs to create job opportunities and increase economic activity in the area;
- ❖ Provide alternative means of support to rural / informal population in order to decrease dependencies on the grants
- ❖ Improvement of the road networks (internal and external roads);

Council, management and staff strongly believe that challenges can be effectively addressed only if we maintain and continue to build partnerships that include all spheres of government, organizations of civil society, communities and the private sector.

The Municipality has now an internal audit unit in place. The risk management unit has also been established and headed by an officer.

The municipality used to have a shared Audit committee , unfortunately it was dissolved in the third quarter of the year under review.

Appreciation

I record my thanks and appreciation to the political leadership for support and guidance. The appreciation is also extended to the management and administration team who selflessly devoted so much time and effort in the execution of their mandates.

Regards,

Mr. TL Mkhwane
Municipal Manager

3 CHAPTER 1: MUNICIPAL FUNCTIONS, POPULATION & ENVIRONMENTAL OVERVIEW

3.1 INTRODUCTION TO BACKGROUND DATA

Our Municipality is situated in the South Western part of the Free State Province and forms part of the smallest district namely Xhariep District Municipality, a rich agricultural area with natural economic resources. The local municipality area measures 10 192 square kilometres in extend and comprises of five towns; Koffiefontein (which is the head office), Petrusburg, Jacobsdal, Oppermansgronde and Luckhoff. The figure below shows the Letsemeng area with its main towns and neighbouring municipalities of the Xhariep District.



Figure 1: Letsemeng Municipal Area

It borders the Northern (through Jacobsdal) and Western Cape Provinces and is renowned for diamond, salt and slate mining as well as irrigation farming along the Orange Riet Canal and Van der Kloof Dam. Letsemeng Local Municipality is situated in the south-west of the Free State province within the Xhariep District Municipality, a rather agriculturally rich area with limited natural economic resources.

The N8 route transgresses the area to the North West and links Kimberley and Bloemfontein via Petrusburg. The N8 route also crosses the area to the north and links Kimberley and Bloemfontein via Petrusburg. The Port Elizabeth

railway line starts at Koffiefontein and connects at Springfontein with the Bloemfontein/Cape Town. It is also bordered by Tokologo Local Municipality in Lejweleputswa District to the north, Mangaung Metro Municipality to the east and Kopanong Local Municipality in the south-east. Other borders are the Pixley ka Seme District Municipality (Sol Plaatje Local Municipality) in Northern Cape Province to the west and Frances Baard District Municipality (Siyacuma, Thembalihle and Renoster Local Municipalities) in Northern Cape Province to the south-west.

The Local Municipality consists of the towns Koffiefontein, Jacobsdal, Petrusburg, Luckhoff and Oppermansgronde. Koffiefontein is the municipal head office.

The five towns are connected with tarred road infrastructure via Koffiefontein. The R705 links Jacobsdal with Koffiefontein while the R48 links Petrusburg, Koffiefontein and Luckhoff in a north-south direction. The R704 links Koffiefontein, Fauresmith and Jagersfontein with one another.

The municipal area also accommodates Oppermansgronde, just west of Koffiefontein, which is part of a land restitution project. Several pans occur in the area while the Van der Kloof dam, Kalkfontein Dam and Wuras Resort are some of the more prominent water sources available near the area. The Riet River drains through the area in a Westerly direction while the Orange River is the border west of the area. Although there are ample water sources available near the area, access to potable water in some of the towns remain problematic.

The Northern parts of the municipal area surrounding Petrusburg are good cultivated agricultural land while the southern area is renowned for livestock farming. The socio-economic development of the municipality is centred on agriculture. The municipal area also has mining activities, with diamonds being the major natural resource that helps with employment creation.

Table 1: Overview of Neighbourhoods within Letsemeng Municipality

Overview of Neighbourhoods within Letsemeng	
Settlement Type	Households
Towns	
Jacobsdal	1003
Koffiefontein	3203
Petrusburg	2639
Luckhoff	1007
Sub-Total	7852
Townships	
Ratanang	1112
Sub-Total	1112
Rural settlements	1717
Oppermansgronde	230

Overview of Neighbourhoods within Letsemeng	
Settlement Type	Households
Sub-Total	1947
Informal settlements	202
Sub-Total	202
Total	11113
	<i>T 1.2.6</i>

3.1.1 DEMOGRAPHIC AND SOCIO-ECONOMIC PROFILE

The population figures are based on the census conducted in 2016 and the recent 2016 household survey. Migration tends to be voluntary, in most cases it is in search of better economic opportunities and a quality of life. A case in point is foreign nationals. Thus migration patterns are difficult to measure, keep track and get the exact reasons for migrating.

According to the 2016 survey, there is a positive growth in Letsemeng. It is an indication that more and more people are moving to Letsemeng municipality for various reasons. The population in Letsemeng currently stands at 40 044 This is according to the latest STATSSA figures.

Unemployment has marginally increased from 22.8% to 22.30%. Suffice to say the effect of drought and decreasing job opportunities might have a direct effect on migration out of the Letsemeng jurisdiction. Youth unemployment stands at 27.7%, which poses another challenge to the municipality and all Sector Departments to pay special attention to the youth in terms of both employment and economic empowerment.

6.5.4. 2.1.2 Table 2: Census Key Statistics

Census Key Statistics	
Population	38 628
Age Structure	
Population under 15	29.70%
Population 15 to 64	64.80%
Population over 65	5.40%
Dependency Ratio	
Per 100 (15-64)	54.20
Sex Ratio	
Males per 100 females	105.70
Population Growth	
Per annum	-1.04%
Labour Market	
Unemployment rate (official)	22.30%
Youth unemployment rate (official) 15-34	27.70%
Education (aged 20 +)	

Census Key Statistics	
No schooling	17.70%
Higher education	4.80%
Matric	18.70%
Household Dynamics	
Households	11 242
Average household size	3.30
Female headed households	33.50%
Formal dwellings	83.20%
Housing owned	54.00%
Household Services	
Flush toilet connected to sewerage	72.80%
Weekly refuse removal	68.00%
Piped water inside dwelling	49.80%
Electricity for lighting	92.80%

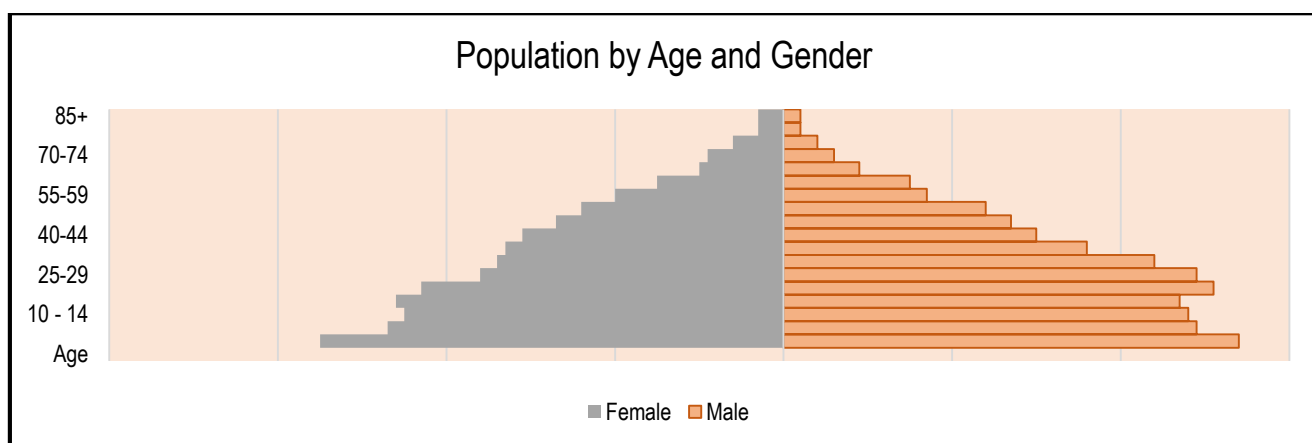


Figure 2: Population by Age and Gender

Table 3: Distribution of Population by Population Group

	Census 2011
Black African	67.80%
Coloured	23.40%
Indian/Asian	0.30%
White	8.10%

Households

There are 11 242 households in the municipality according to Stats SA. The technical department conducted a physical count of households at all five towns and found that there are 8 369 houses with an average household size of 3, 3 persons per household. 90, 8% of households have access to piped water either in their dwelling or in the yard. Only 2, 2% of households do not have access to piped water.

The figures above are according to the 2011 census, and they are still official statistics. The view might slightly change following the physical count done by the municipality.

Table 4: Settlement Type

Area	Percentage
Urban	83,3%
Tribal/Traditional	0%
Farm	16,7%

6.5.5. 2.1.3 Housing and dwellings

All urban areas are composed of various residential components varying from formal housing units to informal dwellings units as indicated in the table below. Within the Local Municipality, 83.2% of the population live in formal housing, 16.1% in informal housing and only 0.5% in traditional housing. This reflects that the housing backlog is not that huge but will increase with the new development patterns in the municipality.

The following issues were highlighted regarding the housing delivery:

- ❖ Lack of funding for housing development;
- ❖ Access to land for sustainable human development;
- ❖ Construction of more RDP houses;
- ❖ Provision of services to new residential sites;
- ❖ Fast tracking land availability and transfer of land;
- ❖ Slow delivery of housing development;
- ❖ Lack of capacity at local municipal level;

6.5.6. 2.1.4 Socio- economic Status

The socio-economic growth of the municipality is centred on agriculture. The municipality area also has mining activities that are taking place with diamond minerals being the major natural resource which helps with employment creation. The municipality's effort is to create an environment that will be conducive for investment and entrepreneurs to do business.

The LED division at the municipality is making effort to empower local small business and individuals to take advantage of local procurement, organize workshops business skills and making comply with relevant pieces of legislation.

However, the challenge is the sustainability thereof due to limited financial resources and lack of skills by various people to run their own projects. Whilst the trend is worldwide in that about 96% of businesses / projects fail within the first five years, the municipality will make an effort to reduce the failure rate.

Letsemeng Municipals economy is characterized by the following:

- ❖ Mining and agricultural sector are the largest contributor to the local economy;
- ❖ The decline in the agricultural sector over the recent years has had an adverse effect on the employment potential of the rural areas;
- ❖ Luckhoff has the highest unemployment rate;
- ❖ De Beers Mines contributed a major part to the local economy before it was closed;

By virtue of its geographic location the Municipality prides itself as a natural transportation route for people travelling to destinations such as Bloemfontein since one of the major national roads, namely N8 passes through the municipal area.

3.1.2 INCOME DISTRIBUTION

In order to determine the people's living standards, as well as their ability to pay for basic services, such as water and sanitation, the income levels of the local population are analysed.

Household Income

Household income is a parameter which is, amongst others, also indicative of poverty levels within a community. A financially healthy community's household income usually displays a so-called "normal" income distribution pattern where the income is spread over a fairly wide range of income categories, and the income of the bulk of the community is situated more or less within the first half to two thirds of the income category range.

Females are more likely to be unemployed and looking for work than males. Poor communities are sometimes highly dependent on the environment for survival and, in this regard, almost always over-exploit the environment.

Only 10.2% of households in the Letsemeng Municipal fall within the "No income" category. Of concern is that 7.4% of the households in Letsemeng have an annual income of less than R 10 000 and 23.9% of the households have an annual income of less than R19 601.00.

Table 5: Income profile

Income	Percentage
None income	10,2%
R1 - R4,800	4,2%
R4,801 - R9,600	7,4%
R9,601 - R19,600	23,9%

R19,601 - R38,200	24,6%
R38,201 - R76,4000	14,1%
R76,401 - R153,800	8%
R153,801 - R307,600	4,5%
R307,601 - R614,400	2,3%
R614,001 - R1,228,800	0,5%
R1,228,801 - R2,457,600	0,2%
R2,457,601+	0,1%

3.1.3 EDUCATION AND SKILLS

11 788 people are economically active (employed or unemployed but looking for work), and of these 22, 3% are unemployed. Of the 6 058 economically active youth (15 – 34 years) in the area, 27, 7% are unemployed. The level of skills within an area is important to determine the level of potential employment.

Using the expanded definition, on average 22.3% of the population in Letsemeng is unemployed, with the highest rate of unemployment being in rural areas.

This high unemployment rate has serious repercussions on the ability of the residents of Letsemeng to pay for their daily needs. Unemployment is more than 21% in all of the areas and the highest is in Luckhoff at 32%.

Table 6: Employment Status:

Employment Status	Number
Employed	9164
Unemployed	2624
Discouraged Work Seeker	1745
Not Economically Active	11518

Table 7: Educations and skills profile

Group	Percentage
No Schooling	4,4%
Some Primary	45,4%
Completed Primary	8%
Some Secondary	29,9%
Completed Secondary	8,6%
Higher Education	0,6%
Not Applicable	3,1%

Table 8: Distribution of population aged 20 years and older by level of education attained

Group	%
No Schooling	4,4%

Some Primary	45,4%
Completed Primary	8%
Some Secondary	29,9%
Completed Secondary	8,6%
Higher Education	0,6%
Not Applicable	3,1%

4. SERVICE DELIVERY OVERVIEW

4.1.WATER

The Municipality's objective remains that of ensuring at least 100% of its inhabitants have access to portable water. Measures are being implemented on a regular and on-going basis to ensure that this objective is achieved. We will continue to ensure that this is met, and clean water is delivered to our communities. Where necessary and required, the municipality will engage the Provincial/National Government as well as other key stakeholders. Projects such as the Petrusburg one undertaken in the previous year is an example of such coordinated and joint efforts.

90, 8% of households have access to piped water either in their dwelling or in the yard. Only 2, 2% of households do not have access to piped water.

Table 9: Distribution of households with access to piped (tap) water by geography

Geography	Households				Percentages			
	Piped (tap) inside dwelling /yard	Piped (tap) water on community stand	No access to piped (tap) water	Total	Piped (tap) inside dwelling /yard	Piped (tap) water on community stand	No access to piped (tap) water	Total
FS161: Letsemeng	10211	788	243	11242	90.8	7.0	2.2	100.0
Koffiefontein	3180	8	15	3203	99.3	0.3	0.5	100.0
Ratanang	1105	1	6	1112	99.3	0.1	0.5	100.0
Jacobsdal	646	354	3	1003	64.4	35.3	0.3	100.0
Riet River	224	78	30	332	67.6	23.5	8.9	100.0
Petrusburg	2400	154	85	2639	91.0	5.8	3.2	100.0
Oppermans	230	-	-	230	100.0	-	-	100.0
Luckhoff	987	17	3	1007	98.0	1.6	0.3	100.0

4.2. SANITATION

The Municipality's continues to provide proper sanitation facilities to all communities. The municipality managed to reduce the number of bucket toilets. To date there are two hundred households who are still using a bucket system. Plans are afoot to totally eradicate the system.

Table 10: Toilet Facility

Toilet Facility	Percentage
None	5%
Flush toilet (connected to sewerage system)	72,8%
Flush toilet (with septic tank)	2,7%
Chemical toilet	0,5%
Pit toilet with ventilation	10,5%
Pit toilet without ventilation	5,3%
Bucket toilet	2,3%
Other	0,8%

4.3. ELECTRICITY

Electricity provision in the Municipality is jointly supplied by ESKOM and the Municipality. The Municipality is servicing four of the five towns under its jurisdiction, which are Koffiefontein, Petrusburg, Oppermansgronde and Luckhoff. The municipality also sells prepaid electricity to some Koffiefontein and Luckhoff residents. In Jacobsdal, Ratanang and Bolokanang distribution is done by ESKOM.

Table 11: Distribution of households with access to electricity for lighting by geography

Geography	Households				Percentages			
	Electricity	Other	None	Total	Electricity	Other	None	Total
FS161: Letsemeng	10430	796	17	11243	92.8	7.1	0.1	100.0
Koffiefontein	3157	41	5	3203	98.6	1.3	0.2	100.0
Ratanang	1068	44	-	1112	96.0	4.0	-	100.0
Jacobsdal	809	187	7	1003	80.6	18.7	0.7	100.0
Riet River	258	74	-	332	77.7	22.3	-	100.0
Petrusburg	2524	112	2	2638	95.7	4.3	0.1	100.0
Oppermans	227	2	-	229	98.9	1.1	-	100.0
Luckhoff	919	88	-	1007	91.3	8.7	-	100.0

4.4. REFUSE REMOVAL

Waste Removal Services are provided to all the towns Koffiefontein, Petrusburg, Luckhoff, Oppermansgronde and Jacobsdal. These land fill sites with the exception of Jacobsdal and Petrusburg, are currently used as transfer stations and will be registered accordingly and be used fully as land fill sites.

Table 12: Distribution of households by type of refuse removal and geography

Geography	Households					Percentages				
	Formal Dwelling	Informal	Traditional	Other	Total	Formal Dwelling	Informal	Traditional	Other	Total
FS161: Letsemeng	9358	1812	17	55	11242	83.2	16.1	0.1	0.5	100.0
Koffiefontein	2659	538	1	5	3203	83.0	16.8	0.0	0.2	100.0
Ratanang	861	240	2	10	1113	77.4	21.6	0.2	0.9	100.0
Jacobsdal	598	395	-	10	1003	59.6	39.4	-	1.0	100.0
Riet River	251	76	5	-	332	75.6	23.0	1.4	-	100.0
Petrusburg	2181	450	1	7	2639	82.6	17.1	0.0	0.3	100.0
Oppermans	229	1	-	-	230	99.5	0.5	0	0	100.0
Luckhoff	937	60	1	8	1006	93.1	6.0	0.1	0.8	100.0

4.5. HOUSING

The objective of the Municipality is to facilitate provision of adequate and affordable housing structures to the communities in its area of jurisdiction. Provision for houses is not the core competency of the Municipality; this objective is undertaken in partnership with the Provincial Department of Human Settlement which continues to allocate houses to residents on an on-going basis. This is mainly due to the fact that demand for housing remains a big challenge but we remain committed to facilitate the provision of shelter to the communities we serve.

4.6. ROADS AND STORM WATER

Another aim of the municipality is to facilitate the adequate and constant maintenance of access roads and to ensure regular maintenance of all internal roads. Every year, a lot more kilometres of internal roads have been repaired. Furthermore, there is an annual allocation to ensure that roads are maintained. The proportion of households with access to the minimum level of services is shown in the table below:

Table 13: Proportion of Households with minimum level of Basic Services

Proportion of Households with minimum level of Basic services				
			2019/20	2020/21
Electricity service connections			100%	100%
Water - available within 200 m from dwelling			99%	99%
Sanitation - Households with at least VIP service			99%	99%
Waste collection - Kerbside collection once a week			100%	100%

4.7. FINANCIAL OVERVIEW

This overview sets out highlights of the municipality's financial performance in the past year. Full details appear in the annual financial statements. .

Table 14: Financial Overview – 2020/21

2019/20				2020/21		
Details	Original budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget	Actual
Income:						
Grants	113 452 000	124 107 000	102 922 774	125 997 000	135 282 000	137 558 328
Taxes, Levies and tariffs	61 651 768	59 305 330	73 496 228	58 555 084	75 631 563	76 219 276
Other	6 110 411	5 637 662	16 971 864	5 574 817	9 930 026	16 202 395
Sub Total	181 214 179	189 049 992	193 390 866	190 126 901	220,843,589	229 979 999
Less: Expenditure	182 317 733	185 035 157	224 801 652	208 756 932	218 049 399	229 257 588
Net Total*	(1 103 554)	4 014 835	(31 410 786)	(18 630 031)	2 794 190	722 411
<i>* Note: surplus/(deficit)</i>						

Table 15: Operating Ratios

Operating Ratios				
Detail		2018/19	2019/20	2020/21
		%	%	
Employee Cost		26%	28%	29%
Repairs & Maintenance		1%	2%	3%
Finance Charges		0.7%	1.1%	3.4%

Table 16: Total Capital Expenditure

Total Capital Expenditure: '2018/19 - to '2020/21			
Detail	2018/19	2019-20	2020/21
Original Budget	49 949 000	48 392 250	58 573 470
Adjustment Budget	49 949 000	47 363 650	710 000 470
Actual	720 417 055	702,953,967	705 030 610

4.8. COMMENT ON CAPITAL EXPENDITURE

The municipality's property, plant and equipment for the financial year under review amounted to R 705,030,610 compared to R 708,314,027 for the previous year. Capital commitments as at 30 June 2021 amounted to R 51,505,667 (2020: R 54,008,572). The fixed assets were financed from government grants.

4.9. ORGANISATIONAL DEVELOPMENT OVERVIEW

Staffing

There are still some key posts at lower levels of the organogram that need to be filled with urgency. The challenge the institution will forever battle with is the retention of skilled personnel. The geographical location and the financial position of the municipality are major deterrents to potential candidates.

4.10. AUDITOR GENERAL REPORT

The Municipality Received A Qualified Opinion for 2020/2021 financial year

According to legislation the Annual Report of a municipality must be tabled in the municipal council on or before 31 January each year. In order to enhance Councils oversight function the municipality should submit their Annual Performance Reports as soon as possible after the financial year end, ideally this ought to be the end of August.

The Annual Financial Statements and Annual Performance Report were submitted on 31 August 2021 to the Auditor-General. Management is currently developing processes and systems in order to ensure that the remaining sections be in place for the 2020/21 Annual Report process. It is expected that the entire process should be concluded by the end of January. The legislative process for the creation, submission, review and approval of the 2020/21 Annual Report is set out in the table below.

4.11. 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 2021
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 2020/21 Annual Report to Internal Audit	
5	Audit/Performance committee considers draft Annual Report of municipality	August 2021
6	Municipality submits draft Annual performance Report including annual financial statements to Auditor General	
7	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
8	Auditor General audits Annual performance Report including Annual Financial Statements	September – November 2021
9	Municipalities receive and start to address the Auditor General's comments	January 2022 February 2022
10	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
11	Audited Annual Report is made public and representation is invited	
12	Oversight Committee assesses Annual Report	
13	Council adopts Oversight report	March 2022
14	Oversight report is made public	
15	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	

5. CHAPTER 2 – GOVERNANCE

5.1. INTRODUCTION TO GOVERNANCE

The Letsemeng Local Municipality is an organ of state within the local sphere of government. It was established by means of Provincial Notice No 181, published in the Free State Provincial Gazette of 28 September 2000. The Municipality is a municipality with plenary executive system determined by the Determination of Types of Municipality Act, 2000 (Act No. of 2000).

In terms of section 151(3) of the Constitution of the Republic of South Africa the municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to the national and provincial legislation, as provided for in the Constitution.

5.2. COMPONENT A: POLITICAL AND ADMINISTRATIVE

5.2.1. INTRODUCTION TO POLITICAL GOVERNANCE

Section 151 of the Constitution, 1996 states that, the executive and legislative authority of a municipality is vested in its municipal council. This is complemented by the Municipal Structures Act and Municipal Systems Act. In terms of section 160(2) of the Constitution, 1996, the following powers may not be delegated by a municipal council and must therefore be exercised by council: passing of by-laws, approval of budgets, imposition of rates and taxes, levies and duties and the raising of loans. The Speaker is appointed by Council and performs her/his functions in terms of section 37 of the Municipal Structures Act, such as presiding at council meetings and overseeing the work of council committees.

The Municipal Council uses a governance system that applies to plenary executive type system. It is consisted of eleven (11) Councillors with a Speaker/Mayor being a member who has been designated as full time councillor. In terms of section 36(5) of the Local Government: Municipal Structures Act, No. 117 of 1998, the speaker must be called Mayor as the Letsemeng Municipal Council is plenary executive type system.

The main obligations of the Municipal Council is to formulate and endorse or pass by – laws, policies, most importantly the Integrated Development Plan and the Medium term revenue and expenditure framework (Budget)

The Speaker presides over ordinary as well as special Council meetings. The administration dispatch notices and agendas to Councillors forty eight (48) hours before the commencement of the council meetings as determined in the Standard Rule and Orders.

The Mayor as a political head of the Municipal Council attends to day to day obligations of the Municipal Council by playing oversight role over the administration and represents the meeting at the district and provincial intergovernmental

relation forums as well as at the, South African Local Government Association. The Mayor provides general guidance over the fiscal and financial affairs of the municipality as well as the Integrated Development Plan.

The Council has established four (4) Section 79 Committees in terms of the Municipal Structures Act and the Municipal Finance Management Act to process items before they could be forwarded to the Municipal Council i.e. Finance, Local Economic Development and Planning and Development, Corporate Services committee and Local Labour Forum, Technical Services and Infrastructure Committee, and Community Services. These Committees process items before they could be forwarded to the Council.

The different Departments of the Municipality prepare reports that are then submitted to the Council for consideration and approval. Important to note is that the Section 79 Committees and Municipal Council sit as per schedule of Council meetings that was adopted by the Council.

The Municipal Council has established an MPAC, which is composed of four members and the Council is playing an Oversight role in the activities that are performed by the Municipality.

The Annual Report is prepared by the Performance Management Unit in collaboration with other departments. When the management is satisfied with this report it is then submitted to the Council for noting on or before the 31st of January of each year. Subsequent to this process it is forwarded to the Oversight Committee after tabling for assessment and thereafter it is presented before the Council with the Committee comments and recommendations. The Annual Report and the Oversight Committee report are submitted to Departments of Treasury, Cooperative Governance and Traditional Affairs for comments. Furthermore, these reports are separately published to the community for comments.

The Internal Audit Unit conducts audit throughout the year in terms of their audit plan and prepares Audit packs/reports that are then submitted to the Internal Audit Committee. After consideration of these reports the Audit Committee forwards its recommendations to Council for considerations and approval

The Municipality has appointed the Municipal Manager who is the head of the administration. He is responsible for day to day operations of the organization and accounts to the Mayor in between Council meetings. Other senior managers who have been appointed in terms of section 56 of the Local Government: Municipal Systems Act, 2000 reports directly to the Municipal Manager. It is important to highlight that the Municipality is composed of four (4) departments that are headed by departmental heads, section 56 managers, excluding the office of the Municipal Manager i.e. Corporate Services, Budget and Treasury, Community Services and Technical Services.

5.3. POLITICAL GOVERNANCE

POLITICAL STRUCTURE	Function
MAYOR Cllr MA Lebaka	<i>Preside over Municipal Council meetings and attend to day to day obligations of the Council by playing oversight role over the administration.</i>
Section 79 Committee Chairpersons Cllr XW Nqelani Cllr VP Mlozana Cllr N November Cllr MJ Phaliso	Chairperson for Planning and Development, LED and Finance Committee Chairperson for Corporate Services Committee and Local Labour Forum Chairperson for Community Services Committee Chairperson for Technical and Infrastructure Committee

COUNCILLORS

The Municipal Council of Letsemeng Local Municipality comprises of eleven (11) Councillors. Six of them were elected to represent wards and five (5) were proportional representative. The Council was represented of three political parties as follows:

African National Congress (ANC) : Eight (8)

Democratic Alliance (DA) : Two (2)

Economic Freedom Fighter (EFF) : One (1)

Four (4) members of Council, were designated as Chairpersons of Section 79 Committees. Each Committee is composed of three members which includes the Chairperson of the Committee. Furthermore, it has established an Municipal Public Accounts Committee which is composed of five (5) Council members. The Ward Councillors are Chairpersons of Ward Committees, and the Ward Committee serves as an advisory committee to the wards councillors.

5.4. ADMINISTRATIVE GOVERNANCE

5.4.1. INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the accounting officer of the municipality and the head of the administration and reports directly to the Mayor and Council. Directors (section 56 managers) report directly to the Municipal Manager and their performance is managed by the Municipal Managers in terms of the annually signed performance agreements and plans.

Directors are responsible for the management of their respective functions/departments, which include the management of service delivery programs and targets, personnel and budgets.

The Municipal Manager ensures accountability by departments through weekly and monthly management meetings and quarterly performance reviews of Directors.

Top Administrative Structure

	POST DESIGNATION	FUNCTION	PERFORMANCE AGREEMENT SIGNED YES/NO
1.	MUNICIPAL MANAGER Mr TL Mkhwane	Accounting Officer/Head of Administration	Yes
2	ACTING DIRECTOR: CORPORATE SERVICES Mr S Qwelane	<i>Human Resources, Auxiliary and Legal Services, Council Support</i>	No
3.	CHIEF FINANCIAL OFFICER Mr CFO/SJ Tooi	<i>Expenditure, Revenue, Assets & Liability Management, Budgeting & Reporting</i>	Yes
4.	DIRECTOR: COMMUNITY SERVICES Mr. CJ Makhoba	<i>Waste Management, Sport & Recreation, Arts & Culture, Public Safety and Parks</i>	Yes
5.	DIRECTOR: TECHNICAL SERVICES Mrs DG Tsikang	<i>Water, Sanitation, Electricity, Roads & Storm water, Urban Planning and PMU</i>	Yes

5.5. COMPONENT B: INTERGOVERNMENTAL RELATIONS

5.5.1. INTRODUCTION TO COOPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Letsemeng Municipality through the 2020/21 financial year participated in a number of intergovernmental forums. This ensures that the Municipality is kept up to date on key developments in strategic areas of its responsibilities.

Through active participation in these forums and the available platform created, the Municipality exchanges ideas and interact with other spheres of government to improve mutual relations between government institutions.

5.5.2. . NATIONAL INTERGOVERNMENTAL STRUCTURES

The Municipality participate in the National South African Local Government Association Members Assembly which is held once annually. The municipalities converge annually at the assembly to discuss matters that affects the municipality and resolved how to tackle the challenges faced by the municipalities

5.5.3. PROVINCIAL INTERGOVERNMENTAL STRUCTURES

The Municipality is part of the Provincial Coordinating Forum which is used to facilitate intergovernmental relations between the province and local government in the province. The Municipality also participates in Provincial Forums which include Provincial IDP Forum, Provincial Energy Forum, Provincial AIDS Forum as well as South African Local Government Association (SALGA).

5.5.4. DISTRICT INTERGOVERNMENTAL STRUCTURES

Meetings are been held once in a quarter, whereby the District Municipality is responsible for ensuring the co-ordination of intergovernmental relations within the district municipality with local municipalities in the district. District Coordinating Forum consists of the Executive Mayor of the District and three other local municipalities' Mayors who are primary members of this structure.

5.5.4. TECHNICAL SUPPORT COMMITTEE

This Committee consists of the District Municipal Manager and other three Local Municipal Manager who are primary members of the structure. The Committee must meet at least once per quarter with other stakeholders to process issues in preparation of the political District Forum.

5.6. COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

5.5.1 OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality improved on the responsibilities mentioned above as indicated in the 2020/21 IDP by:

- Providing feedback to different communities on issues people raised during the first round of public engagements.
- Providing progress report on funded projects implemented in the different Wards.
- Providing opportunity for communities to making input to the 2020/21 IDP process.
- Providing Ward Committee an opportunity to prioritise inputs received from the different wards.
- Encouraging Ward Councillors and Ward Committees to do further consultation about communities service delivery priorities.
- Encouraging communities, Stakeholders and individual members of society to make use of the opportunity to do submission regarding the IDP review and budget of the municipality.

The staff is allocated wards to work with and report on their activities. There are also members of ward committees responsible for different sections in their wards. These measures have helped as members of community reports issues related to service delivery at their earliest occurrence.

5.7. PUBLIC MEETINGS

5.7.1. KEY PURPOSES OF WARD COMMITTEES

- Create formal unbiased communication channels and co-operative partnerships between the Municipality and the community within a ward.
- Ensure contact between the Municipality and the community through the relevant feedback mechanisms.
- Act as an advisory body on council policies and matters affecting communities in the ward as requested.

- Make recommendations on matters affecting the ward to the ward councillor.
- Serve as a constructive mobilizing agent for positive community action.

5.7.2. COMMUNICATION, PARTICIPATION AND FORUMS

The municipality uses loud hailing, print media, posters, as well as physical delivery of invitation such as IDP/budget which are on semester interval. These meetings are inclusive of representative from Safety, Business and CBO's.

Table 17: Public Meetings

Public Meetings							Comments
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community	
IDP, Budget Consultation meeting at Oppermansgronde	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community Members were requested to forward their inputs to the Office of the Speaker/ Mayor and Municipal Manager
IDP and Budget Consultation at Petrusburg	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community members requested to forward their inputs
IDP and Budget Consultation at Koffiefontein (Ward 5)	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community members requested to forward their inputs
IDP and Budget Consultation at Luckhoff	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community members requested to forward their inputs
IDP and Budget Consultation at Phambili	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community members requested to forward their inputs

5.7.3. COMMENT ON THE EFFECTIVENESS OF PUBLIC MEETINGS HELD

The community consultation meetings were not conducted due to Covid-19 regulations.

5.8. IDP PARTICIPATION AND ALIGNMENT

Table 18: IDP Participation and Alignment Criteria

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 directly 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
*Section 26 Municipal Systems Act 2000	

5.9. COMPONENT D: CORPORATE GOVERNANCE

5.9.1. OVERVIEW OF CORPORATE GOVERNANCE

The municipality endeavours to comply with the regulatory frameworks and best practices regarding corporate governance. This includes the establishment of a risk management function, internal audit unit and independent audit committee and the implementation of fraud and anti-corruption policies and measures.

In addition, Letsemeng Municipality follows a comprehensive system of rules and processes that are designed to sustain and enhance optimal end to effective organizational management.

5.10. RISK MANAGEMENT

Risk Management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows the municipality to measure and prioritise them and take the appropriate actions to reduce possible losses.

The Municipality implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the municipality to achieve its service delivery outcomes

and enhance organisational performance. The risks are managed formally and periodically by means of a factual and realistic approach. This promotes the achievement of objectives and further avoids these risks from impacting negatively on the organizational efficiency.

The average risks in developing the Internal Audit Coverage Plan was extracted from the risk assessment report, considering the impact and likelihood of critical issues/risks within each of the identified activities.

5.11. ANTI-CORRUPTION AND FRAUD

The actions that constitute corruption can be classified as follows:

- Any dishonest, fraudulent or corrupt act,
- Theft of funds, supplies and other assets,
- Maladministration or financial misconduct in handling or reporting of money,
- Making profit from insider knowledge,
- Disclosing confidential information to outside parties,
- Deliberately refusing or omitting to report or act upon reports of irregular or dishonest conduct

The strategies in place to prevent corruption, fraud and theft are the application of policies approved by council such as the supply chain management policy and the segregation of duties to approval of transactions within the municipality.

Key risk areas susceptible to corruption and fraud are the procurement, cash collection and payments as well as unauthorized distribution of information from the institution. Policies were approved by council. The code of conduct in terms of the Municipal Systems Act was communicated to all employees to highlight the importance of proper employee behaviour and conduct.

A previous challenge that is now overcome was the lack of important structures to effectively deal with the occurrence of corruption and fraud within the municipality. A lack of capacity at the Internal Audit and Supply Chain and the ineffective functioning of the Audit Committee were some of the challenges the municipality faced to effectively eliminate the occurrence of fraud and corruption. These challenges have now been resolved and a functional internal audit, supply chain management. The Municipality established an Audit Committee that serve only the Letsemeng Local Municipality

5.12. SUPPLY CHAIN MANAGEMENT

Supply Chain Management is centralised and attached to Budget and Treasury Office which is mainly responsible for the administration and procurement of goods and services. The municipality is currently utilizing *Sage Evolution*. All the procurements are transacted through sage evolution system to avoid irregular and fruitless expenditure. Supply Chain processes are regulated by supply chain policy which is in line with relevant regulations.

5.13. BY-LAWS LITIGATION

Table 19: By-laws introduced

By-laws Introduced during 2020/21					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
None	-	-	-	-	-
<i>*Note: See MSA section 13.</i>					

5.13.1. COMMENT ON BY-LAWS

For the financial year under review the municipality did not have any new By-Laws to be promulgated.

5.14. WEBSITE

A municipal website <http://www.letsemeng.fs.gov.za> is a key communication mechanism in terms of service offering, information sharing and public participation and should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets, budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Table 20: Municipal Website: Content and Currency of Material

Municipal Website: Content and Currency of Material	
Documents published on the Municipality'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 (2019/20)	Yes
The annual report (2020/21) to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2020/21) and resulting scorecards	Yes
All service delivery agreements (2020/21)	No
All long-term borrowing contracts (2020/21)	No
All supply chain management contracts above a prescribed value R100 000 for 2020/21	Yes
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No
Contracts agreed in 2020/21 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 2020/21	No
All quarterly reports tabled in the council in terms of section 52 (d) during 2020/21	Yes
<i>T 2.10.1</i>	

5.14 COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS

The municipality's website is managed and maintained by the ICT section. ICT has greatly improved in terms of managing and compliance of the municipality's website.

6. CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

6.1 INTRODUCTION

The municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The Technical Department is responsible for operation and maintenance of infrastructure which include electricity, water services, roads and storm water. The Technical Department also provides support services such as the mechanical workshop.

The Technical Department plays a pivotal role in terms of facilitation and coordination of services provided by Provincial and National Departments. The municipality has adopted a five-year IDP Plan which is a strategic document aiding in the developments within the municipality. Sector plans are also included which gives effect to the strategies and objectives in the IDP. The IDP is further informed by both the National and Provincial development strategies.

The purpose of the report is to provide information in respect of the core responsibilities, objectives, achievements as well as challenges faced by the Technical Department during the 2020/21 financial year.

6.2 COMPONENT A: BASIC SERVICES - WATER

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services. The municipality accepted that the number of households within the municipal area is 40 044 as provided by Statistics South Africa for 2016.

INTRODUCTION TO BASIC SERVICES

Technical Services Department is responsible for the following services:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishing/rehabilitation of existing infrastructure.
- Provision of basic services such as water, electricity and roads.

This is done as a basic service delivery aspect in the following areas:

A. Water and waste water services

- Water purification
- Sewerage treatment
- Storage dams
- Water reservoirs
- Water and sewage reticulation networks

B. Roads, storm water, railways and public works

- Roads design, construction and maintenance
- Storm water drainage system
- Bridges and culverts
- Landfill site management

C. Electricity

- Electricity Distribution
- Electricity network maintenance and upgrading
- Electricity Consumption Care
- Public lighting

D. Buildings survey

- Approval of building plans, construction and inspections thereof

Objectives and Achievements

Strategic objectives are set out in planning and budgeting tools such as IDP and SDBIP in order to properly plan and achieve targets. Priority areas regarding basic service delivery are as follows:

- Access to water,
- Water loss,

- Water quality,
- Access to sanitation,
- Access to electricity,
- Energy efficiency,
- Access to municipal surfaced roads

Departmental Challenges

- Institutional and organizational development:
 - Inadequate attraction and retention of skilled competent personnel,
 - Prolonged recruitment processes,
 - Inadequate training and development of staff
- Infrastructure maintenance and development:
 - Outdated technology and aged infrastructure,
 - Water and Sanitation Master plans are in place and have been approved by council,
 - Inadequate infrastructure capacity to meet supply demand,
 - Increasing theft and vandalism of infrastructure,
 - Limited preventative maintenance,
 - Decaying infrastructure,
 - Heavy motor vehicular movement through and around CBD,
 - High distribution losses (water and electricity)
- Machinery, equipment and fleet:
 - Shortage of machinery, equipment and fleet,
 - High average age of municipal fleet,
 - Most fleet out of useful lifespan,
 - Prolonged turnaround time in terms of repairs and continued breakages,
 - Limited maintenance equipment,
 - Delayed processing time of purchase request in terms of maintenance and repairs,

- Shortage of vehicles and machinery causing low productivity and low morale of staff cascading into serious delays in service delivery.
- Financial Constraints:
 - Insufficient maintenance budget,
 - Insufficient capital budget appropriated (own funding),
 - Lack of consumables and sundry items,
 - Supplier / municipal relations dented,
 - Long processing period of purchase orders.
- Natural Hazards:
 - rainfall and flooding causes delay in project implementation and flooding of residential areas,
 - Drought, leading to inadequate raw water supply and thereby negatively affecting the Municipality's mandate of providing basic water service to its communities.
 - Extensive damage to infrastructure (decaying roads surfaces and potholes) and facilities / property.
- Compliance to Regulations:
 - Inadequate monitoring and measuring equipment and processes to facilitate compliance.
- Bulk Supply Services:
 - Inadequate bulk raw water supply in Petrusburg and Koffiefontein.
 - Rapidly deteriorating condition of roads network including main roads.

WATER PROVISION

Water needs are determined via the consumer base on the ground. Figures used to determine this includes provision for registered indigents according to the municipal policy. Supply and disruptions are monitored and future needs are based on results. Further inputs from the community and political offices are compared with departmentally identified issues and included in the IDP as needed. National government targets are also included in future planning.

For blue drop purposes the water quality is monitored continuously and uploaded on the IRIS site and water provision to the community is done in accordance with the Water Services Act 1997.

The top four priorities are:

1. Sufficient water supply for communities.
2. Connections to individual stands with provision for indigents.
3. Provision of water within legal requirements (Water within Blue drop and SANS 241 standards)
4. Monitoring of water supply through proper installation of water meters

The challenge in water supply remains the balance between the available raw water and demand from the community.

The blue drop status have increased and it is expected to improve with a bigger percentage in the next financial year due to the appointment of process controllers that are in line with regulation 813 of the national standards for process cotrollers and water services works. There is currently construction of a Water Treatment Works in progress at the Jacobsdal water treatment plant. This will improve the quality of water supply and capacity in general and also contribute to an increase in the bluedrop status.

All formal areas of Letsemeng available for occupation are provided with water networks with pre installed connections and consumers moving onto unconnected stands are connected on application.

Letsemeng Local Municipality (LLM) is a Water Service Provider (WSP) and a Water Service Authority (WSA), all this functions are currently operated by the Municipality. Letsemeng Local Municipality has through the Department of Cooperative Governance and Traditional Affairs (Cogta) prepared a Water and Sanitation Master Plan and Maintenance and Operations in 2019.

LLM is struggling to meet the water demand from four towns namely Luckhoff, Koffiefontein, Jacobsdal and Petrusburg. This is due to the low capacity of the Water treatment Works (WTW), old aged infrastructure e.g Canal in Jacobsdal and availability of surface water. The deamand of water is higher than the available supply, this is in some cases compromising the quality of water since the plants would be pushed to the maximum capacity or even be exeded resulting in turbidity increasing. LLM has through the Department of Water & Sanitation (DWS) constructed a 4.15Ml Jacobsdal Conventional WTW.

Unavailability of surface water poses a high risk to the community of Petrusburg because they rely on ground water, most of the boreholes have already started showing reduced capacity while there is no alternatices sources. LLM has prioritized two projects to improve water supply in Petrusburg and Bolokanang, the refurbishment and equipping of 12 boreholes and construction of a new pipeline from borehole 14 and 15 in Petrusburg to Bolokanang Reservoir. Improvement of water supply in Ratanang 202 sites has been completed with water reticulation and yard connections. LLM through MIG funding was able to install and refurbish

Bulk and Domestic meters of Koffiefontein, Petrusburg, Jacobsdal and Luckhoff. The aforementioned project was implemented to assist with addressing the challenge of water losses and to improve revenue collection of the municipality.

6.3 COMMENT ON WATER USE BY SECTOR:

As indicated earlier, LLM did not have enough metering points to be able to gather the water balancing statistics, it is only recently when Oppermansgronde has been declared ready for water balancing. The below graph will not be able to show different categories and their usage.

Table 21: Water Service Delivery Levels

Water Service Delivery Levels					
Description	Ref	Households			
				2019/20 Actual 0-Jan- 00	2020/21 Actual No.
<u>Water: (above min level)</u>					
Piped water inside dwelling				8 336	8 336
Piped water inside yard (but not in dwelling)				0	0
Using public tap (within 200m from dwelling)	2			693	693
Other water supply (within 200m)	4			493	493
<i>Minimum Service Level and Above sub-total</i>				9 522	9 522
<i>Minimum Service Level and Above Percentage</i>				100%	100%
<u>Water: (below min level)</u>					
Using public tap (more than 200m from dwelling)	3	490	490	0	0
Other water supply (more than 200m from dwelling)	4	0	0	0	0
No water supply		0	0	0	0
<i>Below Minimum Service Level sub-total</i>		490	490	0	0
<i>Below Minimum Service Level Percentage</i>		5%	5%	0%	0%
Total number of households*	5	9 319	9 319	9 320	9 522

Table 22: Households - Water Service Delivery Levels

Description		2019/20	2020/21
		Actual No.	Actual No.
Formal Settlements			
Total households		8 134	8 336
Households below minimum service level		0	0
Proportion of households below minimum service level		0%	0%
Informal Settlements			
Total households		493	493
Households below minimum service level		0	0
Proportion of households below minimum service level		0%	0%

Actual performance against the predetermined objectives and targets

TECHNICAL SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-2020	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL1	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	100 Percentage of complete new 4.2 MI Conventional WTW at Jacobsdal by 2020/21 financial year.	Percentage	Progress reports and completion certificate	90%	10% Completion of the new 4.2MI Conventional WTW in Jacobsdal by 30 June, 2020/21 financial year	10% achieved	10% Achieved	N/A	N/A	Completion Certificate submitted
TL2	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Equipping and connection of 12 boreholes to the water supply scheme at Petrusburg by 30 June 2021.	Number	Progress reports and completion certificate	0	12 Boreholes Completed, equipped and connected to the water supply scheme at Petrusburg by 2020/21 financial year	13 Boreholes Completed,	Achieved	N/A	N/A	Information submitted
TL3	Basic Service delivery	Eradicate backlogs in order to improve	Installation of 750 domestic water meters at Dithake, Sonwabile, Diamanthoogte,	Number	Progress reports	0	750 Installed domestic water	750 water meters installed	Achieved	N/A	N/A	Completion certificate

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-2020	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
		access to services and ensure proper operations and maintenance	(MIS: 321576) by 30 September 2020.				meters at Ditlhake, Sonwabale, Diamantho ogte by 30 June 2021	project is complete				submitted
TL4	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Installation of 1 bulk water meter at Koffiefontein by 30 June 2021.	Number	Progress reports and completion certificate	0	1 bulk water meter installed at Koffiefontein by 31 March 2020/21	1 bulk water meter installed Project is complete	Achieved	N/A	N/A	Completion Certificate submitted
TL5	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Installation of 681 domestic water meters at Jacobsdal and Ratanang by 30 September 2020.	Number	Progress reports	0	681 domestic water meters installed at Jacobsdal and Ratanang by 31 December 2020	681 water meters installed project is complete	Achieved	N/A	N/A	Completion Certificate submitted
TL6	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations	Installation of 2 bulk water meters at Ratanang by 30 June 2021.	Number	Progress reports and completion certificate	0	2 bulk water meters installed at Ratanang by 30 June 2021	2 bulk water meters installed Project is complete	Achieved	None	None	Completion Certificate submitted

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-2020	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
		and maintenance											
TL7	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Installation of 250 domestic water meters at Relebohile by 30 September 2020.	Number	Progress reports	0	250 domestic water meters installed at Relebohile by 31 December 2020	250 water meters installed project is complete	Achieved	N/A	N/A	Completion Certificate submitted	
TL8	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Installation of 1 bulk water meter at Luckhoff by 30 June 2021.	Number	Progress reports	0	1 bulk water meter installed at Luckhoff by 30 June 2021	1 bulk water meter installed Project is complete	Achieved	None	None	Completion Certificate submitted	
TL9	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Installation of 150 domestic water meters at Bolokanang by 30 September 2020.	Number	Progress reports	0	150 domestic water meters installed at Bolokanang by 31 December 2020	150 water meters installed project is complete	Achieved	N/A	N/A	Completion Certificate submitted	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-2020	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL10	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Installation of 8 bulk water meters at Petrusburg (5) and Bolokanang (3) by 30 June 2021	Number	Progress reports and Completion certificate	0	8 bulk water meters installed at Petrusburg (5) and Bolokanang (3) by 31 March 2021	8 bulk water meters installed Project is complete	Achieved,	None	None	Completion Certificate submitted	
TL11	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	100 Percentage of construction of new pipeline from boreholes 14 & 15 at Petrusburg to reservoir at Bolokanang by 30 June 2021.	Percentage	Progress reports	0	100% Complete Construction of new pipelines from boreholes 14 & 15 in Petrusburg to reservoir at Bolokanang by 30 June 2021	95% achieved	Not achieved	The contractor still not completed the snag list	Project to be completed in the new financial year.	The project to be completed in the next financial year	
TL12	Basic Service delivery	Eradicate backlogs in order to improve access to services and	100 Percentage of upgrading and refurbishment of Sports Facility at Koffiefontein,	Percentage	Completion Certificate/Closure report	0	100% Complete Upgrading and refurbishment of Sports	Achieved	Achieved	None	None	Information submitted	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-2020	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
		ensure proper operations and maintenance	Ditlhake by 30 September 2020.				Facility at Koffiefontein, Ditlhake 30 September 2020					
TL13	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	100 houses electrified at Koffiefontein, Diamanthoogte by 30 June 2021.	Number	Completion certificate	0	100 houses electrified at Koffiefontein, Diamanthoogte by 30 June 2021	Achieved	Achieved	None	None	Information submitted
TL14	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	344 houses electrified at Jacobsdal, Riemvasmak by 30 June 2021.	Number	Progress report	0	344 houses electrified Jacobsdal, Riemvasmak by 2020/21 financial year	352 houses electrified.	Achieved	None	None	Information submitted
TL15	Basic Service delivery	Eradicate backlogs in order to improve access to	900 electrical meters replaced at Letsemeng municipal area,	Number	Meter replacement report	0	900 Electrical Meters replaced in the	101 Electrical meters replaced	Achieved	None	None	Information submitted

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-2020	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
		services and ensure proper operations and maintenance	Petrusburg (), by 31 March 2021.				Letsemeng municipal area by 2020/2021						
TL16	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	100 Percentage of the refurbishment of Water Treatment Works Filters at Koffiefontein by 31 December 2021.	Percentage	Completion Certificate/ Close out report	0	100% Completion of the Refurbishment of Water Treatment Works Filters at Koffiefontein by 31 March 2021	Project not complete	Not Achieved	There is more vandalism that was not covered in the original scope	Contractor on site to do portion of scope, LLM to complete outstanding work	None	
TL17	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of Section 79 Committee meetings held 2020/21 financial year	Number	Attendance registers, minutes of committee meetings and approved schedule of committee meetings	3	5 Section 79 Committee meetings held in the 2020/21 financial year	1 section 79 committee meeting held	Not achieved	Due to poor network coverage in some of the areas around Letsemeng in order to convene virtual meetings with the committee members.	The service provider need to upgrade the network towers.	The municipality need to intervene with the network service provider to address this challenge.	

COMMUNITY SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL18	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of Section 79 Committee meetings to be held in the 2020/21 financial year	Number	Attendance registers, minutes of committee meetings and approved schedule of committee meetings	3	5 Section 79 Committee meetings held in the 2020/21 financial year	Only 2 section 79 meetings held	Not Achieved	Due to poor network coverage in some of the areas around Letsemeng in order to convene virtual meetings with the committee members.	The service provider need to upgrade the network towers.	The municipality need to intervene with the network service provider to address this challenge.	
TL19	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	100 Percentage for the extension of Diamanthoogte Cemetery at Koffiefontein by 30 June 2021.	Percentage	Completion Certificate/Progress report	100%	100% Completion on the Extension of Diamanthoogte Cemetery, Koffiefontein by 30 June 2021	100% Achieved	Achieved	None	None	Completion certificate	

LOCAL ECONOMIC DEVELOPMENT

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL20	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	1 Local LED forum established in the municipality by 30 June 2021.	Number	TOR, Report of establishment and attendance register.	0	1 Local LED Forums Established in the municipality for the 2020/2021 financial year	No LED forum established	Not Achieved	Items were not included in the final agenda to council as only compliance items were accepted	KPIs will be included in the new financial year 2021-22	None
TL21	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	1 LED Strategy approved by Council by 30 June 2021.	Number	Strategy and Council resolution	0	1 LED Strategy approved by council for the 2020/21 financial year	No LED forum established	Not Achieved	Items were not included in the final agenda to council as only compliance items were accepted	KPIs will be included in the new financial year 2021-22	None
TL22	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	1 Commonage Policy approved by Council by 30 June 2021.	Number	Commonage policy and Council resolution	0	Completion Certificate/Progress report	No LED forum established	Not Achieved	Items were not included in the final agenda to council as only compliance items were accepted	KPIs will be included in the new financial year 2021-22	None

TL23	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	1 Business Licensing policy approved by Council, 30 June 2021.	Number	Business licence policy and Council resolution	0	Completion Certificate/Progress report	No LED forum established	Not Achieved	Items were not included in the final agenda to council as only compliance items were accepted	KPIs will be included in the new financial year 2021-22	None	
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MUNICIPAL MANAGER

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL24	Public participation and good governance	Efficient administration and good governance	% on the installation of surveillance Cameras for the municipal Stores Building at Koffiefontein	Percentage	Project Report/Close out report	0	100% Installed and Functional Cameras for the municipal Stores Building at Koffiefontein by 31	100% installation	Achieved	None	None	Evidence submitted

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
			by 31 December 2020				December 2020						
TL25	Public participation and good governance	To promote a culture of participatory and good governance	% on Re-cabling of the network infrastructure for Letsemeng Municipality Remote site offices by 30 June 2021	Percentage	Project Report/Close out report	0	100% Complete Re-cabled infrastructure for Letsemeng municipality Remote site offices, Petrusburg municipal offices, Jacobsdal municipal offices, Luckhoff municipal offices by 30 June 2021	No installation was done.	Not Achieved	None	Due to the Municipality's financial status the project couldn't start. The CFO has agreed that the project can be moved to the 2021/22 financial year.	Move the Project for the 2021/22 financial year	
TL26	Public participation and good governance	To promote a culture of participatory and good governance	% on the Installation of an uninterrupted power supply dedicated to the server room at Koffiefontein by 31 March 2021	Percentage	Delivery Report	0	100% Installed and Functional Power Supply dedicated to the server room at Koffiefontein by 31 March 2021	100% power supply 12 installed	Achieved	None	None	Delivery reports submitted	
TL27	Public participation and good governance	To promote a culture of participatory and good governance	% on the Installation of surveillance cameras for the Municipal Head Office at Koffiefontein by 30 June 2021	Percentage	Project Report/Close out report	0	100% Installed and Functional cameras for the Municipal Head Office at Koffiefontein by 30 June 2021	0% installation	Not Achieved	Due to the Municipality's financial status the project couldn't start. The CFO has agreed that the project can be moved to the 2021/22 financial year.	Move the Project for the 2021/22 financial year	The project should be moved to the next ensuing financial year.	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL28	Public participation and good governance	Efficient administration and good governance	% for Procurement of a bulk license for software(Microsoft Office, Windows, and others) by 2020/21 financial year	Percentage	Goods received note	100%	100% Acquisition of a bulk license for software(Microsoft Office, Windows, and others) by 2020/21 financial year	No procurement was done	Not Achieved	Procurement of the software was not possible due to financial constraints	None	None	
TL29	Public participation and good governance	To promote a culture of participatory and good governance	No. of Establishment of an ICT Steering Committee by 30 June 2021	Number	Appointment letters and Council resolution	0	1 Established ICT Steering Committee by 30 June 2021	No committee established	Not Achieved	ICT committee not established due to shift schedule made it difficult to have nominations.	Committee to be established in the new financial year	None	
TL30	Public participation and good governance	To promote a culture of participatory and good governance	No. of Workshops conducted on ICT Policies by 31 March 2021	Number	Attendance registers	0	1 Workshop conducted on ICT Policies by 2020/21 financial year	No workshop conducted	Not Achieved	Workshop could not be conducted due to covid-19	None	None	
TL31	Public participation and good governance	Efficient administration and good governance	No. of Municipal audit assignments conducted for the 2020/21 FY	Number	Internal Audit reports	11	15 Municipal Audit assignments conducted in the 2020/21 FY	12 audit conducted	Not Achieved	IA has conducted all the Audits for 2021 Annual Plan, It is just that some were performed late.	It will be correct going forward,	None	
TL32	Public participation and good governance	Efficient administration and good governance	No. of Municipal audit committee meetings held for the 2020/21 FY	Number	Attendance registers, resolution registers, IA reports, schedule of audit committee meetings.	3	6 Municipal Audit committee meetings held in the 2020/21 FY	3 audit committee meetings conducted	Not achieved	Due to late submission of information, this led to APC Meeting not conducted as planned.	It will be correct going forward,	None	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL33	Public participation and good governance	Efficient administration and good governance	No. of approved Municipal Audit Strategic documents for the 2021-22 financial year.	Number	Approved risk based audit plan (RBAP) (MFMA - Section 165(2) (a)) Approved Internal Audit Charter Approved Audit Committee Charter Approved Audit Methodology	4	4 Municipal audit strategic documents, risk based audit plan (RBAP) (MFMA - Section 165(2) (a)) Approved Internal Audit Charter Approved Audit Committee Charter Approved Audit Methodology approved by 2020/21 financial year	3 documents approved		IA has done and submitted to the APC Members some of the strategic document and some were considered and some were not. (The term of the APC Member has come to an end by 30 th June 2021, as a result we could not hold any meetings until their contracts were extended again)	It will be correct going forward,	None	
TL34	Public participation and good governance	Efficient administration and good governance	No. of Risk Committee Meetings held for the 2020/21 financial year	Number	Minutes of meeting and attendance registers	2	4 Risk Committee Meetings held in the 2020/21	4 risk committee meetings held	Achieved	None	None	Information submitted	
TL35	Public participation and good governance	To promote a culture of participatory and good governance	No. of Risk management strategic documents Approved by the Accounting Officer for the 2021/22 Financial year	Number	Approved Risk management policy Approved Risk management strategy Approved anti-fraud and	7	7 Risk management strategic documents Approved by the Accounting Officer in the 2020/21 Financial year	Not Achieved	Not achieved	The Audit Committee members and DCogta advised that policies must first be workshopped to employees prior to their approval. The municipality is currently working under stringent lockdown restriction and this have	Based on consultations with CFO, it was decided that the workshops be postponed until further notice.	None	

Ref	KPA	Strategic Objective	KPI	Unit of Measure	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
					corruption policy Approved anti-fraud and corruption strategy Approved Risk committee charter Approved risk management implementation plan Approved and signed off strategic and operational risk register					hampered our means to workshop the strategic documents to employees.		
TL36	Public participation and good governance	To promote a culture of participatory and good governance	No. of RM reports compiled in the 2020/21 financial year	Number	Approved report:-	3	3 Compiled and approved RM reports In the 2020/21 Financial year	2 reports compiled	Not achieved	Report and been compiled but not yet presented to the Risk Committee. At this stage the report remains a draft	Until approved by the Risk Committee.	None
TL37	Public participation and good governance	To promote a culture of participatory and good governance	No. of Risk and fraud Awareness workshops conducted to inculcate a culture of Risk Management in the 2020/21 financial year	Number	Attendance registers of workshop conducted.	1	1 Risk and fraud Awareness workshop conducted by 30 September 2020	No workshop conducted	Not achieved	Workshop could not be conducted due to covid	None	None

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL38	Public participation and good governance	To promote a culture of participatory and good governance	No. of risk assessments facilitated quarterly per department in the 2020/21 financial year	Number	Attendance registers of risk assessments conducted per department, per quarter-and updated risk registers per department, per quarter.	3	4 Risk assessments facilitated quarterly per department in the 2020/21 financial year	4 risk assessment facilitated	Achieved	None	None	Information submitted
TL39	Public participation and good governance	To promote a culture of participatory and good governance	No. of Municipal Process plans approved by Council for 2020/21 Financial year by 30 September 2020	Number	Approved process plan and Council resolution	1	1 Approved Municipal process plan for the 2020/21 financial year by 30 September 2020	1 Process plan approved	Achieved	None	None	Information submitted
TL40	Public participation and good governance	To promote a culture of participatory and good governance	No. of approved 2020/2021 IDP and related sector plans submitted to Council in the 2020/21 financial year	Number	IDP and Council resolution	1	1 approved IDP and related sector plans for the 2020/21 financial year by Council	1 Approved IDP	Achieved	None	None	Soft copy available

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL41	Public participation and good governance	To promote a culture of participatory and good governance	No. of integrated Development Plan Community Representative forums held in the 2020/21 financial year	Number	Report of the IDP Rep forum, attendance register	0	3 integrated Development Plan Community Representative forums held for the 2020/21 financial year	No Representative forum meetings held	Not Achieved	Workshop could not be conducted due to covid-19	The municipality need to introduce new mechanisms to conduct public participation programmes virtually	Virtual meeting need done to convene meetings	
TL42	Public participation and good governance	To promote a culture of participatory and good governance	No. of draft Integrated Development Plan(IDP) tabled in Council for the 2020/21 financial year	Number	2020/21 Draft IDP and Council resolution	1	1 Draft Integrated Development Plan(IDP) tabled in Council by 31 March 2021	1 adopted IDP	Achieved	None	None	Soft copy available	
TL43	Public participation and good governance	To promote a culture of participatory and good governance	No. of credible and legally complaint Integrated Development Plan submitted to Council for approval in the 2020/21 financial year	Number	Approved IDP 2020/21 and Council resolution	1	1 credible and legally complaint Integrated Development Plan submitted to Council for approval by 30 June 2021	1 Approved IDP	Achieved	None	None	Soft copy available	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL44	Public participation and good governance	To promote a culture of participatory and good governance	No. of approved SDBIP's in the 2020/21 financial year within 28 days by the Mayor	Number	Approved SDBIP2020 /21	1	1 Approved SDBIP	1 Approved	Achieved	None	None	Soft copy available
TL45	Public participation and good governance	To promote a culture of participatory and good governance	No. of 2020/21 financial year SDBIP's published on the website, notice boards and libraries within 14days after approval of the Mayor by 30 September 2020	Number	screen dump for publication on website	1	1 2020/21 financial year SDBIP published on the website, notice boards and libraries within 14days after approval of the Mayor by 30 September 2020	1 published SDBIP	Achieved	None	None	Information submitted
TL46	Public participation and good governance	To promote a culture of participatory and good governance	No. of SDBIP's submitted to Cogta, PT and NT for the 2020/21 financial year	Number	Proof of submission	1	1 SDBIP submitted to Cogta, PT and NT for the 2020/21 financial year by 30 September 2021	Achieved	Achieved	None	None	Information submitted
TL47	Public participation and good governance	To promote a culture of participatory and good governance	No. of Performance Agreements developed and signed by relevant officials for	Number	Signed performance agreements	5	5 Performance Agreements for the 2020/21 financial year	Achieved	Achieved	None	None	POE available

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
			the 2020/21 financial year				developed and signed by relevant officials by 30 September 2020					
TL48	Public participation and good governance	To promote a culture of participatory and good governance	No. of performance agreements submitted to the department of Cogta for the 2020/21 by 30 September 2020	Number	Proof of submission	5	5 performance agreements submitted to the department of Cogta for the 2020/21 by 30 September 2020	Achieved	Achieved	None	None	Information submitted
TL49	Public participation and good governance	To promote a culture of participatory and good governance	No. of Quarterly Performance Reports developed and submitted to Council in the 2020/21 financial year	Number	Performance reports and council resolution	4	4 Quarterly Performance Reports developed and submitted to Council in the 2020/21 financial year by 30 June 2021	4 performance reports	Achieved	Achieved	None	Soft copy available
TL50	Public participation and good governance	To promote a culture of participatory and good governance	No. of Annual Performance Reports for 2019/20 financial year submitted to AGSA in the	Number	Annual Performance Report and proof of submission.	1	1 Annual Performance Report for 2019/20 financial year submitted to AGSA in the	1 APR submitted to AG	Achieved	Achieved	None	Soft copy available

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
			2020/21 financial year by 30 September 2020				2020/21 financial year by 30 September 2020						
TL51	Public participation and good governance	To promote a culture of participatory and good governance	No. of Draft Annual Reports for 2019/20 financial year submitted to Council in the 2020/21 financial year by 31 March 2021	Number	Draft Annual Report and proof of submission.	1	1 Draft Annual Report for 2019/20 financial year submitted to Council in the 2020/21 financial year by 31 March 2021	1 Annual Report submitted to Council 4 June 2020	Achieved	Non-compliance	Management ensure adherence in terms of legislated date	The Annual Report 2019/20 was prepared and tabled before council in June 2021	
TL52	Public participation and good governance	To promote a culture of participatory and good governance	No. of approved Oversight Reports and Final Annual Reports for the 2019/20 financial year submitted to NT, PT and FS Legislature in the 2020/21 financial year	Number	Council Resolution, Oversight Report and proof of submission to NT, PT and Legislature	0	1 Approved Oversight Report and Final Annual Report for the 2019/20 financial year submitted to NT, PT and FS Legislature in the 2020/21 financial year by 2020/21 financial year	No oversight report	Not Achieved	MPAC is established. However, not functional	MPAC meeting to be convened according to the approved schedule of meetings	The MPAC need to adhere to the approved schedule of meetings	
TL53	Public participation	To promote a culture of participatory	No. of Bid committee members	Number	Proof of appointment letters	13	13 Bid committee members	13 members appointed	Achieved	None	None	Information	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
	and good governance	and good governance	appointed by the Municipal Manager in the 2020/21 financial year				appointed by the Municipal Manager in the 2020/21 financial year by 30 September 2020					submitted	
TL54	Public participation and good governance	To promote a culture of participatory and good governance	No. of approved PMS Policies in the 2020/21 financial year	Number	Approved PMS Policy and Council Resolution	1	1 Approved PMS Policy in the 2020/21 financial year by 30 June 2021	Policy not yet approved	Not achieved	The PMS Policy could not be workshopped	Employees need to be workshopped to solicit inputs before tabling to council	PMS Unit need to follow-up on the review of the PMS Policy	
TL55	Public participation and good governance	To promote a culture of participatory and good governance	No. of reviewed Communication Strategy approved by Council in the 2020/21 financial year	Number	Approved Communication Strategy and Council resolution	0	1 Reviewed Communication Strategy approved by Council in the 2020/21 financial year by 31 December 2020	Strategy not yet approved	Not achieved	The Communication Strategy could not be workshopped	Employees need to be workshopped to solicit inputs before tabling to council	PMS Unit need to follow-up on the review of the Communication Strategy	
TL56	Public participation and good governance	To promote a culture of participatory and good governance	No. of Local Communicators forum meetings held in the 2020/21 financial year	Number	Invitations, attendance register and minutes	1	2 Local Communicators forum meetings held in the 2020/21 financial year	No meetings held	Not achieved	Due to poor network coverage in some of the areas around Letsemeng in order to convene virtual meetings with the members of the communication forum	The service provider need to upgrade the network towers.	The municipality need to intervene with the	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL57	Public participation and good governance	To promote a culture of participatory and good governance	No. of Press release on Council resolutions in the 2019/20 financial year	Number	Screen shots from official Facebook page; press release to print media	0	4 Press release on Council resolutions in the 2019/20 financial year	No council resolutions publicised	Not achieved	Due to poor network coverage in some of the areas around Letsemeng in order to convene virtual meetings with the council members.	The service provider need to upgrade the network towers.	The municipality need to intervene with the network service provider to address this challenge.

CORPORATE SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL58	Municipal Transformation and	An effective administration	No. of Ordinary Council meetings of the	Number	Attendance registers and Council	2	4 Ordinary Council meetings of the	1 Ordinary meeting held	Not achieved	Due to poor network coverage in some of the	The service provider need to upgrade the	The municipality

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
	Institutional Development	n capable of sustainable service delivery	municipality held in the 2020/21 financial year		minutes, approved schedule of Council meetings		municipality held in the 2020/21 financial year			areas around Letsemeng in order to convene virtual meetings (Ordinary) with the council members.	network towers.	y need to intervene with the network service provider to address this challenge.
TL59	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	No. of the Municipal LLF meetings held in the 2020/21 financial year	Number	Attendance registers, minutes of LLF meetings and approved schedule of LLF meetings	0	2 LLF meetings held in the 2020/21 financial year	1 LLF meeting held	Not achieved	Due to poor network coverage in some of the areas around Letsemeng in order to convene virtual meetings with the forum members.	The service provider need to upgrade the network towers.	The municipality need to intervene with the network service provider to address this challenge.
TL60	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	No. of Occupational Health and Safety Committee meetings to be held in the 2020/21 financial year	Number	Attendance registers, minutes of committee meetings and approved schedule of committee meetings	0	4 Occupational Health and Safety Committee meetings to be held in the 2020/21 financial year	No committee meetings held	Not achieved	Due to poor network coverage in some of the areas around Letsemeng in order to convene virtual meetings with the committee members.	The service provider need to upgrade the network towers.	The municipality need to intervene with the network service provider to address this challenge.
TL61	Municipal Transformation and Institutional Development	Efficient administration and good governance	No. of adopted By-laws by Council in the 2020/21 financial year	Number	Attendance registers of public consultations and approved by-laws, Council resolution.	0	6 adopted By-laws by Council in the 2020/21 financial year	No by-laws for the financial year under review	Not achieved	Due to poor network coverage in some of the areas around Letsemeng in order to convene virtual meetings for public consultations.	The service provider need to upgrade the network towers.	The municipality need to intervene with the network service provider to

Ref	KPA	Strategic Objective	KPI	Unit of Measure	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
												address this challenge.
TL62	Municipal Transformation and Institutional Development	Efficient administration and good governance	No. of progress reports on the Municipal Council resolutions submitted to Council in the 2020/21 financial year	Number	Resolution register and Council resolution.	4	4 progress reports on the Municipal Council resolutions submitted to Council in the 2020/21 financial year	1 Progress report	Not achieved	Mostly, special council meetings were convened in the financial year	None	None
TL63	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	No. of the Municipal Reviewed Organizational Structure approved by Council in the 2020/21 financial year	Number	Council resolution and organisational structure.	1	1 Municipal Reviewed Organizational Structure approved by Council in the 2020/21 financial year	1 structure approved	Achieved	None	None	Information submitted
TL64	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	No. of WSP developed and submitted to LGSETA by 30 June 2021	Number	WSP and proof of submission to LGSETA	1	1 WSP developed and submitted to LGSETA by 30 June 2021	1 WSP	Achieved	None	None	Information submitted
TL65	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	No. of Municipality EE Plan compiled and submitted to DOL by	Number	EE plan and proof of submission to DOL	1	1 Municipality EE Plan compiled and submitted to DOL by 31 March 2021	EE plan compiled	Achieved	None	None	Information submitted

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
			2020/21 financial year									
TL66	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	No. of Customer Care Policy developed and approved by Council in the 2020/21 financial year	Number	Approved Customer care policy, Service Charter and Council resolution	0	1 Customer Care Policy developed and approved by Council in the 2020/21 financial year	Not achieved	not achieved	Employees must be workshopped before it is approved by Council and must be submitted to section 79 committee	Workshop will be conducted in the New Financial year	None
TL67	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	No. of PPE procured for municipal employees in the 2020/21 financial year	Number	Goods received notes	0	280 PPE procured for municipal employees in the 2020/21 financial year	Not achieved	Not achieved	None	None	None
TL68	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	No. of HR related policies reviewed and approved by Council 30 June 2021	Number	Integrated HR policy manual and the Council resolution	1	1 Integrated HR related policies reviewed and approved by Council 30 June 2021	1 Approved IHR policy	Achieved	None	None	Information submitted
TL69	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	No. of updates on the strategic risk register in the 2020/2021 financial year	Number	Reports implementation of risk mitigating plans and evidence.	3	4 updated reports on the strategic risk register for the 2020/2021 financial year	4 reports	Achieved	None	None	Information submitted
TL70	Municipal Transformation and	An effective administration capable of	No. of Section 79 Committee meetings to be	Number	Attendance registers, minutes of	2	5 Section 79 Committee meetings held	1 section committee meeting held	Not achieved	Due to poor network coverage in some of the areas around Letsemeng in	The service provider need to upgrade the	The municipality need to

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
	Institutional Development	sustainable service delivery	held in the 2020/21 financial year		committee meetings and approved schedule of committee meetings		in the 2020/21 financial year			order to convene virtual meetings with the committee members.	network towers.	intervene with the network service provider to address this challenge.

FINANCIAL SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL71	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	No. of updates on the approved valuation Roll for the 2020/21 financial year	Number	Supplementary valuation roll certified by the Accounting Officer	1	1 Updated and approved valuation Roll for the 2020/21 financial year	1 Supplementary roll	Achieved	None	None	Information submitted
TL72	Financial Viability and Management	Efficient administration	No. of indigent households registered in all	Number	Indigent register and indigent forms	1722	2100 indigent households registered in all	1700 registered indigents	Not achieved	Due to covid-pandemic	Councillors to encourage	None

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
		and good governance	6 Wards for the 2020/21 financial year				6 Wards for the 2020/21 financial year				e communities to apply for indigent subsidies in all towns		
TL73	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	No. of GRAP compliant asset Register updates in the 2020/21 financial year	Number	Quarterly updates on the asset register	4	4 GRAP compliant asset Register updated in the 2020/21 financial year	4 asset management reports	Achieved	None	None	Information submitted	
TL74	Financial Viability and Management	Efficient administration and good governance	No of Budget related policies reviewed and adopted by Council for the 2020/21 financial year	Number	(1 Approved policy manual, including procurement plan) and Council resolution	1	1 Approved policy manual, including procurement plan) for the 2020/21 financial year	No manual tabled to council	Not achieved	The budget related policies could not be workshopped	Policy to be workshopped and tabled before council in the next ensuing financial year	PMS Unit need to follow-up on the review of the budget related policies	
TL75	Financial viability and management	To improve overall financial management	No. of Section 72 reports submitted to the PT, NT and	Number	Section 72 reports and proof of submission to	1	Section 72 report submitted to the PT, NT and	1 Section 72 report	Achieved	None	None	Soft copy available	

Ref	KPA	Strategic Objective	KPI	Unit of Measure	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
		in the municipality by developing and implementing appropriate financial management policies, procedures and systems	the Mayor on or before the 25 th of January 2020 for the 2020/21 financial year		PT, NT and the Mayor		the Mayor on or before the 25 th of January 2020 for the 2020/21 financial year						
TL76	Financial Viability and Management	Efficient administration and good governance	No. of Section 52d reports submitted to Council within 30 days after end of each quarter for the 2020/21 financial year	Number	Section 52d reports and Council resolution	1	3 Section 52d reports submitted to Council within 30 days after end of each quarter for the 2020/21 financial year	3 section 52d reports	Achieved	None	None	Information submitted	
TL77	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	No. of Section 66 reports submitted to Council per quarter in the 2020/21 financial year	Number	Section 66 reports and Council resolution	12	12 Section 66 reports submitted to Council per quarter in the 2020/21 financial year	12 sec 66 reports	Achieved	None	None	Information submitted	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL78	Financial Viability and Management	Efficient administration and good governance	No. of Section 70 reports submitted to Council per quarter in the 2020/21	Number	Section 70 reports and Council resolution	0	2 Section 70 reports submitted to Council per quarter in the 2020/21	2 sec 70 reports	Achieved	None	None	Information submitted	
TL79	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	No. of Section 71 reports submitted to the Mayor, PT and NT within 10 days after the end of the month in the 2020/21 financial year	Number	Section 71 reports and proof of submission	12	12 Section 71 reports submitted to the Mayor, PT and NT within 10 days after the end of the month in the 2020/21 financial year	12 reports	Achieved	Achieved	None	Information submitted	
TL80	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies,	No. of MFMA compliant AFS submitted to the AGSA on or before 31 August 2020 in the 2020/21 financial year	Number	AFS and proof of submission	1	1 MFMA compliant AFS submitted to the AGSA on or before 31 August 2020 for the 2020/21 financial year	1 AFS submitted	Achieved	Achieved	None	Soft copy available	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
		procedures and systems											
TL81	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	No. of SCM implementation reports submitted to the Mayor and PT in the 2020/21 financial year	Number	SCM reports and proof of submission	4	4 SCM implementation reports submitted to the Mayor and PT in the 2020/21 financial year	4 implementation reports	Achieved	Achieved	None	Information submitted	
TL82	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	No. of SCM deviations reports submitted to Council in the 2020/21 financial year	Number	Deviations register and Council resolution	3	4 SCM deviations reports submitted to Council in the 2020/21 financial year	Not achieved	Not achieved	Reports could not be submitted, only special council meeting were held	SCM to ensure compliance is adhere to	Deviation report be considered by the municipal council even during special council meetings	
TL83	Financial viability and management	To improve overall financial management in the municipality	No. of Contracts Above R100 000.00 published on the municipal	Number	Proof of website uploads (website screenshots	43	45 Contracts Above R100 000.00 published on the municipal website for the	Publications done	Achieved	None	None	Information submitted	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
		by developing and implementing appropriate financial management policies, procedures and systems	website in the 2020/21 financial year		and document upload register		2020/21 financial year						
TL84	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	No. of billing reports signed off by the CFO in the 2020/21 financial year	Number	Pre-billing reports	12	12 pre-billing reports signed off by the CFO for the 2020/21 financial year	12 signed report	Achieved	None	None	Information submitted	
TL85	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies,	No. of reports on faulty electricity and water meters submitted to Technical department in the 2020/21 financial year	Number	Proof of submission to Technical department	0	12 reports on faulty electricity and water meters submitted to Technical department for the 2020/21 financial year	No reports submitted	Not achieved	None	None	The municipality has managed to employ additional meter readers to assist the municipality	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2019-20	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
		procedures and systems											

Table 23: Employees Water Service

Employees: Water Services					
Job Level	2019-20	2020-21			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 – 3	0	0	0	0	0%
4 – 6	11	20	11	9	45%
7 – 9	2	0	2	0	0%
10 – 12	0	0	0	0	0%
Total	13	20	13	2	40%

Table 24: Financial Performance Water Service

Financial Performance : Water Services					
R'000					
Details	2019-20	2020-21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	7604	8576	8576	10055	-1479
Expenditure:					
Employees	2711	4480	5321	3917	1404
Repairs and Maintenance	2115	300	0	0	0
Other	2409	150	150	691	-541
Total Operational Expenditure	7235	4930	5471	4608	863
Net Operational Expenditure	369	3646	3105	-5447	-2342

Table 25: Capital Expenditure Water Service

Capital Expenditure 2020-21 Water Services					
Capital Projects	2020-21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All				0	
Project A: Upgrading of Jacobsdal Water Treatment Works	R12,293,390.62	0	R12,293,390.62	0	76 000 000
Refurbish & Equipping of Boreholes And Connect Into the Existing Water Supply Scheme in Petrusburg	R 12,789,790.75	0	R12,101,107.27	888,683.48	13 800 000
Koffiefontein/Ditlhake/Diamanthoogte: Installation of 340 new domestic water meters and refurbishment of 432 domestic water meters (MIS:321576)	2,688,403.52	0	2,688,403.52	0	2,688,403.52
Jacobsdal/Ratanang: Installation of 232 new domestic water meters, bulk water meters, 296 refurbishment of domestic meters (MIS:321605)	1,441,949.71	0	1,441,949.71	0	1,441,949.71
Luckhoff/Relebohile: Installation of 308 new domestic water meters and refurbishment of 46 domestic water meters (MIS:321628)	951,554.25	0	951,554.25	0	951,554.25
Petrusburg/Bolokanang: Installation of 231 domestic water meters and refurbishment of 134 domestic water meters (MIS:321618)	498,638.24	0	498,638.24	0	498,638.24

6.3.1 COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The Department of Water & Sanitation has been the main source of funds for upgrading the WTW's, even though progress has been made by completing Jacobsdal WTW, it has not yet made an immediate impact to all communities, however, the following are Municipality Interventions: Construction of the 5Ml Reservoir in Oppermansgronde catered for additional Raw Water storage for Koffiefontein and Oppermansgronde. The municipality currently is busy augmenting water supply in Petrusburg by refurbishing and equipping 13 boreholes and also construction of 3km pipeline connecting 2 boreholes to water supply scheme, this will act as additional water supply for Petrusburg.

All the future projects will be based on upgrading and looking for alternative surface water from other available sources. This will be a long-term solution since Petrusburg does not have any alternative water source except the

ground water. The Department of Water and Sanitation is conducting a feasibility study for an alternative water source in Petrusburg.

6.4. WASTE WATER (SANITATION) PROVISION

6.4.1 INTRODUCTION TO SANITATION PROVISION

LLM is a Water Service Authority (WSA) and a Water Service Provider, this means that LLM has a responsibility to authorise water & sanitation usage and also provide the services, it is the role of the Municipality to provide acceptable form of sanitation. Through programmes like Accelerated Community Infrastructure Programme (ACIP), Municipal Infrastructure Grant (MIG) and Municipal Water Infrastructure Grant (MWIG), LLM has been engaged in a number of projects upgrading and refurbishing the WWTW and the Sewer pump stations.

There is however prolonged challenges within the municipality that requires long term redress like the bucket toilets and the vandalism & theft of pumps and cables in the pump stations. This problem persisted for more than 5 years without a proper redress, the LLM always fixed the stolen and damaged goods out of its own funds. In some cases there would be spillages in to the river for months because of the above said challenge. The Koffiefontein WWTW has not been fully operational due to lack of maintenance and the stolen cables, pumps & motors. A project for refurbishment was registered with ACIP and it was able to get the plant to 90% operational.

One of the major challenges as outlined in the Sewer Master Plan is the location of the plant. It is indicated that the plant requires 80% of the sewer to be pumped upstream where the current plant is. A new conventional plant should be located at an area lower than the existing and the future planned settlements, which will eliminate all the current pump stations from the system.

Table 26: Sanitation Service Delivery

*Households				
Description			2019/20	2020/21
			Outcome No.	Actual No.
<u>Sanitation/sewerage: (above minimum level)</u>				
Flush toilet (connected to sewerage)			8 021	8021
Flush toilet (with septic tank)			250	250
Chemical toilet			0	0
Pit toilet (ventilated)			354	354
Other toilet provisions (above min. service level)				
<i>Minimum Service Level and Above sub-total</i>			8 625	8 625
<i>Minimum Service Level and Above Percentage</i>			90.6%	90.6%
<u>Sanitation/sewerage: (below minimum level)</u>				
Bucket toilet			452	452
Other toilet provisions (below min. service level)			443	443

No toilet provisions				
<i>Below Minimum Service Level sub-total</i>			895	895
<i>Below Minimum Service Level Percentage</i>			9.4%	9.4%
Total households			9 520	9 520
*Total number of households including informal settlements				<i>T 3.2.3</i>

Table 27: Sanitation Service Delivery Levels below the minimum

				Households
Description			2019/20	2020/21
			Actual No.	Actual No.
Formal Settlements				
Total households			8 625	8 625
Households below minimum service level			202	202
Proportion of households below minimum service level			2%	2%
Informal Settlements				
Total households			480	493
Households below minimum service level			480	493
Proportion of households below minimum service level			100%	100%
				<i>T 3.2.4</i>

*Households				
Description			2019/20	2020/21
			Outcome No.	Actual No.
<u>Sanitation/sewerage: (above minimum level)</u>				
Flush toilet (connected to sewerage)			8 021	8 021
Flush toilet (with septic tank)			250	250
Chemical toilet			0	0
Pit toilet (ventilated)			354	354
Other toilet provisions (above min. service level)				
<i>Minimum Service Level and Above sub-total</i>			8 625	8 625
<i>Minimum Service Level and Above Percentage</i>			90.6%	90.6%
<u>Sanitation/sewerage: (below minimum level)</u>				
Bucket toilet			452	452
Other toilet provisions (below min. service level)			443	443
No toilet provisions				
<i>Below Minimum Service Level sub-total</i>			895	895
<i>Below Minimum Service Level Percentage</i>			9.4%	9.4%
Total households			9 520	9 520
*Total number of households including informal settlements				<i>T 3.2.3</i>

Table 28: Employees: Sanitation Service

Employees: Sanitation Services					
Job Level	2019-20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0%
4 – 6	1	1	1	0	0%
7 – 9	0	0	0	0	0%
10 - 12	16	16	16	0	0%
Total	17	17	17	0	0%
T 3.2.7					

Table 29: Financial Performance 2019/20: Sanitation Service

Financial Performance : Sanitation Services					
R'000					
Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	10659	10348	9416	9180	-1644
Expenditure:					
Employees	0	0	0	0	0
Repairs and Maintenance	2495	0	0	0	0
Other	814	400	1806	155	1651
Total Operational Expenditure	3309	400	1806	155	1651
Net Operational Expenditure	7350	400	1806	155	1651
T 3.2.8					

Table 30: Capital Expenditure 2020/21: Sanitation Service

Capital Expenditure 2020/21: Sanitation Services					
R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Jacobsdal/Ratanang: Construction of waterbourne Sanitation for 202 stands IS:272657)	200,344.37	0	200,344.37	0	10,331,338.98
Petrusburg: Refurbishment of waste water treatment works (MIS:325185)	363,234.19	0	0	0	8,111,686.00
					T 3.2.9

6.4.2 COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

LLM has not been compliant with the required legislative Water Acts for various reasons, including continuous spillages into the river, in-compliant final effluent from plants and many other areas. Ensuring Security availability at all the WWTW will guarantee continued reliable sanitation to the LLM constituencies and ensure compliance with the required laws and acts. The municipality has refurbished four sewer pump stations in Koffiefontein, and the pump stations are monitored and maintained by the water and sanitation teams.

Inadequate operation and maintenance budget also impact the poor service experience, resulting in pump stations not having attendants at all times, shortage of process controllers at WWTW. If this aspect can be addressed or prioritized, the municipality can experience a positive change in attitude by the consumers regarding revenue collection and other positive outcomes.

6.5. ELECTRICITY

6.5.1 INTRODUCTION TO ELECTRICITY

LLM shares the supply of electricity with Eskom within the municipality; there is about 50% for LLM and 50% for Eskom; LLM has secured and retained three electrical personnel. LLM has strategic documents like the Electrical Master Plan, Operations and Maintenance plan that should be submitted to Council for approval

One most significant challenge in the LLM supply area is the ageing and dilapidated infrastructure, requiring maintenance from time to time. Department of Mineral Resources and Energy allocated R5.2 million to upgrade and refurbish the main substation and bulk feeder lines. LLM has completed the project and is fully operational. Even though LLM is struggling with ageing infrastructure, it always makes sure that there is electricity available at all times. Some shutdowns were experienced during this year. However, they were attended to immediately.

Challenges are experienced with meters tampered with; however, the municipality has embarked on a systematic field assessment looking for irregular connections, damaged consumption meters and unmetered consumers. The shortage of vehicles is also a challenge in this regard. The frequent theft and vandalism of equipment and cables also negatively impacted the financial and operational effectiveness of the section because materials and equipment stolen must be replaced as soon as possible.

Besides, the network's damage extends much further than only the piece of cable or equipment that was damaged and, in some cases, requires specialised repairs. Vandalism and cable theft also pose a danger to the community and the culprits stealing the equipment due to exposed live conductor and consequent dangerous situations.

The constraints mentioned above all negatively impacted service delivery due to an additional workload. Unproductive standing time, the long waiting period for spares and equipment, limited preventative maintenance, and unnecessary and avoidable damage to the infrastructure.

Table 31: Electricity Service Delivery Levels

Electricity Service Delivery Levels					Households
Description				2019/20 Actual No.	2020/21 Actual No.
Energy: (above minimum level)					
Electricity (at least min.service level)				8369	8369
Electricity - prepaid (min.service level)					
<i>Minimum Service Level and Above sub-total</i>				8369	8369
<i>Minimum Service Level and Above Percentage</i>				100.0%	100.0%
Energy: (below minimum level)					
Electricity (< min.service level)				–	–
Electricity - prepaid (< min. service level)					
Other energy sources					
<i>Below Minimum Service Level sub-total</i>				–	–
<i>Below Minimum Service Level Percentage</i>				0.0%	0.0%
Total number of households				8369	8369
					<i>T 3.3.3</i>

Table 32: Households - Electricity Service Delivery Levels below the minimum

Households - Electricity Service Delivery Levels below the minimum					Households
Description				2019/20 Actual No.	2020/21 Actual No.
Formal Settlements					
Total households				8369	8369
Households below minimum service level				0	0
Proportion of households below minimum service level				0%	0%
Informal Settlements					
Total households				0	0
Households below minimum service level				0	0
Proportion of households below minimum service level				0%	0%
					<i>T 3.3.4</i>

Table 173: Employees: Electricity Services

Employees: Electricity Services					
Job Level	2019/2020	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	6	5	1	16.67%
4 - 6	0	0	0	0	0%
7 - 9	3	3	3	0	0%

10 - 12	0	0	0	0	0%
Total	8	9	8	1	11.11%

T 3.3.6

Table 34: Financial Performance: Electricity Services

Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	17604	21955	23990	1391	22599
Expenditure:	4742				
Employees	114	3281	5000	2319	2681
Repairs and Maintenance	30403	80	0	0	0
Other	35259	22614	22550	2318	20232
Total Operational Expenditure	-17655	25975	27550	4637	22913
Net Operational Expenditure	-51	-4020	-3560	-3246	-314

Table 35: Capital Expenditure: Electricity Services

Capital Expenditure 2020/21					
R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Project A: Construction of 500KVA, 22KV, 40m Bulk Supply Point/Jacobsdal	890 000	0	890 000	0	890 000
Project B: Electrification of 344 Households Connections in Ratanang/Jacobsdal P1	6 956 660.30	0	6 956 660.30	0	6 956 660.30
Project C: Electrification of 100 Househods Connections in Diamanthoogte P1	1 700 000	0	1 700 000	0	1 700 000

T 3.3.8

6.5.7. COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL

LLM has successfully completed the Upgrading of Koffiefontein Substation and bulk feeder lines project, Electrification of 492 households connections was completed throughout Letsemeng Vicinity. Letsemeng has improved reliability, safety and quality of power supply. Long term plans will be included in the next IDP for the implementation of these projects. LLM has prioritized the following projects to address backlogs and infrastructure challenges for the current financial year 2020/21:

- ❖ Electrification of 252 sites in Koffiefontein (152)households for Phase 2)
- ❖ Electrification of 194 household connection in Jacobsdal Ratanang
- ❖ Enhance power supply and increase capacity
- ❖ Replacement of existing meters with split meters revenue enhancement and reduction of losses

6.6. WASTE MANAGEMENT

6.6.1 INTRODUCTION TO WASTE MANAGEMENT

Waste Management is a core function of local government and a basic service delivered by Letsemeng Municipality. It is also a major generator of revenue for the municipality and therefor the Municipality has to put mechanisms in place to deliver this service on a sustainable basis in the most cost-effective way. Section 11.4 of the Waste Act (59 of 2008) requires local municipalities to Develop Integrated Waste Management Plans. The IWMP of Letsemeng Municipality was adopted in 2015 and serves as an effective institutional framework for the following purpose:

- Pollution and waste minimization;
- Impact management and remediation;
- Holistic and integrated planning with the intention to develop mechanisms to ensure that integrated pollution and waste management considerations are integrated into the development of government policies, strategies and programmes; and

Table 36: Solid Waste Service Delivery Levels

Solid Waste Service Delivery Levels				
Description			2019 /20	Households 2020 /21
			Actual No.	Actual No.
<i>Solid Waste Removal: (Minimum level)</i>				
Removed at least once a week			8369	8369
<i>Minimum Service Level and Above sub-total</i>			8369	8369
<i>Minimum Service Level and Above percentage</i>			100.0%	100.0%
<i>Solid Waste Removal: (Below minimum level)</i>				
Removed less frequently than once a week			0	0
Using communal refuse dump			0	0
Using own refuse dump			0	0
Other rubbish disposal			0	0
No rubbish disposal			0	0
<i>Below Minimum Service Level sub-total</i>			0	0

<i>Below Minimum Service Level percentage</i>		0.0%	0.0%	0.0%
Total number of households		9 319	8369	8369
<i>T 3.4.2</i>				

Table 37: Households - Solid Waste Service Delivery Levels

Households - Solid Waste Service Delivery Levels below the minimum				
Description			2019/20	Households
			Actual No.	2020/21 Actual No.
Formal Settlements				
Total households			8369	8369
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0%
Informal Settlements				
Total households			0	0
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0%
<i>T 3.4.3</i>				

Table 38: Employee: Waste Management Services

Employees: Waste Management Services					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
7 - 9	0				100%
10 - 12	6				%
13 - 15	5				0%
Total	11				15%
<i>T 3.4.5</i>					

Table 39: Employee: Waste Disposal and other services

Employees: Waste Management Services					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	1	0	1	100%
13 - 15	34	34	34	0	0%
Total	34	35	34	1	2.9%
<i>T 3.4.5</i>					

Table 40: Financial Performance 2019/20: Waste Management Services

Financial Performance 2020/21: Waste Management Services					
R'000					
Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	10175				
Expenditure:					
Employees	370				
Repairs and Maintenance	3376				
Other	1321				
Total Operational Expenditure	5067				
Net Operational Expenditure	5108				
T 3.4.7					

Table 41: Capital Expenditure: Waste Management Services

Capital Expenditure 2020/21: Waste Management Services					
R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No projects for the financial year					

6.6.4. COMMENT ON THE OVERALL PERFORMANCE OF WASTE MANAGEMENT SERVICES

The municipality is having a shortage of waste management personnel and equipment

6.7. HOUSING

6.7.1 INTRODUCTION TO HOUSING

The biggest challenge is that the demand for housing grows annually out of proportion in correlation with the funding resources that are available. With budgetary constraints it is difficult to install bulk services and infrastructure for housing development and the construction of top structures.

Some of the other fundamental challenges that influence housing delivery in Letsemeng Municipality include:

- Inadequate funding allocations for human settlement development;
- Limited availability of suitable land;
- Inadequate capacity of existing bulk infrastructure;
- Lengthy environmental and other statutory approval processes; and
- Alignment of identified pipeline projects
- **Allocated sites**

Town	Status
Ditlhake	Five creaches site allocated
Ditlhake	7 business site allocated
Ratanang	1 business site allocated
Luckhoff	1 residential site confirmed and allocated
Jacobsdal	12 residential site confirmed and allocated
Bolokanang	12 residential site confirmed and allocated
Ditlhake	37 residential site confirmed and allocated

Table 42: Households - Access to basic housing

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2020/21			
T 3.5.2			

Table 43: Employees: Housing

Employees: Housing					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	100%
4 – 6	1	1	1	0	0%
7 – 9	1	1	1	0	0%
10 – 12	0	0	0	0	0%
Total	2	2	0	0	0%
T 3.5.4					

Table 44: Financial Performance: Housing

Financial Performance 2020/21: Housing					
R'000					
Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	465	-465
Expenditure:					
Employees	111	462	455	524	-69
Repairs and Maintenance	0	0	0	0	0
Other	0	310	150	0	150
Total Operational Expenditure	111	772	605	524	81
Net Operational Expenditure	111	0	0	465	-465
T 3.5.5					

Table 45: Capital Expenditure: Housing

Capital Expenditure 2020/21: Housing					
R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No capital projects for the financial year.					

6.8. COMPONENT B: FREE BASIC SERVICES AND INDIGENT SUPPORT

6.8.1 INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Section 97(1)(c) of the Municipal Systems Act requires municipalities to formulate an Indigent Policy that is consistent with Council's rate and tariff policies and also meets the requirements of S152 of the Constitution. The policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt. Adequate provision has to be made in the budget for provision of bad debts based on assumptions on collection rates. The municipality has an indigent register for 2020/2021 financial year. The municipality provides indigent households with free 6kl of water per month, free sanitation and refuse removal per month, 50 units of electricity per indigent household per month and exemption on Property Rates for properties valued at R70 000.

Table 46: Free Basic Services

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than 3580 per month								
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Total	Access	%	Access	%	Access	%	Access	%
2019/20	10 024	2 001	2 001	20%	2 001	20%	2 001	20%	2 001	20%
2020/21	10 024	1 700	1 700	20%	1 700	20%	1 700	20%	1 700	20%
T 3.6.3										

Table 47: Financial Performance: Free Basic Services

Financial Performance 2020/21: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2019/20	2020/21			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	4999	3980	3980	5668	-1688
Waste Water (Sanitation)	3819	2000	2000	1854	146
Electricity	664	2500	2500	1877	623
Waste Management (Solid Waste)	3693	4000	4000	1821	2179
Total	13175	12480	12480	11220	1260
T 3.6.4					

6.8.1 COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality allocates free basic water to all households including indigents households only in terms of the national norms.

The objective of Indigent Support is to ensure the following:

- The provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council;
- To provide procedures and guidelines for the subsidisation of rates and basic service charges to its indigent households, using the Council's budgetary provisions received from National Government, according to prescribed policy guidelines;
- That Council recognises that many of the residents can simply not afford the cost of full provision and for this reason Council will endeavour to ensure affordability through:
- To set rates and tariffs in terms of the Council's Rates and Tariff Policy, which will balance the economic viability of continued service delivery; and
- To determine appropriate service levels.

6.9. COMPONENT C: ROAD AND TRANSPORT

6.9.1 INTRODUCTION TO ROADS

Letsemeng Local Municipality has about 189km of roads or streets in five (5) towns. The table below shows the length of the existing roads per Town. Out of the 58km paved roads, 70% of them are in a poor condition if not very poor. This is as a result of poor or no maintenance at all. The condition is deteriorating in a fast pace since the existing potholes and cracks are not being attended as soon as they surfaces.

TOWN	PAVED ROADS (KM'S)	GRAVEL ROADS (KM'S)
Jacobsdal	9.539	22.6
Luckhoff	3.536	20.6
Petrusburg	10.942	47,249
Oppermans	4.306	16.2
Koffiefontein	24.365	24.1
TOTALS	52.688	130.7
Koffiefontein	23.7	24.1

6.10 ROADS

Table 48: Gravel Road Infrastructure

Gravel Road Infrastructure				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to pave	Kilometres Gravel roads graded/maintained
2020/21	130	0	1	0
T 3,7,2				

Table 49: Paved Road Infrastructure

Paved Road Infrastructure					
	Total paved roads	New paved roads	Existing paved roads re-paved	Existing pave roads re-sheeted	Kilometres Pave roads maintained
2020/21	54.8	2.2	0	0	0
T 3.7.3					

Table 50: Employees: Road Services

Employees: Road Services					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	0	1	0	1	100%
13 - 15	0	5	0	5	100%
Total	0	6	0	6	100%

Table 51: Financial Performance: Road Services

Financial Performance 2020/21: Road Services					
R'000					
Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	7734	9444	8084	4105	3979
Repairs and Maintenance	26	0	0	0	0
Other	42	100	0	0	0
Total Operational Expenditure	7802	9544	8084	4105	3979
Net Operational Expenditure	7802	9544	8084	4105	3979
T 3.7.8					

Table 52: Capital Expenditure: Road Services

Capital Expenditure 2020/21: Road Services					
R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Project A: Koffiefontein upgrading of 2.2km paved road and storm water	12 380 666	0	11 770 028.06	610 637.94	12 380 666
Project B: Luckhoff upgrading of 0.9km paved road and storm water	8 500 000	0	836 628.18	7 663 371.82	8 500 000
T 3.7.9					

6.9.4.

6.10.1 COMMENT ON THE PERFORMANCE OF ROADS OVERALL

LLM does not have any dedicated roads maintenance teams in place, a new organogram clearly indicates that there must be a maintenance team, no additional employees were appointed to address this matter. LLM has little road maintenance equipment available, this will assist the new team to **Start and Go**; the only obstacle will be their Vehicle, PPE and minor tools.

6.11 TRANSPORT

The municipality does not perform this function.

6.12 COMPONENT D: WASTE WATER (STORMWATER DRAINAGE)

6.12.1 INTRODUCTION TO STORMWATER DRAINAGE

The storm water of LLM is also one of the infrastructure that is neglected. This is due to the unavailability of staff, the above team mentioned in Roads section will also be tasked with maintaining the storm water drainage and unblocking them. Currently most of the storm water V-drains and canals are filled with debris if not blocked, this is a challenge during heavy rains because people housed get flooded where as they are not supposed to.

LLM is faced with a paramount challenge of controlling storm water in the entire municipality, areas like Petrusburg, Jacobsdal and Koffiefontein get flooded by occasional floods which affects the streets in Bolokanang. There is also historical records of floods in these areas, and the matter has been neglected for years. A Storm Water Wasterplan, O&M manuals and plans are the highest priority in this case. As LLM is likely a flat area, a full study must be made to control this storm water, all the aforesaid flags require budget which can be able to address them one at a time for a period of 5 years.

Table 53: Storm water Infrastructure

Storm water Infrastructure				
	Total Storm water measures	New storm water measures	Storm water measures upgraded	Kilometres Storm water measures maintained
2019/20	0			
2020/21	0			
				T 3,9,2

Table 54: Employees: Storm water Services

Employees: Road Services					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%

10 - 12	7	7	7	0	0%
13 - 15	3	6	3	3	50%
Total	10	13	10	3	23%
T3.7.7					

Table 55: Financial Performance: Storm water Services

Financial Performance 2020/21: Storm water Services					
					R'000
Details	2020/21				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Included in roads table above				
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
Total Operational Expenditure					
Net Operational Expenditure					
T 3.9.7					

6.12.2 COMMENT ON PERFORMANCE OF STORMWATER DRAINAGE OVERALL

LLM currently does not have any sector plans for Storm water, it is however part of the procurement plan to appoint service providers to develop a Master plan for the entire municipality. The priorities of Storm water projects are as the list below:

- ❖ Petrusburg Bolokanang – the entire Bolokanang require an urgent attention with regards to storm water flooding from the N8 National Road to the Bolokanang area, the road is collecting water from downstream (Bloemfontein), acting as a barrier, it channels water to the Bolokanang houses and streets.
- ❖ Jacobsdal – Occasional floods has been recorded, this Storm water does not have any channelling, internal streets get flooded as and when it rains heavy.
- ❖ Koffiefontein – no proper Storm water channels, the elevation of Koffiefontein is close to a flat surface, some of the houses in Khayelitsha get flooded as and when it heavily rains.

6.13. COMPONENT E: PLANNING AND DEVELOPMENT

6.13.1 INTRODUCTION TO PLANNING AND DEVELOPMENT

This component includes planning and local economic development.

6.14. PLANNING

6.14.1 INTRODUCTION TO PLANNING

Table 56: Applications for Land Use Development

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Planning application received	0	0	0	0	0	0
Determination made in year of receipt	0	0	0	0	0	0
Determination made in following year	0	0	0	0	0	0
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0	0	0	0	0
						<i>T 3.10.2</i>

Table 57: Employees: Urban Planning & Property Management

Employees: Urban Planning & Property Management					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
Total	0	0	0	0	0
					<i>T 3.10.4</i>

Table 58: Financial Performance: Urban Planning & Property Management

Financial Performance 2019/20: Urban Planning & Property Management					
R'000					
Details	2018/19	2019/20			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	4 320	0	0	0	0
Expenditure:					
Employees	174	475	475	204	271
Repairs and Maintenance	0	0	0	0	0
Other	0	0	0	0	0
Total Operational Expenditure	174	475	475	204	271
Net Operational Expenditure	4 146	475	475	204	271
					<i>T 3.10.5</i>

Table 59: Capital Expenditure 2019/20: Urban Planning & Property Management

Capital Expenditure 2020/201 Urban Planning					
					R' 000
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No projects for the financial year					

6.15. LOCAL ECONOMIC DEVELOPMENT

6.15.1 INTRODUCTION TO ECONOMIC DEVELOPMENT

The growth of our local economy remains key priority to unlocking the employment opportunities for our people, thereby fighting head-on the socio-economic challenges facing our communities. The municipality is duty bound to create an environment that promotes the development of the local economy and create jobs.

In this regard, the municipality continue to strive to maximise our natural resources with the aim of attracting investors to unlock employment opportunities for our community and thereby helping to tackle the socio-economic challenges faced by our communities.

The municipality remain positive and hopeful that due to our stable political environment and our rich natural resources we will attract positive investment which will benefit our community in the long term.

The development of local SMME's also remains our responsibility to ensure that they are developed and assisted to grow into self-sustainable businesses that will continue to invest and contribute to the local economic growth.

Expanded Public Works Programme and Community Works Programme have contributed positively in keeping our towns clean and also created jobs.

6.15.2. COMMENT ON LOCAL JOB OPPORTUNITIES:

Creation of long-term sustainable jobs remains a key challenge, majority of jobs created are short term and only in the main alleviate key challenges such as unemployment for a short period. There is a much broader need to identify and source funding for bigger projects with the aim of creating long term sustainable employment opportunities for our people.

The majority of our youth are unemployed due to shortage of skills in order to qualify for some of the identified opportunities that end up being sourced elsewhere. To curb this, the municipality has partnered with the key local stakeholders such as Motheo and Petra Mine to ensure that some of the youth are given opportunities to be skilled in order to access better employment opportunities as they become available.

Table 60: Jobs Created during 2020/21 by LED Initiatives

Jobs Created during 2020/21 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created	Jobs lost/displaced by other initiatives	Net total jobs created in year	Method of validating jobs created/lost
	No.	No.	No.	
Total (all initiatives)				
Top initiatives				
Contractor Development through subcontracting In projects implemented	42	0	42	MIG non-financial report.

Table 61: Jobs Created through EPWP projects

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
2019/20	3 Projects: Infrastructure Sector-120(Roads) Environmental Sector-120(Cleaning) Social Sector-40(Securities)	280
2020/21	3 Projects: Infrastructure Sector-50(Roads) Environmental Sector-50(Cleaning) Social Sector-10(Securities)	110
* - Extended Public Works Programme		

Table 62: Employees: LED Services

Employees: Local Economic Development Services					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	0	0%
Total	1	1	1	0	0%
T 3.11.8					

Table 63: Financial Performance 2020/21: LED Services

Financial Performance 2020/21: Local Economic Development Services					
R'000					
Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue		0	0	0	0
Expenditure:					
Employees	626	538	683	336	347
Repairs and Maintenance	32	0	0	808	-808
Other	111	1445	115	56	59
Total Operational Expenditure	483	1983	798	1200	-402
Net Operational Expenditure	483	1983	798	1200	-402

Table 64: Capital Expenditure 20 LED Services

Capital Expenditure 2019/20 Economic Development Services					
R' 000					
Capital Projects	2019/20				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No capital projects					
T 3.11.10					

6.15.3. COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

High unemployment and poverty remain huge challenges that affect the growth of the local economy. As such it is incumbent upon the municipality to make a conducive environment in which people may find it easier to become entrepreneurs in order to create job opportunities for the unemployed and also as a way to escape poverty.

As a municipality we remain committed to assisting our local SMMEs, formal and informal businesses to can conduct their business in a way that is sustainable and efficient for the local economy to can grow.

For the year under review, the LED unit has implemented the following successfully:

- The municipality also leased its unused building in Petrusburg to be used by two local SMMEs who have since established a funeral parlour and a tyre business at the said premises. The municipality will also avail other properties for the development of local SMMEs.
- At the start of the New Year 2020 the municipality had planned to host a SMME workshop in March which would have seen some SMMEs funded with grants to expand and grow their businesses based on their needs, adverts were issued in this regard and closed only waiting for adjudication with the

stakeholders that the municipality had partnered with. Unfortunately due to the country going into lockdown in March we had to cancel this event and postpone it.

- In the period under review and in line with the national directives the municipality issued over 200 trading permits to the Hawkers, Spazashops and other businesses that were allowed to open during the different lockdown levels. This allowed our local business to keep operating and earning an income.
- The LED Officer coordinated the process of distribution, filling, and submission of application for relief from farmers to the Department of Agriculture. Over 40 application forms were submitted to the Department on behalf of the farmers. The Department of Agriculture is still busy with verification of the information provided by the farmers and are busy visiting the farms that have been identified for funding.
- There are various SMME relief funds that are related to loss of income during the lockdown by the National and Provincial Small Business Departments made available to the SMMEs. All of these funds require that the SMMEs apply directly to the departments and as the municipality we are not involved at all in this process and as such we have no idea as to the number of our SMMES that are applying for these reliefs. However as the LED unit we have circulated information to our SMMEs to inform them of the available funding options that they can access.
- The LED Officer with SEDA have undertaken visits to the South African owned tuckshops to assist the entrepreneurs to apply for the relief by the Departments.
- The Municipality with Department of Small Business in Free State (DESTEA) through their office of the consumer protector coordinated unannounced raids on businesses in our municipality to check compliance on lockdown regulations by these businesses. The last raids were conducted in Luckhoff on 03 June 2020 and in Petrusburg on 05 June 2020 other towns will be done unannounced.
- As part of removing the red tape for the hawkers, informal and small businesses operating in our jurisdiction, the municipality waived the Application Fee for trading permits and has issued more than 200 Trading permits at no cost to our entrepreneurs during the national lockdown at various alert levels.
- **Agricultural Development**
- The municipality has successfully applied for landcare funds on behalf of our emerging farmers
- Letsemeng Local Municipality successfully assisted our emerging farmers that were in our commonages to be allocated 2093 hectares of land by the Department of Rural Development and Land Reform to lease on a long term basis to beneficiaries from the local community who have ventured into commercial farming.
- The Provincial Department of Agriculture has disbursed R1, 5 Million to assist our emerging farmers in commonage for infrastructure improvement at our Petrusburg Commonages.

As the municipality was having financial constraints to can fund some of our activities, we leveraged on our good partnerships with various stakeholders including other government departments and agencies as well as the private sector particularly Petra Diamonds Mine who came on board and ensured that some of our activities could take place without any hindrance.

Some of the planned activities could not be done due to the national lockdown restrictions.

The municipality is in the process of finalising the key policies which will assist with the direction the municipality should take in tackling the economic development challenges. These policies are;

- Commonage Management Policy
- Business Licence Policy

These policies are expected to be finalised during the coming financial year.

6.16 COMPONENT F: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

6.16. INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

The libraries function has been transferred to the Provincial Government.

16.17. LIBRARIES, ARTS AND CULTURE

16.17.1.INTRODUCTION TO CIVIC THEATRE, ARTS AND CULTURE

The municipality does not perform this function.

16.18. PARKS AND CEMETERIES

16.18.1.INTRODUCTION TO PARKS AND CEMETERIES

OVERVIEW

It is the responsibility of the Community services division to provide a healthy and a conducive environment to the public, to upgrade the current developed parks and to develop new parks for informal recreation. It is of paramount importance to maintain cemeteries and to provide graves for funerals.

CORE AREAS OF RESPONSIBILITY

- Public Parks and open spaces
- Cemeteries

LOCAL JOB OPPORTUNITIES

The municipality is making use of EPWP and CWP employees for the cleaning of the cemeteries.

Table 65: Employees: Parks and Cemeteries

Employees: Parks and Cemeteries					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
Total	0	0	0	0	0
T 3.13.4					

Table 66: Financial Performance: Parks and Cemeteries

Financial Performance 2020/21: Parks and Cemeteries					
R'000					
Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0				
Expenditure:					
Employees	0				
Repairs and Maintenance	304	1000	100	0	100
Other	0	500	105	192	-87
Total Operational Expenditure	340	1500	205	192	13
Net Operational Expenditure	340	1500	205	192	13
T 3.13.5					

Table 67: Capital Expenditure: Parks and Cemeteries

Capital Expenditure 2020/21: Parks and Cemeteries					
R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
No capital project for the Financial year					
T 3.13.6					

16.19. SPECIAL PROGRAMMES

16.19.1.INTRODUCTION TO SPECIAL PROGRAMMES

Special programmes are located in the Office of the Mayor and include the youth, women, disabled, aged, children and HIV/AIDS. The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

16.19.2. COMMENT ON THE PERFORMANCE OF SPECIAL PROGRAMMES OVERALL

The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

16.20. COMPONENT G: ENVIRONMENTAL PROTECTION

6.20.1. INTRODUCTION TO ENVIRONMENTAL PROTECTION

Top priority of the municipality is to formulate policies and procedures aimed at conserving the natural resources, preserving the current state of natural environment and where possible, reversing its degradation.

16.20.2. SERVICE STATISTICS FOR ENVIRONMENTAL PROTECTION

Environmental master plan to be designed with the assistance of the Department of Economic, Small Business Development, Tourism and Environmental Affairs.

16.21. OTHER (DISASTER MANAGEMENT & OTHER)

16.21.1. INTRODUCTION TO DISASTER MANAGEMENT

As per Section 53 (1) of the Disaster Management Act, 57 of 2005 each municipality must:

- prepare a disaster management plan for its area according to the circumstances prevailing in the area;
- co-ordinate and align the implementation of its plan with those of other organs of state and institutional role-players; and
- regularly review and update its plan; and through appropriate mechanisms, processes and procedures established in terms of Chapter 4 of the Local Government Systems Act, 2000 (Act No. 32 of 2000), consult the local community on the preparation or amendment of its plan.

Letsemeng Municipality has mostly partnered with the Xhariep District Municipality to develop a disaster management plan for its area of jurisdiction since. Disaster management function is not functional due lack of equipment. LLM has developed a Disaster Management Plan locally and it was approved by Council for the year under review.

16.22. SPORT AND RECREATION

16.22.1. INTRODUCTION TO SPORT AND RECREATION

The Municipality's core function is to maintain all sport and recreation facilities within its jurisdiction. The municipality also supports sports programmes such as the O.R Tambo regional games by assisting with transport through the office of Mayor.

Table 68: Employees: Sport and Recreation

Employees: Sport and Recreation					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	
Total	0	0	0	0	
T 3.23.3					

Table 69: Financial Performance: Sport and Recreation

Financial Performance 2020/21: Sport and Recreation R'00/0					
Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	0	0	0	0	0
Repairs and Maintenance	0	0	0	0	0
Other	0	0	0	0	0
Total Operational Expenditure	0	0	0	0	0
Net Operational Expenditure	0	0	0	0	0

Table 70: Capital Expenditure: Sport and Recreation

Capital Expenditure 2020/21: Sport and Recreation R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No project for sports and recreation	0	0	0	0%	0
2020/21					
T 3.23.5					

7. CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

7.1. INTRODUCTION TO THE OFFICE OF THE MUNICIPAL MANAGER

The Municipal Manager is the Accounting Officer of the Municipality. As Accounting Officer he/she may delegate certain duties to the Chief Financial Officer, who will be accountable to him. The Municipal Manager is therefore accountable for all transactions entered into by his designates.

The Office of the Municipal Manager consists of the following administrative units:

- Internal Audit and Risk Management
- Integrated Development Planning and Performance Management
- ICT

The Municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The top three service delivery priorities are as follows:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishment/rehabilitation of existing infrastructure.
- Provision of basic services such as water, electricity and roads

SERVICE STATISTICS FOR THE OFFICE OF THE MUNICIPAL MANAGER

Table 71: Service Statistics: Office of the Municipal Manager

Service Activity	Service Results
Number of senior management meetings held:	9
Number of management meetings held:	5
Number of quarterly stakeholder meetings convened:	0

Table 72: Employees: Office of the Municipal Manager

Employees: Executive and Council					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0%
4 – 6	0	1	0	1	100%
7 – 9	3	4	3	1	25%
10 - 12	2	2	2	0	0%
13-15	0	0	0	0	
Total	5	7	5	2	

Table 73: Financial performance: Office of the MM

Financial Performance 2020/21: Office of the MM					
Details	2019/20	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	5189	5303	5222	2648	2574
Repairs and Maintenance	2754	50	20	0	20
Other	3893	3238	3204	10520	-7316
Total Operational Expenditure	11836	8591	8446	13168	-4722
Net Operational Expenditure	11836	8591	8446	13168	-4722

T 3.24.5

Table 74: Capital Expenditure: Office of the MM

Capital Expenditure 2020/21: Office of the MM					
Capital Projects	2020/2021				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No capital expenditure for the financial year					

7.2. FINANCIAL SERVICES

7.2.1. INTRODUCTION TO FINANCIAL SERVICES

Debt recovery has been a serious concern over the past years. The municipality struggles to collect 100% of what is billed on monthly basis. The arrears are not really serviced. Write-offs have been implemented on irrecoverable inactive accounts older than 3 years and cut offs were not performed regularly due to COVID. The municipality has put its focus on debt collection supporting Revenue Division under those circumstances.

There is a challenge of low revenue collection due to non-payment of accounts. . Cut-off processes are performed on regular basis to address revenue losses from electricity, water services and other services. Faulty meters both water and electrical are

being replaced as much as the supply of manpower allows to improve the collection rate.

Table 75: Employees: Financial Services

Employees: Financial Services					
Job Level	2019/20	2020/21			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	15	19	15	4	21.05%
4 – 6	16	24	16	8	33.33%
7 – 9	4	6	4	2	33.33%
10 - 12	3	3	3	3	0%
13 - 15	0	0	0	0	0
Total	38	52	38	17	27%
					T 3.25.4

Table 76: Financial Performance: Financial Services

Financial Performance 2020/21: Financial Services R'000					
Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	26292	82673	84473	82673	1800
Expenditure:					
Employees	7928	9695	9406	6600	2806
Repairs and Maintenance	2768	50	30	0	30
Other	20844	10989	10989	12929	-1940
Total Operational Expenditure	31540	20734	20425	19529	896
Net Operational Expenditure	-5248	61939	64048	63144	904
					T 3.25.5

Table 77: Capital expenditure: Financial Services

Capital Expenditure 2020/21: Financial Services R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No capital expenditure for the financial year					

7.3. HUMAN RESOURCE SERVICES

7.3.1. INTRODUCTION TO HUMAN RESOURCE SERVICES

Human Resources is one of the supporting function in Corporate Services Department, its main functions are as follows: Leave Administration, Recruitment, Benefits and Terminations.

Priority: Institutional Performance Capacity and staff provision

To improve performance the Council approved Performance Management Policy and the Institutional Performance Management Framework that will provide guidance in measuring, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

7.3.2. SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

The Municipality is currently standing with a total staff component of 200 employees as at end June 2020. The Municipality filled a total number of 17 positions, during the financial year 2020/21. A total of 17 terminations were recorded due to different types of terminations e.g. Death, retirement, ill health and resignations.

A total number of 5 training interventions were implemented with 75 employees being trained. Other main service statistics are included in Chapter 4 of the Annual Report.

Table 78: Employees: Human Resource Services

Employees: Human Resource Services					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	8	10	8	2	20%
4 – 6	8	9	8	1	11.11%
7 – 9	1	5	1	4	80%
10 - 12	2	2	2	0	0%
Total	19	26	19	7	111.11%
T3.26.4					

Table 79: Financial Performance: Human Resource Services

Financial Performance 2020/21: Human Resource Services					
R'000					
Details	2018/19	2019/20			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue		0	0	0	0
Expenditure:	0				
0	5 188	2591	4565	4928	-363
Repairs and Maintenance	-	1191	20	33	-13
Other	1 586	4158	806	2108	-1302
Total Operational Expenditure	6 774	7940	5391	7069	-1678
Net Operational Expenditure	-6 774	7940	5391	7069	-1678
T 3.26.5					

Table 80: Capital Expenditure: Human Resource Services

Capital Expenditure 2020/21: Human Resource Services					
R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No projects for the financial year					

7.4. INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

7.4.1. INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Our 3 primary objectives in ICT are:

- To minimize IT downtime;
- To ensure that our financial system data is backed-up on a regular basis; and
- To ensure all IT queries are addressed within 48 hours depending on the nature of the query and availability of resources .

Table 81: Employees: ICT Services

Employees: ICT Services					
Job Level	2019/20	2020/21			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	0	0	0	0	0%
7 - 9	1	2	1	1	50%
Total	1	2	1	1	50%
					T3.27.4

Table 82: Capital Expenditure: ICT Services

Capital Expenditure 2020/21: ICT Services R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No capital project for this year					

7.5. LEGAL AND COUNCIL SUPPORT SERVICES

7.5.1 INTRODUCTION TO LEGAL AND COUNCIL SUPPORT SERVICES

The primary function of this division is to:

- Provide administrative support to Council.
- To attend to all legal related matters on behalf of the Municipality.
- To provide auxiliary services to the administration.
- To spearhead Batho Pele Principles and Back to Basics.
- To attend to all customer care related issues.

Table 83: Employees: Legal and Council Support Services

Employees: Legal and Council Support Services					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0			0	0%
4 - 6	0	0	0	0	0%
10 - 12	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%
					<i>T 3.28.4</i>

Table 84 Financial Performance: Legal and Council Support Services

Financial Performance 2020/21: Legal and Council Support Services R'000					
Details	2020/21				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees		0	0		
Repairs and Maintenance					
Other					
Total Operational Expenditure		0	0		
Net Operational Expenditure					
					<i>T 3.28.5</i>

Table 85: Capital Expenditure: Legal and Council Support Services

Capital Expenditure 2020/21: Legal and Council Support Services R' 000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
No capital project for this year					
Polishers	0	0	0	0	
Space saving cabinets	0	0	0	0	
					<i>T 3.28.6</i>

COMMENT ON LEGAL AND COUNCIL SUPPORT SERVICE PERFORMANCE OVERALL

The Legal and Support Services Division perform exceptionally well for the period in review. It ensured that the Municipal Council sits as required by the Municipal Systems Act and the Standard Rules and Orders and make necessary preparations for community consultation. It further provided administrative support to the entire institution.

7.6. COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

7.6.1. EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Table 86: Total Number of Employees

Description	Employees				
	2019/20	2020/21			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water	11	20	09	03	33%
Waste Water (Sanitation)	6	12	16	00	0%
Electricity	8	9	07	04	57%
Waste Management	24	30	35	08	23%
Housing	2	2	02	00	0%
Waste Water (Storm water Drainage)	0	0	11	16	145%
Roads	0	0	-		0%
Transport	0	0	-		0%
Planning	0	0	0	00	0%
	1	1	1	00	0%
Planning (Strategic & Regulatory)	0	0	0	00	0%
Community & Social Services	0	0	0	00	0%
Environmental Protection	0	0	0	00	0%
Health	0	0	0	00	0%
Security and Safety	0	0	0	00	0%
Sport and Recreation	0	0	0	00	0%
Corporate Policy Offices and Other	0	0	0	00	0%

Totals	51	73	81	31	38%
<i>T 4.1.1</i>					

Table 87: Vacancy Rate

Vacancy Rate: 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	100%
CFO	1	0	100%
Other S57 Managers (excluding Finance Posts)	2	1	50%
Other S57 Managers (Finance posts)	0	0	0%
Police officers	0	0	0%
Fire fighters	0	0	0%
Senior management: Levels 13-15 (excluding Finance Posts)	2	2	100%
Senior management: Levels 13-15 (Finance posts)	3	0	100%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	4	3	25%
Highly skilled supervision: levels 9-12 (Finance posts)	2	2	100%
Total	15	8	
<i>T 4.1.2</i>			

A high turnover rate may be costly to a Municipality and might negatively affect productivity, service delivery and institutional memory/Organizational knowledge. Below is a table that shows the turnover rate within the Municipality.

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

Table 88: Turn-over rate

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2019/20	0	11	
2020/21	0	0	
<i>T 4.1.3</i>			

7.6.2. COMMENT ON VACANCIES AND TURNOVER:

The Council approved the organizational structure in January 2020. Some critical positions that needed to be filled have been filled and recruitment processes are underway to accommodate other critical positions.

Turnover is mainly as a result of terminations e.g. death, resignation, retirements and ending of fixed term contracts.

7.7 COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

7.7.1 INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality is constituted of five departments, Office of the Municipal Manager, Department of Corporate Services, Department of Finance, Department of Community Services and the Department of Technical Services of which each head of department is responsible for the management of the workforce in its department. Furthermore, each department is divided into divisions that are headed by managers who responsible for the discipline and work of employees in their divisions.

7.7.2 COMMENT ON WORKFORCE POLICY DEVELOPMENT:

The Human Resource Policies Manual was not reviewed for the period under review.

7.8 POLICIES

Table 89: HR Policies and Plans

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action		95.0%	Not available
2	Attraction and Retention	100%		Part of HR Policy Manual/ 29 August 2019
3	Code of Conduct for employees		100%	Collective Bargaining Council matter
4	Delegations, Authorisation & Responsibility		95.0%	Avail, needs to be reviewed
5	Disciplinary Code and Procedures	100%		Collective Bargaining Council
6	Essential Services		95.0%	Discussed at the level of the Local Labour Forum
7	Employee Assistance / Wellness	100%		Part of HR policy Manual/ 29 August 2019
8	Employment Equity		95.0%	Not available
9	Exit Management		00.0%	Policy not yet developed
10	Grievance Procedures		100.0%	Collective Bargaining Council matter
11	HIV/Aids		95.0%	Part of HR Policy Manual/ 29 August 2019
12	Human Resource and Development	100%		Part of HR Policy Manual/ 29 August 2019
13	Information Technology	100%		In the process of developing IT policies
14	Job Evaluation		0%	No job evaluation
15	Leave	100%		Part of HR Policy manual/ 29 August 2019
16	Occupational Health and Safety	100%		Part of HR Policy Manual/ 29 August 2019
17	Official Housing	100%		Part of HR Policy Manual/ 29 August 2019
18	Official Journeys		95.0%	Available
19	Official transport to attend Funerals		95.0%	A draft has been developed, still to be tabled before the LLF.
20	Official Working Hours and Overtime	100%		Part of HR Policy Manual/29 August 2019
21	Organisational Rights		95.0%	Collective Bargaining Council matter

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
22	Payroll Deductions		95.0%	Referred back to the section 79 Committee to further refinement.
23	Performance Management and Development		95%	Awaiting workshop to be conducted.
24	Recruitment, Selection and Appointments	100%		Part of HR Policy Manual/29 August 2019
25	Remuneration Scales and Allowances		95.0%	Available
26	Resettlement		95.0%	Available
27	Sexual Harassment	100%		Part of HR Policy Manual/29 August 2019
28	Skills Development	100%		Part of HR Policy Manual/ 29 August 2019
T 4.2.1				

7.9 INJURIES, SICKNESS AND SUSPENSIONS

Table 90: Number and Cost of Injuries on Duty

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	0	0	0	0	0
Temporary total disablement	-				
Permanent disablement	-				
Fatal	-				
Total	0	0	0	0	0
T 4.3.1					

7.9.1 COMMENT ON INJURY AND SICK LEAVE:

The Municipality has put necessary precautions in place to mitigate the injuries from happening. The rate of employees who take sick leave is very minimal and it does not affect the smooth running of the operations.

Table 91: Number and Period of Suspensions

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	Date Finalised
NONE				
T 4.3.5				

Table 92: Disciplinary Action Taken on Cases of Financial Misconduct

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
NONE			
T 4.3.6			

7.9.2 COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

No employee was suspended for negligent of responsibilities under period in review and no cases of financial misconducted were reported or discovered.

7.10 PERFORMANCE REWARDS

In terms of regulation 8 of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 R.805 a bonus may only be paid after the municipal council has adopted the annual report of the year under review.

The majority of Managers (Directors) appointed in terms of Section 56 of the MSA are on fixed-term performance contracts. The Individual Performance Management System has not yet been cascaded down to the second reporting line of managers. Currently no performance bonus system or policy exists to pay bonus to non-section 57 employees. This will be put in place once the organisation achieves the necessary performance management maturity level.

7.10.1 COMMENT ON PERFORMANCE REWARDS

There were no performances rewards issued to employees during the period under review.

7.11 ORGANISATIONAL PERFORMANCE SCORECARD

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

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

The constitution of S.A (1996) section 152 states that, dealing with the objectives of local government paves the way for performance management with the requirements for an “accountable government” The democratic values and principles in terms of section 195 (1) are also linked with the concept of Performance management, with reference to the principles of inter alia:

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

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

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that “A Municipality’s Performance Management System entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.”

Section 57 makes the employment of the Municipal Manager and Managers directly accountable to him subject to a separate performance agreement concluded annually before the end of July each year. Section 67 regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to hold municipal staff accountable to serve the public efficiently and effectively. Performance Management, therefore, is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities.

7.11.1. COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states, that a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose the human resource capacity of a Municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

7.11.2. INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The local sphere of government falls under Local Government Sector Education and Training Authority and is required to conduct skill audit and thereafter develop Workplace Skill Plan (WSP) which is accompanied by Training

Plan. This Training Plan outlines the trainings that would be undertaken in a particular financial year. The employees are being sent to different training courses based on the skills identified in the WSP.

7.12. SKILLS DEVELOPMENT AND TRAINING

Table 93: Skills Matrix

Skills Matrix														
Management level	Gender		Number of skilled employees required and actual as at 30 June 2020/21											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of 2020/21	Actual: End of 2020/21	2020/21 Target	Actual: End of 2020/21	Actual: End of 2020/21	2020/21 Target	Actual: End of 2020/21	Actual: End of 2020/21	2020/21 Target	Actual: End of 2020/21	Actual: End of 2020/21	2020/21 Target
MM and s57	Male	1	0	0	0	0	0	0	0	0	0	0	0	0
	Male	4	0	0	0	0	4	4	0	4	0	0	4	0
	Female	1	0	0	0	0	1	1	0	1	0	0	1	0

Councillors, senior officials and managers	Female	2	0	0	0	0	0	0	0	2	2	2	2	2
	Male	9	0	0	0	0	0	0	0	9	9	9	9	9
Technicians and associate professionals *	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
Professionals	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub total	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		16	0	0	0	0	4	4	0	15	11	11	15	11

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

T 4.5.1

Table 94: Financial Competency Development: Progress Report

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<i>Accounting officer</i>	1	0	1	1	1	1
<i>Chief financial officer</i>	1	0	1	1	1	1
<i>Senior managers</i>	3	0	3	3	3	3
<i>Any other financial officials</i>	15	0	15	12	0	12
Supply Chain Management Officials	0	0	0	0	0	0
<i>Heads of supply chain management units</i>	1	0	1	1	0	1
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
TOTAL	20	0	20	17	4	17

7.13. COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

7.13.1. INTRODUCTION TO WORKFORCE EXPENDITURE

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

7.14. EMPLOYEE EXPENDITURE

The success or failure of a municipality depends on the quality of its political leadership, sound governance of its finances, the strength of its institutions and the caliber of staff working for the municipality.

Although sound financial governance is perceived to be most important, without proper personnel management, municipalities are likely to experience difficulty. This has become increasingly evident in a number of large municipalities that have recently found themselves in precarious financial situations, and is certainly true of many smaller municipalities. An analysis of municipal finances suggests that personnel issues lie at the heart of many of the financial problems experienced by municipalities.

At an aggregate level, about 33 per cent of the total municipal operating budget gets spent on the remuneration of personnel.

Municipalities are required to carry out quality services in an effective, efficient and financially sound manner by supporting the principles of ensuring cost-effective and affordable service delivery. Accountability and transparency are, therefore, important when managing workforce expenditure. If the Municipality wants to be effective, it is important to ensure that the Municipality plan properly. To ensure that the Municipality adhere to legislation, only approved and budgeted posts on the structure are advertised. The training and development of internal staff are aimed at ensuring that they are able to perform their duties better.

As can be seen from the graph below the workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

7.14.1 COMMENT ON WORKFORCE EXPENDITURE:

The Municipal workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

Table 95: Number of Employees Whose Salaries Were Increased Due to Their Positions Being Upgraded

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
There were no salary increases due to upgrading of employee's position on the period under review.		
<i>Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</i>		

Table 96: Employees Whose Salary Levels Exceed the Grade Determined by Job Evaluation

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None.				

Table 97: Employees appointed to posts not approved

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
No appointments were made to posts not approved on the structure.				

7.14.2 COMMENT ON WORKFORCE EXPENDITURE:

There was no upgrade of positions due to job evaluation for the financial year 2020/21. Some variances are legacy issues that occurred as a result of previous amalgamation.

8. CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of the following three components:

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

8.1. COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The municipality's performance during the year under review has been unsatisfactory, due to financial constraints, municipality experienced decline in revenue.

With the GRAP 24 (Presentation of Budget Information in Financial Statements) now effective, detailed analysis and comments for comparatives of Actual against Budgeted Amounts are shown in the financial statement, which forms part of this report.

The following sections provide an overview of the financial results of the Municipality for the year under review per economic classification compared to the prior year audited results, the original and final adjustments budget.

Total recognised revenue was R 229,979,999, the budgeted figure of R 220,843,589

The highlights of income recognised are as follows:

- Actual service charges amounts to R50,614,190 against a budget amount of R51,657,341
- Treasury withheld funds to repay unspent grants on MIG and WSIG.
- Total expenditure incurred amounted to R 229,257,588 and the budgeted expenditure was R218,049,399.

8.1. GRANTS

Table 98: Grant Performance

Grants Performance				
--------------------	--	--	--	--

Description	2019/20	2020/2021		
	Actual	Budget	Adjustment Budget	Actual
<u>Operational Transfers and Grants</u>	-	-	-	-
Equitable Shares	63,668,000	78,873,000	-	78,873,000
Other Transfers	5,625,000.00	11 053 686	-	11 053 686
<u>Capital Grants and Transfers</u>				
MIG	17,149,000.00	16,852,000	-	13,643,332
INEP	5,200,000.00	9,547,000	-	9,547,000
WSIG	24,000,000.00	24,201,000	-	24,201,000

Grants received from sources other than Division of Revenue Act (DoRA)

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant 2020/21	Actual Grant 2020/21	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 – No grants received						
Foreign Governments/Development Aid Agencies – No grants received						
Private Sector / Organisations – No grants received						
<i>T 5.2.3</i>						

8.1.2 COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The municipality did not receive any conditional grants from sources other than the DoRA.

8.ASSET MANAGEMENT

Table 99: Treatment of the three largest assets acquired

Future Purpose of Asset	Sports and Recreation
Describe Key Issues	
Policies in Place to Manage Asset	Yes

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED '2020/21				
Asset 1				
Name	Jacobsdal Electrification of 392 Household Connections			
Description	Jacobsdal Electrification of 392 Household Connections			
Asset Type	Infrastructure asset			
Key Staff Involved	Sizwe Fikizolo			
Staff Responsibilities	Project Management & Oversight			
Asset Value (Spent in 2020/21)			2020/21	
			R 6 596 660.30	
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Improved Service Delivery			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			
Asset 2				
Name	Jacobsdal Electrification of 100 Household Connections			
Description	Jacobsdal Electrification of 100 Household Connections			
Asset Type	Infrastructure asset			
Key Staff Involved	Sizwe Fikizolo			
Staff Responsibilities	Project Management & Oversight			
Asset Value (Spent in 2020/21)			2020/21	
			R 1.7 million	
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Service delivery			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			
Asset 2				
Name	Electrical Bulk Supply Point			
Description	500KVA, 22KV, 40m Bulk Supply Point			
Asset Type	Infrastructure asset			
Key Staff Involved	Sizwe Fikizolo			
Staff Responsibilities	Project Management & Oversight			
Asset Value (Spent in 2020/21)			2020/21	
			R 890 000.00	
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Service delivery			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			

18.2.1. COMMENT ON ASSET MANAGEMENT:

Majority of Assets are procured through Grants, the Municipality has an asset management unit, which deals with all asset management issues.

Table 100: Repairs and Maintenance Expenditure

Repair and Maintenance Expenditure: 2020/21
R' 000

	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	2820	1750	5924	-4174
				<i>T 5.3.4</i>

18.3. FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

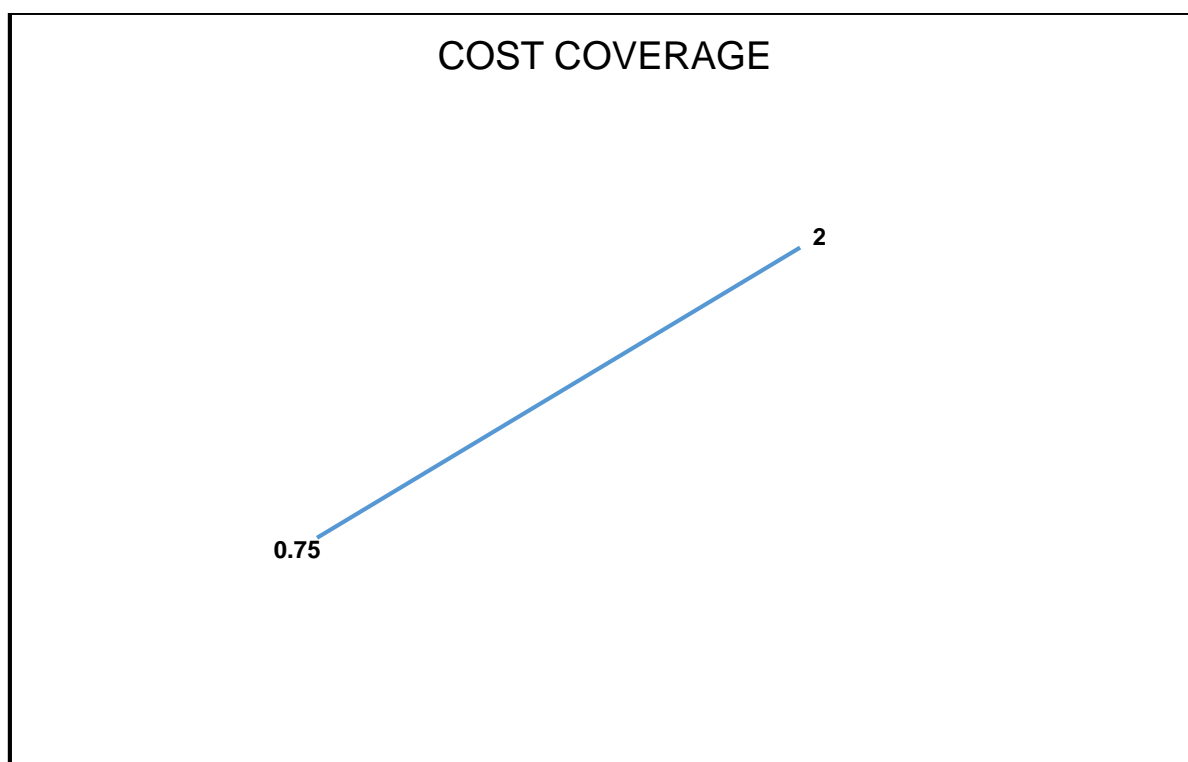


Figure 3: Ratio Cost Coverage

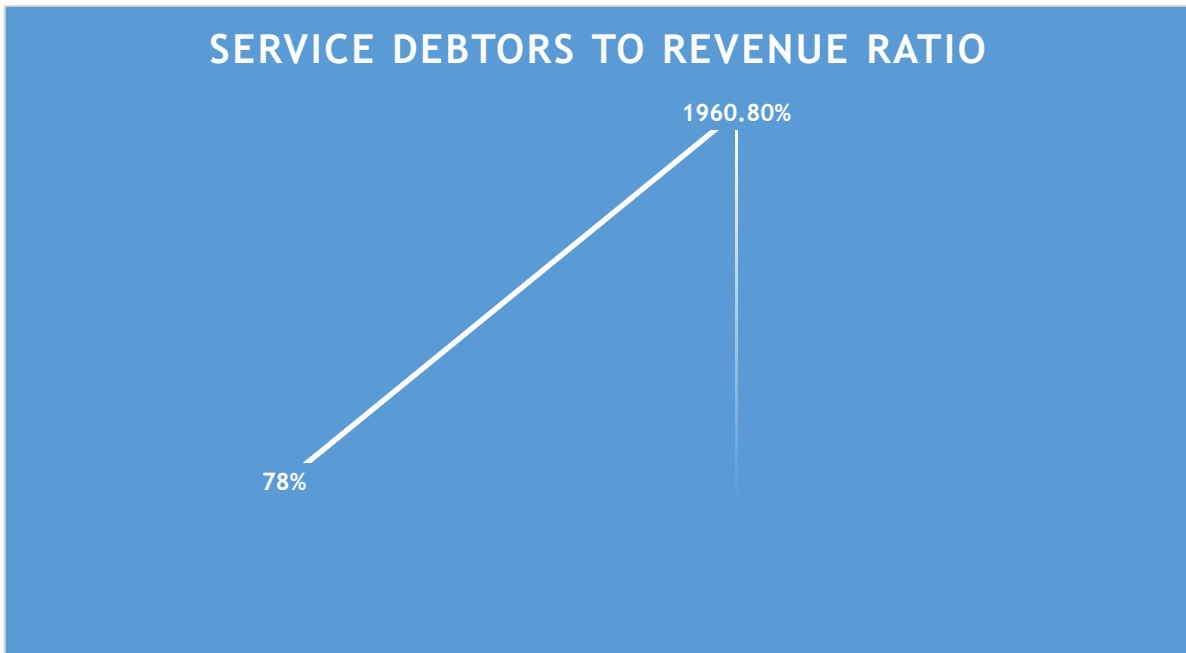


Figure 4: Service Debtors to Revenue Ratio

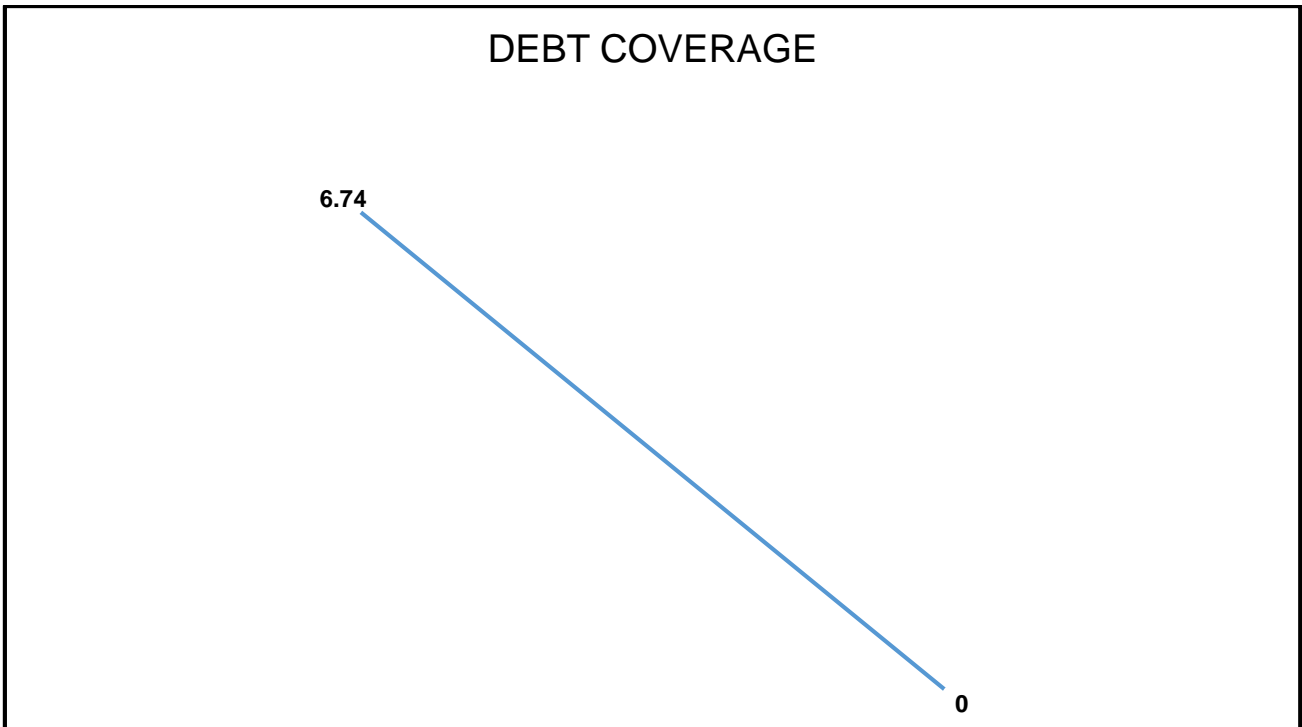


Figure 5: Debt Coverage Ratio

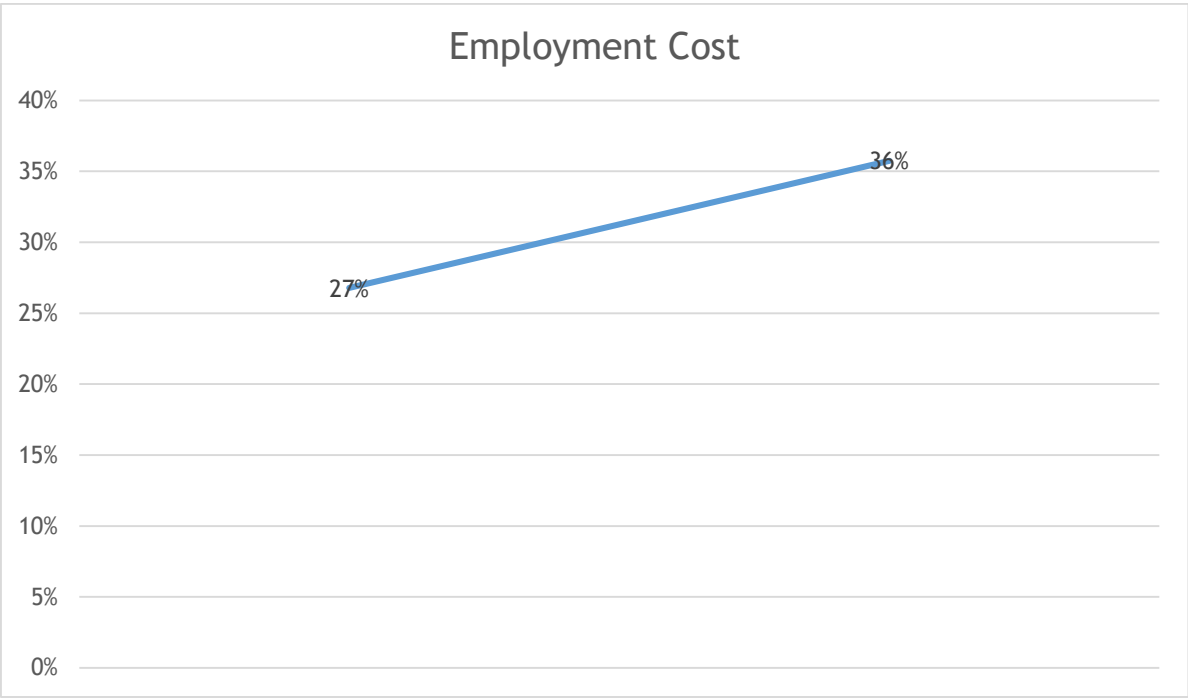


Figure 6: Employee Cost

8.4. COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

8.4.1. INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend.

8.4.2. CAPITAL EXPENDITURE

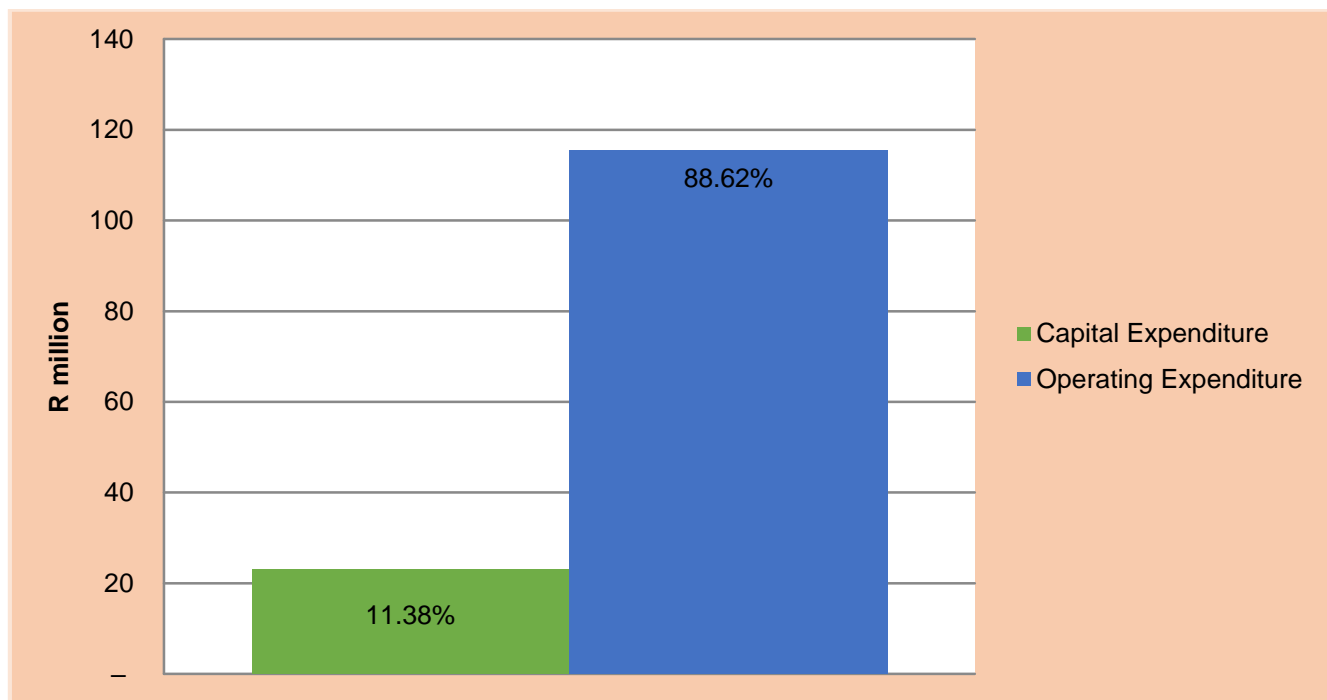


Figure 7: Capital Expenditure

8.5. INDIGENTS HOUSEHOLDS

The municipality embarked on an indigent registration for the period under review. At the end of June 2021 the number was standing at 2100

8.6. DEBTORS AGE ANALYSIS

The debtors of the municipality arise from the households, government, business and other. These debtors arise from the following services, water, electricity, sewerage and refuse removal.

DEBTORS PER SERVICE

The information below shows the total outstanding debtors of the municipality as at 30 June 2021.

Table 100: Debtors Age Analysis by Income Source (Exchange Transactions)

5. Receivables from exchange transactions		
Gross balances		
Electricity	8,805,429	12,917,689
Water	44,712,207	45,795,031
Sewerage	38,007,534	40,048,823
Refuse	35,442,196	35,772,585
Other	221,439	120,787
Housing rental	1,791,904	2,179,878
Interest	110,193,677	60,194,841
	239,174,386	197,029,634

Table 103: Debtors Age Analysis by Income Source (Non- Exchange Transactions)

6. Receivables from non-exchange transactions

Assessment rates	51,269,614	42,332,920
Provision for impairment	(29,643,665)	(24,108,576)
Other receivables	455,153	-
	22,081,102	18,224,344

8.7. OPERATING EXPENDITURE

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Expenditure						
Employee costs	(58,918,002)	(2,154,143)	(61,072,145)	(63,364,198)	(2,292,053)	
Remuneration of councillors	(4,313,164)	(258,790)	(4,571,954)	(4,217,404)	354,550	
Depreciation / amortisation and impairment loss	(47,139,650)	-	(47,139,650)	(50,824,122)	(3,684,472)	
Finance costs	(600,000)	(1,400,000)	(2,000,000)	(7,871,577)	(5,871,577)	
Debt Impairment	(50,000,000)	-	(50,000,000)	(30,287,712)	19,712,288	
Repairs and maintenance	(5,940,000)	(5,315,000)	(11,255,000)	(5,924,176)	5,330,824	
Bulk purchases	(28,000,000)	6,000,000	(22,000,000)	(38,632,663)	(16,632,663)	
Contracted services	(8,924,117)	(2,550,883)	(11,475,000)	(11,158,122)	316,878	
General expenses	(4,921,999)	(3,613,651)	(8,535,650)	(16,977,614)	(8,441,964)	
Total expenditure	(208,756,932)	(9,292,467)	(218,049,399)	(229,257,588)	(11,208,189)	
Operating surplus	(18,630,031)	21,424,221	2,794,190	722,411	(2,071,779)	
Loss on disposal of assets	-	-	-	(11,299,625)	(11,299,625)	
Fair value adjustments	-	-	-	3,200	3,200	
Actuarial gains/losses	-	-	-	(308,000)	(308,000)	
Inventories losses	-	-	-	146,549	146,549	
	-	-	-	(11,457,876)	(11,457,876)	
Surplus	(18,630,031)	21,424,221	2,794,190	(10,735,465)	(13,529,655)	

8.8. BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

8.8.1. INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Table 101: Service Backlogs

Service Backlogs as at 30 June 2021				
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	9814	100%	0	0
Sanitation	9558	100%	0	0
Electricity	5720	100%	0	0
Waste management	9414	100%	0	0

Housing				
				<i>T 5.8.2</i>

8.8.2. COMMENT ON BACKLOGS:

As can be seen the basic services backlogs are a huge problem for Letsemeng Local Municipality, only few projects were implemented in the last financial year and this were fully funded by MIG and WSIG.

8.9. COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

8.9.1. INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The proper management of cash resources is paramount in ensuring viability and sustainable growth and development. The municipality did not maintain significant investments due to pressing operational requirements and an effort to maintain creditors' payment within 30 days and addressing the long term liabilities.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

	Note(s)	2021 R	2020 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		40,584,358	29,368,750
Grants and subsidies received		140,526,686	77,239,763
Interest income		375,044	441,075
Dividends received		4,527	-
		181,490,615	107,049,588
Payments			
Employee costs		(64,201,405)	(63,522,321)
Supplier and other payments		(65,938,559)	(12,169,270)
Finance costs		(5,248,374)	(4,453,700)
		(135,388,338)	(80,145,291)
Net cash flows from operating activities	41	46,102,277	26,904,297
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(46,578,621)	(45,305,822)
Proceeds from sale of property, plant and equipment		-	15,936,447
Net cash flows from investing activities		(46,578,621)	(29,369,375)
Cash flows from financing activities			
Finance lease payments		(80,794)	(35,741)
Net increase/(decrease) in cash and cash equivalents		(557,138)	(2,500,819)
Cash and cash equivalents at the beginning of the year		1,202,958	3,703,777
Cash and cash equivalents at the end of the year	7	645,820	1,202,958

8.10. COMPONENT D: OTHER FINANCIAL MATTERS

8.10.1. SUPPLY CHAIN MANAGEMENT

COMMENTS ON SUPPLY CHAIN MANAGEMENT

Organogram for Supply Chain Management Unit has been amended to include an extra Demand Acquisition vacant position which will be filled.

8.10.2. GRAP COMPLIANCE

COMMENTS ON GRAP COMPLIANCE

Letsemeng Local Municipal compiles its Annual Financial Statements in line with General Recognised Accounting Practise.

9. CHAPTER 6 – AUDITOR GENERAL AUDIT REPORT

Report of the auditor-general to the Free State Legislature and the council on the Letsemeng Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Letsemeng Local Municipality set out on pages 157 to 312, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Letsemeng Local Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 10 of 2020 (Dora).

Basis for qualified opinion

Receivables from exchange transactions

3. The municipality did not recognise and classify receivables from exchange transactions in accordance with GRAP 104, *Financial instruments* as the total interest on outstanding debtors was incorrectly recognised under receivables from exchange transactions line item and not split between receivables from exchange transactions and receivables from non-exchange transactions. I was unable to determine the full extent of the misstatement on receivables from exchanges transactions and receivables from non-exchange transactions as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence that receivables from exchange transactions had been properly accounted for, due to the status of the accounting records. I was unable to confirm the receivables from exchange transactions by

alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to receivables from exchange transactions stated at R76 962 481 (2020: R60 942 871) in note 5 in the financial statements.

Irregular expenditure

4. The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements, which were not disclosed. In addition, the prior period correction made by management, stated in note 44 to the financial statements, was recorded at incorrect amounts and it included duplicate transactions. I was unable to determine the full extent of the misstatement of irregular expenditure as it was impracticable to do so. I was also unable to obtain sufficient appropriate audit evidence for the breakdown of the irregular expenditure transactions incurred due to the status of the accounting records. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to irregular expenditure stated at R504 835 371 (2020: R502 749 903) in note 47 to the financial statements.

Service charges

5. The municipality did not recognise revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*, as consumers were not billed for the services they received. In addition, unreconciled differences were identified between the revenue billing system and the accounting records. I was unable to determine the full extent of the understatement of service charges stated at R50 614 190 (2020: R49 589 282) in note 20 to the financial statements and receivables from exchange transactions stated at R76 962 481 (2020: R60 942 871) in note 5 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the deficit for the period and the accumulated surplus.

Property, plant and equipment

6. The municipality did not recognise work in progress relating to infrastructure assets in accordance with GRAP 17, *Property, plant and equipment*. Infrastructure assets available for use was incorrectly classified as work in progress and was not accounted for in the correct financial year, resulting in an overstatement of the work in progress balance by R23 430 364 as stated under the reconciliation of work in progress in note 9 to the financial statements. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm additions to work in progress referred to in the reconciliation of the work in progress sub-note, due to the status of accounting records. I was unable to confirm the infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to

infrastructure assets work in progress stated at R35 972 910 and consequently infrastructure stated at R602 494 770 stated in note 9 to the financial statements.

Context for the opinion

7. 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.
8. 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.
9. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.
11. Note 55 to the financial statements indicates that the municipality incurred a net loss of R10 735 465 during the year ended 30 June 2021 and, as of that date, the municipality's current liabilities exceeded its current assets by R72 189 947. In addition, the municipality owed Eskom R86 576 571 (2020: R54 512 777) and the water boards R12 426 881 (2020: R8 090 549) as at 30 June 2021, both of which were long overdue. These events or conditions, along with other matters as set forth in note 55, 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

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

Unauthorised expenditure

13. As disclosed in note 49 to the financial statements, the municipality incurred unauthorised expenditure of R177 058 547 (2020: R91 986 310), due to overspending of the budget.

Fruitless and wasteful expenditure

14. As disclosed in note 48 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R3 536 734, due to some infrastructure projects written-off where value for money was not received.

Underspending of conditional grants

15. As disclosed in notes 17 and 26 to the financial statements, the municipality materially underspent the municipal infrastructure grant by R3 234 319.

Restatement of corresponding figures

16. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Contingencies

17. With reference to note 52 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

Material losses

18. As disclosed in note 50 to the financial statements, material water distribution losses of R3 158 304 (78%) ((2020: R4 296 573) (82%)) and electricity distribution losses of R11 180 470 (38%) ((2020: R11 718 554) (42%)) were incurred by the municipality, mainly due to inherent resistance of conductors, transformers and other electrical equipment, tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.
19. As disclosed in note 38 to the financial statements, material losses of assets amounting to R11 299 625 were incurred by the municipality mainly due to theft, write-offs and assets that could not be located in the field.

Material impairment

20. As disclosed in note 31 to the financial statements, property, plant and equipment was impaired by R8 198 288 (2020: R13 232 331).

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

23. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
24. 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

25. 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.
26. 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

27. 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 (KPA) presented in the annual performance report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.
28. I was engaged to evaluate 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 KPA presented in the municipality's annual performance report for the year ended 30 June 2021:

KPA	Pages in the annual performance report
KPA 1 – basic service delivery and infrastructure development	38-44

29. The material findings on the usefulness and reliability of the performance information of the selected development KPA are as follows:

KPA 1 – basic service delivery and infrastructure development

TL 1 - 100 percentage of complete new 4.2 Ml conventional WTW at Jacobsdal by 2020-21 financial year

30. The achievement of 10% was reported against target 10% in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 100%.

TL 16 – 100 completion of the refurbishment of water treatment works filters at Koffiefontein by 31 March 2021

31. The planned indicator and target were 100%, but the reported achievement referred to was project not complete. In addition, I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined method of calculation or the related systems and processes were established to ensure consistent measurement and reliable reporting of the actual achievement of this indicator. This was due to insufficient measurement definitions and processes. I was unable to test whether the indicator was well-defined and verifiable by alternative means.
32. I was unable to obtain sufficient appropriate audit evidence for the achievement and the related measures taken to improve performance as reported in the annual performance report for the

indicator. Limitations were placed on the scope of my work, as the actual level of achievement for the year was not quantified. I was unable to confirm the reported achievement and the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement and the reported measures taken to improve performance.

TL 19 – % completion of the refurbishment of water treatment works at Koffiefontein by 2020-21 financial year

33. The indicator was initially approved in the service delivery and budget implementation plan, but were not included and reported on in the annual performance report. In addition, I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined method of calculation or the related systems and processes were established to ensure consistent measurement and reliable reporting of the actual achievement of this indicator. This was due to insufficient measurement definitions and processes. I was unable to test whether the indicator was well-defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the indicator listed below. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments was required to the indicator.

Various indicators

34. The indicators listed below were approved in the initial service delivery and budget implementation plan (SDBIP) but were not included and reported on in the annual performance report. As a result, I was unable to obtain sufficient appropriate audit evidence for the achievement of planned and reported indicators listed below in the annual performance report, due to a lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Indicator descriptions	Planned targets	Reported achievements
TL 16 – (water quality) - No. of water samples submitted to an accredited laboratory for testing by 30 June 2021	24 reports	Not reported in the APR
TL 17 – (Green drop status) – No. of water samples submitted to an accredited laboratory for testing by 30 June 2021	24 reports	Not reported in the APR

Various indicators

35. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and method of collection or that related systems and processes were established to enable consistent measurement and reliable reporting of the actual achievement of the indicators listed below. This was due to a lack of measurement definitions and processes. I was unable to confirm that the indicator is well defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the achievements reported in the annual performance report of the listed indicators.

Indicator descriptions	Planned targets	Reported achievements
TL 3 – Installation of 750 domestic water meters at Dithlake, Sonwabile, Diamandhoogte, (MIS: 321576) by 30 September 2020.	750	750
TL 5 – Installation of 681 domestic water meters at Jacobsdal and Ratanang by 30 September 2020.	681	681
TL 11 - 100 percentage of construction of new pipeline from boreholes 14 and 15 at Petrusburg to reservoir at Bolokanang by 30 June 2021.	100%	95%

Various indicators

36. I was unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions for the indicators listed below. This was due to insufficient measurement definitions and processes. As a result, I was unable to obtain sufficient appropriate audit evidence. I was unable to confirm the verifiability of the indicator and the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.

Indicator descriptions	Planned targets	Reported achievements
TL 4 – installation of 1 bulk water meter at Koffiefontein by 31 March 2021	1	1
TL 6 – installation of 2 bulk water meters at Ratanang by 30 June 2021	2	2
TL 7 – installation of 250 domestic water meters at Relebohile by 30 September 2020	250	250
TL 8 – installation of 1 bulk water meter at Luckhoff by 30 June 2021	1	1

TL 9 – installation of 150 domestic water meters at Bolokanang by 30 September 2020	150	150
TL 10 – installation of 8 bulk water meters at Petrusburg (5) and Bolokanang (3) by 30 June 2021	8	8

Other matters

37. I draw attention to the matters below.

Achievement of planned targets

38. Refer to the annual performance report on pages 38 to 65 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 30 to 36 of this report.

Report on the audit of compliance with legislation

Introduction and scope

39. 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.

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

Annual financial statements

41. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current liabilities, revenue, expenditure, and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

42. Reasonable steps were not taken to prevent irregular expenditure amounting to R2 085 468 as disclosed in note 47 to the annual financial statements, as required by section 62(1)(d) of the

MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the irregular expenditure was caused due to competitive bidding processes not followed.

43. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R177 058 547, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by non-cash items that were not adequately budgeted for.
44. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R 3 536 734, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA due to infrastructure projects written off.
45. Payments were made from the municipality's bank accounts without the approval of the chief financial officer, as required by section 11(1) of the MFMA.
46. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval of funds, as required by section 65(2)(a) of the MFMA.

Consequence management

47. 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.
48. Irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
49. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Utilisation of conditional grants

50. The municipal infrastructure grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Dora.

Revenue management

51. An adequate management, accounting and information system that accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.
52. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Strategic planning and performance management

53. The performance management system and related controls were not maintained and implemented to ensure sufficient appropriate audit evidence; which ensures that systems and processes established enable consistent measurement and reliable reporting of processes, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

54. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured using price quotations as required by SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
55. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
56. Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
57. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000, as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000.
58. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).
59. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by the 2017 preferential procurement regulation 5(1) and 5(3).
60. Invitation to tender for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).
61. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM regulation 5. A similar limitation was also reported in the prior year.

- 62. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. A similar limitation was also reported in the prior year.
- 63. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. A similar limitation was also reported in the prior year.

Other information

- 64. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those KPA presented in the annual performance report that has been specifically reported in this auditor's report.
- 65. 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.
- 66. 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 KPA presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 67. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

- 68. 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 basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
- 69. Leadership did not monitor and enforce the implementation of the corrective measures included in the audit action plan and prevent the re-occurrence of qualifications reported in the audit

report. These measures were to address the weaknesses of the finance and supply chain directorates in procurement and contract management and the prevention of irregular, fruitless and wasteful, unauthorised expenditure and performance information

70. Key officials and supporting staff lacked the necessary commitment to implement and monitor internal controls over the daily and monthly processing of transactions, resulting in the audit findings reported in this audit report.
71. There was no consequence management at the municipality and officials were not held accountable for irregular, unauthorised, and fruitless and wasteful expenditure incurred in the current and previous financial years.
72. Slow corrective measures by management to address the drivers of non-compliance with laws and regulations. As a result, material instances of non-compliance that could have been prevented were repeated by the municipality.
73. Ineffective monitoring and supervision over financial and performance reporting resulted in material misstatements in the financial statements and annual performance report. The municipality continued to rely on consultants to resolve the prior year's audit findings; however, internal controls within the municipality did not improve as repeat findings were reported in the current year.

Material irregularities

74. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit. The material irregularity identified is as follows:

Eskom not paid within 30 days

75. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchase of electricity were paid within 30 days of receiving the relevant invoice or statement, as required by section 65(2)(e) of the MFMA. The late payment resulted in interest of R3 711 420 being incurred for the period 1 April 2019 to 31 March 2020. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay Eskom.
76. The accounting officer was notified of the material irregularity on 25 February 2021 and was invited to make written submission on the actions taken and that will be taken to address this matter. In his response, the accounting officer referred to the following actions that have been taken and further actions to be taken to address the material irregularity:

- A payment agreement was entered into on 30 October 2020 with Eskom relating to the Luckhoff account. In addition, a meeting was held with Eskom on 9 November 2021 to discuss a payment plan for the remaining towns. A decision was taken to wait for the outcome of the pending court case between Eskom and the municipality regarding the outstanding balance.
- The municipality has undertaken projects to replace all faulty electricity and water meters. Contractors for these projects were appointed on 12 June 2019 for the electricity meters, 21 February 2020 for the water meters and the projects are currently in progress.
- The accounting officer submitted a report on fruitless and wasteful expenditure incurred to the municipal public accounts committee (MPAC) for investigation on 30 July 2021. This matter will be dealt with in the next MPAC meeting.

77. I will follow up on the investigation and implementation of the planned actions during my next audit.

Bloemfontein
30 November 2021



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 KPA[s] 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 Letsemeng Local 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
5. 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.

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give <i>"full and regular"</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>"what we do"</i> .
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to

	which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

APPENDICES

APPENDIX 'A' – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Cllr MA Lebaka	FT	Oversight role	ANC – PR	98	2
Cllr XW Nqelani	P/T	Finance – Chairperson Add members: <ul style="list-style-type: none"> Cllr PN Dibe Cllr MJ Phaliso Cllr JDJ Barnes 	ANC - Ward Councillor	98	2
Cllr SJ Bahumi	P/T	Good Governance and Monitoring (MPAC) – Chairperson Add members: <ul style="list-style-type: none"> -Cllr AN November -Cllr MJ Phaliso -Cllr JDJ Barnes -Cllr TS Moghoishi 	ANC – Ward Councillor	98	2
Cllr PV Mlozana	P/T	Corporate Services – Chairperson Add members: <ul style="list-style-type: none"> - Cllr AN November - Cllr TV Nthapo 	ANC – Ward Councillor	98	2
Cllr MC Ntemane	P/T	Additional member – Technical Services	ANC – Ward Councillor	95	2
Cllr MJ Phaliso	P/T	Technical Services – Chairperson Add members: <ul style="list-style-type: none"> - Cllr MC Ntemane - Cllr TS Moghoishi 	ANC – Ward Councillor	98	2
Cllr AN November	P/T	Community Services, Planning and LED – Chairperson	ANC – PR Councillor	95	5

		Add members: - Cllr PM Dibe - Cllr JDJ Barnes			
Cllr PM Dibe	P/T	Additional member - Community Services	ANC – PR Councillor	98	2
Cllr JDJ Barnes	P/T	Additional member - Finance Services	DA – PR Councillors	98	2
Cllr TV Nthapo	P/T	Additional member - Corporate Services	DA – PR Councillor	98	2
Cllr TS Moqhoishi	P/T	Additional member - Technical Services	EFF – PR Councillor	98	2
Note: * Councillors appointed on a proportional basis do not have wards allocated to them					T A.1

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Municipal Public Accounts Committee	Playing an oversight Role over the finances and the administration of the Municipality
Audit Committee	Performing duties as stipulated in Section 166 of the MFMA
Finance Committee	Perform duties as outlined on the legislation and advice council on finance related matters
Technical Services Committee	Perform duties as outlined on the legislation and advice council on technical department related matters
Corporate Services	Perform duties as outlined on the legislation and advice council on Corporate services related matters
Community and LED services	Perform duties as outlined on the legislation and advice council on Community services and LED related matters

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Office of the Municipal Manager	Municipal Manager – Mr TL Mkhwane
Financial Services	Chief Financial Officer – Mr SJ Tooi
Technical Services	Director: Technical Services – Mrs DG Tsikang
Corporate services	Acting Director: Corporate Services – Mr S Qwelane
Community Services	Director: Community Services – Mr CJ Makhoba

APPENDIX D –FUNCTIONS OF MUNICIPALITY/ENTITY

Municipal Functions	
Municipal Functions	Function Applicable to Municipality (Yes / No)*
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	No
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	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Beaches and amusement facilities	No
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	No
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes

Municipal Functions	
Municipal Functions	Function Applicable to Municipality (Yes / No)*
Constitution Schedule 4, Part B functions:	
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes
TD	

APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Cllr XW Nqelani	Yes	-	-	-
2	Cllr PV Mlozana	Yes	-	-	-
3	Cllr MA Lebaka	Yes	-	-	-
4	Cllr MC Ntemane	Yes	-	-	-
5	Cllr MJ Phaliso	Yes	-	-	-
6	Cllr SJ Bahumi	Yes	-	-	-

APPENDIX F – WARD INFORMATION

Ward Title: Ward Name (Number)				
Capital Projects: Seven Largest in '2020/21 (Full List at Appendix O)				
No.	Project Name and detail	Start Date	End Date	R' 000 Total Value
2	Jacobsdal: Construction of new water treatment works (4.2 ml/day)	2014	2021-04-30	R12,142,579.51
5	Koffiefontein: Construction of new sports facility in Sonwabile	2019	Not yet completed	R2 551 452.00
4	Upgrading of Koffiefontein substation and bulk feeder lines	2018	2020/07/31	R 5.2 000 00
4 & 5	Koffiefontein/Ditlake/Diamanthoogte: Installation of 340 new domestic water meters and refurbishment of 432 domestic water meters (MIS:321576)	2020-07-16	2021-04-28	R2,689,666.28
1	Jacobsdal/Ratanang: Installation of 232 new domestic water meters, bulk water meters, 296 refurbishment of domestic meters (MIS:321605)	2020-02-21	2021-04-28	R1,740,766.55

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	8916	8223	8040	8081	
Households without minimum service delivery		490	0	0	
Total Households*	8916	8713	8040	8081	
Houses completed in year					
Shortfall in Housing units					

Top Two Service Delivery Priorities for Ward (Highest Priority First)		
Ward No.	Priority Name and Detail	Progress During '2020/21
1 (Jacobsdal)	Jacobsdal: Construction of new water treatment works (4.2 ml/day)	The project is under construction at 97% progress
4 & 5 (Koffiefontein))	Koffiefontein/Dithlake: Upgrading of sport facility	The project is under construction at 100% progress

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2020/21

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2019/20	Recommendations adopted (enter Yes) If not adopted (provide explanation)
N/A		
		T G

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (Largest Contracts Entered into during 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
Pan Solutions/My Connect	Internet, Telephones and emails hosting services for 3 Years	03/06/2019	03/06/2021	IT Technician	695 000.00
BlaQ M Holdings	Short Term Insurance for 3 Years	03/06/2019	03/06/2021	SCM Manager	1500 289.00
TH.1					

Public Private Partnerships Entered into during 2020/21 R' 000					
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value 2015/16
None entered into.					
NONE					
TH.2					

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

The municipality do not have a municipal entity.

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of 2020/21 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	Cllr Lebaka	Nil
Member of MayCo / Exco		
Councillors		
	Cllr TS Moqhoishi	Nil
	Cllr AN November	Nil
	Cllr TV Nthapo	Nil
	Cllr JDJ Barnes	Nil
	Cllr XW Ngelani	Nil
	Cllr Dibe	Nil
	Cllr MC Ntemane	Nil
	Cllr SJ Bahumi	Nil
	Cllr MJ Phaliso	Nil
	Cllr PV Mlozana	Nil
Municipal Manager	Mr TL Mkhwane	Nil
Chief Financial Officer	Mr SJ Tooi	Nil
Other S57 Officials	Ms DG Motlogelwa	Nil
	Mr CJ Makhoba	Nil

TJ

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 54
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	35,050,944	16,606,397	51,657,341	50,614,190	(1,043,151)	-2%
Rental of facility/equipment	296,822	-	296,822	713,613	416,791	140%
Interest on debtors	4,252,876	4,252,876	8,505,752	10,323,620	1,817,868	21%
Other income	569,000	107,256	676,256	708,139	31,883	5%
Dividends received	10,450	(2,450)	8,000	4,527	(3,473)	-43%
Interest-external investment	407,490	-	407,490	375,044	(32,446)	-8%
Total revenue from exchange transactions	40,587,582	20,964,079	61,551,661	62,739,133	1,187,472	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23,504,140	470,082	23,974,222	25,605,086	1,630,864	7%
Interest on debtors	-	-	-	4,063,552	4,063,552	100%
Transfer revenue						
Transfer and subsidies	125,997,000	9,285,000	135,282,000	137,558,328	2,276,328	2%
Fines	33,233	-	33,233	13,900	(19,333)	-58%
Licences and permits	4,946	(2,473)	2,473	-	(2,473)	-100%
Total revenue from non-exchange transactions	149,539,319	9,752,609	159,291,928	167,240,866	7,948,938	
Total revenue	190,126,901	30,716,688	220,843,589	229,979,999	9,136,410	

APPENDIX L: CONDITIONAL GRANTS RECEIVED/SPENT

Grants Performance				
Description	2019/20120	2020/2021		
	Actual	Budget	Adjustment Budget	Actual
<u>Operational Transfers and Grants</u>				
	-	-	-	-
Equitable Shares	63,668,000	78,873,000	-	78,873,000
Other Transfers	5,625,000.00	11 053 686	-	11 053 686
<u>Capital Grants and Transfers</u>				
MIG	17,149,000.00	16,852,000	-	13,643,332
INEP	5,200,000.00	9,547,000	-	9,547,000
WSIG	24,000,000.00	24,201,000	-	24,441,310

APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
Description	2019/20	2020/21			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<u>Capital expenditure by Asset Class</u>							
<u>Infrastructure - Total</u>	-			-	-	-	-
Infrastructure: Road transport - Total	-				-	-	-
Roads, Pavements & Bridges							
Storm water							
Infrastructure: Electricity - Total	-				-	-	-
Generation							
Transmission & Reticulation							
Street Lighting							
Infrastructure: Water - Total	-				-	-	-
Dams & Reservoirs							
Water purification							
Reticulation							

Infrastructure: Sanitation - Total	—				—	—	—
<i>Reticulation</i>							
<i>Sewerage purification</i>							
Infrastructure: Other - Total	—			—	—	—	—
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
Community - Total	—			—	—	—	—
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							
<i>Table continued next page</i>							

<i>Table continued from previous page</i>							
Capital Expenditure - New Assets Programme*							
R '000							
Description	2019/20	2020/21		Planned Capital expenditure			
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
Heritage assets - Total	—			—	—	—	—
Buildings							
Other							
Investment properties - Total	—			—	—	—	—
Housing development							
Other							
-							
Other assets	—				—	—	—
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>	—				—	—	—
<i>List sub-class</i>							
<u>Biological assets</u>	—				—	—	—
<i>List sub-class</i>							
<u>Intangibles</u>	—				—	—	—
Computers - software & programming							
Other (<i>list sub-class</i>)							
Total Capital Expenditure on new assets	—				—	—	—

APPENDIX N – CAPITAL PROGRAMME BY PROJECT 2020/21

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2020/21

Capital Programme by Project by Ward: 2020/21 R' 000		
Capital Project	Ward(s) affected	Works completed (Yes/No)
Water		
Jacobsdal Construction of 4.15MI WTW	2	Yes
Installation of Water Meters	All wards	Yes
Pipeline from borehole 14 and 15	3	No
Equipping of 13 boreholes and connecting to water supply scheme	3	No
Sanitation/Sewerage		
Jacobsdal: Ratanang sanitation of 202 stands	2	Yes
Petrusburg Refurbishment of waste water treatment works	3	No
Electricity		
Koffiefontein: Upgrading of Koffiefonteing substation and bulk feeder lines	(4 & 5)	No
ICT and Other	-	-
Koffiefontein/Dithlake: Upgrading of sport facility	4 & 5	Yes
Koffiefontein/Sonwabile: Upgrading of sport facility	5	No
T O		

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Service Backlogs: Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (NAMES, LOCATIONS)				
None that the municipality is aware of.				
Clinics (NAMES, LOCATIONS)				
None that the municipality is aware of.				
T P				

APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
Clinics:	None that the municipality is aware of.	
Housing:		
Licensing and Testing Centre:		
Reservoirs		
Schools (Primary and High):		
Sports Fields:		

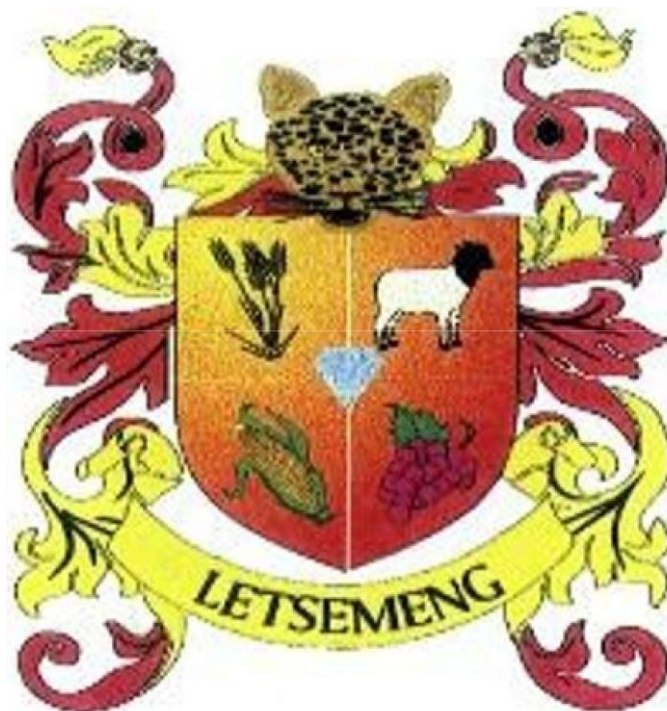
TQ

APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

Declaration of Loans and Grants made by the municipality: 2019/20				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2019/20 R' 000	Total Amount committed over previous and future years
No grants or loans were made.				

*Loans/Grants - whether in cash or in kind

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Letsemeng Local Municipality

Annual Financial Statements
for the year ended 30 June 2021
Auditor-General of South Africa

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	A municipality which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	A local authority providing municipal services and maintaining the best interest of the community in the Letsemeng municipal area.
Councillors	Mr MA Lebaka (Appointed as Mayor: 10 October 2020) Mr SJ Bahumi (Terminated as acting Mayor: 10 October 2020) Miss AN November Mr JDJ Barnes (Terminated: 9 April 2021) Mr MC Ntemane Mr MJ Phaliso Miss MM Potgieter (Appointed: 13 May 2021) Miss PM Dibe Mr PV Mlozan Mr TS Moqhoishi Mr TV Nthapo Mr XW Nqelani
Grading of local authority	Grade 2
Chief Finance Officer (CFO)	Mr SJ Tooi
Accounting Office	Mr TL Mkhwane
Registered office	Civic Centre 7 Groottrek Street Koffiefontein 9986
Business address	Civic Centre 7 Groottrek Street Koffiefontein 9986
Postal address	Private Bag X3 Koffiefontein 9986
Bankers	First National Bank ABSA Bank

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Annual

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

	Page
Accounting Officer's Responsibilities and Approval	3
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Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 12
Accounting Policies	13 - 43
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AGSA	Auditor-General of South Africa
CRR	Capital Replacement Reserve
COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
Mscoa	Municipal Standard Chart of Accounts

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Mr TL Mkhwane
Accounting Officer

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The Letsemeng Local Municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Letsemeng municipal area

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

Net deficit of the municipality was R 10 735 465 (2020: deficit R 15 304 032).

2. Going concern

The municipality experienced cash flow difficulties during the financial period. Management considered the following matters relating to the going concern:

- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the annual financial statements on the going concern basis. 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 government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cashflow of the municipality and where necessary procure funding for the ongoing operations for the municipality.

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstances arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

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

6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

7. Accounting Office

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr TL Mkhwane	South African

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

8. Corporate governance

General

The Accounting Officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

Management meetings

The Accounting Officer meets the section 56 managers at least on a monthly basis.

Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

9. Bankers

The municipality's bankers did not change during the year.

10. Auditors

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

11. Non-compliance with applicable legislation

Significant non-compliance with various legislation have been properly disclosed in the notes to the financial statements.

12. Retirement benefit obligation

Management performed an actuarial valuation of the council's liability arising from the post-retirement healthcare subsidy ("PHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

Mr TL Mkhwane
Accounting Officer

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

	Note	2021 R	2020 Restated R
Assets			
Current Assets			
Inventories	3	2,180,858	2,753,632
Other receivables from exchange transactions	4	2,827,126	3,031,595
Receivables from exchange transactions	5	76 962 481	60 942 871
Receivables from non-exchange transactions	6	22 081 102	18 224 344
Cash & cash equivalents	7	645,820	1,202,958
		104,697,387	86,155,400
Non-Current Asset			
Investment property	8	77,119,300	77,704,540
Property, plant and equipment	9	705,030,610	708,314,027
Intangible assets	10	177 119	378 514
Heritage assets	11	15 000	15 000
Other financial assets	12	182,950	179,750
		782,524,979	786,591,831
Total Assets		887,222,366	872,747,231
Liabilities			
Current Liabilities			
Finance lease obligation	13	246,653	160,805
Payables from exchange transactions	14	169,008,124	148,567,825
Consumer deposits	15	859 826	739 342
Employee benefit obligation	16	556 000	575 000
Unspent conditional grants	17	3,234,319	265,961
VAT payable	18	2,982,412	4,388,367
		176 887 334	154 697 300
Non-Current Liabilities			
Finance lease obligation	13	60,737	177,643
Employee benefit obligation	16	4,403,000	3,839,000
Provisions	19	8 542 898	5 969 431
		13 006 635	9 986 074
Total Liabilities		189 893 969	164 683 374
Net Assets		697,328,397	708,063,857
Accumulated surplus		697 328 397	708 063 861

* See Note 44

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

	Note	2021 R	2020 Restated R
Revenue			
Revenue from exchange transaction			
Service charges	20	50,614,190	49,589,282
Dividends received	22	4 527	
Interest received - outstanding debtors	21	10,323,620	11,364,140
Interest received - external investments	22	375,044	441,075
Rental of facilities and equipment	23	713 613	604 448
Other income	24	708,139	575,775
Total revenue from exchange transactions		62,739,133	62,574,720
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	25,605,086	23,906,946
Interest earned - outstanding debtors	21	4 063 552	3 957 976
Transfer revenue			
Government grants and subsidie	26	137 558 328	102 922 774
Fines, penalties and forfeits	27	13,900	28,450
Total revenue from non-exchange transactions		167,240,866	130,816,146
Total revenue		229 979 999	193 390 866
Expenditure			
Employee related costs	28	(63,364,198)	(59,470,390)
Remuneration of councillors	29	(4 217 404)	(4 200 291)
Depreciation and amortisation	30	(42,040,594)	(41,244,813)
Impairment loss	31	(8 783 528)	(13 232 331)
Finance costs	32	(7 871 577)	(2 513 323)
Debt impairment	33	(30,287,712)	(38,650,492)
Repairs and maintenance	34	(5 924 176)	(4 566 735)
Bulk purchases	35	(38,632,663)	(37,267,215)
Professional and consulting fees	36	(11,158,122)	(3,456,487)
General expense	37	(16 977 614)	(19 498 469)
Total expenditure		(229 257 588)	(224 100 546)
Operating surplus (deficit)		722 411	(30 709 680)
(Loss) gain on disposal of assets and liabilities	38	(11,299,625)	14,503,516
Fair value adjustments	39	3 200	(1 121)
Actuarial gains	16	(308,000)	454,000
Inventories loss reversals (losses)		146 549	449 253
		(11 457 876)	15 405 648
Deficit for the yea		(10 735 465)	(15 304 032)

* See Note 44

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	731,651,406	731,651,406
Adjustments		
Prior year adjustments (see note 45)	(8 283 513)	(8 283 513)
Balance at 01 July 2019 as restated	723 367 893	723 367 893
Changes in net assets		
Surplus for the year	(15,304,032)	(15,304,032)
Total changes	(15 304 032)	(15 304 032)
Restated* Balance at 01 July 2020	708,063,862	708,063,862
Changes in net assets		
Surplus for the year	(10 735 465)	(10 735 465)
Total changes	(10,735,465)	(10,735,465)
Balance at 30 June 2021	697,328,397	697,328,397

* See Note 44

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

	Note(s)	2021 R	2020 Restated R
Cash flows from operating activities			
Receipts			
Sale of goods and services		40 584 358	29 368 750
Grants and subsidies received		140,526,686	77,239,763
Interest income		375,044	441,075
Dividends received		4 527	
		<u>181,490,615</u>	<u>107,049,588</u>
Payments			
Employee costs		(64,201,405)	(63,522,321)
Supplier and other payments		(65 938 559)	(12 169 270)
Finance costs		(5 248 374)	(4 453 700)
		<u>(135 388 338)</u>	<u>(80 145 291)</u>
Net cash flows from operating activities	41	<u>46,102,277</u>	<u>26,904,297</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(46,578,621)	(45,305,822)
Proceeds from sale of property, plant and equipment			15,936,447
Net cash flows from investing activities		<u>(46,578,621)</u>	<u>(29,369,375)</u>
Cash flows from financing activities			
Finance lease payments		(80,794)	(35,741)
Net increase/(decrease) in cash and cash equivalents		<u>(557,138)</u>	<u>(2,500,819)</u>
Cash and cash equivalents at the beginning of the year		1 202 958	3 703 777
Cash and cash equivalents at the end of the year	7	<u>645,820</u>	<u>1,202,958</u>

* See Note 44

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustment	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Referenc Note 54
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	35 050 944	16 606 397	51,657,341	50 614 190	(1,043,151)	-2%
Rental of facility/equipment	296,822		296 822	713,613	416 791	140%
Interest on debtors	4,252,876	4,252,876	8 505 752	10,323,620	1 817 868	21%
Other income	569 000	107 256	676,256	708 139	31,883	5%
Dividends received	10,450	(2,450)	8,000	4,527	(3,473)	-43%
Interest-external investment	407,490		407 490	375,044	(32 446)	-8%
Total revenue from exchange transactions	40,587,582	20,964,079	61,551,661	62,739,133	1,187,472	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23,504,140	470,082	23 974 222	25,605,086	1 630 864	7%
Interest on debtors				4 063 552	4,063,552	100%
Transfer revenue						
Transfer and subsidies	125,997,000	9,285,000	135,282,000	137,558,328	2,276,328	2%
Fines	33,233		33 233	13,900	(19 333)	-58%
Licences and permits	4,946	(2,473)	2 473		(2 473)	-100%
Total revenue from non-exchange transactions	149 539 319	9 752 609	159 291 928	167 240 866	7 948 938	
Total revenue	190,126,901	30,716,688	220,843,589	229,979,999	9,136,410	
Expenditure						
Employee costs	(58,918,002)	(2,154,143)	(61 072 145)	(63,364,198)	(2 292 053)	4%
Remuneration of councillors	(4,313,164)	(258,790)	(4 571 954)	(4,217,404)	354 550	-8%
Depreciation / amortisation and impairment loss	(47 139 650)		(47,139,650)	(50 824 122)	(3,684,472)	-8%
Finance costs	(600 000)	(1 400 000)	(2 000 000)	(7 871 577)	(5 871 577)	294%
Debt Impairment	(50 000 000)		(50,000,000)	(30 287 712)	19,712,288	-39%
Repairs and maintenance	(5,940,000)	(5,315,000)	(11 255 000)	(5,924,176)	5 330 824	-47%
Bulk purchases	(28,000,000)	6,000,000	(22 000 000)	(38,632,663)	(16 632 663)	76%
Contracted services	(8 924 117)	(2 550 883)	(11 475 000)	(11 158 122)	316 878	-3%
General expenses	(4 921 999)	(3 613 651)	(8,535,650)	(16 977 614)	(8,441,964)	99%
Total expenditure	(208 756 932)	(9 292 467)	(218 049 399)	(229 257 588)	(11 208 189)	
Operating surplus	(18,630,031)	21,424,221	2,794,190	722,411	(2,071,779)	
Loss on disposal of assets				(11 299 625)	(11 299 625)	100%
Fair value adjustments				3 200	3,200	100%
Actuarial gains/losses				(308,000)	(308,000)	100%
Inventories losses				146,549	146 549	100%
				(11,457,876)	(11,457,876)	
Surplus	(18 630 031)	21 424 221	2 794 190	(10 735 465)	(13 529 655)	

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustment	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Referenc Note 54
	R	R	R	R	R	

Statement of Financial Position

Assets

Current Assets

Inventories	2,802,000	198,000	3 000 000	2,180,858	(819 142)	-27%
Other receivables		3 000 000	3 000 000	2 827 126	(172 874)	-6%
Receivables: exchange	85 058 000	(5 058 000)	80,000,000	76 962 481	(3,037,519)	-4%
Receivables: non-exchange				22,081,102	22,081,102	100%
Cash & cash equivalents	160,489,497	(155,918,497)	4 571 000	645,820	(3 925 180)	-86%
	248,349,497	(157,778,497)	90,571,000	104,697,387	14,126,387	

Non-Current Assets

Investment property	81,191,000	(2,942,528)	78 248 472	77,119,300	(1 129 172)	-1%
Property, plant and equipment	58,573,470	651,427,000	710 000 470	705,030,610	(4 969 860)	-1%
Intangible assets	606 000	(486 000)	120 000	177 119	57 119	48%
Heritage assets				15 000	15,000	100%
Other financial assets		20,500	20 500	182,950	162 450	792%
	140,370,470	648,018,972	788,389,442	782,524,979	(5,864,463)	

Total Assets

	388,719,967	490,240,475	878,960,442	887,222,366	8,261,924	
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Liabilities

Current Liabilities

Finance lease obligation				246,653	246 653	100%
Payables from exchange transactions	(66,918,048)	217,395,331	150 477 283	169,008,124	18 530 841	13%
Consumer deposits		800,000	800 000	859,826	59 826	7%
Employee benefit obligation				556 000	556 000	100%
Unspent conditional grant				3 234 319	3,234,319	100%
VAT Payable				2,982,412	2 982 412	100%
	(66,918,048)	218,195,331	151,277,283	176,887,334	25,610,051	

Non-Current Liabilities

Finance lease obligation				60,737	60,737	100%
Employee benefit obligation				4,403,000	4 403 000	100%
Provisions				8,542,898	8 542 898	100%
				13 006 635	13 006 635	

Total Liabilities

	(66 918 048)	218 195 331	151 277 283	189 893 969	38 616 686	
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Net Asset

	455 638 015	272 045 144	727 683 159	697 328 397	(30 354 762)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	455,638,015	272,045,144	727 683 159	697,328,397	(30 354 762)	-4%
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Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustment	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Referenc Note 54
	R	R	R	R	R	

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	51 982 680	11 656 385	63,639,065	40 584 358	(23,054,707)	-36%
Grants	101,997,000	9,285,000	111,282,000	140,526,686	29,244,686	26%
Dividends received	10,450	(2,450)	8 000	4,527	(3 473)	-43%
Other receipts	904 001	512 017	1 416 018	375 044	(1 040 974)	-74%
	154 894 131	21 450 952	176 345 083	181 490 615	5 145 532	

Payments

Supplier payments and employee costs	(111,017,281)	(7,892,468)	(118 909 749)	(130,139,964)	(11 230 215)	9%
Finance charges	(600,000)	(1,400,000)	(2 000 000)	(5,248,374)	(3 248 374)	162%
	(111,617,281)	(9,292,468)	(120,909,749)	(135,388,338)	(14,478,589)	

Net cash flows from operating activities

	43 276 850	12 158 484	55 435 334	46 102 277	(9 333 057)	
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Cash flows from investing activities

Purchase of property plant and equipment		(52 067 506)	(52 067 506)	(46 578 621)	5 488 885	-11%
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Cash flows from financing activities

Finance lease payments				(80,794)	(80 794)	100%
Net increase/(decrease) in cash and cash equivalent	43,276,850	(39,909,022)	3 367 828	(557,138)	(3 844 172)	-265%
Cash and cash equivalents at the beginning of the year	1,202,958		1 202 958	1,202,958		0%
Cash and cash equivalents at the end of the year	44 479 808	(39 909 022)	4 570 786	645 820	(3 844 172)	

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statement

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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, unless specifically stated.

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 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 receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables held to maturity investments and loans and receivable 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, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus and deficit for the year.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual values on an annual basis, considering the condition and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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 16.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

This accounting policy has been changed from the previous period and the effect has been disclosed in the notes to the annual financial statements.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

GRAP 24: Presentation of budget information

The comparison of budget and actual amounts were presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis.

1.4 Investment property

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

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the 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.

Fair value

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

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

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

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Investment property (continued)

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.

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.

1.5 Property plant and equipment

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

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

- ✓ it is probable that future economic benefits or service potential associated with the item will flow to the 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.

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	25 - 50 years
- Improvements	Straight line	25 - 50 years
Plant and machinery	Straight line	3 - 10 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	3 - 7 years
Heavy machinery and vehicles	Straight line	3 - 10 years
Office equipment	Straight line	2 - 7 years
Infrastructure	Straight line	
- Electricity	Straight line	7 - 50 year
- Roads	Straight line	8 - 50 years
- Sewerage and solid waste	Straight line	5 - 50 years
- Stormwater	Straight line	30 - 50 year
- Wate	Straight line	5 - 50 years
Community assets	Straight line	
- Buildings	Straight line	20 - 50 years
- Recreational facilities	Straight line	7 - 50 years
- Security measures	Straight line	3 - 5 years
Other property, plant and equipment	Straight line	
- Other equipment	Straight line	2 - 10 years
- Fences and gates	Straight line	15 - 25 years
- Paving	Straight line	3 - 10 years
Other equipment	Straight line	3 - 10 year
Leased assets (computer equipment copies and cell phones)	Straight line	2 - 3 years

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Intangible asset

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.

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.

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	2 - 6 years

Intangible assets are derecognised:

- 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 intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Heritage assets (continued)

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.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

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 impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent 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.

1.8 Financial instrument

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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Financial instrument (continued)

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.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instrument (continued)

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

- derivatives;
- 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.

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Accounting Policies

1.8 Financial instrument (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at 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.

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.

Accounting Policies

1.8 Financial instrument (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an 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:

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.

Accounting Policies

1.8 Financial instrument (continued)

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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.

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Accounting Policies

1.8 Financial instrument (continued)

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.

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

Presentation

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

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

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

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

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

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

1.9 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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

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

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

1.10 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.

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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Inventories (continued)

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.

1.11 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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.11 Impairment of cash-generating asset (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

After the recognition of an impairment loss, 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.

1.12 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.

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.

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Accounting Policies

1.12 Impairment of non-cash-generating asset (continued)

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 overdesigned or overcapacity asset. Overdesigned 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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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.

1.13 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.

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Accounting Policies

1.13 Employee benefit (continued)

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.

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 cell phones) for current employees.

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

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

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

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

Post-employment benefits

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

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

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

Letsemeng Local Municipality

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Accounting Policies

1.13 Employee benefit (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plan

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

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefit (continued)

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

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

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

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

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

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

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

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

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

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 Employee benefit (continued)

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumption

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.

Letsemeng Local Municipality

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Accounting Policies

1.13 Employee benefit (continued)

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.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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Accounting Policies

1.13 Employee benefit (continued)

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 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.

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.

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Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

1.15 Commitments

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

1.16 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.

Letsemeng Local Municipality

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Accounting Policies

1.16 Revenue from exchange transaction (continued)

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.

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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

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Accounting Policies

1.17 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.

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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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.

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

Fine

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

There are two types of fines and summonses. Municipalities will usually issue both types of fines. There is uncertainty regarding the probability regarding the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the revenue amount collected from the spot fines and summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

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.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

The municipality needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transactions will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Division of Revenue Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Assessment rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

Changes to property values during a reporting period, which are referred to as "interims, are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue 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.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 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.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 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.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.21 Unauthorised expenditure (continued)

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.

1.22 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.

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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. 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.

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.

1.24 Use in estimates

The preparation of financial statements in conformity with the Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in the relevant section of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.25 Value added tax

The municipality is registered with the South African Revenue Services for VAT on the payment basis, in accordance with section 15(2) of the Value Added Tax Act, 1991 (Act No. 89 of 1991).

1.26 Budget information

Municipalities 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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.26 Budget information (continued)

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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statement and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 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.

1.29 Segment information

A segment is an activity of an entity:

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

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Accounting Policies

1.29 Segment information (continued)

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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact:
✓ GRAP 25 on Employee benefits (revised)	To be determined	Unlikely there will be material impact
✓ GRAP 104 on Financial instruments (revised)	To be determined	Unlikely there will be a material impact
✓ IGRAP 7 on The limit on a defined benefit asset minimum funding requirements and their interaction (revised)	To be determined	Unlikely there will be a material impact
✓ IGRAP 21 on The effect of past decisions on materiality	To be determined	Unlikely there will be a material impact
✓ Guideline on Accounting for landfill sites	To be determined	Unlikely there will be a material impact

3. Inventories

Maintenance materials	2,141,091	2,713,374
Spare parts	29 195	23 999
Water	10,572	16,259
	2 180 858	2 753 632

Inventories are held for own use and measured at the lower of cost or current replacement value. Inventory amounting to R146 549 (2020: R449 253) was inventory reversals due to adjustments made with stock counts.

The cost of water production for the year amounted to R0.67 (2020: R0.67) per kilolitre.

Inventory pledged as security

No inventories have been pledged as security for overdraft facilities of the municipality.

4. Other receivables from exchange transactions

ESKOM Security Held	1 919 848	1 844 234
Sundry deposits	852,317	957,434
Prepaid expense	33,450	
Trade payables from exchange transactions with debit balances	21 511	229 927
	2 827 126	3 031 595

Electricity deposits relate to the deposits held for the bulk ESKOM accounts

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
5. Receivables from exchange transactions		
Gross balances		
Electricity	8 805 429	12 917 689
Water	44,712,207	45,795,031
Sewerage	38,007,534	40,048,823
Refuse	35 442 196	35 772 585
Other	221 439	120 787
Housing rental	1,791,904	2,179,878
Interest	110 193 677	60 194 841
	239 174 386	197 029 634
Less: Allowance for impairment		
Electricity	(4 700 224)	(3 767 499)
Water	(30,699,120)	(28,146,247)
Sewerage	(26 295 893)	(23 726 971)
Refuse	(24 585 256)	(21 207 439)
Other	(141,426)	(128,467)
Housing rental	(999,289)	(1,294,457)
Interest	(74 790 697)	(57 815 683)
	(162 211 905)	(136 086 763)
Net balance		
Electricity	4,105,205	9,150,190
Water	14,013,087	17,648,784
Sewerage	11 711 641	16 321 852
Refuse	10,856,940	14,565,146
Other	80,013	(7,680)
Housing rental	792 615	885 421
Interest	35 402 980	2 379 158
	76 962 481	60 942 871
Electricity		
Current (0 -30 days)	693,551	202,688
31 - 60 days	365 645	192 840
61 - 90 days	333 387	154 499
91 - 120 days	231,279	103,313
121 - 150 days	246 916	160 657
>150 days	2 234 427	8 336 193
	4 105 205	9 150 190
Water		
Current (0 -30 days)	988,101	422,045
31 - 60 days	350 457	264 222
61 - 90 days	300 302	240 665
91 - 120 days	284,577	248,378
121 - 150 days	296,219	244,029
150 days	11 793 431	16 229 445
	14 013 087	17 648 784

Letsemeng Local Municipality

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	2021 R	2020 R
5. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	371 135	385 298
31 - 60 days	287,227	226,310
61 - 90 days	275,707	216,608
91 - 120 days	278 932	212 822
121 - 150 days	264 222	221 039
150 days	10,234,418	15,059,775
	11,711,641	16,321,852
Refuse		
Current (0 -30 days)	307 101	378 599
31 - 60 days	273 193	220 039
61 - 90 days	253,525	210,634
91 - 120 days	258 889	207 253
121 - 150 days	244 087	212 049
> 150 days	9,520,145	13,336,572
	10 856 940	14 565 146
Other		
Current (0 -30 days)	10 855	3 232
31 - 60 days	7 003	2 676
61 - 90 days	5,836	1,884
91 - 120 days	5,836	1,884
121 - 150 days	5 836	1 884
> 150 days	44,647	(19,240)
	80 013	(7 680)
Housing rental		
Current (0 -30 days)	15,301	2,302
31 - 60 days	3 931	4 871
61 - 90 days	4,698	3,209
91 - 120 days	6,858	2,899
121 - 150 days	6 431	2 427
> 150 days	755 396	869 713
	792 615	885 421
Interest		
Current (0 -30 days)	257,511	382,635
31 - 60 days	439 827	860 967
61 - 90 days	433 453	847 587
91 - 120 days	424,174	906,395
121 - 150 days	421 779	976 504
> 150 days	33 426 236	(1 594 930)
	35 402 980	2 379 158
Reconciliation of allowance for impairment		
Balance at beginning of the year	136,086,763	101,696,326
Contributions to allowance	26 125 142	34 390 437
	162 211 905	136 086 763

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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	2021 R	2020 R
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5. Receivables from exchange transactions (continued)

Consumer debtors pledged as security

None of the receivable from exchange transaction debtors have been pledged as security for the municipality's financial liabilities.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R5 971 746 (2020: R5 223 810) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2,637,555	1,776,800
2 months past due	1 727 283	1 771 925
3 months past due	1,606,908	1,675,085

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of receivables from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the receivables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

GRAP 3: Impracticable

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

The effects of the retrospective application or retrospective restatement are not determinable;

The retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or

The retrospective application or retrospective restatement requires significant estimates of amounts, and it is impossible to distinguish objectively information about those estimates that:

Provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognized, measured, or disclosed; and

Would have been available when the financial statements for that prior period were authorized for issue from other information.

CHANGE IN ITC CONSULTANTS

The most impactful limitation experienced during the process has been the limitation on obtaining billing and debtor information for the financial years ending June 2013; 2014; 2015; 2016; and 2017, due to the change in the ITC consultants at the municipality.

Prior to the procurement and implementation of the mSCOA-compliant financial system, LLM used the SEBATA financial system for the processing and recording of its financial information. For the financial year starting on 1 July 2017, the SEBATA financial system was replaced with the SAGE financial system to ensure the municipality complies with the mSCOA requirements.

Letsemeng Local Municipality

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5. Receivables from exchange transactions (continued)

In an attempt to obtain all the aforementioned information, it was however an unsuccessful task to obtain back-ups.

The following financial years were found to be impracticable to determine the misstatement of the revenue:

30 June 2013
30 June 2014
30 June 2015
30 June 2016
30 June 2017

The municipality investigated and calculated the misstatement of revenue that was approved by Council:

	30 June 2018	30 June 2019	30 June 2020
Electricity	R 520 723	R 447 011	R 512 131
Water	R1 457 425	R 227 465	R 988 234
Sewerage	R1 631 643	R 340 165	R1 218 137
Refuse	<u>R3 081 297</u>	<u>(R1 089 092)</u>	<u>R1 454 761</u>
Total	R6 691 088	(R 74 441)	R4 173 263

6. Receivables from non-exchange transactions

Assessment rates	51,269,614	42,332,920
Provision for impairment	(29 643 665)	(24 108 576)
Other receivables	455 153	
	22 081 102	18 224 344

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.

Property rates

Current (0 - 30 Days)	2 180 954	931 966
31 - 60 days	789 644	806 192
61 - 90 days	697,760	764,735
91 - 120 days	681 476	746 268
121 - 150 days	606 445	722 658
150 days	<u>16,399,670</u>	<u>14,252,525</u>
	21,625,949	18,224,344

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, R3 668 358 (2020: R2 502 839) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2,180,954	931,822
2 months past due	789,644	806,337
3 months past due	697 760	764 735

Reconciliation of provision for impairment of receivables: exchange

Opening balance	24 108 576	25 112 201
Provision for impairment	5,535,083	(1,003,625)
	29,643,659	24,108,576

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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	2021 R	2020 R
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6. Receivables from non-exchange transactions (continued)

The provision for impairment was calculated after grouping all the financial assets of similar nature, risk ratings and assessing the recoverability.

In determining the recoverability of the receivables from non-exchange transactions, the municipality considers any change in the credit quality of the assessment rate debtors from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the provision for impairment.

The following financial years were found to be impracticable to determine the misstatement of the revenue:

30 June 2013
30 June 2014
30 June 2015
30 June 2016
30 June 2017

The municipality investigated and calculated the misstatement of revenue that was approved by Council:

30 June 2018: R3 476 465
30 June 2019: R1 714 964
30 June 2020: (R698 846)

7. Cash & cash equivalents

Cash and cash equivalents consist of:

Bank balances	345,386	928,508
Short-term deposits	300 434	274 450
	645 820	1 202 958

The management of the municipality is of the opinion that the carrying value of the current investments and bank balances recorded at amortised cost in the financial statements approximate amortised cost.

Cash and cash equivalents pledged as collateral

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents

The municipality had the following bank accounts

Account number / descriptio	Bank statement balance			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank - Current account - 527115689918	345,319	926,962	900,236	345,319	926,962	900,236
ABSA Bank - Current account 4078034774		1 480	298 281		1 480	298 281
First National Bank - Call account - 62711355132	66	66	83	66	66	83
ABSA Bank - Current account 409262218	183,815	193,199	2,505,194	183,815	193,199	2,505,194
Nedbank - Money Market 03/7881110481/000003	16 305	15 763		16 305	15 763	
First National Bank - Money Market - 62847543528	136	65,488		136	65,488	
ABSA Bank - Current account 9358983129	100 179			100 179		
Total	645,820	1,202,958	3,703,794	645,820	1,202,958	3,703,794

Letsemeng Local Municipality

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8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	77 119 300		77 119 300	77 704 540		77 704 540

Reconciliation of investment property - 2021

	Opening balance	Impairments	Total
Investment property	77,704,540	(585,240)	77,119,300

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	77 704 540	77 704 540

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

Adjustment to fair value

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality. Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP16.

The following criteria was used to determine whether a property should be classified as an investment property:

A building owned by the municipality and leased out to third parties under one or more operating leases.

Land held for a current undeterminable future use.

Property being constructed or developed for future use as investment property.

No restrictions exist unless the property is being leased out to third parties.

Under construction and Contractual commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

Repairs and maintenance

No repairs and maintenance was incurred in the running of these properties for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

9. 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	13 417 919		13 417 919	13 417 919		13 417 919
Buildings	162,897,443	(86,947,493)	75,949,950	162,226,964	(75,209,073)	87,017,891
Other property, plant and equipment	11,819,802	(7,411,911)	4,407,891	12,121,784	(7,150,249)	4,971,535
Infrastructure	1 351 020 567	(740 080 880)	610 939 687	1 306 296 872	(703 802 102)	602 494 770
Leased assets	484,010	(168,847)	315,163	497,610	(85,698)	411,912
Total	1 539 639 741	(834 609 131)	705 030 610	1 494 561 149	(786 247 122)	708 314 027

Reconciliation of property plant and equipment - 2021

	Opening balance	Additions	Disposals	Write-off	Depreciation	Impairment loss	Total
Land	13,417,919						13,417,919
Building	87 017 891	1 337 649	(417 700)		(5 079 661)	(6 908 229)	75 949 950
Other property plant and equipment	4 971 535	462 844	(359 319)		(660 831)	(6 338)	4 407 891
Infrastructure	602,494,770	49,705,174	(437,843)	(3,536,735)	(36,001,958)	(1,283,721)	610,939,687
Leased assets	411,912				(96,749)		315,163
	708,314,027	51,505,667	(1,214,862)	(3,536,735)	(41,839,199)	(8,198,288)	705,030,610

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Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand

9. Property plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	13,417,919					13,417,919
Buildings	89 581 530	7 844 372	(586 670)	(3 865 715)	(5 955 626)	87 017 891
Other property, plant and equipment	4,825,566	1,015,314	(99,817)	(769,528)		4,971,535
Infrastructure	601,934,825	44,664,875	(657,319)	(36,170,906)	(7,276,705)	602,494,770
Leased assets	254 294	484 011	(89 125)	(237 268)		411 912
	710 014 134	54 008 572	(1 432 931)	(41 043 417)	(13 232 331)	708 314 027

Assets subject to finance lease (Net carrying amount)

Motor vehicles	411,912	411,912
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Other information

Expenditure incurred on repairs and maintenance of property, plant and equipment

Other property plant and equipment	5 924 176	994 960
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Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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9. Property plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within infrastructure	Included within buildings	Total
Opening balance	90 460 095	13 186 836	103 646 931
Additions/capital expenditure	49,801,885	1,240,937	51,042,822
Transferred to completed items	(106,732,931)	(11,983,912)	(118,716,843)
	33,529,049	2,443,861	35,972,910

Reconciliation of Work-in-Progress 2020

	Included within infrastructure	Included within buildings	Total
Opening balance	68 539 582	9 756 014	78 295 596
Additions/capital expenditure	29,704,368	7,349,800	37,054,168
Transferred to completed items	(7,783,855)	(3,918,978)	(11,702,833)
	90,460,095	13,186,836	103,646,931

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

Slow-moving projects

Koffiefontein / Sonwabile: Construction of new sports facility 2 443 860

The aforementioned project represent the slow-moving project which are included in work-in-progress balance. This project is slow-moving due to a pending court case with the contractor.

10. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,006,977	(829,858)	177,119	1,006,977	(628,463)	378,514

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	378 514	(201 395)	177 119

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	579 909	(201 395)	378 514

Letsemeng Local Municipality

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10. Intangible assets (continued)

Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

11. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying valu	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	15,000		15,000	15,000		15,000

Reconciliation of heritage assets - 2021

	Opening balance	Total
Mayoral chain	15,000	15,000

Reconciliation of heritage assets - 2020

	Opening balance	Total
Mayoral chain	15 000	15 000

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	2021 R	2020 R
12. Other financial assets		
Designated at fair value		
Unlisted shares	182 950	179 750
The municipality holds the following non-controlling interests:		
Senwes Limited:	3 600 (2020: 3 600) shares	
Senwesbel Limited:	4 990 (2020: 4 990) shares	
OVK: Operational Shares	4 000 (2020: 4 000) shares	
OVK: Holding Shares	4 000 (2020: 4 000) shares	
Non-current assets		
Designated at fair value	182,950	179,750
Financial assets at fair value		
Fair values of financial assets measured or disclosed at fair value		
Class 1: Senwes Limited	36 000	36 000
These shares are valued as per the valuation obtained from the Senwes Limited Transfer Secretaries and represents the fair value as at 30 June.		
Class 2: Senwesbel Limited	24 950	24 950
These shares are valued as per the valuation obtained from the Senwesbel Limited Transfer Secretaries and represents the fair value as at 30 June.		
Class 3: OVK Operational shares	66 000	63 400
These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June.		
Class 4: OVK Holding shares	56,000	55,400
These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June.		
	182 950	179 750
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 2 applies inputs which are not based on observable market data.		
Level 3 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 1		
Class 1: Senwes Limited	36,000	36,000
Class 2: Senwesbel Limited	24 950	24 950
Class 3: OVK Operational shares	66 000	63 400
Class 4: OVK Holding shares	56,000	55,400
	182,950	179,750

Letsemeng Local Municipality

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	2021 R	2020 R
13. Finance lease obligation		
Minimum lease payments due		
- within one year	266 290	187 412
- in second to fifth year inclusive	61,712	187,412
	328 002	374 824
less: future finance charges	(20,612)	(36,376)
Present value of minimum lease payments	307,390	338,448
Present value of minimum lease payments due		
- within one year	246 653	160 805
- in second to fifth year inclusive	60 737	177 643
	307 390	338 448
Non-current liabilities	60 737	177 643
Current liabilities	246,653	160,805
	307,390	338,448

It is municipality policy to lease certain other property, plant and equipment (motor vehicles) under finance leases.

The lease contract incurred in the current financial year, with a lease term of 36 months. The effective borrowing rate was 10%

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

14. Payables from exchange transactions

Trade payables	34,709,833	62,028,949
Accrued bonus	1,051,318	1,001,764
Accrued leave pay	5 955 470	4 685 898
Retention monies	7 813 986	7 366 346
Employee related liabilities	3,892,615	2,068,544
Eskom	86 576 571	54 512 777
Sedibeng Water	11 662 826	3 229 424
Oranje-Riet	647,140	208,791
Kalkfontein	11,779,741	7,881,758
Payments received in advanced	4 918 624	5 583 574
	169 008 124	148 567 825

15. Consumer deposits

Water and Electricity	859,826	739,342
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Letsemeng Local Municipality

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16. Employee benefit obligations

Defined benefit plan

Post-employment medical aid benefit liability

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health Medical Aid schemes.

The members of the Post-employment medical aid (health care) benefit plan are made up as follows:

- In-service members (employees): 0 (2020: 0)
- In-service non-members (employees): 0 (2020: 0)
- Continuation members (retirees, widowers and orphans): 8 (2020: 8)

Long service award liability

The municipality operates an unfunded defined benefit liability for all its employees. Under the plan, a long service award is every 5 years of continuous service, from 5 to 45 years of service, inclusive. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out at 30 June 2021. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

The current service cost for the year ending 30 June 2021 is estimated to be R356 000, whereas the cost for ensuing year is estimated to be R362 000.

Post retirement medical aid pla

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
16. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the Post-employment medical aid benefit liability	(2,056,000)	(1,933,000)
Present value of the Long service award liability	(2,903,000)	(2,481,000)
	(4,959,000)	(4,414,000)
Non-current liabilities	(4 403 000)	(3 839 000)
Current liabilities	(556 000)	(575 000)
	(4 959 000)	(4 414 000)
The municipality expects to make a contribution of R296 000 (2020: R0) and R204 000 (2020: R0) in the next financial year to the post-employment medical aid benefit and long service award liabilities, respectively.		
Changes in the present value of the post-employment medical aid benefit obligation are as follows:		
Opening balance	1,933,000	2,040,000
Net expense recognised in the statement of financial performance	123 000	(107 000)
	2 056 000	1 933 000
Net expense recognised in the statement of financial performance: Post-employment medical aid benefit liability		
Benefits paid	(301,000)	(285,000)
Interest cost	219,000	189,000
Actuarial (gains) losses	205 000	(11 000)
	123 000	(107 000)
Changes in the present value of the long service award liability are as follows:		
Opening balance	2,481,000	2,688,000
Net expense recognised in the statement of financial performance	422 000	(207 000)
	2 903 000	2 481 000
Changes in the fair value of plan assets are as follows:		
Current service cost	289,000	362,000
Interest cost	297,000	275,000
Actuarial gains (losses)	103 000	(443 000)
Benefits paid	(267,000)	(401,000)
	422 000	(207 000)

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Notes to the Annual Financial Statements

	2021 R	2020 R			
16. Employee benefit obligations (continued)					
Key assumptions used					
Assumptions used at the reporting date:					
Discount rate: Post-employment medical aid benefit liability	8.67 %	8.67 %			
Discount rate: Long service award liability	8.47 %	8.47 %			
Health care cost inflation rate	6.98 %	6.98 %			
General salary inflation	6.29 %	6.29 %			
Net discount rate: Post-employment medical aid benefit liability	1.59 %	1.59 %			
Net discount rate: Long service award liability	2.05 %	2.05 %			
Maximum subsidy inflation rate	4.86 %	4.86 %			
Net discount rate: Maximum subsidy inflation rate	3.64 %	3.64 %			
Other assumptions					
The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost	211,000	226,000			
Effect on the defined benefit obligation	2 123 000	1 994 000			
Decrease:					
Effect on the aggregate of the current service cost and the interest cost	196 000	211 000			
Effect on the defined benefit obligation	1,983,000	1,867,000			
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost	672,000	627,000			
Effect on the defined benefit obligation	3 088 000	2 639 000			
Decrease:					
Effect on the aggregate of the current service cost and the interest cost	590 000	549 000			
Effect on the defined benefit obligation	2,736,000	2,337,000			
Other assumptions					
Amounts for the current and previous four years are as follows:					
	2021 R	2020 R	2019 R	2018 R	2017 R
Post-employment medical aid benefit liability	2,056,000	1,933,000	2,040,000	1,996,000	4,293,667
Long service award liability	2 903 000	2 481 000	26 888	2 459 000	2 451 414
Actuarial gains					
Post-employment medical aid benefit liability				(205 000)	11 000
Long service award liability				(103,000)	443,000
				(308 000)	454 000

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
17. Unspent conditional grants		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	3,234,319	25,651
Water Services Infrastructure Grant (WSIG)		240,310
	3,234,319	265,961

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

Due to the adverse economic environment, a significant portion of amounts due to the municipality in respect of services rendered, property rates and taxes are tied up in receivables. This resulted in amounts earmarked for conditional projects being utilised to ensure smooth running of the municipality. Management is actively following up on outstanding receivables to ensure that projects are completed.

18. VAT payable

VAT Payable	10,113,089	14,355,869
VAT invoice basis receivable	(8 673 671)	(10 001 272)
Plus: VAT payment basis	1,542,994	33,770
	2 982 412	4 388 367

VAT is payable on a cash basis. Once payment is received or made, VAT is payable or receivable from SARS.

No interest is payable to SARS if VAT is paid in time. Interest on late payments is charged according to SARS policies.

The municipality was charged with interest due to late payment.

19. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Unwinding of interest	Total
Environmental rehabilitation	5,969,431	2,573,467	8,542,898

Reconciliation of provisions - 2020

	Opening Balance	Unwinding of interest	Total
Environmental rehabilitation	7 945 811	(1 976 380)	5 969 431

The provision was based on 100% of the landfill site areas effected as this area is used for dumping of waste. Dumping is limited to a certain portion of landfill sites. The current area effected will have to be rehabilitated, therefore the provision was based on 100% of the current effected areas of the landfill sites.

Jacobsdal	2,016,140	1,778,644
Koffiefontein	3,593,214	2,213,230
Luckhoff	1 175 697	825 620
Oppermansgronde	714 385	417 413
Petrusburg	1,043,462	734,525
	8,542,898	5,969,432

Letsemeng Local Municipality

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	2021 R	2020 R
20. Service charges		
Sale of electricity	20,782,670	17,684,443
Sale of water	11 880 843	13 524 573
Sewerage and sanitation charges	9,179,777	9,120,836
Refuse removal	8,770,900	9,229,830
Other service charge		29 600
	50 614 190	49 589 282
21. Interest earned on outstanding debtors		
Interest - non-exchange transactions	4,063,552	3,957,976
Interest - exchange transactions	10,323,620	11,364,140
	14,387,172	15,322,116
22. Investment revenue		
Dividend revenue		
Other financial assets	4,527	
Interest revenue		
Interest earned - external investments	375 044	441 075
	379 571	441 075
23. Rental of facilities and equipment		
Premises		
Premises	465 341	348 657
Venue hire	248,272	255,791
	713 613	604 448
24. Other income		
Administration fees received	96 790	
Building plan fees	9 890	5 721
Connection and re-connection fees	251,029	115,441
Grave sale	55 597	39 668
Insurance refund	181 600	239 455
Photocopies	9,963	53,851
Tax certificates	37,633	11,595
Tender documents	65 637	110 044
	708 139	575 775

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	2021 R	2020 R
25. Property rates		
Rates received		
Property rates	25 605 086	23 906 946
Valuations		
Residential	836 845 000	836 845 000
Commercial	179 540 000	179 540 000
State	93,390,000	93,390,000
Municipal	22,330,000	22,330,000
Small holdings and farms	2 258 975 000	2 258 975 000
Other	219,348,000	219,348,000
	3 610 428 000	3 610 428 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

26. Government grants and subsidies

Operating grants

Equitable share	78,873,000	63,668,000
Financial Management Grant (FMG)	2,800,000	2,435,000
Municipal Disaster Relief Grant		655 000
National Treasury	1,953,686	2,363,711
COGTA	5,300,000	
	88,926,686	69,121,711

Capital grants

Water Services Infrastructure Grant (WSIG)	24 441 310	16 156 403
Municipal Infrastructure Grant (MIG)	13,643,332	11,444,660
Expanded Public Works Programme Grant (EPWP)	1,000,000	1,000,000
Integrated National Electrification Programme Grant (INEP)	9 547 000	5 200 000
	48 631 642	33 801 063
	137 558 328	102 922 774

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	56 992 739	36 891 063
Unconditional grants received	82 326 686	66 031 711
	139 319 425	102 922 774

*COGTA provided R1 500 000 to assist the municipality with legal fees that was disclosed as unconditional grants.

Equitable Share

In terms of the Constitution, this grant is used to subsidise the nation.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
26. Government grants and subsidies (continued)		
National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	25 651	21 311
Current-year receipts	16,852,000	17,149,000
Conditions met - transferred to revenue	(13,643,332)	(11,444,660)
Unspent Grant to be surrendered to NRF		(5 700 000)
	3 234 319	25 651

Conditions still to be met - remain liabilities (see note 17).

During the year National Treasury withheld R1 200 000 from the municipality's Equitable Share allocation as the repayment of the unspent portion of the previous financial years.

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, and to provide for new, rehabilitation and upgrading of municipal infrastructure.

National: Integrated National Electrification Programme (INEP)

Current-year receipts	9 547 000	5 200 000
Conditions met - transferred to revenue	(9,547,000)	(5,200,000)

Conditions still to be met - remain liabilities (see note 17).

The grant is allocated to municipalities to improve and upgrade the electricity infrastructure and enhance the electricity capacity within the municipality.

National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	240,310	227,661
Current-year receipts	24,201,000	24,000,000
Conditions met - transferred to revenue	(24 441 310)	(16 187 351)
Unspent Grant to be surrendered to NRF		(7 800 000)
	240 310	

Conditions still to be met - remain liabilities (see note 17).

The grant is allocated and used to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

During the year National Treasury withheld R24 900 000 from the municipality's Equitable Share allocation as the repayment of the unspent portion of the previous financial years.

National: Financial Management Grant (FMG)

Current-year receipts	2 800 000	2 435 000
Conditions met - transferred to revenue	(2 800 000)	(2 435 000)

The Financial Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). All conditions attached to the grant were met and no funds were withheld.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
26. Government grants and subsidies (continued)		
National: Expanded Public Works Programme (EPWP)		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
The Expanded Public Works Programme (EPWP) Grant is allocated to incentives municipalities to expand work creation efforts through the use of labour incentive delivery methods in the identified focus areas in compliance with the EPWP guidelines. All conditions attached to the grant were met and no funds were withheld.		
Municipal Disaster Relief Grant		
Current-year receipts		655 000
Conditions met - transferred to revenue		(655,000)
Funding allocation for response and intervention measures for COVID-19 pandemic from the municipal disaster relief grant. National Treasury provided COVID-19 pandemic relief grants to Letsemeng Local Municipality. This is in terms of the division of revenue Act (Act 16 of 2019) This grant may only be used to fund expenditure in the event that the responsible line function organ of state is unable to deal with the effects of the disaster utilising their own legislation, guidelines and resources.		
COGTA		
Conditions met - transferred to revenue	3,800,000	
Payment was made towards financial assistance	(3,800,000)	
This grant was paid towards financial assistance. All conditions attached to the grant were met and no funds were withheld.		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Bill, 2018 (Bill No. 2 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
27. Fines, Penalties and Forfeits		
Law enforcement fines	13 900	28 450
28. Employee related costs		
Basic salaries and wages	36,742,961	34,930,860
Bonus	2 336 852	2 366 834
Overtime payments	5,698,428	5,020,980
Housing benefits and allowances	126,691	110,703
Other allowance	8 218 334	7 219 632
Telephone allowance	206,374	686,709
Pension funds - council contributions	4,430,681	4,309,751
Medical aid funds - council contribution	2 279 970	1 756 995
Industrial council	20 010	19 153
UIF	305,853	301,395
Short term benefit	591,221	908,433
Defined contribution plans	141 000	140 000
Leave pay provision charge	2,265,823	1,698,945
	63 364 198	59 470 390

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
28. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual remuneration	979 655	891 934
Car allowance	257,327	257,520
Bonus	73,764	73,764
Contributions to UIF medical aid and pension funds	63 419	59 892
Other allowances	50,683	49,532
	1 424 848	1 332 642
Remuneration of Chief Finance Officer		
Annual remuneration	740 883	729 890
Car allowance	199 050	202 380
Bonus	60,564	58,384
Contributions to UIF medical aid and pension funds	64 754	61 045
Other allowances	42 161	40 669
Acting allowance (Municipal Manager)	8,431	
	1,115,843	1,092,368
Remuneration of the Director: Community Services		
Annual remuneration	835 587	773 472
Car allowance	150,106	155,092
Bonus	64,456	64,456
Contributions to UIF medical aid and pension funds	63 368	58 219
Other allowances	41 613	54 089
Acting allowance (Municipal Manager)	16,947	26,299
Lump Sum	207 733	
	1 379 810	1 131 627
Remuneration of the Director: Technical Services		
Annual remuneration	710,535	676,290
Car allowance	252,375	236,283
Bonus	58 431	52 598
Contributions to UIF, medical aid and pension funds	38,975	45,282
Other allowances	41,613	37,994
	1,101,929	1,048,447

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
28. Employee related costs (continued)		
Remuneration of the Director: Corporate Services		
Annual remuneration		503 531
Car allowance		45,760
Contributions to UIF, medical aid and pension funds		11,236
Other allowances		20 012
		580 539
The Director was terminated on 30 November 2019.		
Remuneration of the Director: Corporate Services		
Acting allowance	312 580	194 883
The Director started acting on 01 December 2019.		
29. Remuneration of councillors		
Mayor	584,158	521,732
Councillors	3,633,246	3,678,559
	4,217,404	4,200,291
In-kind benefits		
The executive mayor is full-time. The mayor is provided with an office, secretarial support and a full time driver at the cost of the Council.		
The salaries, allowances and benefits were paid within the upper limits of the framework envisaged in Section 219 of the Constitution.		
30. Depreciation and amortisation		
Property, plant and equipment	41,839,199	41,043,418
Intangible assets	201,395	201,395
	42,040,594	41,244,813
31. Impairment of assets		
Impairments		
Property, plant and equipment	8,198,288	13,232,331
Property, plant and equipment have been impaired due to the condition assessments that indicated a decrease in value in use since the last assessment.		
Investment property	585,240	
Investment property have been impaired due to certain portion being illegally occupied.		
	8 783 528	13 232 331
32. Finance charge		
Trade and other payables	5,248,374	4,453,700
Finance leases	49 736	36 003
Rehabilitation of landfill site	2 573 467	(1 976 380)
	7 871 577	2 513 323

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
33. Debt impairment		
Contributions to debt impairment provision	30,287,712	38,650,492
34. Repairs and maintenance		
Repairs and maintenance	5,924,176	4,566,735
35. Bulk purchases		
Electricity	33 824 352	32 025 098
Water	4,808,311	5,242,117
	38,632,663	37,267,215
36. Professional and consulting fees		
Professional fees		
Business and Financial management	11,158,122	3,456,487
37. General expenses		
Accommodation	112 016	412 392
Advertising	2,870	3,150
Auditors remuneration	4,895,872	4,353,877
Bank charge	680 790	630 121
Chemicals	994 946	2 279 610
Commission paid	920,796	793,239
Conferences and seminar		45 692
Entertainment	127 718	209 110
Fuel and oil	827,085	494,088
Funeral cost	13,781	55,845
Hire	1 321 826	215 330
Insurance	1,425,155	970,465
License fees	109,890	126,629
Other expenses	133 604	111 920
Covid equipment		58 665
Postage and courier	180,746	233,857
Printing and stationery		302 891
Security (Guarding of municipal property)	678 000	3 424 800
Software expenses	16,272	231,805
Subscriptions and membership fees	1,185,850	549,382
Telephone and fax	1 874 994	2 005 598
Title deed search fees	99	60
Training		57,412
Travel - local	288 719	609 634
Uniforms	57,672	244,844
Ward committee expense	427,217	529,058
Water test	701 696	548 995
	16 977 614	19 498 469

The amounts disclosed above for other expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
38. (Loss) gain on disposal of assets and liabilities		
(Loss) gain on disposal of assets and liabilities (R11 299 625) in the current financial year and R14 503 516 in the prior financial year.		
This was due to the following reasons:		
- Projects that was written-off,		
- Theft, and		
- During physical verification some of the assets could not be located in the fields.		
39. Fair value adjustments		
Other financial assets (Fair value model)	3,200	(1,121)
40. Auditors' remuneration		
Fees	4,895,872	4,353,877
41. Cash generated from operations		
Deficit	(10 735 465)	(15 304 032)
Adjustments for:		
Depreciation and amortisation	42 040 594	41 244 813
Gain (loss) on sale of assets and liabilities	11 299 625	(14 503 516)
Fair value adjustments	(3,200)	1,121
Finance costs - Finance leases	49,736	36,003
Impairment loss	8 783 528	13 232 331
Movements in provisions	2,573,467	(1,976,380)
Other movement in property, plant and equipment	(6,548,028)	
Changes in working capital:		
Inventories	572 774	1 137 314
Receivables from exchange transactions	(3,157,892)	(10,842,538)
Receivables from non-exchange transactions	(17 383 426)	(4 767 687)
Other receivables from exchange transactions	204 469	(248 510)
Employee benefit obligation	545,000	(314,000)
Payables from exchange transactions	16,178,208	48,485,411
VAT payable	(1 405 955)	(3 599 487)
Unspent conditional grants	2,968,358	(25,683,011)
Consumer deposits	120,484	6,465
	46,102,277	26,904,297
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Ÿ Property plant and equipment	8 205 867	15 072 236
Total capital commitments		
Already contracted for but not provided for	8,205,867	15,072,236

This committed expenditure relates to property, plant and equipment and will be financed from government grants.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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43. Related parties

These include the total remuneration per councillor and key management, in aggregate for the entire financial year. For remuneration of key management refer to note 29, employee related costs.

Remuneration of councillors

Mr SJ Bahumi	513 211	850 466
Miss AN November	371 767	365 512
Mr JDJ Barnes (Terminated 9 April 2021)	252,227	299,491
Mr MA Lebak	697 272	371 767
Mr MC Ntemane	299 491	305 537
Mr MJ Phaliso	371,767	365,512
Miss MM Potgieter (Appointed: 13 May 2021)	41,229	
Miss PM Dibe	305 245	299 491
Mr PV Mlozana	386,232	371,767
Mr TS Moqhoishi	299,491	299,490
Mr TV Nthapo	300 635	299 491
Mr XW Nqelani	378,837	371,767
	4 217 404	4 200 291

Related party transactions

Compensation of councillor

Basic remuneration	3 150 849	2 990 216
Telephone allowance	442,000	448,800
Car allowance	204,600	156,000
Acting allowance	381 741	521 732
Travel and subsistence (re-imbursement)	38,214	83,543

No related party transactions were identified during the year.

44. 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

2020

	As previously reported	Correction of error	Restated
Other receivables from exchange transaction	2,801,668	229,927	3,031,595
Property, Plant and Equipment	702,953,968	5,360,060	708,314,028
Unspent conditional grants	(13 765 961)	13 500 000	(265 961)
Payables from Exchange Transactions	(138,009,374)	(10,558,451)	(148,567,825)
VAT payable	(4,210,868)	(177,497)	(4,388,365)
Accumulated Surplus / (Deficit)	(699 709 820)	(8 354 042)	(708 063 862)
	(149 940 387)	(3)	(149 940 390)

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
44. Prior-year adjustments (continued)		
Statement of financial performance		
2020		
	As previously reported	Correction of error
Depreciation and Amortization	(41 071 347)	(173 466)
Repairs and maintenance	(4,043,070)	(523,665)
Professional and consulting fee	(4 830 632)	1 374 145
General expenses	(19 522 561)	24 092
Loss on disposal of property, plant and equipment	(1,432,931)	15,936,447
Surplus for the year	(70,900,541)	16,637,553
2021		
	As previously reported	Correction of error
Opening balance	731,651,405	
Prior year adjustment		(8 283 513)
Restated Surplus for the year	(31 941 585)	16 637 555
Surplus for the year	699 709 820	8 354 042

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
44. Prior-year adjustment (continued)		
Errors		
The following prior period error adjustments occurred:		
Incorrect classification on Professional fees		
Reclassification from Professional fees to repairs and maintenance and general expenses.		
The effect of the correction is as follows:		
Increase (decrease) in Repairs and maintenance		573 478
Increase (decrease) in Professional and consulting fees		(1,135,740)
Increase (decrease) in General expenses		562,262
		<u> </u>
		<u> </u>
Expense relates to the 2018/2019 financial year		
This expense was incorrectly processed in the 2019/2020 financial year.		
The effect of the correction is as follows:		
(Increase) decrease in General expenses		(536 280)
Increase (decrease) in Accumulated Surplus		536,280
		<u> </u>
		<u> </u>
Services rendered before year-end		
The following transactions were processed in the 2020/2021 financial year, which relates to the 2019/2020 financial year.		
The effect of the correction is as follows:		
Increase (decrease) in Repairs and maintenance		145 500
Increase (decrease) in General expenses		236,218
(Increase) decrease in Payables from Exchange Transactions		(381,718)
		<u> </u>
		<u> </u>

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
44. Prior-year adjustment (continued)		
Incorrect expense classification		
During the 2020 financial year this expenses were incorrectly classified.		
The effect of the correction is as follows:		
Increase (decrease) in Repairs and maintenance		(275 145)
Increase (decrease) in General expenses		275,145
Incorrect expense classification		
During the 2020 financial year this expenses were incorrectly classified.		
The effect of the correction is as follows:		
Increase (decrease) in Repairs and maintenance		92 315
Increase (decrease) in Professional fees		(139 408)
Increase (decrease) in General expenses		47,093
Services rendered in the 2018/2019 financial year		
The expense was incorrectly processed in the 2019/2020 financial year.		
The effect of the correction is as follows:		
Increase (decrease) in General expenses		(8 599)
Increase (decrease) in Accumulated surplus		8,599
Services not processed in the incorrect financial year		
The expenses were incorrectly processed in the 2019/2020 financial year. The services was before year-end.		
The effect of the correction is as follows:		
Increase (decrease) in General expenses		(709 742)
Increase (decrease) in Trade and other payables		709 742
Creditors with debit balances		
Creditors with debit balances were allocated to Other receivables.		
The effect of the correction is as follows:		
Increase (decrease) in Other Receivables from Exchange Transactions		229,927
(Increase) decrease in Trade and other payable		(229 927)

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Notes to the Annual Financial Statements

	2021 R	2020 R
44. Prior-year adjustment (continued)		
Through physical verification, there was gains and losses on Property, Plant and Equipment		
There was gains and losses when physical verification was done, which had an impact on depreciation.		
The effect of the correction is as follows:		
Increase (decrease) in Property Plant and Equipment	15 762 981	
Increase (decrease) in Depreciation and Amortization	173,466	
Increase (decrease) in Loss on disposal of Property, Plant and Equipment	(15,936,447)	
Increase (decrease) in Property Plant and Equipment	(10 402 921)	
Increase (decrease) in Accumulated Surplus	10 402 921	
Cut-off of expenditure		
Expenses processed in the incorrect financial year.		
The effect of the correction is as follows:		
Increase (decrease) in Repairs and Maintenance	82,976	
Increase (decrease) in Accumulated Surplus	(656)	
Increase (decrease) in Professional fees	(84,643)	
Increase (decrease) in Trade and other payables	2,323	
Reversal of Debtors accounts wrongfully billed		
Incorrect reversal on debtors accounts.		
The effect of the correction is as follows:		
Increase (decrease) in receivables from exchange transactions	2 841 129	
Increase (decrease) in VAT Payable	(177,497)	
Increase (decrease) in Accumulated Surplus	(2,663,632)	
Reversal of Debtors accounts wrongfully billed		
Incorrect reversal on debtors accounts.		
The effect of the correction is as follows:		
Increase (decrease) in Repairs and maintenance	(95 459)	
Increase (decrease) in Professional and consulting fees	(14,354)	
Increase (decrease) in General expenses	109,813	
Increase in additional irregular expenditure as a result of undisclosed prior year amounts		
Increase in additional irregular expenditure as a result of undisclosed prior year amounts.		
The effect of the correction is as follows:		

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Notes to the Annual Financial Statements

	2021 R	2020 R
44. Prior-year adjustment (continued)		
Increase in the opening balance		127,652,289
Increase in additional irregular expenditure as a result of undisclosed prior year amount		34 356 361
		162 008 650
Unspent conditional grants		
Cut-off corrections on the opening balance of unspent conditional grants.		
The effect of the correction is as follows:		
Decrease in the opening balance of Unspent conditional grants		13,500,000
Increase (decrease) in Trade and other payables		(13,500,000)
Contingent liabilities:		
	As previously reported	Correction of error
Telkom SA	54,272	(54,272)

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
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45. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	182,950		182,950
Receivables from exchange transactions		78 326 297	78 326 297
Receivables from non-exchange transactions		21,382,236	21,382,236
Other receivables from exchange transactions		2,827,126	2,827,126
Cash and cash equivalents		645 820	645 820
	182 950	103 181 479	103 364 429

Financial liabilities

	At amortised cost	Total
Finance lease liability	307,390	307,390
Payables from exchange transactions	169 673 074	169 673 074
Consumer deposits	859 826	859 826
Unspent conditional grants and receipts	3,234,319	3,234,319
VAT Payable	2 982 412	2 982 412
	177 057 021	177 057 021

2020

Financial assets

	At fair valu	At amortised cost	Total
Other financial assets	179,750		179,750
Receivables from exchange transactions		60 942 871	60 942 871
Receivables from non-exchange transactions		18 224 344	18 224 344
Other receivables from exchange transactions		3,031,595	3,031,595
Cash and cash equivalents		1,202,958	1,202,958
	179,750	83,401,768	83,581,518

Financial liabilities

	At amortised cost	Total
Finance lease liability	338 448	338 448
Payables from exchange transactions	148 567 825	148 567 825
Consumer deposits	739,342	739,342
Unspent conditional grants and receipts	265 961	265 961
VAT Payable	4 338 367	4 338 367
	154 249 943	154 249 943

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46. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these annual financial statements.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

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.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

Letsemeng Local Municipality

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46. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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46. Risk management (continued)

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

Price risk

Although shares are held by the municipality, it is not exposed to equity price risks arising from equity investments as the municipality does not actively trade in these investments and the balance is immaterial to the municipality's operations.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Letsemeng Local Municipality

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	2021 R	2020 R
47. Irregular expenditure		
Opening balance	502,749,903	310,442,449
Prior year adjustments to opening balance		127 652 289
Add: Current year irregular expenditure	2,085,468	17,421,956
Add: Current year irregular expenditure (identified during the audit)		12,876,848
Add: additional 2019/20 irregular expenditure identified		34 356 361
	504 835 371	502 749 903

Irregular expenditure is largely due to Supply Chain Management processes not followed. The 2020/21 identified irregular expenditure as well as prior period adjustments are recorded inclusive of VAT.

48. Fruitless and wasteful expenditure

Opening balance	11 525 687	5 798 185
Add: current year fruitless and wasteful expenditure	5,248,374	4,453,700
Add: Fruitless and wasteful pertaining to prior years identified in current year	3 536 734	1 273 802
	20 310 795	11 525 687

The fruitless and wasteful expenditure for the current year is represented by interest levied on overdue payables due to cash flow constraints experienced by the municipality. Prior year identified amounts relates to infrastructure projects that were written-off due to payments made on projects where the required conditions were not met for the definition of a capital project.

49. Unauthorised expenditure

Opening balance	517,811,207	425,824,897
Add: Current year unauthorised capital and operating expenditure	177 058 547	91 986 310
	694 869 754	517 811 207

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(19 540)	(22 895)
Current year subscription / fee	618 873	565 370
Amount paid - current year	(2,000)	(544,960)
Credit note - current year		(17 055)
	597 333	(19 540)

Letsemeng Local Municipality

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	2021 R	2020 R	
50. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Distribution losses			
Electricity	Lost units	Tariff	Value
Unaccounted Electricity Losses for 2021	8,228,425	1.36	11,180,470
Unaccounted Electricity Losses for 2020	8 742 564	1.34	11 718 554
Electricity losses occur due to inter alia, technical and non-technical losses. Technical losses include inherent resistance of conductors, transformers and other electrical equipment, whilst Non-technical losses include the tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.			
Volumes in kWh per yea			
System input volume		21 646 531	20 936 262
Billed consumption		(13,418,106)	(12,193,698)
		8,228,425	8,742,564
Percentage distribution loss (%)		38.00 %	42.00 %
Water	Lost units	Tariff	Value
Unaccounted Water Losses for 2021	3,158,304	1.00	3,158,304
Unaccounted Water Losses for 2020	3,988,154	1.08	4,296,573
Water losses occur due to inter alia, tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.			
Volumes in kWh per year			
System input volume		4,036,721	4,865,825
Billed consumption		(878 417)	(877 671)
		3 158 304	3 988 154
Percentage distribution loss (%)		78.00 %	82.00 %

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	2 798 401	1 838 839
Current year subscription / fee	4,895,872	4,353,877
Amount paid - current year	(1,518,309)	(1,883,000)
Value add tax	734 381	653 083
Credit notes - current year	(1,953,686)	(2,363,714)
Interest charges	205,448	199,316
	5,162,107	2,798,401
PAYE, UIF and SDL		
Opening balance	1 883 397	485 111
Current year subscription / fee	9,539,257	9,240,899
Amount paid - current year	(10 421 015)	(7 842 613)
	1 001 639	1 883 397
Pension and medical aid fund contributions		
Opening balance	460,046	(460,046)
Current year subscription / fee	6,200,819	6,066,747
Amount paid - current year	(6 200 819)	(6 066 747)
	460 046	460 046

The balance represents pension and medical aid fund contributions made by the municipality towards employees and councillors in June 2021 payroll.

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Miss AN November	4 042	3 919	7 961
Mr JDJ Barnes (Terminated 9 April 2021)	2 542	13 339	15 881
Mr MA Lebaka	2,100		2,100
Mr MC Ntemane	(440)	(454)	(894)
Mr MJ Phaliso	(913)		(913)
Miss PM Dibe	(235)	1,652	1,417
Mr PV Mlozana	1,946	28,082	30,028
Mr SJ Bahumi	1 171	44 718	45 889
Mr TS Moqhoisi	964		964
Mr TV Nthapo	874	21,771	22,645
Mr XW Ngelani	1 922	29 435	31 357
	13 973	142 462	156 435

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Miss AN November	2 272	6 826	9 098
Mr JDJ Barnes	3,784	4,847	8,631
Mr MA Lebaka	1,410	98	1,508
Mr MC Ntemane	(2 178)	944	(1 234)
Mr MJ Phaliso	(935)	(72)	(1,007)
Miss PM Dibe	124	1,470	1,594
Mr PV Mlozana	2 263	21 992	24 255
Mr SJ Bahumi	2,000	40,407	42,407
Mr TS Moqhoisi	65	400	465
Mr TV Nthapo	1 177	19 146	20 323
Mr XW Ngelani	2 313	23 376	25 689
	12 295	119 434	131 729

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

The municipality maintains a detailed register at its offices.

Incident

Emergency procurement	2,704,886	
Sole providers		88 072
Impracticable - Repairs	166,547	367,715
Impracticable - Other		300,856
	2,871,433	756,643

Letsemeng Local Municipality

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2021	2020
R	R

51. Non-compliance with the MFMA

Chapter	Section	Description
8	62	Not all general financial management function requirements were adhered to during the year, as not all controls operated effective and efficiently.
8	64	Not all revenue management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Not all expenditure management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Due to financial constraints, not all invoices were paid within the legislative 30-days deadline.
14	166	The MFMA requirements for the audit committees were not complied with throughout the financial year.

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
52. Contingencies		
Contingent liabilities		
The municipality had the following contingent liabilities at 30 June 2021:		
Peyper attorneys: estimated legal fees	600 000	
Ducharme Consulting (Pty) Ltd: The claimant was appointed by the municipality to prepare the 2017 annual financial statements. The amount billed exceeded the project amount and it is claimed that the additional costs incurred were due to requests from management. The matter is still pending with an amount of R208 568.39 and no resolution has been taken to date.	208,568	208,568
Nomano, Makamohelo and MBB JV: The claimant is claiming funds for work performed on the Waste Water Treatment Works in Jacobsdal. The supporting information has been requested to support the claim but to date no information has been provided.		
Vula Trust and Lucas Ramohlaba: The municipality paid the disputed invoices of R143 340 for the rental of machinery but due to fraud on the side of the claimant invoice with the incorrect bank account details were submitted. The municipality is of the opinion that as the fraud occurred on the side of the claimant, the matter should be handled by them and the municipality fulfilled its obligation.	143,340	143,340
Net 15: During an investigation it was found that the website hosting costs exceeded the allowed and agreed-upon project cost. The contract was cancelled based on irregularities identified. Net 15 is claiming the outstanding fees of R404 637.29.	404,637	404,637
Electrocution of minor child on municipal property: PBS Mpatshela	1,000,000	1,000,000
Motlhomli obo Motlhomli: The child was electrocuted at one of the Farms in the area of Koffiefontein, the farm is serviced by Eskom in terms of electricity supply, the maintenance and overall management of electricity supply is done by Eskom Letsemeng is a second responded on this case due to the fact that this incident happened in the area of jurisdiction of Municipality	650 000	
Sebata Municipal Solutions: Sebata continued to provided services to the Municipality despite the fact that Municipality had appointed a service provide in line with Transversal Contract 25 of Municipal Standard Chart of Accounts, Sebata's argument is that the services were not cancelled and such we are liable to pay for service rendered in 2017 financial year.	1 378 708	
Refilwe Civil \$ Plant Hire: Municipality appointed Sotika Pty Ltd to refurbish Stadium i Koffientein Refiloe was a cessionary to this contract. Municipality paid all the monies due from this contract to Sotika Pty Ltd and in terms of the contract, Sotika was supposed to pay Refiloe Plant hire but failed to do so, Refiloe is requesting the payment from Municipality as the right of this contact were partly ceded to them	437 721	
	4 822 974	1 756 545

53. Events after the reporting date

No events occurred after the reporting date.

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2021 R	2020 R
54. Budget differences		
Material differences between budget and actual amounts		
Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 10%. The following is reasons for the material differences identified:		
Statement of financial performance:		
Rental of facilities and equipment: The municipality did not anticipate that rental income will be this high and needed to budget for more.		
Interest on outstanding receivables: More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated.		
Dividends received: the actual amount received was less than management budgeted for.		
Interest on outstanding receivables: More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated (budgeted amount is for exchange and non-exchange transactions).		
Fines and penalties: The municipality expected the fines and penalties to be more than the actual amount during the year and the amount is not material.		
Licences and permits: No licences and permits was accounted for during the year and the amount is not material.		
Finance cost: Although the municipality did not have overdraft facilities whereby interest were charged, the budget was exceeded due to interest being charged on overdue accounts as well as the unwinding of the interest applicable to the provision for the rehabilitation of the landfill sites.		
Debt impairment: The budget amount was a lot higher than the actual amount. The municipality also embarked on a process to retrieve outstanding debtors, which have a impact on the debt impairment calculation.		
Repairs and maintenance: Management anticipated for more expenses relating to repairs and maintenance which did not materialise.		
Bulk purchases: Normal increases in bulk purchases occurred during the year. The budgeted amount lower than this.		
General expenses: Management did not anticipate for general expenses to be this high during the year, which resulted in the budgeted amount being material lower than the actual expenses.		
Loss on disposal of assets: this was due to physical verification that was done and found that the municipality due not have control on some of their Investment property as well as gains and losses on the municipality's assets was identified during physical verification.		
Fair value adjustments: This represents the gains in employee benefit obligations. As this represents a "non-cashflow" movement, management did not provide / budget for it.		
Actuarial gains: This represents the gains in employee benefit obligations. As this represents a "non-cashflow" movement, management did not provide / budget for it.		
Inventory losses / write-downs: Due to lack of internal controls over maintenance materials and stationary, items were written off during the year. As these represent controls within the municipality, management did not provide / budget for it.		
Statement of financial position:		
Inventories: Management anticipated that more inventory would have been purchased through out the year, which did not materialise.		
Receivables from exchange/non-exchange transactions: Management did not anticipate for the material movement during		

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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	2021 R	2020 R
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54. Budget differences (continued)

the year, which resulted in a material difference between the budgeted and actual amounts. Management budgeted for exchange and non-exchange under exchange transactions.

Cash and cash equivalents: Management anticipated to have more money in the bank at year-end, but it did not materialise due to higher expenses during the year.

Intangible assets: During the 2018 financial year, the municipality purchased SAGE software amounting to R1 006 976. The expectation was that the system would have amortised quicker than it actually did.

Heritage assets: No balance was budgeted for, as it is immaterial to the municipality's operations.

Other financial assets: The assets are valued at fair value, which means the municipality should've provided/budgeted for the 2021 disclosed amount with an fair value adjustment, to account for the movement.

Finance lease obligations: In the prior year the municipality entered into new finance lease agreements. Due to cashflow constraints and the need for the equipment, these were acquired although not budgeted for.

Payables from exchange transactions: Due to financial difficulties the actual amount is higher than budgeted for.

Employee benefit obligations: Due to the municipality's financial difficulties this was not provided / budgeted for.

Unspent conditional grants and receipts: The municipality anticipated that all grants received and paid will be utilised for the year, therefore no amount was budgeted for.

VAT payables: The municipality did not budget for VAT payables, although VAT materialised.

Provisions: Management did not budget for landfill sites however the landfill sites operated by the municipality were physically inspected and a professional valuation was performed to estimate the future liability, which resulted in an actual amount to be provided for in the current financial year.

Cash Flow Statement:

Sales of goods and services: Goods and services were not as much as expected and budgeted for.

Grants: Management received more grants during the year than budgeted for. They also received an additional grant from COGTA.

Dividends received: Management anticipated that they will receive more dividends during the year, which did not materialise.

Other receipts: Management budgeted more than the actual amounts received.

Finance charges: The municipality should have budgeted more for suppliers as the trade payables shows the municipality owes suppliers a material amount.

Property, plant and equipment: Through physical verification it was found that the municipality do not have control over a few investment properties which resulted the municipality to remove the properties from its register to a control sheet.

Finance lease payments: Although the municipality did not budget for finance lease payments, the expense incurred during the year.

Net increase/(decrease) in cash and cash equivalents: The amount budgeted for is much higher than the actual transactions relating to cash and cash equivalents.

55. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 697 328 397 and that the municipality's total assets exceed its total liabilities by R 697,328,397.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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55. Going concern (continued)

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.

Management considered the following matters relating to the going concern assumption, which indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

- The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is dependant 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 currently experiencing financial difficulties. Indicators of the financial problems are:

- Deficit of R10 735 465 (2020: R15 304 032) was realised, Government grants and subsidies contributed R137 558 328 (2020: R102 922 774).
- The municipality's unspent conditional grants for the current year amounted to R3 234 319 (2020: R265 961). This is an indication that monies received are not utilised for the specific projects under construction and should be paid back to the relevant parties.
- The municipality owed Eskom R86 576 571 (2020: R54 512 777) and the water boards R12 426 881 (2020: R8 090 549) as at 30 June 2021, which was long overdue.
- The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
- Debt collection period has not improved during the current financial year.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R30 287 712 (2020: R38 650 492) has been disclosed in the financial statements.
- As at 30 June 2021 the municipality's current liabilities amounted to R176 887 334 (2020: R154 697 300), whilst the current assets amounted to R104 697 367 (2020: R86 155 400).
- The current and acid test ratios are below the required ratio of 0.5:1 and 0.5:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The Letsemeng Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2021 financial year, the allocated Equitable Share allocation amounts to R78 873 000 and the Financial Management Improvement Grant to R2 800 000.

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55. Going concern (continued)

- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2018 furthermore disclosed government's proposed allocation of the 2021 and 2022 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.
- The municipality has not been placed under administration for the 12 months ending 30 June 2021.

56. Segment information

General information

Identification of segments

Refere below for the segments identified by the municipality. 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.

Goods and/or services

Finance and administration: vote 2 3 and 15
Community and social services: vote 9 10 11 and 14
Public safety and sports and recreation and environmental protection: vote 5 6 and 13
Road transport and energy sources: vote 7 and 12
Executive and council: vote 1
Planning and development: vote 4
Waste management: vote 8

Reportable segments

Budget and Treasury Office
Community Services
Corporate Services
Technical Services
Mayor's Office
Municipal Manager
Project Management Unit

Geographical considerations:

The municipality's operations are in the Free State Province, its major geographical areas within the province are Koffiefontein, Jacobsdal, Luckhoff, Petrusburg and Oppermansgronde. Management has as per the GRAP standards decided to report on Letsemeng as a single geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, the geographical area, although five towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
Revenue								
Services charges	50,614,190							50,614,190
Dividends	4 527							4 527
Interest received - outstanding debtors	14,387,172							14,387,172
Interest - external investments	375,044							375,044
Rental of facilities	710 214	3 399						713 613
Other income	708 139							708 139
Property rates	25,605,086							25,605,086
Government grants and subsidies	112 567 996		1 500 000	23 490 332				137 558 328
Fines and penalties	13 900							13 900
Total segment revenue	204 986 268	3 399	1 500 000	23 490 332				229 979 999
Entity's revenue								229 979 999

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
56. Segment information (continued)								
Expenditure								
Employee costs	(10 632 983)	(6 249 537)	(6 439 276)	(27 726 542)	(3 576 304)	(8 712 411)	(27 147)	(63 364 200)
Remuneration of councillors					(4,217,404)			(4,217,404)
Depreciation and amortisation	(42,040,594)							(42,040,594)
Impairment loss		(8 783 528)						(8 783 528)
Finance costs	(7,509,908)		(347,169)			(14,499)		(7,871,576)
Debt impairment	(30,287,712)							(30,287,712)
Repairs and maintenance	(2 004 147)	(277 301)	(128 395)	(2 941 272)	(573 061)			(5 924 176)
Bulk purchases				(38 632 662)				(38 632 662)
Professional fees	(2,863,104)	(960,295)	(2,719,077)	(2,294,014)		(2,321,632)		(11,158,122)
General expenses	(3 104 343)	(1 315 610)	(2 168 945)	(3 549 286)	(1 755 209)	(5 084 220)		(16 977 613)
Loss on disposal of assets	(11 299 625)							(11 299 625)
Fair value adjustments	3,200							3,200
Acturial gains/losses	(308,000)							(308,000)
Inventories losses	4 682			141 867				146 549
Total segment expenditur	(110 042 534)	(17 586 271)	(11 802 862)	(75 001 909)	(10 121 978)	(16 132 762)	(27 147)	(240 715 463)
Total segmental surplus/(deficit)								(10 735 464)

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
56. Segment information (continued)								
Assets								
Inventories	2 180 859							2 180 859
Other receivables	2,827,128							2,827,128
Receivables exchange transactions	31,207,015	(4,703,738)	435,261	50,623,943				77,562,481
Receivables non-exchange transactions	22 081 102							22 081 102
Cash and cash equivalents	645,820							645,820
Investment property	77,119,299							77,119,299
Property plant and equipment	743 966 091	596 791	(7 166 379)	(131 174 773)	82 400	(14 273 927)	113 000 407	705 030 610
Intangible assets	1 006 977					(829 858)		177 119
Heritage assets		15,000						15,000
Other financial assets		182 950						182 950
Total segment assets	881 034 291	(3 908 997)	(6 731 118)	(80 550 830)	82 400	(15 103 785)	113 000 407	887 822 368
Total assets as per Statement of financial Position								887,822,368
Liabilities								
Finance lease obligation	(307 390)							(307 390)
Payables from exchange transactions	(169,008,124)							(169,008,124)
Consumer deposits	(859,826)							(859,826)
Employee benefit obligations	(4 959 000)							(4 959 000)
Unspent grants	(3,234,319)							(3,234,319)
VAT payable	(2,982,408)							(2,982,408)
Provision	(8 542 898)							(8 542 898)
Total segment liabilities	(189 893 965)							(189 893 965)
Total liabilities as per Statement of financial Position								(189 893 965)

Measurement of segment surplus or deficit assets and liabilities

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
	R	R

56. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

AUDIT ACTION PLAN
2021/2022 Financial Year

Component	Finding	Issue	Risk	Responsible person	Deadline
Finance costs	Finance costs - Differences identified between amount recorded and statements/invoices COA 62 (M) (A) - (ISS.75)	Iss.75	Medium	Zine/ MetsiMetsi	30-Jun-22
Commitments	Commitments - Misstatements identified with the commitments' balance - COA 30 (M) (A) - (ISS.40)	Iss.40	Medium	CFO/Mpho	31-Mar-22
Contingent liabilities	Contingent Liabilities - Classification misstatement (CoA 147) (M) (A) - (ISS.146)	Iss.146	Low	CFO/ Director Corporate	31-Mar-22
Employee costs	Employee costs - Performance agreements and assessments not conducted for 2020/21 financial year - COA 17 (M) (A) - (ISS.16)	Iss.16	Low	Municipal Manager	30-Jun-22
IT Controls	Information System - IT Governance and User Management - COA 16 (M) (A) - (ISS.13)	Iss.13	Medium	Obakeng	30-Jun-22
Unspent conditional grants	Unspent conditional grants - Various matters noted COA 59 (M) (A) - (ISS.70)	Iss.70	High	CFO/Lerato/Zine	31-Mar-22
Unauthorised expenditure	Unauthorised expenditure - Control deficiencies identified - COA 13 (M) (A) - (ISS.15)	Iss.15	High	CFO	31-Mar-22
Unauthorised expenditure	Unauthorised expenditure - Unresolved prior year matter COA 133 (M)(A) - (ISS.148)	Iss.148	High	CFO	31-Mar-22
Control Environment	Audit Committee- Non-compliance - COA 4 (M) (A) - (ISS.7)	Iss.7	Medium	Faith	30-Jun-22
Control Environment	Internal Audit - Internal control deficiencies identified - COA 15 (M) (A) - (ISS.8)	Iss.8	Medium	Faith	30-Jun-22
Control Environment	Planning: Limitation of scope - Council and committee members on RFI no.21 - COA 8 (M) (A) - (ISS.10)	Iss.10	High	Corporate Director	30-Jun-22
Control Environment	Planning: I/C - Councillors' Consumer accounts overdue for longer than 90 days - COA 5 (M) (A) - (ISS.4)	Iss.40	High	CFO/ Lerato	30-Jun-22
Control Environment	Planning: I/C - Policies not reviewed annually - COA 1 (M) (A) - (ISS.1)	Iss.1	Medium	All Directors	30-Jun-22
MFMA Disclosure	Other MFMA - Unresolved matter from the prior year - COA 31 (M) (A) - (ISS.41)	Iss.41	Medium	CFO	30-Jun-22
MFMA Disclosure	Other MFMA disclosures - Various matters noted (COA.121) (M)(A) - (ISS.131)	Iss.131	Medium	CFO	30-Jun-22
Irregular expenditure	Irregular expenditure - Control deficiencies identified COA 12 (M) (A) - (ISS.14)	Iss.14	High	CFO/ Leonard	30-Jun-22
Irregular expenditure	Irregular expenditure - Follow-up on prior years' qualifications (COA.122) (M) (A) - (ISS.132)	Iss.132	High	CFO / Leonard	30-Jun-22
Irregular expenditure	Irregular expenditure - Material misstatements identified pertaining to prior year adjustments COA 40 (M) (A) - (ISS.51)	Iss.51	High	CFO/ Leonard	30-Jun-22
Irregular expenditure	Irregular expenditure - Matters identified with prior years' identified irregular contracts (COA.123) (M) (A) - (ISS.135)	Iss.135	High	CFO / Leonard	30-Jun-22
Irregular expenditure	Irregular expenditure - Matters noted on irregular expenditure - COA 28 (M) (A) - (ISS.30)	Iss.30	High	CFO/ Leonard	30-Jun-22
Fruitless and Wasteful Expenditure	Fruitless and Wasteful Expenditure- Prior year error not resolved COA 124 (M)(A) - (ISS.139)	Iss.139	Medium	CFO/ Zine	30-Jun-22
Compliance	Compliance - No investigations were performed UIFW expenditure- COA 6 (M) (A) - (ISS.5)	Iss.5	High	Municipal Manager	30-Jun-22
Compliance	Compliance - Unauthorised, irregular and fruitless and wasteful expenditure not prevented (CoA 44) (M) (A) - (ISS.59)	Iss.59	High	Municipal Manager/CFO	30-Jun-22
Compliance	Compliance - Unspent MIG not cashbacked at year end (COA 45) (M) (A) - (ISS.60)	Iss.60	High	CFO	30-Jun-22
Immovable assets	(PARTIALLY RESOLVED) Property, Plant and Equipment - Asset selected from the floor could not be traced to the asset register (COA 101) (M) (A) - (ISS.111)	Iss.111	Medium	Christina	30-Jun-22
Immovable assets	(PARTIALLY RESOLVED) Property, Plant and Equipment - Koffiefontein Sports complex COA 52 (M) (A) - (ISS.57)	Iss.57	High	Mpho	30-Jun-22
Immovable assets	Property, Plant and Equipment - Limitation of scope on water meters' projects COA 54 (M) (A) - (ISS.49)	Iss.49	High	Mpho	30-Jun-22
Immovable assets	Property, Plant and Equipment -Limitation of scope on electrification projects COA 39 (M) (A) - (ISS.50)	Iss.50	High	Mpho	30-Jun-22
Inventory	Inventory - Matters noted on narrative information as well as unresolved prior year misstatements COA 137 (M) (A) - (ISS.137)	Iss.137	Medium	Christina	30-Jun-22
Investment property	(PARTIALLY RESOLVED) Investment property - Investment property incorrectly disposed/derecognised COA55 (M) (A) - (ISS.64)	Iss.64	Medium	CFO	30-Jun-22
Investment property	(PARTIALLY RESOLVED) Investment property - Items incorrectly classified CoA 56 (M) (A) - (ISS.65)	Iss.65	Medium	CFO	30-Jun-22
Movable Assets	Property, Plant and Equipment - Item could not be located during physical verification COA 70 (M) (A) - (ISS.76)	Iss.76	Medium	Christina	30-Jun-22
Operating Expenditure	Expenditure - Unresolved prior year matter COA 128 (M) (A) - (ISS.138)	Iss.138	Medium	CFO	30-Jun-22
Operating Expenditure	Expenditure (Bulk Purchases) - Bulk meters not read by the municipality COA 34 (M) (A) - (ISS.37)	Iss.37	High	Sizwe	30-Jun-22
Operating Expenditure	Expenditure (Bulk Purchases) - Differences between AFS and Invoices (COA 42)(M)(A) - (ISS.53)	Iss.53	High	Zine/ MetsiMetsi	30-Jun-22
Operating Expenditure	Expenditure (bulk purchases) - Water bulk meters not read COA 161 - (ISS.161)	Iss.161	High	Mpho/Keitsing/Lerato	30-Jun-22
Operating Expenditure	Expenditure (General Expenditure) - Banking details per CSD differ from invoice COA 103 (M) (A) - (ISS.114)	Iss.114	High	Zine/ MetsiMetsi/Leonard	30-Jun-22
Operating Expenditure	Expenditure (General Expenditure) - Matters noted on accuracy CoA 98 (M) (A) - (ISS.107)	Iss.107	Medium	Zine	30-Jun-22
Operating Expenditure	Expenditure (General Expenditure) - Matters noted on cut-off COA 99 - (M) (A) - (ISS.108)	Iss.108	High	Zine	30-Jun-22
Operating Expenditure	Expenditure (General Expenditure) - Matters noted on occurrence COA 151 (M) (A) - (ISS.106)	Iss.106	High	Zine	30-Jun-22
Operating Expenditure	Expenditure (General Expenditure) - Payments not approved COA 102 (M) (A) - (ISS.113)	Iss.113	Medium	CFO	30-Jun-22
Operating Expenditure	Expenditure (General Expenditure) - Quotations/Contracts not submitted COA 152 (M) (A) - (ISS.112)	Iss.112	High	Zine/Leonard/MetsiMetsi	30-Jun-22
Operating Expenditure	Expenditure (General expenditure) - Scope limitation COA 100 (M) (A) - (ISS.109)	Iss.109	High	Zine	30-Jun-22
Operating Expenditure	Expenditure (General expenditure) - Various matters noted on Mmethe General Trading COA 127 (M) (A) - (ISS.133)	Iss.133	Medium	Zine/Leonard/MetsiMetsi	30-Jun-22
Operating Expenditure	Expenditure (Professional and Consulting fees) - Accuracy matters identified COA 78 (M) (A) - (ISS.89)	Iss.89	High	CFO/Zine/Metsi	30-Jun-22
Operating Expenditure	Expenditure (Professional and Consulting fees) - Banking details per CSD differ from invoice COA 73 (M) (A) - (ISS.93)	Iss.93	Medium	Zine/Leonard/MetsiMetsi	30-Jun-22

AUDIT ACTION PLAN
2021/2022 Financial Year

Component	Finding	Issue	Risk	Responsible person	Deadline
Operating Expenditure	Expenditure (Professional and Consulting fees) - Classification issues identified COA 79 (M) (A) - (ISS.85)	Iss.85	Medium	CFO	30-Jun-22
Operating Expenditure	Expenditure (Professional and Consulting Fees) - Cut-off issues identified COA 80 (M) (A) - (ISS.83)	Iss.83	High	CFO	30-Jun-22
Operating Expenditure	Expenditure (Professional and consulting fees) - Matters noted on Completeness COA 125 (M) (A) - (ISS.118)	Iss.118	Medium	Zine	30-Jun-22
Operating Expenditure	Expenditure (Professional and Consulting Fees) - Matters noted on occurrence COA 105 (M) (A) - (ISS.67)	Iss.67	Medium	Zine	30-Jun-22
Operating Expenditure	Expenditure (Professional and Consulting fees) - Payments not approved COA 74 (M) (A) - (ISS.97)	Iss.97	Medium	CFO	30-Jun-22
Operating Expenditure	Expenditure (Professional and Consulting fees) - Quotations/Contracts not submitted COA 81 (M) (A) - (ISS.86)	Iss.86	High	CFO	30-Jun-22
Operating Expenditure	Expenditure (Repairs and Maintenance) - Matter noted on adjusting journal COA 153 (M) (A) - (ISS.156)	Iss.156	Medium	CFO/Zine/Metsi	30-Jun-22
Operating Expenditure	Expenditure (Repairs and Maintenance) - Banking details per CSD differ from invoice (COA 96) (M) (A) - (ISS.104)	Iss.104	Medium	Leonard	30-Jun-22
Operating Expenditure	Expenditure (Repairs and Maintenance) - Invoices Scope Limitation (COA 97) (M) (A) - (ISS.105)	Iss.105	High	Zine	30-Jun-22
Operating Expenditure	Expenditure (Repairs and Maintenance) - Matters noted on classification COA.94 (M) (A) - (ISS.102)	Iss.102	High	Zine	30-Jun-22
Operating Expenditure	Expenditure (Repairs and Maintenance) - Matters noted on occurrence COA 106 (M) (A) - (ISS.98)	Iss.98	Medium	Zine	30-Jun-22
Operating Expenditure	Expenditure (Repairs and Maintenance) - Payments not approved COA 104 (M) (A) - (ISS.115)	Iss.115	Medium	CFO	30-Jun-22
Operating Expenditure	Expenditure (Repairs and Maintenance) - Quotations/Contracts not submitted COA 95 (M) (A) - (ISS.103)	Iss.103	High	Zine/Leonard/Metsi/Metsi	30-Jun-22
Payables	Payables from Exchange - Eskom and Oranje Riet differences (CoA 41)(M)(A) - (ISS.52)	Iss.52	Medium	CFO/Zine	30-Jun-22
Payables	Trade payables - Amount disclosed for retention monies materially misstated COA 117 (M) (A) - (ISS.120)	Iss.120	Medium	CFO	30-Jun-22
Payables	Trade payables - Differences noted between ageing and supplier statements and invoices COA 63 (M) (A) - (ISS.79)	Iss.79	Medium	Zine	30-Jun-22
Payables	Trade payables - Matters noted on leave pay accrual COA 82 (M)(A) - (ISS.90)	Iss.90	Medium	CFO	30-Jun-22
Payables	Trade payables - Retention monies as per Note 14 not complete COA 83 (M) (A) - (ISS.99)	Iss.99	Medium	CFO	30-Jun-22
Payables	Trade payables - Salary control account not cleared COA 60 (M) (A) - (ISS.71)	Iss.71	Medium	Metsi/Metsi	30-Jun-22
Predetermined Objectives	APOO - Inconsistencies between the 1st SDBIP and the APR - COA 22 (M) (A) - (ISS.18)	Iss.18	Medium	Success	30-Jun-22
Predetermined Objectives	APOO - Inconsistencies in KPA between SDBIP and APR - COA 23 (M) (A) - (ISS.20)	Iss.20	High	Success	30-Jun-22
Predetermined Objectives	APOO - Inconsistency in planned target and reported achievement in APR - COA 24 (M) (A) - (ISS.21)	Iss.21	High	Success	30-Jun-22
Predetermined Objectives	APOO - Measurability Limitation on Percentage indicator COA 50 (M) (A) - (ISS.69)	Iss.69	High	Success	30-Jun-22
Predetermined Objectives	APOO - Measurable - Target is not specific per towns (COA 25) (M) (A) - (ISS.24)	Iss.24	High	Success	30-Jun-22
Predetermined Objectives	APOO - Misstatement & Limitation on the non-material indicators (COA 49) (M) (A) - (ISS.66)	Iss.66	High	Success	30-Jun-22
Predetermined Objectives	APOO - Misstatement on Accuracy in 'TL - 1 Percentage completeness of new 4.2 ML WTW Jacobsdal' COA 47 (M) (A) - (ISS.62)	Iss.62	High	Success	30-Jun-22
Predetermined Objectives	APOO - Misstatement on Accuracy, Validity & Completeness on Water Meter Indicators COA 48 (M) (A) - (ISS.63)	Iss.63	High	Success	30-Jun-22
Predetermined Objectives	APOO - Presentation & Disclosure - Misstatement Identified on presentation & disclosure - COA 26 (M) (A) - (ISS.25)	Iss.25	High	Success	30-Jun-22
Predetermined Objectives	APOO - Technical & Community Services - Internal control deficiencies identified. (COA 110) (M) (A) - (ISS.17)	Iss.17	High	Success	30-Jun-22
Procurement and Contract Management	(Partially resolved) Procurement and contract management -Quotations - No evidence that goods were received COA 150 (M)(A) - (ISS.154)	Iss.154	High	Leonard/ Maedi	30-Jun-22
Procurement and Contract Management	(Partially resolved) Procurement and contract management- Quotation- Winning bidders declaration of interests not submitted COA 67(M)(A) - (ISS.87)	Iss.87	High	Leonard	30-Jun-22
Procurement and Contract Management	(Partially resolved) Procurement and contract management- Quotation- Supporting documents not submitted COA 64 (M)(A) - (ISS.81)	Iss.81	High	Leonard	30-Jun-22
Procurement and Contract Management	(Partially resolved) Procurement and Contract management: Advertisement of bids not aligned with SCM reg - COA 21 (M) (A) - (ISS.23)	Iss.23	High	CFO/ Leonard	30-Jun-22
Procurement and Contract Management	(Partially resolved) Procurement and Contract management: Advertisement of bids not aligned with SCM reg - COA 9 (M) (A) - (ISS.11)	Iss.11	High	CFO/ Leonard	30-Jun-22
Procurement and Contract Management	Procurement and Contract Management: Non compliance - contract performance measures not in place part 1(COA 93) (M) (A) - (ISS.54)	Iss.54	High	Leonard/ Mpho	30-Jun-22
Procurement and Contract Management	Procurement and contract management- Interest State - Award made to a supplier in service of the state (CoA 61)(M)(A) - (ISS.58)	Iss.58	High	CFO / Leonard	30-Jun-22
Procurement and Contract Management	Procurement and contract management- Local Content - Minimum thresholds not stated in the RFQ (COA 107)(M)(A) - (ISS.100)	Iss.100	High	CFO/Leonard	30-Jun-22
Procurement and Contract Management	Procurement and contract management- No process in place for selection of suppliers in a panel COA 116 (M) (A) - (ISS.119)	Iss.119	High	CFO/Leonard	30-Jun-22
Procurement and Contract Management	Procurement and contract management- Quotation - Tax matters of winning supplier could not be confirmed COA 66(M) (A) - (ISS.84)	Iss.84	High	Leonard	30-Jun-22
Procurement and Contract Management	Procurement and contract management- Quotation- Deviation not disclosed in notes and not presented to council COA 68(M)(A) - (ISS.91)	Iss.91	High	Leonard	30-Jun-22
Procurement and Contract Management	Procurement and contract management- Quotation- insufficient support submitted COA 71(M) (A) - (ISS.74)	Iss.74	High	Leonard	30-Jun-22
Procurement and Contract Management	Procurement and contract management- Quotation- Non-compliance deviations (COA 109)(M)(A) - (ISS.116)	Iss.116	High	Leonard	30-Jun-22
Procurement and Contract Management	Procurement and contract management- Quotations- 3 quotations were not obtained COA 72(M)(A) - (ISS.94)	Iss.94	High	Leonard	30-Jun-22

AUDIT ACTION PLAN
2021/2022 Financial Year

Component	Finding	Issue	Risk	Responsible person	Deadline
Procurement and Contract Management	Procurement and Contract Management: (part 1) more than R200 000 not included in the bid/deviation register COA 32 (M) (A) - (ISS.43)	Iss.43	High	Leonard	30-Jun-22
Procurement and Contract Management	Procurement and Contract management: Contract performance measures not in place (part2) COA 131 (M) (A) - (ISS.145)	Iss.145	High	Mpho/ Leonard	30-Jun-22
Procurement and Contract Management	Procurement and Contract Management: Deviations COA 75 (M) (A) - (ISS.77)	Iss.77	High	CFO	30-Jun-22
Procurement and Contract Management	Procurement and contract management: Internal control deficiencies COA 163 (M) (A) - (ISS.163)	Iss.163	High	CFO	30-Jun-22
Procurement and Contract Management	Procurement and contract management: Internal control deficiency: no indication of project managers CoA 145 (M) (A) - (ISS.151)	Iss.151	High	Mpho	30-Jun-22
Procurement and Contract Management	Procurement and Contract management: Irregular appointment of EMS Consulting (Pty) Ltd - COA 19 (M) (A) - (ISS.27)	Iss.27	High	MM/CFO	30-Jun-22
Procurement and Contract Management	Procurement and Contract Management: Irregular payments made to Motsi Slide - (COA 33)(M)(A) - (ISS.45)	Iss.45	High	CFO	30-Jun-22
Procurement and Contract Management	Procurement and Contract management: No approved delegation in SCM policy - COA 7 (M) (A) - (ISS.9)	Iss.9	High	CFO	30-Jun-22
Procurement and Contract Management	Procurement and Contract Management: non-compliance - monthly assessment reports (COA108) (M) (A) - (ISS.101)	Iss.101	High	Mpho	30-Jun-22
Procurement and Contract Management	Procurement and Contract Management: Non-compliance of deviations COA 92 - (ISS.78)	Iss.78	High	CFO/Leonard	30-Jun-22
Procurement and Contract Management	Procurement and Contract management: Non-compliance on contract management CoA 144 (M) (A) - (ISS.136)	Iss.136	High	CFO/ Leonard	30-Jun-22
Procurement and Contract Management	Procurement and Contract management: Non-compliance on extensions/variations/modifications (COA 112) (M) (A) - (ISS.124)	Iss.124	High	CFO / Leonard	30-Jun-22
Procurement and Contract Management	Procurement and Contract management: Register for tenders awarded not complete - COA 29 (M) (A) - (ISS.39)	Iss.39	High	Leonard	30-Jun-22
Receivables	(Partially resolved) Prior year follow up: Receivable from Exchange and Non Exchange: Credit Balances resulting in misstatements if not adequately addressed - COA 164 (M) (A) - (ISS.164)	Iss.164	High	Lerato	30-Jun-22
Receivables	(Partially resolved) Receivables from exchange transaction (Limitation of scope) - Property rented by the debtors could not be traced to the valuation roll COA 142 (M) (A) - (ISS.128)	Iss.128	High	Lerato/ Maria	30-Jun-22
Receivables	(Partially resolved) Receivables from exchange transaction (Water and electricity) - classification (COA 114) (M) (A) - (ISS.80)	Iss.80	High	Lerato/ Thembi	30-Jun-22
Receivables	(Partially resolved) Receivables from exchange transactions (electricity) - Existence of debtors not confirmed COA 138 (M) (A) - (ISS.141)	Iss.141	High	Lerato	30-Jun-22
Receivables	Prior year follow up: Receivables from Exchange and Non Exchange Transactions: Limitation of scope on personal details of receivables, existence of debtors not confirmed (COA 166) (M) (A) - (ISS.166)	Iss.166	High	Lerato/ Thembi/ Maria	30-Jun-22
Receivables	Prior year follow up: Receivables from Exchange and Non Exchange_ Unknown Accounts, Existence and Rights over debt for these accounts not confirmed COA 167 (M)(A) - (ISS.167)	Iss.167	High	Lerato	30-Jun-22
Receivables	Receivables from exchange transaction (Interest) - Difference identified (Valuation) (COA.90) (M)(A) - (ISS.36)	Iss.36	High	Lerato	30-Jun-22
Receivables	Receivables from exchange transaction (Refuse removal) - Differences identified- (COA 88) (M)(A) - (ISS.32)	Iss.32	High	Lerato	30-Jun-22
Receivables	Receivables from exchange transaction and non-exchange transaction - Accuracy (COA 169) (M) (A) - (ISS.169)	Iss.169	High	Lerato	30-Jun-22
Receivables	Receivables from exchange transactions (Electricity) - Debtor with credit balance COA 140 (M) (A) - (ISS.144)	Iss.144	High	Lerato	30-Jun-22
Receivables	Receivables from exchange transactions (Electricity) - Valuations COA 139 (M) (A) - (ISS.143)	Iss.143	High	Lerato	30-Jun-22
Receivables	Receivables from exchange transactions (Rentals) - Limitation on existence of debtors COA 129 (M) (A) - (ISS.127)	Iss.127	High	Maria/ Thembi	30-Jun-22
Receivables	Receivables from exchange transactions (sewer and sanitation) - Differences identified (Valuation) - (COA 91) - (ISS.42)	Iss.42	High	Lerato	30-Jun-22
Receivables	Receivables from exchange transactions - The existence of the debtors could not be confirmed. - (COA 84) (M)(A) - (ISS.31)	Iss.31	High	Lerato	30-Jun-22
Receivables	Receivables from exchange transactions(Rentals) - Valuations COA 159 - (ISS.152)	Iss.152	High	Lerato	30-Jun-22
Receivables	Receivables from non-exchange transaction (Assessment rate) - Differences identified- (COA 89) - (ISS.33)	Iss.33	High	Lerato	30-Jun-22
Revenue	(Partially resolved) Revenue from exchange transactions (Water and electricity)- Incorrect classification COA 115 - (ISS.96)	Iss.96	High	CFO/ Lerato	30-Jun-22
Revenue	Government grants - MIG amount overstated COA 118 (M) (A) - (ISS.125)	Iss.125	Medium	CFO / Lerato	30-Jun-22
Revenue	Government grants - Misstatements identified (COA.120) - (ISS.129)	Iss.129	High	CFO/ Lerato	30-Jun-22
Revenue	Prior year follow up: Revenue service charges- Prior year CoA 36 (COA 168) (M) (A) - (ISS.168)	Iss.168	High	Lerato	30-Jun-22
Revenue	Rental of Facilities and Equipment - Misstatement on Completeness CoA 143 (M)(A) - (ISS.123)	Iss.123	Medium	Lerato/Maria	30-Jun-22
Revenue	Revenue (Government grants) - Prior year unresolved misstatement COA 35 (M) (A) - (ISS.38)	Iss.38	High	CFO	30-Jun-22
Revenue	Revenue from exchange transactions: Other Income- Internal classification issue (COA 58) (M)(A) - (ISS.48)	Iss.48	High	Thembi	30-Jun-22
Revenue	Revenue from non-exchange- Property rates :Differences between billing reports and AFS amount CoA 141 (M) (A) - (ISS.149)	Iss.149	High	CFO/ Lerato	30-Jun-22
Revenue	Revenue Service charges (Electricity)- Customers not billed for 12 months (COA 111) (M) (A) - (ISS.117)	Iss.117	High	Lerato/ Thembi	30-Jun-22
Revenue	Revenue Service charges (Electricity)- Customers not billed on basic charges COA 160 (M) (A) - (ISS.160)	Iss.160	High	Lerato/ Thembi	30-Jun-22

AUDIT ACTION PLAN
2021/2022 Financial Year

Component	Finding	Issue	Risk	Responsible person	Deadline
Revenue	Revenue Service charges (Electricity)- Electricity meters could not be traced to the billing reports COA 154 (M) (A) - (ISS.157)	Iss.157	High	Thembi	30-Jun-22
Revenue	Revenue Service charges (Water) - Customer accounts not billed for 12 months. (COA 86) (M) (A) - (ISS.73)	Iss.73	High	Lerato/ Thembi	30-Jun-22
Revenue	Revenue service charges (Water) - Water meters could not be traced to the billing reports COA 130 (M) (A) - (ISS.130)	Iss.130	High	Thembi	30-Jun-22
Revenue	Revenue Service charges (Water)- Differences identified between billing reports and meter readings COA 76 (M) (A) - (ISS.72)	Iss.72	High	Thembi	30-Jun-22
Revenue	Revenue Service charges - Differences between the billing reports and the AFS COA 113 (M) (A) - (ISS.29)	Iss.29	High	CFO/ Lerato/ Thembi	30-Jun-22
Taxes	VAT - Differences Identified (COA 146) (M) (A) - (ISS.140)	Iss.140	Medium	CFO	30-Jun-22