

2/1 TABLING OF THE ANNUAL REPORT 2020/2021

DATE : 17/01/2022

AGENDA : COUNCIL MEETING: 26/01/2022

REPORT : EXECUTIVE MAYOR'S REPORT

1. PURPOSE

To table to council the draft Annual Report 2020/2021 for referral to Municipal Public Accounts Committee for public engagement and consideration with recommendation to Council.

2. STRATEGIC OBJECTIVE

To promote good governance, transparency, and accountability, and to enhance council's oversight on administration and council.

3. BACKGROUND

Section 121 of the Municipal Finance Management Act, 56 of 2003 requires that-

- Every municipality and every municipal entity must for each financial year prepare an annual report in accordance to this Chapter. The Council of a municipality must within nine months after the end of the financial year deal with the annual report of a municipality and any municipal entity under the municipality's sole or shared control in accordance with section 129.

To fulfil this requirement, the draft annual report of the municipality is submitted to council two months before the due date for referral to a committee of council for further community engagement as required by Local Government: Municipal Systems Act, 32 of 2000, a committee which will make recommendations to council on the annual report for consideration.

4. STAKEHOLDER CONSULTED

All Directors
All Managers
All Supervisors
Audit and Performance Audit Committee
Auditor General of South Africa

5. FINANCIAL IMPLICATIONS

Advertisement, printing, and distribution costs as per the approved IDP Review Process Plan Programme of Action with Budgeted Costs.

6. LEGAL IMPLICATIONS

Section 127 (5) of Municipal Finance Management Act, 56 of 2003 states:

- (5) the accounting officer must immediately after the annual report is tabled, make public the annual report, invite local community to submit representations in connection with the annual report and submit the annual report to the Auditor General, National Treasury and the relevant Provincial Treasury and the department responsible to local government in the province.

7. STAFF IMPLICATIONS

Office of the Municipal Manager
Integrated Development Planning and Performance Management Systems
Division
Internal Audit Unit
Administration and Council Support Division

8. RISKS

Non-compliance to legislative requirement of section 127(2) of Municipal Finance Management Act, 56 of 2003 which will lead to a qualification paragraph in the Audit Report.

9. RECOMMENDATION

It is therefore recommended that:

1. Council notes the tabling of the Annual Report 2020/2021;
2. Council refers the Annual Report 2020/2021 to the Municipal Public Accounts Committee for consideration and public engagement and the Municipal Public Accounts Committee to formulate recommendations for submission to council for consideration not later than 31 March 2022, for the tabling of the Oversight Report 2020/2021;
3. Municipal Public Accounts Committee meetings are open for public as required by law, and that all Municipal Public Accounts Committee meetings are advertised;
4. Copies of the Annual Report 2020/2021 be placed at all Municipal Offices, Libraries and the official Municipal Website as required by law for communities to access it; and
5. That permission be granted to the Municipal Manager to submit the Annual Report 2020/2021 to the Auditor-General of South Africa, National Treasury, Free State Provincial Treasury and the Department of Cooperative Governance and Traditional Affairs in the Free State.

(FOR RESOLUTION)

Minutes: Council Meeting: 26 January 2022

Me Disebo Ceba from the Office of the Auditor General presented to Council the Audit Outcome and provided an overview of the audit and qualifications which resulted in the Qualified Audit Opinion.

After the presentation, Cllr Odendaal appreciated the presentation of the AG and indicated that the matters highlighted should be further discussed internally. Cllr Thamae also reflected that the report of the AG was very clear and Council should now further deal with the issues highlighted.

Cllr Vries expressed his concern on the report indicating that from the report it was evident that there was no leadership and effective management within the municipality. He highlighted that there is a need to have qualified and competent people to run the municipality.

Members of the AG were then released from the Meeting.

The Executive Mayor further presented her overview report on the Annual Report 2020/2021.

After the presentation the Executive Mayor proposed that the matter be resolved as follows and was seconded MMC Koalane.

RESOLVED:

1. That Council notes the tabling of the Annual Report 2020/2021;
 2. That Council refers the Annual Report 2020/2021 to the Municipal Public Accounts Committee for consideration and public engagement and the Municipal Public Accounts Committee to formulate recommendations for submission to council for consideration not later than 31 March 2022, for the tabling of the Oversight Report 2020/2021;
 3. That the Municipal Public Accounts Committee meetings are open for public as required by law, and that all Municipal Public Accounts Committee meetings are advertised;
 4. That Copies of the Annual Report 2020/2021 be placed at all Municipal Offices, Libraries and the official Municipal Website as required by law for communities to access it; and
 5. That permission be granted to the Municipal Manager to submit the Annual Report 2020/2021 to the Auditor-General of South Africa, National Treasury, Free State Provincial Treasury and the Department of Co-operative Governance and Traditional Affairs in the Free State.
 6. That an Action Plan be developed and serve as a standing item to Council to monitor progress.
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ANNUAL REPORT 2020/2021



SETSOTO LOCAL MUNICIPALITY

OFFICE OF THE MUNICIPAL MANAGER

SETSOTO LOCAL MUNICIPALITY 27 VOORTREKKER STREET FICKSBURG 9730

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PREFACE

PREFACE

Section 121(1) of the Local Government: Municipal Finance Management Act, 56 of 2003, stipulates that:

“Every municipality and every municipal entity must for each year prepare an annual report” in accordance with its guidelines. The purpose of the annual report is to:

- (a) Provide a record of the activities of the Setsoto Local Municipal Council during the 2020/2021 financial year;
- (b) Provide a report on performance against the budget of Setsoto Municipal Council for the 2020/2021 financial year; and
- (c) Promote good governance, transparency, and accountability to the local community for the decisions made throughout the year by the municipality.

According to section 121(3) of the Local Government: Municipal Finance Management Act, 56 of 2003, the annual report must include:

- (a) The annual financial statements of the municipality, and the consolidated annual financial statements as submitted to the Auditor-General in terms of section 126(1) of the Local Government: Municipal Finance Management Act, 56 of 2003;
- (b) The Auditor-General’s audit report in terms of section 126(3) of the Local Government: Municipal Finance Management Act, 56 of 2003 on the annual financial statements in (a) above;
- (c) The annual performance report of the municipality as prepared by the Setsoto Local Municipality in terms of section 46 of the Local Government: Municipal Systems Act, 46 of 2000;
- (d) The Auditor-General’s audit report in terms of section 45 of the Local Government: Municipal Systems Act, 32 of 2000;
- (e) An assessment of the arrears on the municipal taxes and service charges;
- (f) An assessment of the municipality’s performance against measurable performance objectives referred to in section 17(3)(b) of the Local Government: Municipal Finance Management Act, 56 of 2003, for revenue source and for each vote in the municipality’s approved budget for the 2020/2021 financial year;
- (g) Corrective action taken or to be taken in response to issues in the audit reports referred to in paragraphs (b) and (d) above. And
- (h) Recommendations of the municipality’s Audit and Performance Audit Committee.

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EXECUTIVE MAYOR'S FOREWORD

COMPONENT A: EXECUTIVE MAYOR'S FOREWORD

On behalf of the Setsoto Local Council and officials, I hereby present the Annual Report for the Financial Year 2020/2021. This report will outline our performance on the targets we set ourselves to do over this period. The report will give our stakeholders and communities an insight into the performance and achievement of the municipality.

As I write, the spread of coronavirus has thrown the world into disarray. The pandemic is three shocks in one:

- a public health crisis;
- a hammer-blow to the real economy; and
- a stress test for the global service provision

During the acute phase of the pandemic, national government intervened on an unprecedented scale to keep the country safe and to preserve the stability of the health system from collapsing. Legislative measures have to be put in place to curb the spread of the virus and to preserve the stability of the economy. To lay the foundation for a balanced recovery, government will need to build on these efforts by carrying out effective fiscal consolidation and growth-oriented structural reforms.

For the past five years the municipality focusing on the identified needs, development issues, and priorities and predetermined objectives that are aligned to the National Development Plan, the common aspirations and local identity of all concerned parties which gives a form of a picture of the "preferred future".

The municipality has developed a statement that describes how the future will look like if the municipality achieves its ultimate aims and is reflected in the following shared vision statement that drives us towards a compelling future, preferably 2030, that is to the benefit of all our citizenry within the municipality:

"A unified, viable and progressive municipality"

When the current leadership assumed office, it committed itself to respond to the aspirations of the approximately hundred and eighteen thousand people of Setsoto Local Municipality who placed their hopes and trust on the shoulders African National Congress when they overwhelmingly gave it a mandate in 2016 to improve their lives.

In order to translate the hopes and trust of the community into reality, the municipality categorised the challenges facing the community according to the following six key performance areas, aligned to the Back to Basic Principles:

- 1) Basic Services-to ensure that the municipality is supporting the delivery of municipal services to the right quality and standard;
- 2) Local Economic Development- ensure that the municipality is creating a conducive environment for economic development;

CHAPTER 1-EXECUTIVE SUMMARY

- 3) Institutional Capacity to ensure that we are building institutional resilience and administrative capability;
- 4) Financial Management to put processes in place in ensuring sound financial management and accounting;
- 5) Good governance, transparency, and accountability in order to promote good governance, transparency, and accountability; and
- 6) Public Participation for putting people and their concerns first.

Looking at the above key performance areas, it is important to note that these can never be successful on their own, it becomes important that as a collective, councillors and officials, work together in identifying the challenges raised in the annual report and rectify them as soon as possible. Having said that, it is equally important to note that there are a few specific areas, which must receive particular attention going forward.

Notwithstanding the crisis environment, we have made good progress in putting measures in place to ensure that services to our communities are not interrupted. Within the protocols of coronavirus pandemic, we have created a rotational system for employees to work and also introduced technological innovations for staying in touch with stakeholders and communities during these trying times.

Significant investments in information technology to support the creation of a more flexible digital workplace have proved invaluable for our crisis response to the pandemic. We will be building further on this to provide a future-ready and resilient work environment. Underpinning these various initiatives, work has begun on modernizing the human resource practices and streamlining some of our business processes. These are key elements in meeting our goals of creating a more agile organisation with a culture that supports innovation and continuous improvement.

Improved mechanisms will need to be found to strengthen the accountability and discipline of councillors and officials in their daily work. Oversight Committees needs to be encouraged to execute their legislative functions without fear or favour and ensure that their recommendations are implemented and where there is a need, relevant authorities be engaged to investigate.

To achieve all of the above, speed, timing, and excellence in the quality of daily work must become a key feature in the way in which officials undertake their work, this also came out explicitly during our engagement with stakeholders on the Integrated Development Plan and Budget Roadshows-that production must equate the number of workforces on the ground. The overall turn-around times of administrative and professional work will require significant improvement.

I want to acknowledge the extraordinary efforts made by all our officials within the four towns of the municipality during this period. My fellow councillors for your support during these difficult times. It is important that we put our differences aside and put the interest of our people first

COUNCILLOR SEIPATI MBIWE (Mrs.)
EXECUTIVE MAYOR

CHAPTER 1-EXECUTIVE SUMMARY

COMPONENT B: EXECUTIVE SUMMARY

1. MUNICIPAL MANAGER'S OVERVIEW

The report covers the period from 01 July 2020 to 30 June 2021. The delivery of services has been met with a lot of challenges during this period as a result of the following:

- Covid-19 pandemic;
- Financial constraints; and
- Council and administrative instability.

This annual report is an all-inclusive report on municipal activities during the year under review. The report is intended to give council and all stakeholders and other interested people evidence about the municipality's activities and financial performance as of 30 June 2021. The Local Government: Municipal Finance Management Act, 56 of 2003, required the municipalities to prepare and disclose their annual reports, and may require the annual report to be filed at registry.

This report will also provide information to be used for audit purpose of this municipality for the financial year 2020/2021. The performance of each department is meticulous in this report per their respective divisions as contained in Chapter 3-Service Delivery Performance-Performance Report Part I. The Department of Engineering Services is responsible for providing basic services under the following sectors:

- Water;
- Sanitation;
- Electricity;
- Roads and Storm Water; and
- Urban Planning and Property Management.

All these are provided through a Project Management Unit and each sector is therefore responsible for maintenance of the provided infrastructure in order to ensure effective, efficient, and sustainable service delivery. The department is zealous to improve the quality of life of its community by providing efficient, sustainable, reliable, and affordable infrastructure and to ensure continuous upgrade and maintenance of the existing infrastructure.

This department is also commanded to ensure adequate serviced land through which residents can develop quality formal housing and receive security of tenure. An increase in population growth in the municipality implies an increasing urgency for development of infrastructure for our communities that can support this increase in population.

Infrastructure is the foundation that enables economic growth and development. Local government is mandated to construct and maintain a range of infrastructure that enables local economic activities and create an enabling environment for economic growth. The department had included key priority projects on the IDP 2021/2022 to secure funding in order to fulfill this mandate.

The mandate of the Department of Development Planning and Social Security is service delivery component and intends to strive to continuously improve how we render services to communities. The

CHAPTER 1-EXECUTIVE SUMMARY

experience over a period has shown that it changes approach it required in the way we extend and reach out to the communities to ensure that those areas which were not previously serviced are better off. The municipality is also taking into consideration realities in the municipality. As service delivery department, our mandate is as follows:

- Provision of waste disposal system, which is efficient, safe and cost effective,
- Refuse removal and street cleaning,
- To ensure that the environment is conducive and not harmful to the health and wellbeing of communities,
- Public safety and security
- Provision and maintenance of cemeteries,
- Maintenance of parks and greening of open spaces,
- Provision of security to municipal property and personnel,
- Safety of road users through traffic services,
- Assisting in promotion of healthy and cultural lifestyle to communities through sports, arts, and recreation programmes,
- Maintenance of municipal properties and facilities.
- Provision of disaster management service to the community affected as a result of man-made and other natural disasters,
- Provide an efficient and effective Fire Services,
- Create sustainable economic growth and alleviate poverty by maximizing local agriculture and industrial opportunities and exploitation of international export markets through Local Economic Development initiatives,
- Promotion of Tourism development,
- Job creation

The Department of Treasury Services is responsible for the financial management and accounting, viability and sustainability of the municipality through the delegation of the following:

- Revenue Management;
- Expenditure Management;
- Assets Management; and
- Budget and Reporting

To ensure that the municipality's workforce is satisfied at all the time and that relevant and skilled personnel are brought into the fold, the municipality through the Department of Corporate Services employs the following services:

- Human Resources Management;
- Human Resources Development;
- Payroll Administration;
- Legal and Contract Management; and
- Administration and Council Services

The Office of the Municipal Manager provides and overall strategic support for all the strategic operational activities of the municipality through the following:

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- Office Operations and Unit Support;
- Information Communication Technologies, Communication and Customer Care Relations;
- Internal Audit Unit;
- Integrated Development Planning and Performance Management System;
- Office of the Executive Mayor for the Political Leadership and Direction;
- Office of the Speaker for Public Participation; and
- Troika for Political and administrative Interface

There has been challenges with regarding to reporting from the political offices, but the municipality intends addressing this issue in the next financial year, to ensure that it achieves its key performance indicators of public participation and good governance, transparency, and accountability.

MUNICIPAL FUNCTIONS, POWERS AND ENVIRONMENTAL OVERVIEW

1.1.1 INTRODUCTION

The type of Setsoto Local Municipality (FS 191) in terms of Provincial Gazette of 28 October 2016 is hereby changed from the type of municipality with a collective system combined with ward participatory system to a municipality with an Executive Mayoral system combined with a ward participatory system. Setsoto Local Municipality (FS 191) is a category B municipality as determined by the Municipal Demarcation Board in terms of section 4 of the Municipal Structures Act, 117 of 1998.

The boundaries of the municipality as indicated by the demarcation area in the Municipal Demarcation Notice remain unchanged. The council of Setsoto Local Municipality (FS 191) consists of 33 councillors with effect from the local government elections in 2016. The following councillors have been designated full time councillors by the municipality:

- Executive Mayor
- Speaker
- Members of the Executive Mayoral Committee

The powers and function as assigned to the municipality are stipulated in sections 156 and 229 of the Constitution and sections 83 and 84 of Local Government: Municipal Structures act, 117 of 1998 as amended. More specifically, the powers and functions of the municipality relating to sections 84 of the said act which were promulgated in Provincial Gazette Number 25 dated 11 April 2008 and are:

Section 84(1)(e)-Solid Waste disposal sites as it relates to-

- (i) The determination of waste disposal strategy;
- (ii) The regulation of waste disposal; and
- (iii) The establishment, operation and control of waste disposal sites, bulk waste transfer facilities for more than one local municipality in the district.

Section 84(1)(f)-Municipal roads which form an integral part of road transport system for the area of the district municipality.

Section 84(1)(j)-Firefighting services in the area of the district municipality, which includes-

CHAPTER 1-EXECUTIVE SUMMARY

- (i) Planning, co-ordination, and regulation of fire services;
- (ii) Specialised firefighting services such as mountain, veld, and chemical fire services;
- (iii) Co-ordination of standardisation of infrastructure, vehicle, equipment, and procedures; and
- (iv) Training of fire officers.

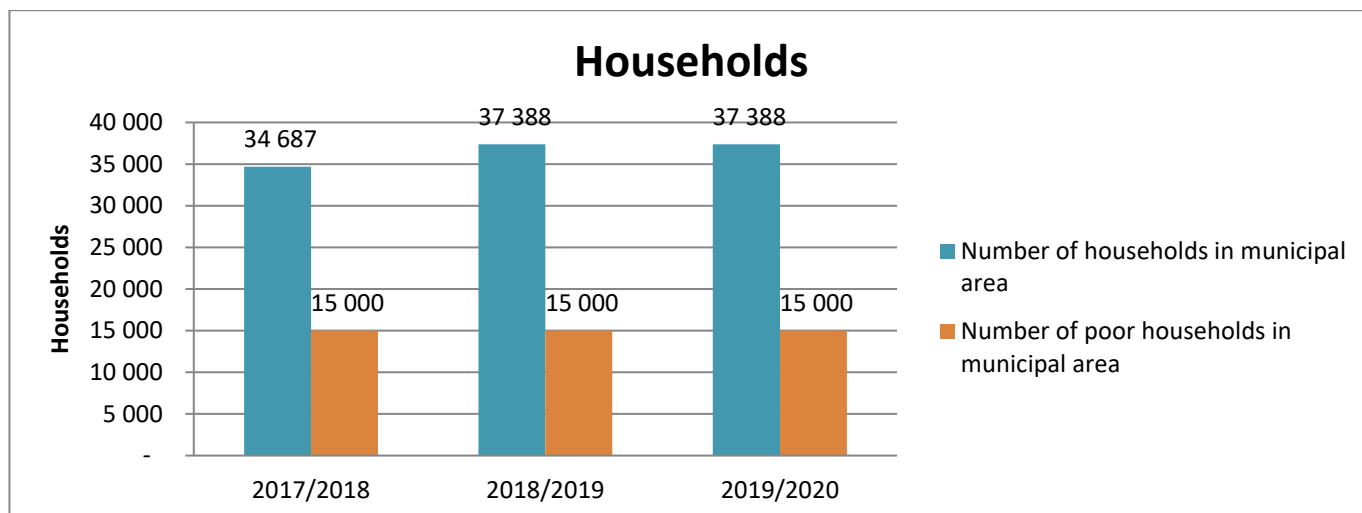
Section 84(1)(l)-The establishment conduct and control of cemeteries and crematoria serving the area of major proportion of municipalities in the district. Section 84(1)(n)-Municipal public works relating to any of the above functions, or any other functions assigned to the district municipality

The administrative structure of the municipality consists of five departments and four administrative units with the municipal manager as the accounting officer and head of the administration situated in Ficksburg. The other three towns in the municipal are Senekal, Marquard, Clocolan and their neighbourhood areas.

Population Details									
Population '000									
Age	2001			2011			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0-4	6	6	2	7	7	13	6	6	12
Age: 5-9	6	7	13	6	6	12	6	6	12
Age: 10-14	8	8	15	5	5	11	6	6	12
Age: 15-19	8	8	15	6	6	11	7	6	13
Age: 20-24	6	6	12	5	5	11	5	5	11
Age: 25-29	5	6	10	5	5	10	6	6	12
Age: 30-34	4	5	8	4	4	8	4	5	10
Age: 35-39	4	4	8	3	4	7	3	4	7
Age: 40-44	3	4	6	3	3	6	3	3	6
Age: 45-49	2	3	6	2	3	5	2	3	5
Age: 50-54	2	3	5	2	3	5	2	2	4
Age: 55-59	1	2	3	2	2	4	1	2	4
Age: 60-64	1	2	3	1	2	3	1	2	3
Age: 65-69	1	2	2	1	1	2	1	2	3
Age: 70-74	1	1	2	1	1	2	1	1	2
Age: 75-79	0	1	1	0	1	1	0	1	1
Age: 80-84	0	1	1	0	1	1	0	1	1
Age: 85+	0	1	1	0	0	1	0	0	1
Total	57	66	123	53	60	113	55	62	117
Age Structure									
						2016			2011
Population under 15						30.5%	32.1%		
Population 15 to 64						63.9%	62.0%		
Population over 65						5.7%	5.8%		
Sex ratio-males per 100 females						89.4	87.7		
Population growth per annum						1.06%	n/a		
Dependency ratio per 100 (15-64)						56.6	61.2		
Households						37 246	33 496		

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Average household size	3.2	3.3
Female headed households	47.2%	46.5
Formal dwellings	76.6%	70.1%
Housing owned	59.0%	62.2%

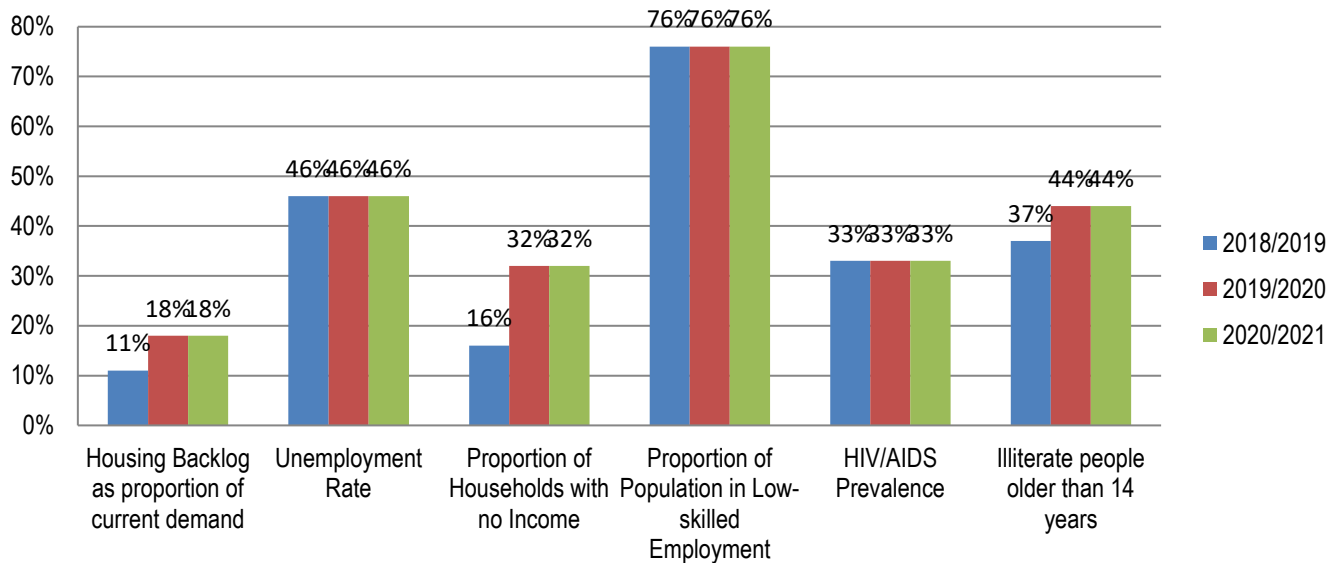


Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2018/2019	18%	46%	32%	76%	33%	44%
2019/2020	18%	46%	32%	76%	33%	44%
2020/2021	18%	46%	32%	76%	33%	44%

Source: Statistics SA Community Survey 2016

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Socio Economic Status



Marquard and Moemaneng		
Settlement Type	Households	Population
Marquard		1 119
Moemaneng Extension 1		1 024
Moemaneng Extension 2		1 124
Moemaneng Extension 3		1 950
Moemaneng Extension 4		2 296
Moemaneng Extension 7		1 329
Moemaneng Extension 8		920
Moemaneng SP		4 562
Motampelong		1 280
Riverside		860
Sub-Total	4 460	16 464
Ficksburg, Caledon Park and Meqheleng		
Settlement Type	Households	Population
Ficksburg		5 573
Boitumelo		1 628
Ha Molo		382
Itumeleng Zone 3		708
Katlehong		3 326
Khaphamadi		724
Marallaneng		807
Masaleng		2 293
Meqheleng 1		667
Meqheleng 2		1 731
Meqheleng 3		1 299
Meqheleng 4		1 060

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Settlement Type	Households	Population
Meqheleng 5		1 845
Meqheleng 6		2 943
Meqheleng 7		5 392
Meqheleng 8		10 805
Vukazenzele		1 997
Total	13 833	43 180
Senekal and Matwabeng		
Senekal		3 600
Matwabeng Extension 4		10 146
Matwabeng Extension 5		2 564
Matwabeng Extension 6		486
Matwabeng SP		1 077
Matwabeng Zone 1		1 344
Matwabeng Zone 2		6 223
Matwabeng Zone 3		1 134
Sub-Total	9 387	26 574
Clocolan and Hlohlolwane		
Clocolan		1 441
Diamong		1 018
Dipotomaneng		1 713
Hlohlolwane Extension 6		6 905
Mandela Park		1 748
Matikareng		1 046
Mokodumela		1 079
Ntsharebone		812
Sunflower Park		2 129
Thethe		712
Sub-Total	6 219	18 603
Rural Settlement		
Farming Areas	2 913	13 130
Informal Settlement	1 000	-
Sub-Total	3 913	13 130
Total	37 388	117 951

Natural Resources	
Major Natural Resource	Relevance to Community
Caledon River	Water
Sandstone	Mining
Diamond	Mining
Cherries	Agriculture
Asparagus	Agriculture
Peaches	Agriculture
Appels	Agriculture

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1.1.2 COMMENT ON BACKGROUND DATA

The background data is mainly in terms of census 2011 and some of Community Survey 2016 as provided by the Statistic South Africa, which is the reason as to why the information is only given in the sub-totals in the number of households. The information from Statistic South Africa is aggregated to a ward level not as per the way the template is designed.

This challenge needs to be addressed when the template is being reviewed. We also need to have mechanisms as to how we account for the information during and in between the censuses as it is not captured in the template. The above shows a 4% population growth between 2011 and 2016 period. The average population growth of the Free State Province is 2%.

1.2 SERVICE DELIVERY INTRODUCTION

The Constitutional objectives for local government are set in section 152 and are as follows:

- To provide democratic and accountable government of local communities
- To ensure the provision of services to communities in a sustainable manner
- To promote social and economic development
- To promote a safe and healthy environment
- To encourage the involvement of communities and community organisation in matters of Local Government

A central challenge for municipality has been its viability and ability to build strong department capable of delivering on the principles of section 53 of the Constitution which states that:

...'A municipality must structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic development of the community and participate in national and provincial development programmes'.

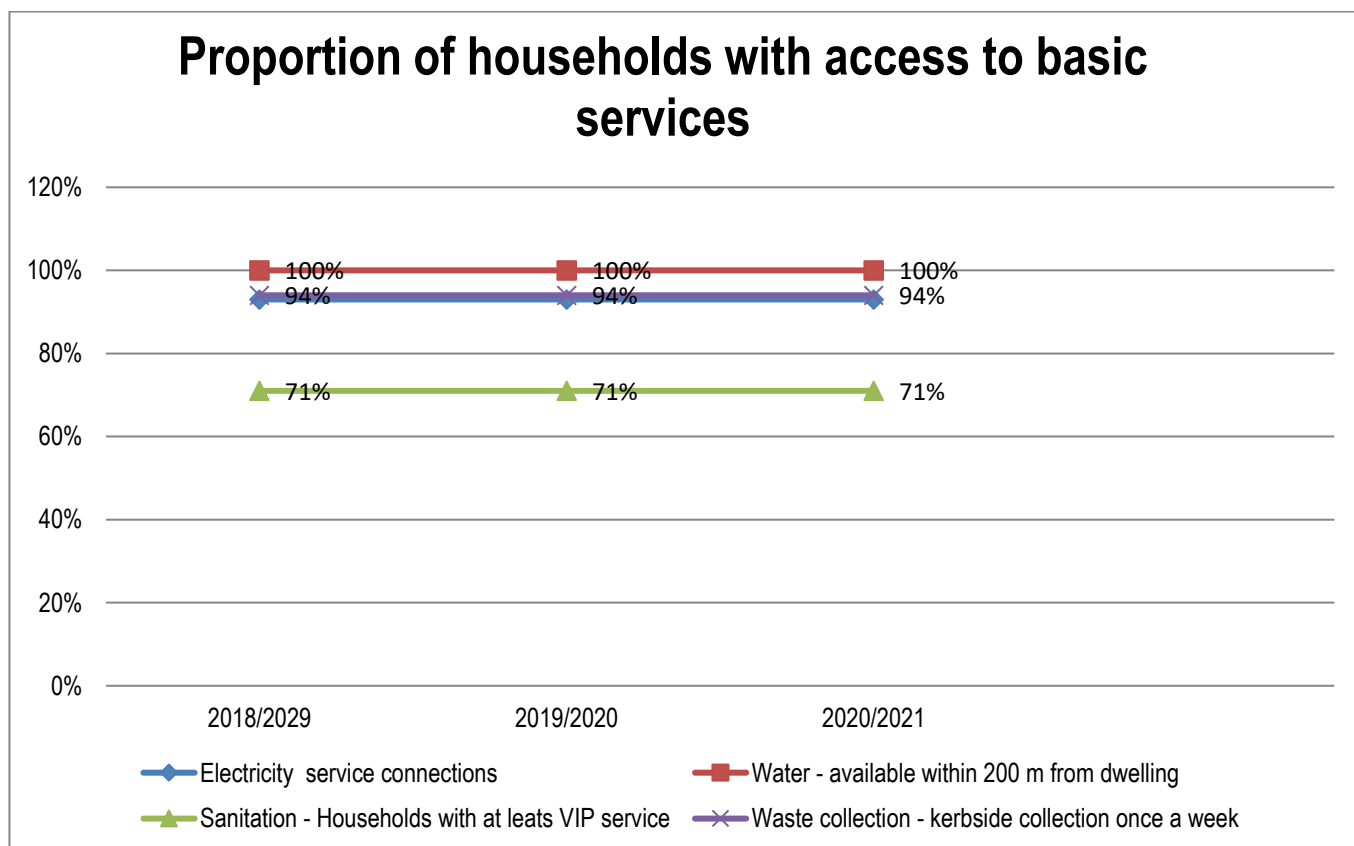
'If the municipality can achieve the above objectives consistently, within the financial and administrative capacity, it could be described as a functional, well-performing municipality'. The following are the focus areas of the municipality:

- Universal access to water
- All households within the municipality have access to water above the minimum service level.
- Universal access to sanitation
- All households within the municipality have access to sanitation above the minimum service level.
- Universal access to electricity
- All households within the municipality have access to electricity above minimum service level.
- Eradication of informal settlement

The municipality is not a housing authority, in collaboration with the Free State Department of Human Settlement it is ensuring that houses are provided. The land is identified and acquired that is utilised for township establishment and assurance is done on the necessary studies and applications for township establishment.

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The process of finalising the rolling-out Spatial Planning and Land Use Management Act, 16 of 2013, has been completed and the municipality is confident that the process will kick-start smoothly from the beginning of the next financial year and that it will impact positively in our endeavours to eradicate informal settlements.



1.2.1 COMMENT ON ACCESS TO BASIC SERVICES

Over the years the municipality has been increasing its ability to provide services to local communities and the below is highlighted:

- Provision of water has been almost to the maximum;
- Electricity has been minimal over the sixteen-year period;
- Sanitation lacked behind and the municipality is doing all in its power to address the situation; and
- Provision of domestic refuse collection is once a week with a collection rate of 94%, businesses are serviced once a week or as per arrangement and the central business areas are cleaned daily, seven (7) days a week.

1.3 FINANCIAL HEALTH OVERVIEW

The municipality ensured that spending is limited against the approved adjustment budget of the municipality, however there were situations that could not be avoided that lead municipality to exceed the budget.

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			R' 000
Details	Original budget	Adjustment Budget	Actual
Income			
Grants	207 046 428	243 948 482	244 576 339
Taxes, Levies, and tariffs	267 069 288	255 289 604	236 325 601
Other	68 555 728	67 291 076	9 160 738
Sub Total	544 671 444	566 530 162	544 976 512
Less: Expenditure	(654 418 692)	(644 158 576)	(763 113 455)
Surplus/(Deficit)	(109 747 248)	(77 628 414)	(218 145 943)

1.3.1 OPERATING RATIOS

Detail	%
Employee Cost	40.58%
Repairs & Maintenance	0.71%
Finance Charges & Impairment	5.25%

1.3.2 COMMENT ON OPERATING RATIOS

Although the employee cost averages 40.58%, it is still above the norm of 33.33%, and all measures need to be explored in order to curb this expenditure. The repairs and maintenance provision was too low as compared to the norm, revenue raising strategies need to be implemented in order to be able to maintain the existing infrastructure. Measures need to be put in place to ensure that all municipal obligations are met on time in order to ensure that we do not encounter wasteful expenditure as the result of penalties and interest, even though the finance charges and impairment is at 5.25%.

1.3.3 CAPITAL EXPENDITURE: 2018/2019 TO 2020/2021

			R'000
Detail	2018/2019	2019/2020	2020/2021
Original Budget	116 965	Not provided	169 915 452
Adjustment Budget	116 965	Not provided	176 673 000
Actual	116 965	Not provided	158 587 807

1.3.4 COMMENT ON CAPITAL EXPENDITURE

An amount of R 55 259 611 was unspent and is rolled-over. The said amount is made up of the following conditional grants:

- Water Services Infrastructure Grant to the value of R 5 729 021
- Regional Bulk Infrastructure Grant amounting R 40 551 330
- Provincial Government-Free State to the tune of R 8 979 260

The municipality has already applied for approval from National Treasury for the unspent conditional grant.

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1.4 ORGANISATIONAL DEVELOPMENT OVERVIEW

1.4.1 ORGANISATIONAL DEVELOPMENT PERFORMANCE

The municipal workforce is made up of 826 employees. The Department of Corporate Services renders a support service regarding employee management, employee expenditure, employee relations and employee development.

Recruitment and Selection

The following decision were taken:

- All sections 54A and 56 Managers positions have been filled since 2012 and some critical position filled after the approval by Council on the 07 February 2014.
- The entire organisational structure needs to be phased in by the end of the financial year 2018/2019.
- That temporary employees must not be appointed on a full-time position, however, those who have been appointed temporary for over a period of 12 months be appointed permanently in line with amended Labour Relations Act 2014, section 198B.
- That our organisational structure be reviewed to critically relook into the feasibility and sustainability of having 509 vacant positions, most of which are not necessary.
- Increase capacity on Human Resources Management Division to find incumbents who will deal with the issue of policy development/plans and reviews.
- That the process of job evaluation be speeded up to enable a process of performance to unfold. That a Labour Relations section be capacitated to enhance the speedy resolution of disciplinary matters.

Organisational Development

The municipality has embarked on an intensified process of finalising all the outstanding job descriptions, this process was started before the end of the year under analysis. All the relevant Human Resource Policies are in place and adopted by council. The municipality, during its processes of moving into automation of the Performance Management System, has proposed that the motto from the next term of council be "Good to Great", which will be replacing "Re Sebeletsa Katleho".

The Electronic Performance Management System should be implemented fully in order for the municipality to monitor performance fully during this period of Covid-19 pandemic. The system will also eradicate the continues inconsistencies between the planned performance information and the reported performance information, and ensure that performance information is valid, accurate and complete.

Employee Wellness

The programme is well underway, and all our employees receives the necessary attention and referrals when needed. The Covid-19 protocols at the workplace are being implemented and all precautionary measures are in place to ensure the safety of all employees and consumers visiting the workplace.

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1.5 AUDITOR GENERAL REPORT 2020/2021

Awaiting the Audit Report 2020/2021 due in November 20221.

1.6 STATUTORY ANNUAL REPORTING PROCESS

No.	Activity	Timeframe
1	Implementation and monitoring of approved Budget and Integrated Development Plan commences (In-year financial reporting).	July
2	Finalise the 4th quarter Report for previous financial year	
	Consideration of next financial year's Budget and Integrated Development Plan Review 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/Integrated Development Plan implementation period	August
3	Submit draft year 2021/2022 Annual Report to Internal Audit and Audit and Performance Audit Committee	
4	Audit and Performance Committee considers draft Annual Report of municipality and entities (where relevant)	
5	Municipality submits draft Annual Report including consolidated annual financial statements and draft Annual Performance Report to Auditor General	
6	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	September - November
7	Draft Annual Performance Report as submitted to Auditor General to be provided as input to the Integrated Development Plan Research, Information Collection and Analysis Phase	
8	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	
9	Municipalities receive and start to address the Auditor General's comments	December
10	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January
11	Audited Annual Report is made public, and representation is invited	February
12	Oversight Committee assesses Annual Report	February- March
13	Council adopts Oversight report	March
14	Oversight report is made public	April
15	Oversight report is submitted to relevant provincial councils	

1.6.1 COMMENT OF THE ANNUAL REPORT PROCESS

The compilation of the annual report did not unfold as per the required legislative imperatives due to Covid-19 pandemic. The submission of the draft annual report to auditor-general was extended to the end of October 2020, and the auditor-general submitted the audit report at the end of March 2021.

CHAPTER 1-EXECUTIVE SUMMARY

The annual report was only tabled to council on the 30 June 2021, due to the instability in council, the public participation process on the annual report was not done by the end of the financial year as the then chairperson of the Municipal Public Accounts Committee was elected as the Executive Mayor, and the process of constituting a new committee by council is not yet finalised.

2. INTRODUCTION TO GOVERNANCE

The municipality is divided into two major governing structures, namely:

- Political governance; and
- Administrative governance.

Political governance constitutes of public representative elected through wards and proportional representation respectively. These public representatives constitute a municipal council. They are the legislators at the local level and take decisions that are to be implemented by the administrative leadership.

Administrative governance is made up of the municipal manager, supported by the senior managers and all other officials as per the municipal organisational structure. These officials have specific delegated powers and functions that they need to execute in order for the municipality to provide services to its local community.

COMPONENT A-POLITICAL AND ADMINISTRATIVE GOVERNANCE

Political and administrative governance in the municipality consists of a set of processes, customs, policies, laws, regulations, and institutions affecting the way people direct, administer or control an organisation. Political and administrative governance also includes the relationships amongst the many role-players involved in the organisations. The principal role-players include communities, management, and councillors. Other stakeholders include employees, service providers, customers, businesses, political parties, other organisations, and regulators.

2.1 INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Setsoto Local Municipality is a category B Municipality with an Executive Mayoral Committee with Ward Participatory System. The council has its committees namely the Audit and Performance Audit Committee and Municipal Public Accounts Committee which are Section 79 Committees reporting directly to Council. The Council has also established Section 80 Committees with the Chairs of each committee being a member of the Mayoral Committee to deal with issues in the respective Departments.

The political distribution of Council comprises of 21 Councillors of the African National Congress, 5 Councillors of Democratic Alliance, 3 Councillors of Economic Freedom Fighters, 3 Councillors of United Front of Civics and 1 Councillors of Vryheid Front Plus which totals 33 councillors of which 17 are ward councillors and 16 are proportional representative councillors. The full-time councillors appointed are the Speaker, the Executive Mayor, and the Members of the Mayoral Committee

CHAPTER 2-GOVERNANCE

The council's role is to debate issues publicly and to facilitate political debate and discussion. The council is responsible for policy making to guide the operations of the municipality and make decisions within its legislative authority. Apart from functions as decision makers, councillors are also actively involved in community work and various social programmes in the municipal area.

2.2 POLITICAL GOVERNANCE

POLITICAL STRUCTURE

EXECUTIVE MAYOR *

Mavaleliso Paka Isaac

SPEAKER

Mokhuoane Krog Sexton

MAYORAL COMMITTEE**

Hlakane Moeketsi

Sellane Matieho Theresia

Selikane Thabiso Shadrack

Jakobo Tsheliso Bernard

Mthimkulu Mamotena Lydia

* The former Executive Mayor Koalane Komane Elias was removed on 31 May 2021 and Cllr Mavaleliso Paka Isaac was elected as the new Executive Mayor

**With the removal of the Executive Mayor the former Mayoral Committee was considered to have vacated office and the newly elected Executive Mayor appointed the new Mayoral Committee during June 2021.

Councillors

Name	Political Party	Gender	Representation
Mokhuoane Krog Sexton	African National Congress	Male	Proportional
Maoke Nthateng Alice	African National Congress	Female	Proportional
Taylor Nnini Alice	African National Congress	Female	Proportional
Senkhane Nthatisi Petronella	African National Congress	Female	Proportional
Koqo Palesa Elizabeth	African National Congress	Female	Proportional
Strydom Evert Phillip	Democratic Alliance	Male	Proportional
Mokhele Modise Moses	Democratic Alliance	Male	Proportional
Mathuhle John Motsamai	Democratic Alliance	Male	Proportional
Schee Pulane Constance	Democratic Alliance	Female	Proportional
Lipoko Ratsholwane Shadrack	Economic Freedom Fighters	Male	Proportional

CHAPTER 2-GOVERNANCE

Councillors			
Name	Political Party	Gender	Representation
Makhubu Ntali Selina	Economic Freedom Fighters	Female	Proportional
Mohosho Andronika Modiehi	Economic Freedom Fighters	Female	Proportional
Matsau Malefane Patrick	United Front of Civics	Male	Proportional
Makhalanyane Tieho George	United Front of Civics	Male	Proportional
Moipatli Chere Daniel	United Front of Civics	Male	Proportional
Heymans Maria Cornelia	Vryheid Front Plus	Female	Proportional
Mothibeli Moselantja Mercy	African National Congress	Female	Ward 1
Selikane Thabiso Shadrack	African National Congress	Male	Ward 2
Mthimkulu Mamotena Lydia	African National Congress	Female	Ward 3
Ralehlatsi Mahlomola Klaas	African National Congress	Male	Ward 4
Makobane Serame Ishmael	African National Congress	Male	Ward 5
Selasi Motsamai William	African National Congress	Male	Ward 6
Khatlake Ntema Peter	African National Congress	Male	Ward 7
Jakobo Tsheliso Bernard	African National Congress	Male	Ward 8
Mthimkhulu Thabo Isaac	African National Congress	Male	Ward 9
Vries Isak	Democratic Alliance	Male	Ward 10
Koalane Komane Elias	African National Congress	Male	Ward 11
Hlakane Moeketsi	African National Congress	Male	Ward 12
Semahla Mookho Hilda	African National Congress	Female	Ward 13
Matobako Puseletso Constance	African National Congress	Female	Ward 14
Sellane Matieho Theresia	African National Congress	Female	Ward 15
Mokoena Teboho Jacob	African National Congress	Male	Ward 16
Mavaleliso Paka Isaac	African National Congress	Male	Ward 17

2.3 POLITICA DECISION-MAKING

Decision making within the municipality is guided by its Delegation of Powers and Functions as well as Legislative requirements. Various structures comprising of Management Meetings, Section 80 Committee Meetings, Mayoral Committee Meetings and Council Meetings consider recommendations and make decisions within their delegated powers.

In 2020/2021 a total of 359 items were resolved by the Mayoral Committee with 100% implementation and a total of 81 items were resolved on by Council also with 100% implementation according to progress reports from respective directorates. After every Mayoral Committee or Council Meeting resolutions are circulated to all Directors for implementation and they are expected to report back on the implementation which is then presented in the next ensuing mayoral committee or council meeting.

2.4 ADMINISTRATIVE GOVERNANCE

The municipal administration can be defined as a multilevel governance. This is widely defined as governing of the governing. It represents established ethical principles or norms that shape and steer the entire governing process. The quality of governance that the municipality is displaying is that of good governance, this relates to consistent management, cohesive policies, guidance processes and decision rights for a given area of responsibility, and proper oversight and accountability.

CHAPTER 2-GOVERNANCE

Administrative governance is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy

Ethical and effective leadership should complement and reinforce each other. Ethical leadership is exemplified by integrity, competence, responsibility, accountability, fairness, and transparency. It involves the anticipation and prevention, or otherwise amelioration, of negative consequences of the organisations activities and outputs on the economy, society and the environment and the capitals that it uses and affects.

Effective leadership is results-driven, it is about achieving strategic objectives and positive outcomes. Effective leadership includes, but goes beyond, an internal focus on effective and efficient execution. The council's primary governance role and responsibilities are part of the dynamic of the municipality's business cycle. This role and responsibilities include to steer the municipality and set its strategic direction, based on which management will develop the strategy which is approved by the council.

To give effect to the municipality's strategy, management formulates policy and operational plans, also approved by council. Management then, implements and executes the strategy in accordance with policy and plans which are overseen and supervised by the council. The council finally ensures that there is accountability for municipal performance through, among others, reporting and disclosure. The latter in turn forms the basis for reviewing strategic directions which starts the business cycle anew.

The municipality's administrative governance structure deeply intersects with its council governance structures. The Municipal Manager is the Accounting Officer. He is supported by the four functional area structures, including the Audit and Performance Audit Committee, Risk Management Committee and the Information and Technology Steering Committee. The very important base of our administrative governance structures, however, consists of the following functional area

- Office of the Municipal Manager;
- Department of Corporate Services;
- Department of Engineering Services;
- Department of Development Planning and Social Security; and
- Department of Treasury Services.

The functional areas are headed by the directors who are appointed on a five-year fixed term in terms of Section 57 of the Local Government: Municipal Systems Act, 32 of 2000, as amended, many of whom contribute to the achievement of the municipality's objectives as contained in the municipality's approved Integrated Development Plan 2020/2021, Budget 2020/2021, Service Delivery and Budget Implementation Plan 2019/2020. The directors are responsible for their functional areas and cross functional areas, and responsible for functions highly specific to their functional areas' programmes.

CHAPTER 2-GOVERNANCE

The cross-functional areas are headed by the divisional managers. A look at the responsibilities of the directors and divisional managers shows how each contributes to the municipality's ultimate outcome through their functional specific strategic goal, and these are:

- to ensure that the municipality is supporting the delivery of municipal services to the right quality and standard;
- to ensure that the municipality is creating a conducive environment for economic development;
- to ensure that we are building institutional resilience and administrative capability;
- to ensuring sound financial management and accounting;
- to promote good governance, transparency, and accountability; and
- putting people and their concerns first

This is where the matrix structure of our organisation comes in-operations informs the demand of the human resources capital including financial resources injections. Functional and cross-functional areas, however, have no formal decision-making powers in terms of legislation. While proposals for executive and legislative decisions often emanate from the areas, approval flows through the municipal governance structures. (Management Committee, Section 80 Committees, Mayoral Committee and Council.

2.5 INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Senior Managers	
Name	Position
Ramakarane Tshepiso Rankhotho	Municipal Manager
Moletsane Lefa	Chief Financial Officer
Motsima Tshepiso	Director Corporate Services
Zondo Themba	Director Development Planning and Social Security
Mokhethoa Thabo	Acting Director Engineering Services

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.6 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Our people's focus is mainly on the audited financial statements and the Auditor General of South Africa's Report on those audited annual financial statements, but they do not consider the effort and intergovernmental interactions that took place to produce such credible annual financial statements. During the year under examination, a lot of intergovernmental activities took place to ensure that communities receive sustainable, uninterrupted services daily. There have been a lot of interdepartmental, sector departmental meetings that took place to ensure that challenges are identified and mitigated upon as soon as possible to ensure smooth running of the administration and service provision.

The systems that are in place included processes through which the municipality's objectives are set and pursued in the context of social, regulatory, political, technological, economical, and market environment. These included mechanisms put in place to monitor actions, policies and decisions of the municipality and its service providers. South Africa has an intergovernmental system that is based

CHAPTER 2-GOVERNANCE

on the principle of cooperation between the three spheres of government-local, provincial, and national. While responsibility for certain functions is allocated to a specific sphere, many other functions are shared among the three spheres.

However, the Constitution specifically envisages that as municipalities develop the necessary capacity, the administration of many functions that are currently the responsibility of national and provincial governments will be assigned to municipalities. Whilst this has been taking place, very often the devolution has only been partial-with municipalities not being given the necessary funds, scope of responsibility or without their being subject to clear forms of accountability for their performance. Over the medium-term, government is planning for more functions to be devolved to municipalities.

There is therefore a need for clear principles to guide such assignments to ensure that there are appropriate incentives, funding, and accountability arrangements. The assignment of functions to local government has a direct bearing on the local fiscal framework. Ideally, the framework should provide municipalities with access to revenue sources that are commensurate with powers and functions that they are responsible for. In this regard, it is important to keep in mind that the whole local government fiscal framework is designed to fund local government, and not just the transfers from national government.

2.7 INTERGOVERNMENTAL STRUCTURES

2.7.1 National Intergovernmental Structures

The following intergovernmental structures play an important role in cooperative governance and in shaping policy and resource decisions:

- **Extended Cabinet**

This is made up of National Cabinet Ministers, extended to Provincial Premiers and the Chairperson of South African Local Government Association. It is the highest cooperative governance mechanism, advising the national cabinet when it finalises the fiscal framework and the division of revenue on which the Medium-Term Expenditure and Revenue Framework budgets are based.

- **The President's Coordinating Council**

Chair of this forum is the President of the country, and it constitutes nine provincial Premiers, the Chairperson of South African Local Government Association, Executive Mayors' of Metros, and the National Ministers responsible for cross-cutting functions such as provincial and local government affairs, public service and administration, and finance. Other Ministers may be invited to participate.

- **The Budget Council and Budget Forum**

Established in terms of the Intergovernmental Fiscal Relations Act of 1997. The Budget Council consists of Minister of Finance and the Members of the Executive Councils responsible for finance in each province. The Budget Forum consists of the members of the Budget Council plus the

CHAPTER 2-GOVERNANCE

representatives of South African Local Government Association It provides a forum for discussing financial matters relating to the local government fiscal framework.

- **MinMec**

These are sectoral fora made up of national ministers for concurrent functions and their provincial counterparts. South African Local Government Association represents local government on a number of these fora.

2.7.2 Provincial Structures

Over and above the provincial structures as stated above being in the province, the following are the once that the municipality is participating actively in:

- Provincial Waste Management Forum;
- Free State Traffic Management Committee;
- Free State Umbrella Fire Protection Association;
- Provincial Fire and Disaster Advisory Forum;
- Cross Border Crime Prevention Forum;
- Provincial Security Managers Forum;
- South African Emergency Services Institute;
- Provincial Integrated Development Plan Managers Forum;
- Provincial Planning Forum; and
- Provincial Performance Management Systems Forum
- Back to Basic Principle Forum
- Batho-Pele Forum
- Provincial Internal Audit Forum
- Provincial Risk Management Forum
- Provincial Communicator's Forum
- Information Communication Technology Forum

2.7.3 Relationships with Municipal Entities

The municipality have not established a municipal entity.

2.7.4 District Intergovernmental Structures

The following are at the district level:

- District Municipal Chief Fire Officers Forum
- District Disaster Management Forum
- Thabo Mofutsanyana District Municipality Traffic Management Committee
- Thabo Mofutsanyana District Integrated Development Plan Manager's Forum
- Thabo Mofutsanyana District Performance Management Systems Manager's Forum
- Thabo Mofutsanyana District Internal Auditor's Forum
- Thabo Mofutsanyana District Communicator's Forum

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- Back to Basic Principle Forum
- Batho-Pele Forum
- District Internal Audit Forum
- Risk Management Forum
- Communicator's Forum
- Information Communication Technology Forum

COMPONENT C: OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Goal 16 of the 2030 Agenda for Sustainable Development calls for the promotion of peaceful and inclusive societies for sustainable development, the provision of access to justice for all and building effective, accountable, and inclusive institutions at all levels. Specifically target 16.7 addresses the need for responsive, inclusive, participatory, and representative decision-making.

In this connection, we have been focusing on supporting national efforts to promote open, transparent, and inclusive participation and decision-making in development. We assisted governance structures in improving their responsiveness to public needs and engagement of people in the development process.

This included the development and approval of the Integrated Development Plan Review Process Plan 2020/2021 with programme of Action and Budget Costs, the participation, as well as the promotion of the use of open municipal data, to improve accountability, combat corruption and enhance the delivery of public services.

For those who look at issues of governance and the development from the perspective of citizens, it is both the right and the responsibility of citizens to participate in accounting for themselves and in holding other actors to account. If social exclusion and discrimination are reversed, it is particularly important for governments and aid agencies to be accountable to marginalised and excluded citizens. Involving such citizens in accountability initiatives calls for particularly innovative and far-reaching participatory process.

The Integrated Development Planning and Performance Management Division of the municipality is involved in designing, implementing, and supporting and evaluating initiatives that works towards different aspects of accountability, including accountable governance and accountable aid.

The division work not only to facilitate participation in such initiatives and strengthen citizens' voices, but also to understand and address the underlying power relations in our accountability work. Accountability takes many forms, but go on to describe the two key components of most accountability relationships:

- Answerability-the right to get a response, and the obligation to provide one; and
- Enforceability-the capacity to ensure that an action is taken, and access to mechanisms for redress.

CHAPTER 2-GOVERNANCE

2.5 PUBLIC MEETINGS

2.5.1 COMMUNICATION, PARTICIPATION AND FOR A

Due to Covid-19 pandemic, no physical meetings were held with communities during the year under review. Communities and stakeholders were requested to submit written inputs regarding the development of the Integrated Development Plan 2021/2022 and the Budget 2021/2022. One virtual meeting with stakeholders was held with stakeholders to discuss the draft Integrated Development Plan 2021/2022 and the Budget 2021/2022.

2.5.2 COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS

The municipality needs to develop and adopt new strategies to conduct public participation within the norms of Covid-19 protocols. Already there has been virtual community meeting during the Integrated Development Plan/Budget Roadshows.

2.6 INTEGRATED DEVELOPMENT PLANNING PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the Integrated Development Plan have priorities, objectives, KPIs, development strategies?	Yes
Does the Integrated Development Plan have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the Key Performance Indicators in the strategic plan?	Yes
Do the Integrated Development Plan Key Performance Indicators align to the Section 57 Managers	Yes
Do the Integrated Development Plan Key Performance Indicators lead to functional area Key Performance Indicators as per the Service Delivery and Budget Implementation Plan?	Yes
Do the Integrated Development Plan Key Performance Indicators align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

COMPONENT D: CORPORATE GOVERNANCE

2.7 OVERVIEW OF THE CORPORATE GOVERNANCE

Corporate governance is the system of rules, practices, and processes by which organisation is directed and controlled. Corporate governance essentially involves balancing the interests of the organisation's many stakeholders, such as shareholders, management, suppliers, financiers, government, and the community. Since corporate governance also provides the framework for attaining the organisation's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance management measurement and corporate disclosure.

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Governance refers specifically to the set of rules, controls and resolutions put in place to dictate corporate behaviour. Proxy advisors and shareholders are important stakeholders who indirectly affect governance, but these are not examples of governance itself. The board of directors is pivotal in governance, and it can have major ramifications for equity valuation. The board of directors is the primary direct stakeholder influencing corporate governance. Directors are elected by shareholders or appointed by other board members, and they represent shareholders of the company.

The board is tasked with making important decisions, such as corporate officer appointments, executive compensation, and dividend policy. In some instances, board obligations stretch beyond financial optimization, when shareholder resolutions call for certain social or environmental concerns to be prioritised. Boards are often made up of inside and independent members. Insiders are major shareholders, founders, and executives. Independent directors do not share the ties of the insiders, but

they are chosen because of their experience managing or directing other large companies. Independents are considered helpful for governance because they dilute the concentration of power and help align shareholder interests with those of insiders.

Bad corporate governance can cast doubt on a company's reliability, integrity, or obligation to shareholders-which can have implications on the company's financial health. Tolerance or support of illegal activities can create scandals. Companies that do not cooperate sufficiently with auditors or do not select auditors with appropriate scale can publish spurious or non-compliant financial results. Bad executive compensation packages fail to create optimal incentive for corporate officers. Poorly structured boards make it too difficult for shareholders to oust ineffective incumbents.

Good corporate governance creates a transparent set of rules and controls in which shareholders, directors and officers have aligned incentives. Most organisations strive to have a high level of corporate governance. For many shareholders, it is not enough for an organisation to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behaviour, and sound corporate governance practices.

2.8 RISK MANAGEMENT

Since the adoption of the Municipal Finance Management Act of 2003 Section 62(1) (a), (c) (i), which stipulates the following:

- The accounting officer of the municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure.
- That the resources of the municipality are used effectively, efficiently, and economically.
- That the municipality has and maintains effective, efficient, and transparent systems of financial and risk management and internal control; and
- That the Treasury Regulations issued in terms of the Act infused the public service with a municipal culture, which must add to its emphasis on external sanctions and include stronger internal controls with anticipatory management systems to assess the abuse of power, which is the central principle of risk management.

CHAPTER 2-GOVERNANCE

Therefore, risk management should be central to managing the municipality as a whole, and why risk management should be integral to planning, organising, directing, and coordinating systems aimed at achieving the municipality's goals and objectives. One of the most important mandates is the development and implementation of an integrated risk management strategy whose major objective is to encourage best practice within an evolving government service delivery strategy, while minimising the risks and ensuring that municipality meets its set objectives.

Since the adoption of the reviewed organisational structure no appointments have been made. However, during the financial year under review the Risk Officer has been Acting as the Chief Risk Officer. The majority of strategical, operational and fraud risks have been identified, minimized, controlled, and mitigated during the year under review.

The following are the highlights of the Risk Management activities of the municipality during the year under review:

- Improvement in provincial treasury's assessment ratings
- The monitoring of Strategic Risks Register by Senior Management
- Most departments have managed to minimise identified risks within their divisions
- Ensuring that the Covid 19 pandemic is managed in order to minimize infections in the workplace

There a is proper correlation between the Risk Management Unit, the Internal Audit Unit, and the Integrated Development Plan and Performance Management Systems Division within the municipality, and it is envisaged that with the filling of the vacant posts in the unit this correlation can only be enhanced.

2.9 ANTI-CORRUPTION STRATEGY

The Fraud Prevention Strategy seeks to focus attention at the macro strategic level in the first instance. It then provides a schema for assessing matters and actions to be addressed at the detailed level. It is important for the Municipality to have a strategy that is highly prescriptive in nature when dealing with issues of fraud and corruption.

It is essential that Setsoto Local Municipality promotes a zero-tolerance approach to Fraud and corruption. The commitment, by all officials is to mitigate fraudulent activities and to report when fraud occurs and should be dealt with thoroughly without leniency.

During the year under review the municipality made efforts to educate employees and community members with issues of fraud and corruption that are affecting the Municipality through Public participations and workshops.

The following are the highlights of the Fraud and corruption activities of the municipality during the year under review:

- Managing reported fraud hotline cases
- Reached out to Ward committees in Anti – Fraud and corruption workshop

CHAPTER 2-GOVERNANCE

All the Unauthorised, Irregular, Wasteful and Fruitless expenditure is being dealt with according to Circular 68 and section 32 of the Municipal Finance Management Act, 56 of 2003. All processes followed is that the register is completed and tabled to the Assets and Liability Committee which then submit their recommendations to the Municipal Public Accounts Committee for investigations and recommendation to council. Council will then either, condone, authorise, recoup and/or take legal actions against whoever is liable to the allegations

2.10 SUPPLY CHAIN MANAGEMENT

Corruption represents a significant potential risk to the municipality's assets and reputation. The Setsoto Municipality is committed to protecting its funds and other assets from any kind of corruption and as such will not tolerate corrupt or fraudulent activities emanating from either internal or external sources. Any detected corrupt activities will be investigated and, where so required, reported to the law enforcement authorities.

The importance of blowing the whistle

Blowing the whistle on suspected unlawful and unethical behavior in the workplace may seem very daunting and overwhelming. Whistleblowers fear possible retaliation or isolation in the workplace. However, employees play an important role in rooting out fraud and corruption in their organisations. Blowing the whistle is vital for the following reasons:

1. Reporting fraudulent and corrupt behavior can put an end to it
2. Fraud and corruption can cause an organisation serious damage
3. Whistleblowing is crucial for detection

Blowing the whistle can be a very intimidating experience for employees. It is however a vital part of identifying and addressing fraud and corruption in organisations. Employees are thus encouraged to report any suspected wrongdoing in their organisations and should also keep in mind that they are protected from any form of retaliation by the Protected Disclosures Act.

2.11 BY-LAWS

No new By-laws were introduced during year 2021/2022.

2.11.1 COMMENT ON BY-LAWS

No new bylaws were developed or introduced during the year under review. In most instances focus was given to the compilation of fines lists endorsed by magistrates within the 4 units of Setsoto Municipality to give effect to implementation of already approved bylaws.

CHAPTER 2-GOVERNANCE

2.12 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	02-07-2020
All current budget-related policies	Yes	02-07-2020
The previous Annual Report 2019/2020	Yes	30-06-2021
The Annual Report 2020/2021 to be published	N/A	02-02-2022
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2020/2021) and resulting scorecards	Yes	16-07-2020
All service delivery agreements 2020/2021	Yes	03-11-2020
All quarterly reports tabled in the council in terms of section 52 (d) during 2020/2021	Yes	05-05-2020

2.12.1 COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS

The Setsoto website serves as an integral part of a Setsoto Local Municipality's communication infrastructure and strategy. It allows easy access to relevant information, serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. The role of Setsoto Local Municipality's website, as platform for information dissemination, participation and disclosure has been significantly catered for in various pieces of legislation, including:

- The Local Government Municipal Systems Act No 32 of 2000 ("the Systems Act");
- The Local Government Municipal Financial Management Act No 56 of 2003 ("the MFMA"); and
- The Municipal Property Rates Act, no 6 of 2004 ("the MPRA").

2.13 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

No public satisfaction survey on municipal services was conducted for ye year under review.

2.13.1 PUBLIC SATISFACTION LEVELS

No public satisfaction survey on municipal services was conducted for ye year under review.

2.13.1.1 CONCERNING PUBLIC SATISFACTION LEVELS

Going forward the municipality should ensure that it conduct community satisfaction survey on municipal services in order to measure the level of satisfaction within the municipality and to curb the rise of community protests.

CHAPTER 2-GOVERNANCE

2.13.2 COMMENT ON SATISFACTION LEVELS

No public satisfaction survey on municipal services was conducted for ye year under review.

CHAPTER 3-PERFORMANCE REPORT PART I

3. INTRODUCTION

Municipalities are the most basic units of government in the country and are tasked with providing basic services and fostering development in the regions they control. Local government in South Africa is largely understood in terms of service delivery and the South African Constitution (Act No. 108 of 1996) assigns municipalities the role to mobilise economic resources towards the improvement of the lives of all citizens.

Basic services are the fundamental building blocks of improved quality of life, and adequate supplies of safe water and adequate sanitation are necessary for life, well-being, and human dignity. Tremendous progress has been made over the past few decades in the delivery of basic services.

The Community Survey 2016 found that 89,8% of households used piped water, that 63,4% used flush toilets connected to either the public sewerage or to a local septic system, that 63,9% of households receive refuse removal services, and finally, that 87,6% of households had access to electricity.

These headline figures, however, hide a lot of variation across provinces, district councils and between local municipalities. Households living in rural municipalities usually have access to far less, and usually also more inferior services to those living in wealthier, particularly more urban municipalities.

Although the reasons for the existence of backlogs differ by service and between municipalities, part of the reason relate to the legacy of unequal development which still haunt former homeland areas, high levels of poverty that limit households' ability to pay for services, as well as the practical constraints of extending services to far off rural areas or densely populated informal areas at great expense to the local municipality.

Although certain 'gold' standards have been set for each service, such as the provision of flush toilets, the provision of running water in the dwelling, or weekly kerbside refuse removal, financial and practical constraints have forced municipalities to provide a variety of service levels in order to meet the very basic needs of residents.

Since using a single measure of household access would hide the combination of measures used by municipalities, this report uses an index to explore the complex interchange between different service delivery measures in more detail.

The report shows that households in rural municipalities generally have access to poorer service levels. Although household perceptions of the services they receive vary greatly between municipalities, households in metropolitan municipalities are generally more satisfied than those in smaller municipalities, particularly rural municipalities.

A simple correlation between municipal poverty headcounts and the available infrastructure shows a strong positive relationship. The relationship between household satisfaction with basic services and the quality of infrastructure can also be expressed as a strong positive correlation, meaning that poor households with inadequate access to services are most likely to be dissatisfied with those services.

CHAPTER 3-PERFORMANCE REPORT PART I

The report finally finds that 75% of households in South Africa did not believe that municipalities were actively addressing the issues they felt was most important for households in their respective municipalities.

COMPONENT A: BASIC SERVICES

3.1 INTRODUCTION TO BASIC SERVICES

The Department of engineering services is responsible for providing basic services under the following sectors:

- Water
- Sanitation
- Electricity
- Roads and stormwater
- Planning and Property Management
- Project Management

All these are provided through a project management unit and each sector is therefore responsible for maintenance of the provided infrastructure to ensure effective, efficient, and sustainable service delivery. The department is devoted to improving the quality of life of its community by providing efficient, sustainable, reliable, and affordable infrastructure and to ensure continuous upgrade and maintenance of the existing infrastructure. This department is also mandated to ensure adequate services land through which residents can develop quality formal housing and receive security of tenure.

An increase in population growth in the municipality implies an increasing urgency for development of infrastructure for our communities that can support this increase in population. Infrastructure is the foundation that enables economic growth and development.

Local government is mandated to construct and maintain a range of infrastructure that facilitates local economic activities and create an enabling environment for economic growth. The department had included key priority projects on the Integrated Development Plan 2020/2021 to secure funding to fulfil this mandate.

Infrastructure is the foundation that enables economic growth and development. Local government is mandated to construct and maintain a range of infrastructure that facilitates local economic activities and create an enabling environment for economic growth. From a local perspective, the following infrastructure categories are of key importance specifically in terms of:

Water and Sanitation

- Planning the provision of water and sanitation services (Master planning),
- Operation and maintenance of the water and sanitation assets and resources
- Manage the provision of capital infrastructure related
- Project management, and
- Policies, procedure, and standards for the provision of the service

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2. Roads and Stormwater

- Planning the provision and upgrading of adequate roads and stormwater
- Maintenance of the existing infrastructure
- Manage the provision of capital infrastructure
- Project management

3. Electricity

- Plan and manage the distribution of electricity
- Operation and maintenance
- Manage the provision of capital infrastructure
- Project management
- Policies, procedures, and standards for the provision of the services

3. Planning and Property Management

- Plan the provision of housing to the needy by the province
- Assist the Province in coordinating the housing delivery strategies
- Enforce the provincial policies on housing matters, and
- Assist the province in the managing of contractors and the projects
- Provide guidance to the community on housing matters
- Maintain database of housing beneficiaries' waiting list

4. Project Management Unit

- provide support to all the sectors above on implementation of capital
- Coordination of the project identification process between municipalities served by the Project Management Unit, in terms of the relevant Integrated Development Plans;
- Coordination of the project feasibility process, with involvement of other municipal departments where appropriate, in terms of the relevant integrated development plans;
- Establishment and approval of contracts with contractors and consultants for each project, including feasibility studies;
- Project management, including ensuring that projects meet planning objectives;
- Coordination of project-based capacity building initiatives: the Project Management Unit is responsible for ensuring that project-related capacity building and development objectives are met; and
- Management of Municipal Infrastructure Grant Management Information System (Municipal Infrastructure Grant Management –Management Information Systems) for registration of projects, facilitate the capture of backlog information, monitoring and preparation of all necessary reports.
- Build capacity to operationalise and manage the Municipal Infrastructure Grant Management – Management Information Systems.

It is important to note that the Project Management Unit is a function or shared function within a municipality. All it requires are the planning, organising, coordinating, controlling, and directing of the activities of a project.

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The Department of Development Planning is responsible for the provision and maintenance of the following services:

- Security Services and Property Maintenance;
- Traffic Management;
- Disaster Management;
- Waste Management;
- Parks and Cemeteries; and
- Local Economic Development, Tourism, Sport and Recreations.

3.1.2 BULK WATER AND SANITATION PROVISION

3.1.2.1 INTRODUCTION TO WATER AND SANITATION BULK PROVISION

The municipality is both a Water Service Authority and a Water Service Provider. Setsoto Local municipality as a Water Service Authority has the constitutional obligation to ensure that people have sustainable access to water and sanitation services. Section 3(1) states that everyone has a right of access to basic water supply and basic sanitation.

Section 11(1) states that every Water Service Authority has a duty to all consumers or potential consumers in its area of jurisdiction to progressively ensure efficient, affordable, economical, and sustainable access to water services. To achieve the constitutional obligation, the municipality must prepare a Water Services and Sanitation Development Plan, Water Safety Plan, Wastewater Risk Abutment Plan and maintain Water and Sanitation Master plans.

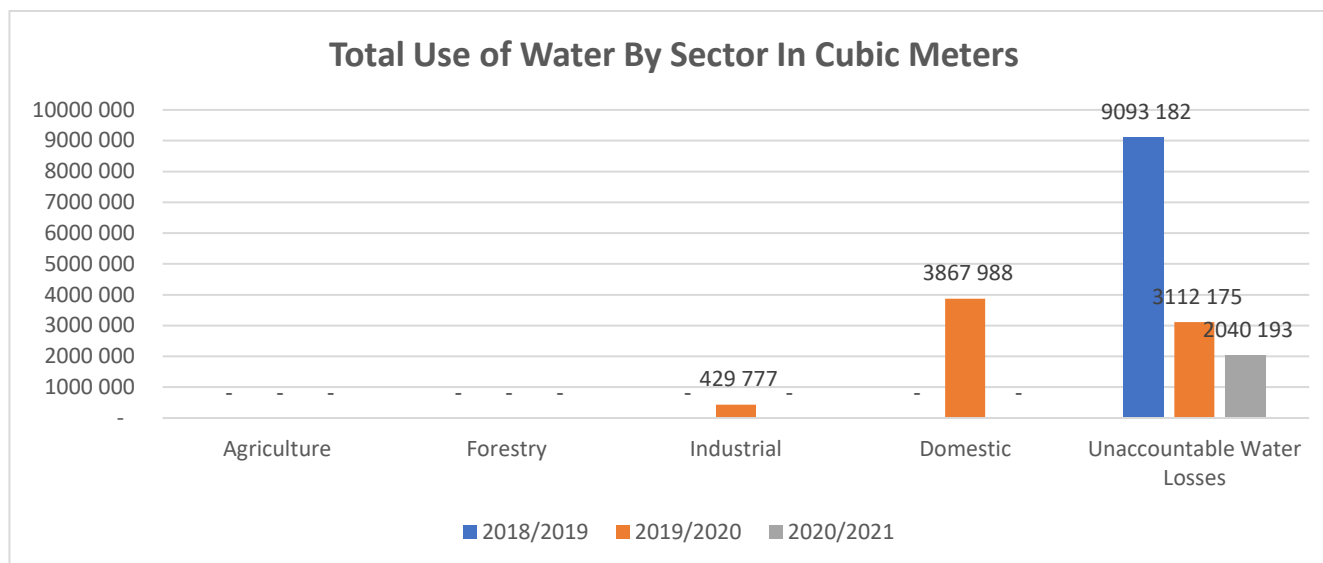
During the year of reporting the municipality is still operating with the documents as approved by Council in 2015 therefore these documents are due for review to ensure sustainable, quality, and affordable services for the communities of the municipality. The primary objective for water and sanitation is:

- to ensure effective, efficient, affordable, economical, and sustainable access to water and sanitation services
- promote sustainable livelihoods and economic development.
- Report annually on progress against development plans to improve access to quality water and sanitation services. Provide for regular maintenance of water and sanitation infrastructure.

3.1.2.2 TOTAL USE OF WATER BY SECTOR IN CUBIC METERS

Year	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2018/2019	0	0	0	0	9 093 182
2019/2020	0	0	429 777	3 867 988	3 112 175
2020/2021	0	0	0	0	2 040 193

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3.1.2.3 COMMENT ON WATER USE BY SECTOR

The municipality is experiencing high percentage of unaccountable water losses. The biggest challenge of addressing water losses is that the municipality is not reading the townships to determine the actual consumption and only uses the flat rate. Secondly in urban areas there is a lot of estimates that are being done annually which also makes it difficult to establish the losses due to the system.

The department acknowledges and accepts that the aging infrastructure especially the steel and asbestos pipes are the major contributors to the losses due to the number of leakages reported in the financial year.

This has resulted in funds being allocated through Municipal Infrastructure Grants to replace old asbestos bulk water pipelines. The department needs to plan and budget for Water Conservation and Water Demand management programmes to mitigate the risk of water losses. Furthermore, there is a need to install bulk water meters on for agricultural and industrial usage.

3.1.3 WATER SERVICE DELIVERY

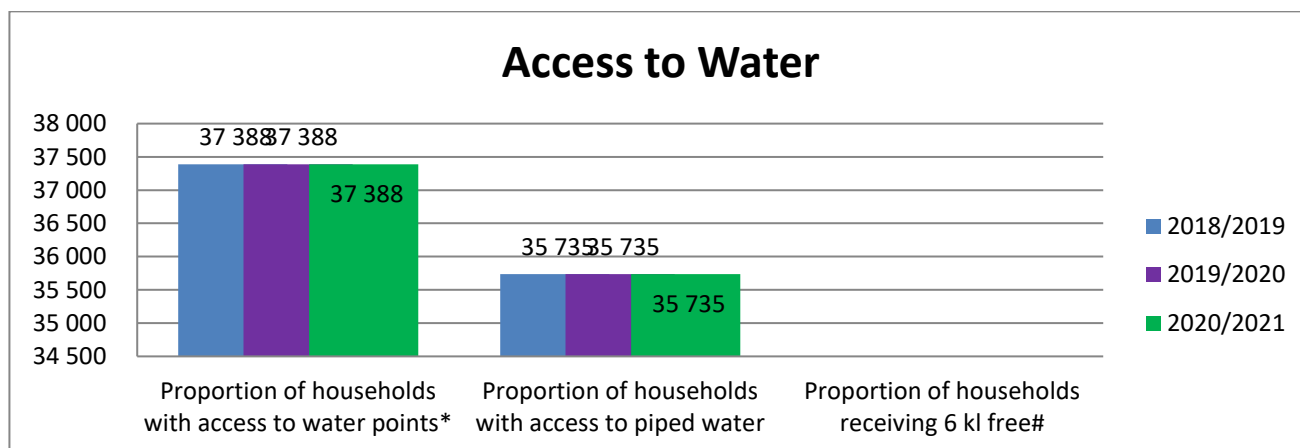
Description	2017/2018	2018/2019	2019/2020	2020/2021
	Actual	Actual	Actual	Actual
Water: (above min level)				
Piped water inside dwelling	5 693	5 693	5 693	5 693
Piped water inside yard (but not in dwelling)	27 820	27 820	27 820	27 820
Using public tap (within 200m from dwelling)	2 222	2 222	2 222	2 222
Other water supply (within 200m)	830	830	830	830
Minimum Service Level and Above sub-total	36 558	36 558	36 558	36 558
Minimum Service Level and Above Percentage	98%	98%	98%	98%
Water: (below min level)				
Using public tap (more than 200m from dwelling)	0	0	0	0
Other water supply (more than 200m from dwelling)	0	0	0	0
No water supply	823	823	823	823

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3.1.4 HOUSEHOLD WATER SERVICE DELIVERY LEVELS BELOW THE MINIMUM

Description	2017/2018	2018/2019	2019/2020	2020/2021
	Actual	Actual	Actual	Actual
Below Minimum Service Level sub-total	823	823	823	823
Below Minimum Service Level Percentage	2%	2%	2%	2%
Total number of households*	37 388	37 388	37 388	37 388

3.1.5 ACCESS TO WATER



3.1.6 SERVICE STATISTICS: WATER AND SANITATION BULK PROVISION

Details	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
	Target	Actuals	Target	Actuals	Target	Target	Target
1 Megalitres of water purified	700	7 513	7 000	7 163.49	7 000	7 000	7 000
2 Litres of Flocculent to be used	360 00	402 473	36 0000	326 596.5	36 0000	36 0000	36 0000
3 Kilograms of Chlorine to be used/dosed	30 000	27 923	30 000	26 938.7	30 000	30 000	30 000
Number of Water quality compliant report	652	652	652	678	652	652	652
4 Number of full SANS 241 analysis report generated	1	1	1	1	1	1	1
5 Number of water quality operations monitoring analysis	5 934	5 934	5 934	6 738	5 934	5 934	5 934
6 Number of reservoir inspections conducted	480	732	480	1 051	480	480	480
7 Megalitres of Wastewater treated	400	530	4 000	614.19	4 000	4 000	4 000
8 Kilogram of Chlorine to be used for disinfection	460	144	2 500	1 722	2 500	2 500	2 500
9 Number of Water Services Development Plan completed	2 500	2607	1	74	1	1	1

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
10	Number of unit reports generated	1	0	12	0	12	12	12
11	Number of Section 80 reports generated	12	48	12	31	12	12	12
12	Number of water forums attended	12	12	4	12	4	4	4
13	Number of water forums attended	4	0	5	3	5	5	5

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3.1.7 WATER AND SANITATION BULK PROVISION POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Megalitres of water purified	700	7 513	7000	7 163.49	7 000	7 000	7 000	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Litres of Flocculent to be used	360 00	402 473	360 000	326 596.5	360 000	360 000	360 000	Target Almost Met Less Flocculent used due to quality of raw water	Monitor water quality to ensure that enough flocculent is used
Supporting the delivery of municipal services to the right quality and standard	Kilograms of Chlorine to be used/dosed	30 000	27 923	30 000	26 938.7	30 000	30 000	30 000	Less chlorine used due to the quality of raw water	Monitor water quality to ensure that enough chlorine is used
Supporting the delivery of municipal services to the right quality and standard	Number of Water quality compliant report	652	652	652	678	652	652	652	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of full SANS 241 analysis report generated	1	1	1	1	1	1	1	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of water quality operations monitoring analysis	5 934	5 934	5 934	6 738	5 934	5 934	5 934	Target Almost Met	Ensure that compliance requirements are met at all times
Supporting the delivery of municipal services to the right quality and standard	Number of reservoir inspections conducted	480	732	480	1 051	480	480	480	Target Extremely Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Megalitres of Wastewater treated	400	530	400	614.19	400	400	400	Target Extremely Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Kilogram of Chlorine to be used for disinfection	460	144	2 500	1 722	2 500	2 500	2 500	Target Not Met Less effluent treated resulted in less chlorine being used.	Monitor water quality to ensure that enough chlorine is used
Supporting the delivery of municipal services to the right quality and standard	Number of Quality Compliance reports generated	2 500	2 607	96	74	96	96	96	Target met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of water service Development plan completed	1	0	1	0	1	1	1	Target Not Met	Ensure that there are enough funds for the targets to be achieved as required
Supporting the delivery of municipal services to the right quality and standard	Number of unit reports generated	12	48	12	31	1	1	1	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Section 80 reports generated	12	12	12	12	12	12	12	Target met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of water forums attended	4	0	4	3	12	12	12	Target Almost Met	Ensure that intergovernmental relationships requirements are met

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3.1.8 EMPLOYEES: WATER AND SANITATION BULK PROVISION

Job Level	2019/2020				
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	2	2	2	0	0%
4 - 6	4	5	5	0	0%
7 - 9	3	3	3	0	0%
10 - 12	45	71	44	27	38%
13 - 15	11	24	11	13	54%
16 - 18	0	0	0	0	0%
19 - 20	1	1	1	0	0%
Total	66	106	66	40	38%

3.1.9 FINANCIAL PERFORMANCE: WATER AND SANITATION BULK PROVISION

Details	2018/2019		2019/2020		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	91 562.58	76 786.94	82 902.20	58 877.02	-30%
Expenditure:					
Employees	34 699.01	20 168.70	21 040.65	20 986.96	4%
Repairs and Maintenance	3 482.36	6 905.00	7 095.01	2 970.47	-132%
Other	7 031.46	49 713.24	54 766.54	34 919.59	-42%
Total Operational Expenditure	45 212.83	76 786.94	82 902.20	58 877.02	-30%
Net Operational Expenditure	45 212.83	76 786.94	82 902.20	58 877.02	-30%

3.1.10 CAPITAL EXPENDITURE: WATER AND SANITATION BULK PROVISION

Capital Projects	2020/2021				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	137 084.95	26 088.53	97 948.03	5 275	254 453.60
Clocolan/Hlohlolwane: Replacement of an old 5km asbestos water rising main pipeline (MIS:385520)	24 335.09	24 335.09	24 335.09	0	45 996.24
Marquard/Moemaneng: Refurbishment of 3 Existing Boreholes (COVID-19) (MIS:363803)	1 753.44	1 753.44	1 753.44	0	2 042.14
Senekal/Matwabeng: Refurbishment of the sewer pump stations (MIS342617)	5 380.05	5 380.05	5 380.05	0	7 048.04
Construction of the New Centralized Water Treatment Works in Senekal/Matwabeng (Civil Works)	10 047.81	10 047.81	5 026.51	0	To be confirmed

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Capital Projects	2020/2021				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Construction of Cyferfontein Abstraction Pump Station, Booster Pump Station and Associated Works (Mechanical and Electrical Works) Senekal/Matwabeng	3 850.00	3 850.00	1 022.90	0	To be confirmed
Construction of the New Centralized Water Treatment Works in Senekal/Matwabeng (Mechanical and Electrical Works) Senekal/Matwabeng	5 265.54	5 265.54	1 806.25	0	To be confirmed
Construction of Cyferfontein Abstraction Pump Station, Booster Pump Station and Associated Works (Civil Works) Senekal/Matwabeng	10 520.00	10 520.00	1 495.78	0	To be confirmed
Upgrading of the De Put raw water pipeline from De Put dam to WTW in Senekal/Matwabeng	4 227.19	4 227.19	4 227.19	0	29 008.24
Construction of the De Put Abstraction Works (Civil) Senekal/Matwabeng	25 542.00	25 542.00	22 875.92	0	45 609.15
Construction of the De Put Abstraction Works (Mechanical & Electrical)	18 506.85	18 506.85	15 767.38	0	32 462.96
Development of Boreholes in Clocolan/Hlohlolwane	406.06	406.06	406.06	0	To be confirmed
Resuscitation of the Wastewater Treatment Works in Senekal/Matwabeng.	6 593.75	1 800.00	0	4 793.75	44 761.49
Upgrading of the Water Treatment Works in Clocolan/Hlohlolwane	19 781.25	19 300.00	13 851.46	481.25	53 525.34
Upgrading of the Van Soelen outfall sewer line (Phase 2)	875.92	875.92	0	0	To be confirmed

3.2 WATER AND SANITATION OPERATIONS AND MAINTENANCE

3.2.1 INTRODUCTION TO WATER AND SANITATION OPERATIONS AND MAINTENANCE SERVICES

The primary objective for water and sanitation is to:

- ensure effective, efficient, affordable, economical, and sustainable access to water and sanitation services
- promote sustainable livelihoods and economic development.
- Report annually on progress against development plans to improve access to quality water and sanitation services. Provide for regular maintenance of water and sanitation infrastructure.

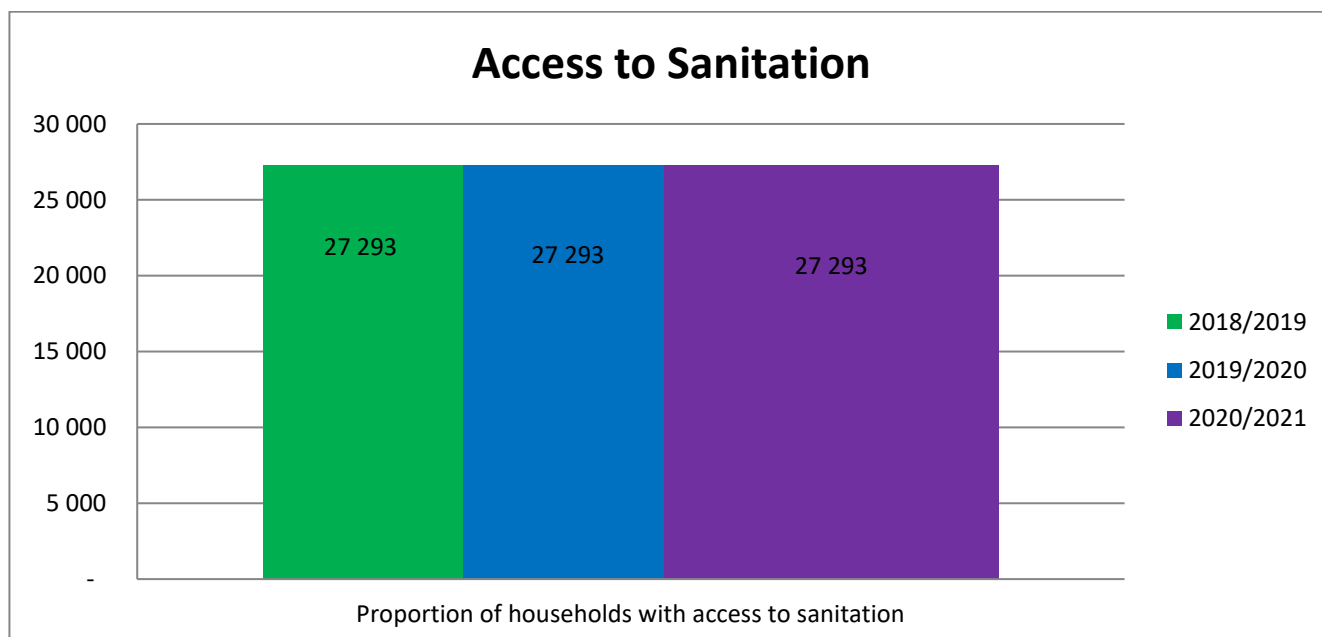
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The municipality is supplying water through reticulation system to 97% of the formalised areas and supply water through water tanks on those areas which are not having a proper reticulation system. The municipality is still having a historical backlog of households still using bucket system, ventilated improved pit latrine, and septic tanks.

Even though the municipality tries to implement the projects of eradicating this backlog what becomes a stumbling block is the capacity of the Bulk infrastructure that need to be upgraded to handle the additional demand as the bulk infrastructure is overloaded with the existing demand. This causes a lot of sewer spillages especially in the townships which ultimately increases number of complaints relating to sewer spillages by residents.

3.2.2 SANITATION SERVICE DELIVERY LEVELS

Description	2017/2018	2018/2019	2019/2020	*Households 2020/2021
	Actual	Actual	Actual	Actual
Sanitation/sewerage: (above minimum level)				
Flush toilet (connected to sewerage)	23 884	23 884	23 884	23 884
Flush toilet (with septic tank)	1 881	1 881	1 881	1 881
Chemical toilet	51	51	51	51
Pit toilet (ventilated)	562	562	562	562
Other toilet provisions (above min. service level)	502	502	502	502
Minimum Service Level and Above sub-total	27 293	27 293	27 293	27 293
Minimum Service Level and Above Percentage	73%	73%	73%	73%



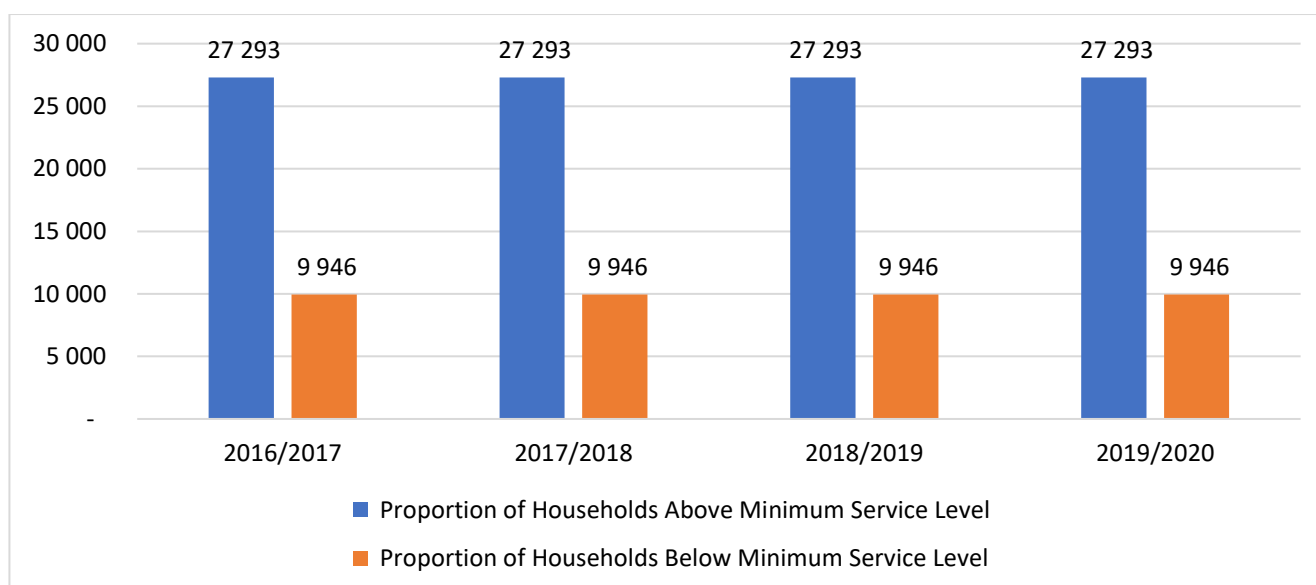
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3.2.3 HOUSEHOLDS SANITATION SERVICE DELIVERY LEVELS BELOW THE MINIMUM

Sanitation/sewerage: (below minimum level)					
Bucket toilet		7 815	7 815	7 815	7 815
Other toilet provisions (below min. service level)		2 131	2 131	2 131	2 131
No toilet provisions		0	0	0	0
Below Minimum Service Level sub-total		9 946	9 946	9 946	9 946
Below Minimum Service Level Percentage		27%	27%	27%	27%
Total households		37 388	37 388	37 388	37 388

*Total number of households including informal settlements

3.2.4 ACCESS TO SANITATION



3.2.5 SERVICE STATISTICS: WATER AND SANITATION OPERATIONS AND MAINTENANCE SERVICES

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage of water pipes repaired.	100%	99.89%	100%	100	100%	100%	100%
2	Percentage of water meters repaired or replaced.	100%	88.46%	100%	100%	100%	100%	100%
3	Percentage of fire hydrants repaired.	100%	100%	100%	100%	100%	100%	100%
4	Percentage of water valves repaired.	100%	99.14%	100%	97	100%	100%	100%
5	Percentage of sewer pipes repaired.	100%	94%	100%	100	100%	100%	100%

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
6	Percentage of unblocked sewer spillages.	100%	99.48%	100%	100	100%	100%	100%
7	Percentage of repaired/replaced sewer manholes.	100%	100%	100%	100	100%	100%	100%
8	Percentage of buckets removed	100%	87.38%	100%	84%	100%	100%	100%
9	Percentage of VIP and Sceptic tanks serviced.	100%	12.89%	100%	100%	100%	100%	100%
10	Number of Section 80 Committee Reports generated.	12	5	12	6	12	12	12
11	Number of Unit Administration Reports generated	12	8	16	0	12	12	12

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3.2.6 WATER AND SANITATION OPERATIONS AND MAINTENANCE POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of water pipes repaired.	100%	99.89%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of water meters repaired or replaced.	100%	88.46%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of fire hydrants repaired.	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of water valves repaired.	100%	99.14%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of sewer pipes repaired.	100%	94%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of unblocked sewer spillages.	100%	99.48%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of repaired/replaced sewer manholes.	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of buckets removed	100%	87.38%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of VIP and Sceptic tanks serviced.	100%	12.89%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Section 80 Committee Reports generated.	12	5	12	6	12	12	12	Target Not Met	Ensure that all policy directives are met in order to enforce oversight mandate to the latter
Supporting the delivery of municipal services to the right quality and standard	Number of Unit Administration Reports generated	12	8	16	0	12	12	12	Target Not Met	Ensure that all policy directives are met in order to enforce oversight mandate to the latter

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3.2.7 EMPLOYEES: WATER AND SANITATION OPERATIONS AND MAINTENANCE

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	1	1	1	0	0%
4 - 6	4	4	4	0	0%
7 - 9	3	8	3	5	63%
10 - 12	18	78	18	60	77%
13 - 15	8	15	8	7	47%
16 - 18	70	93	70	23	25%
19 - 20	0	0	0	0	0%
Total	104	199	104	95	48%

3.2.8 FINANCIAL PERFORMANCE: WATER AND SANITATION OPERATIONS AND MAINTENANCE

Details	R' 000				
	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	91 563	52 818	46 515	31 631	-67%
Expenditure					
Employees	34 699	20 379	18 723	18 455	-10%
Repairs and Maintenance	3 482	4 315	1 864	1 483	-191%
Other	7 031	28 124	25 927	11 693	-141%
Total Operational Expenditure	45 213	52 818	46 515	31 631	-67%
Net Operational Expenditure	45 213	52 818	46 515	31 631	-67%

3.2.9 CAPITAL EXPENDITURE: WATER AND SANITATION OPERATIONS AND MAINTENANCE

Capital Projects	R' 000				
	2020/2021				Total Project Value
Budget	Adjustment Budget	Actual Expenditure	Variance from original budget		
Total Projects	3 055	3 055	3 055	0	15 529
Clocolan/Hlohlolwane: Conversion of 350 VIP toilets to waterborne sanitation system (MIS:340954)	3 055	3 055	3 055	0	15 529

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3.3 ELECTRICITY

3.3.1 SERVICE STATISTICS: ELECTRICITY

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of streetlights & High mast lights Repaired/ Replaced	500	766	500	884	500	500	500
2	Number of substations maintained	1	2	2	1	2	2	2
3	Number of sub & mini substations cleaned	100	145	100	123	100	100	100
4	Kilometres of HV & LV network repaired/replaced	4	8.278	8	13.652	8	8	8
5	Number of Standing Committee Reports generated	12	12	12	12	12	12	12
6	Number of Energy forum meeting on electricity services attended	4	4	4	4	12	12	12
7	Number of unit meetings reports on electricity services generated	16	13	16	14	4	4	4
8	Percentage of unplanned outages that are restored to supply within industry standard timeframes (24hrs)	100%	99.75%	98%	99	100%	100%	100%

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3.3.2 ELECTRICITY SERVICE DELIVERY POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of streetlights & High mast lights Repaired/ Replaced	500	766	500	884	500	500	500	Due to back log more streetlights have been repaired.	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of substations maintained	1	2	2	1	2	2	2	Target Not Met	Intensify collection measures to ensure that there are enough funds for the municipality to meet all its obligations
Supporting the delivery of municipal services to the right quality and standard	Number of sub & mini substations cleaned	100	145	100	123	100	100	100	Target Well Met. More substations were cleaned due to more time available due to lack on material on other Key Performance Indicators	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Kilometres of HV & LV network repaired/replaced	4	8.278	8	13.652	8	8	8	Target Well Met. More lines were replaced due to copper theft.	Put measures in place to curb the theft of copper cables and ensure that the relevant authorities are made aware of this issue and culprits are convicted
Supporting the delivery of municipal services to the right quality and standard	Number of Standing Committee Reports generated	12	12	12	12	12	12	12	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Energy forum meeting on electricity services attended	4	4	4	4	12	12	12	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of unit meetings reports on electricity services generated	16	13	16	14	4	4	4	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of unplanned outages that are restored to supply within industry standard timeframes (24hrs)	100%	99.75%	98%	99%	100%	100%	100%	Target Well Met	Continue monitoring

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3.3.3 EMPLOYEES: ELECTRICITY SERVICES

Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	1	3	1	2	67%
4 - 6	5	7	5	2	29%
7 - 9	8	11	8	3	27%
10 - 12	0	0	0	0	0%
13 - 15	13	17	13	4	24%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
Total	28	39	28	11	28%

3.3.4 FINANCIAL PERFORMANCE: ELECTRICITY SERVICES

R'000					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	89 695	108 067	99 708	96 678	-12%
Expenditure					
Employees	248	8 674	8 287	9 099	5%
Repairs and Maintenance	248	4 189	3 046	2 034	-106%
Other	248	82 139	75 310	68 032	-21%
Total Operational Expenditure	744	95 002	86 643	79 165	-20%
Net Operational Expenditure	-88 951	-13 065	-13 065	-17 513	25%

3.3.5 CAPITAL EXPENDITURE: ELECTRICITY SERVICES

R' 000					
Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	16 600	19 600	19 585	15%	19 600
Installation of Pre-paid meters	14 000	14 000	17 000	18%	69 000
Clocolan: SS5 Tienie v Rooyen	4 600	2 600	2 600	0%	4 600

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3.4 WASTE MANAGEMENT

3.4.1 INTRODUCTION TO WASTE MANAGEMENT

The mandate of the department is mainly a service delivery component and therefore intends to strive to continuously improve how we render services to communities. The experience over a period have shown that it requires the change approach in the way we extend and reach out to the communities to ensure that those areas which were not previously serviced are better off.

As service delivery department our mandate is the provision of waste management service, which is complaint, efficient, safe, and cost effective and to ensure that the environment is conducive and not harmful to the health and wellbeing of communities. The division is responsible to deliver the following services:

- Collection of households, business, and industrial waste at least once a week.
- Cleaning of the central business areas in all the units of litter daily seven (7) days a week.
- Managing the licensed landfill sites in Ficksburg, Senekal, Clocolan and Marquard in terms of the license conditions.
- Strive to on a continuous basis the removal of corner dumping from vacant stands, pavements, and public open areas.
- Community awareness programs introduced to the community.
- Encouraging and supporting recycling projects initiated by local SMMEs.
- Cleaning campaigns involving the Extended Public Works Program (EPWP)

The management and the personnel worked tirelessly together to improve the level of the service rendered during this year and that can be attributed by increase in percentage with regard to collection of household refuse and collection of business waste.

It is worth mentioning that during this financial year where the COVID 19 pandemic continued to affect our lives however, the employees from the Waste Management Division rendered a refuse collection service as an essential service to all the households and the businesses that were allowed to operate during that lockdown period.

3.4.2 WASTE MANAGEMENT SERVICE DELIVERY LEVELS

Description	Households			
	2017/2018	2018/2019	2019/2020	2020/2021
	Actual	Actual	Actual	Actual
Solid Waste Removal: (Minimum level)				
Removed at least once a week	31 633	32 913	33 874	33 884
Minimum Service Level and Above sub-total	31 633	32 913	33 874	33 884
Minimum Service Level and Above percentage	91%	88%	91%	97%

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3.4.3 HOUSEHOLDS WASTE MANAGEMENT SERVICE DELIVERY LEVELS BELOW THE MINIMUM

Description	Households			
	2017/2018	2018/2019	2019/2020	2020/2021
	Actual	Actual	Actual	Actual
Solid Waste Removal: (Below minimum level)				
Removed less frequently than once a week	3054	4475	3514	1181
Using communal refuse dump	0	0	0	0
Using own refuse dump	0	0	0	0
Other rubbish disposal	0	0	0	0
No rubbish disposal	0	0	0	0
Below Minimum Service Level sub-total	3054	4475	3514	1181
Below Minimum Service Level percentage	9%	12%	9%	3%
Total number of households	34687	37 388	37 388	35 065

3.4.4 SERVICE STATISTICS: WASTE MANAGEMENT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage of households with access to basic level of solid waste removal	90%	91%	90%	88%	90%	90%	90%
2	Number of households serviced	33 649	33 495	29 805	34 013	31 558	31 588	31 588
3	Number of businesses with access to basic level of refuse removal	674	629	674	657	674	674	674
4	Number of Public Awareness Campaigns conducted with the Friday Mayoral Cleaning Campaigns	24	36	24	40	36	36	36
5	Percentage compliance of the four (4) landfill sites as per quarterly	50%	51%	50%	48%	50%	50%	50%

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
6	Number of reports of data collected at landfill sites submitted to South African Waste Information Centre	24	24	24	24	24	24	24
7	Number of partnership forged with local recyclers	4	4	4	4	4	4	4
8	Number of reports submitted as Designated Waste Management Officer	4	4	4	4	4	4	4
9	Number of Integrated Waste Management Plan reviewed	1	1	1	1	1	1	1

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3.4.5 WASTE MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of households with access to basic level of solid waste removal	90%	91%	90%	88%	90%	90%	90%	Target Almost Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of households serviced	33 649	33 495	29 805	34 013	31 558	31 588	31 588	Target Extremely Met	Intensify collection measure to ensure enough funds are available to implement activities
Supporting the delivery of municipal services to the right quality and standard	Number of businesses with access to basic level of refuse removal	674	629	674	657	674	674	674	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Public Awareness Campaigns conducted with the Friday Mayoral Friday Cleaning Campaigns	24	36	24	40	36	36	36	Target Almost Met	Ensure that programmes are executed within the Covid-19 protocols
Supporting the delivery of municipal services to the right quality and standard	Percentage compliance of the four (4) landfill sites as per quarterly evaluation	50%	51%	50%	48%	50%	50%	50%	Target Almost Met	Implement measure and funding to ensure that landfills are compliance to requirements

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of reports of data collected at landfill sites submitted to South African Waste Information Centre	24	24	24	24	24	24	24	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of partnership forged with local recyclers	4	4	4	4	4	4	4	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of reports submitted as Designated Waste Management Officer	4	4	4	4	4	4	4	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Integrated Waste Management Plan reviewed	1	1	1	1	1	1	1	Target Met	Continue monitoring

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3.4.6 EMPLOYEES: WASTE MANAGEMENT SERVICES

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	1	1	1	0	0%
4 - 6	5	5	4	1	20%
7 - 9	15	15	9	7	47%
10 - 12	6	4	1	3	75%
13 - 15	37	10	7	3	30%
16 - 18	34	81	55	26	32%
Total	98	116	77	40	34%

3.4.7 FINANCIAL PERFORMANCE: WASTE MANAGEMENT SERVICES

Details	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-93 064 728	-93 064 728	-73 151 318	-68 087 442	-37%
Expenditure:					
Employees	25 326 912	25 326 912	17 947 864	18 191 603	-39%
Repairs and Maintenance	650 004	650 004	125 008	52 069	-1148%
Other	30 507 684	30 507 684	56 531 924	35 032 783	13%
Total Operational Expenditure	56 484 600	56 484 600	74 604 796	53 276 455	-6%
Net Operational Expenditure	-36 580 128	-36 580 128	1 453 478	-1 4810 987	-147%

3.4.8 CAPITAL EXPENDITURE: WASTE MANAGEMENT SERVICES

No capital projects implemented for the year under review.

3.4.9 COMMENT ON WASTE MANAGEMENT SERVICES PERFORMANCE OVERALL

The households in the municipality are visited once per week for waste collection but since the vehicles and equipment are unreliable with regular breakdowns, it results in the inconsistent visit to these areas which result into municipality not rendering an effective and efficient service. The inconsistent collection of refuse results into mushrooming of illegal dumping because you will find that residents would place out refuse for collection on the date that are not meant for their routes and when collection is not adhered to such waste is illegally disposed on public open areas.

The removal of these corner dumps is a major challenge as these are serviced by one (1) Front-end loader available to manage the four (4) and the licensed landfill sites and by the virtue of dealing with illegal dumping on a weekly basis it also places an additional pressure on the management of the landfill sites. Number of stands used as base for the collection of refuse as from July 2018 was 37 388.

As per statistics SA Community Survey of 2016 the total households in Setsoto are 37 388, but that is including the farms. Therefore, the total number of households in the urban area is 35 065. During the 2018/2019 and the 2019/2020 financial year the total number for households used for the Service Delivery and Budget Implementation Plan was 37 388 that wrongfully included the farms.

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The number of households was corrected during the 2020/2021 financial year in the Service Delivery and Budget Implementation Plan. According to the statistics of 2020/2021 financial year an average of 97% refuse collection rate was achieved leaving 3% (1 051) households which were not serviced as per service standard.

3.5 PANNING AND PROPERTY MANAGEMENT

3.5.1 INTRODUCTION TO PLANNING AND PROPERTY MANAGEMENT

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
2017/2018	36 559	34 687	94.9%
2018/2019	36 559	34 687	94.9%
2019/2020	36 559	34 687	94.9%

3.5.2 SERVICE STATISTICS: PLANNING AND PROPERTY MANAGEMENT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage of progress of Formalization of Masaleng informal settlements	60%	44%	60%	25%	100%	100%	100%
2	Percentage of progress of Formalization of Baipehing informal settlements	60%	60%	60%	40%	60%	60%	60%
3	Percentage of progress of rezoning, amendment of general plan and subdivision of erf 855, 1339, 1529, 1530, 3780 and 3367	1	0.5	40%	25%	1	1	1
4	Number of adopted SPLUMA compliant Spatial Development Framework	4	3	1	0	4	4	4

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
5	Number of Municipal Planning Tribunal seating held	8	10	4	3	16	16	16
6	Number of illegal land use reports	100%	100%	8	18	100%	100%	100%
7	Percentage of zoning certificates issued	100%	100%	100%	100%	100%	100%	100%
8	Percentage of land development applications developed	100%	100%	100%	100%	100%	100%	100%
9	Percentage of liquor registrations applications processed	100%	100%	100%	75%	100%	100%	100%
10	Percentage of building plans processed	50	302	100%	100%	200	200	200
11	Number of quality control and site inspection on formal structures conducted	100	41	400	239	100	100	100
12	Number of inspections and building notices issued	1	0	100	84	1	1	1
13	Number of reviewed and approved Housing Sector Plan	200	56	1	0	100	100	100
14	Number of Tittle Deeds issued	160	50	200	81	600	600	600
15	Number of beneficiary's files opened	160	693	160	193	400	400	400
16	Number of Sites allocated	12	12	160	731	12	12	12
	Number of unit meeting reports generated	12	12	12	0	12	12	12

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
	Number of Section 80 committee reports submitted	12	12	12	0	12	12	12

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3.5.3 PLANNING AND PROPERTY MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress of Formalization of Masaleng informal settlements	60%	44%	60%	25%	100%	100%	100%	Target Not Met	Keep to the project work breakdown structure to meet deliverables in time
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress of Formalization of Baipehing informal settlements	60%	60%	60%	40%	60%	60%	60%	Target Not Met	Keep to the project work breakdown structure to meet deliverables in time
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress of rezoning, amendment of general plan and subdivision of erf 855, 1339, 1529, 1530, 3 780 and 3367	1	0.5	40%	25%	1	1	1	Target Not Met	Intensify revenue collection measure to ensure enough funds to achieve targets
Supporting the delivery of municipal services to the right quality and standard	Number of adopted SPLUMA compliant Spatial Development Framework	4	3	1	0	4	4	4	Target Not Met	Ensure that meetings are held in terms of legislation
Supporting the delivery of municipal services to the right quality and standard	Number of Municipal Planning Tribunal seating held	8	10	4	3	16	16	16	Target Almost Met	Ensure that meetings are held in terms of legislation
Supporting the delivery of municipal services to the right quality and standard	Number of illegal land use reports	100%	100%	8	18	100%	100%	100%	Target Extremely Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of zoning certificates issued	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of land development applications developed	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of liquor registrations applications processed	100%	100%	100%	75%	100%	100%	100%	Target Not Met	Ensure that all applications submitted are processed within the required timeframe
Supporting the delivery of municipal services to the right quality and standard	Percentage of building plans processed	50	302	100%	100%	200	200	200	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of quality control and site inspection on formal structures conducted	100	41	400	239	100	100	100	Target Not Met	Ensure that all targets are met in order to ensure that compliance is adhered to
Supporting the delivery of municipal services to the right quality and standard	Number of inspections and building notices issued	1	0	100	84	1	1	1	Target Not Met	Intensify revenue collection measure to ensure enough funds to achieve targets

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of reviewed and approved Housing Sector Plan	200	56	1	0	200	200	200	Target Not Met	Intensify revenue collection measure to ensure enough funds to achieve targets
Supporting the delivery of municipal services to the right quality and standard	Number of Tittle Deeds issued	160	50	200	81	200	200	200	Target Not Met	Engage with Provincial Government to ensure that all title deeds issued are transferred to owners
Supporting the delivery of municipal services to the right quality and standard	Number of beneficiary's files opened	160	693	160	193	400	400	400	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Sites allocated	12	12	160	731	12	12	12	Target Extremely Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of unit meeting reports generated	12	12	12	0	12	12	12	Target Not Met	Ensure that targets are achieved within the required timeframes and are reported on
Supporting the delivery of municipal services to the right quality and standard	Number of Section 80 committee reports submitted	12	12	12	0	12	12	12	Target Not Met	Ensure that targets are achieved within the required timeframes and are reported on

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3.5.4 EMPLOYEES: PLANNING AND PROPERTY MANAGEMENT

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	1	1	1	0	50%
4 - 6	4	4	4	0	100%
7 - 9	6	8	6	2	25%
10 - 12	7	15	9	8	40%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	56	94	58	38	40%

3.4.5 FINANCIAL PERFORMANCE: PLANNING AND PROPERTY MANAGEMENT

Details	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-12	338 146	338 146	228 378	-48%
Expenditure					
Employees	7 912	3 356 714	3 356 714	3 486 883	4%
Repairs and Maintenance	164	3 968	3 968	3 424	-16%
Other	35	107 488 167	107 488 167	956 395 336	89%
Total Operational Expenditure	7 963	107 827 809	107 827 809	959 885 643	89%
Net Operational Expenditure	7 975	107 489 663	107 489 663	959 657 265	89%

3.5.6 CAPITAL EXPENDITURE: PLANNING AND PROPERTY MANAGEMENT

No capital projects implemented during the year under review.

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

3.6.1 INTRODUCTION TO THE FREE BASIC SERVICES AND INDIGENT SUPPORT

The number of people has increased from 112 599 to 117 363 between 2011 and 2016. It increased with 4 764 people – data from Community Survey 2016. The largest group are Back African, followed by Whites, the third largest group being the Coloureds.

The unemployment rate in South Africa were on 32.6% in the period January to March 2021. In the Free State the unemployment percentage was 35.6% in the period January to March 2020 as per the first quarter 2021 report of STATS SA.

The unemployment rate among young people aged 15-34 years were 46.3%, implying that almost one in every two young people in the labour force did not have a job in the first quarter of 2021. A large percentage of the Setsoto population is very poor and thus experiencing low living standards. These low- or no-income levels indicate that a large portion of the population is dependent on government grants.

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In contributing to the elimination of poverty in Setsoto LM the Indigent policy was reviewed to be a bi-annual Indigent Register and thus have the registration process every second year. This change was implemented to support poor communities. Indigent support for the 2020/2021 financial year was granted on a maximum monthly income per household of R 3 760. Indigent support includes:

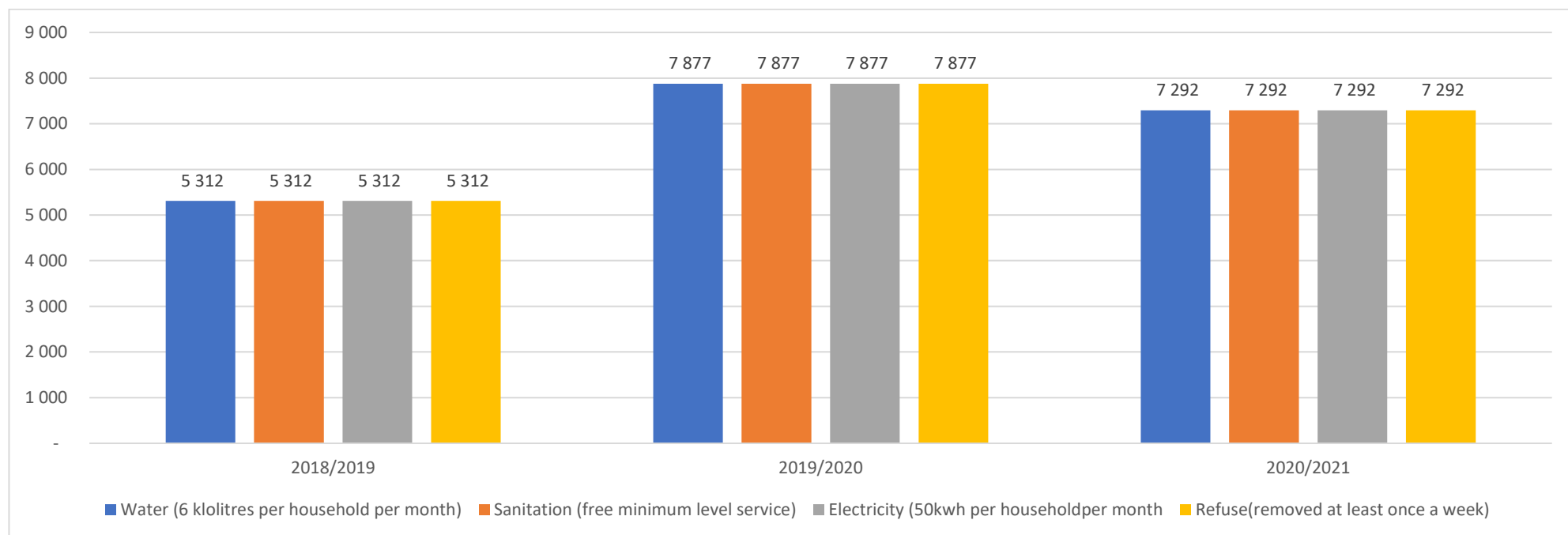
- 6 kl free basic water,
- 50 kWh free basic electricity,
- Waste Removal free basic service,
- Sanitation
- Rates

In the year under review 7 292 Indigent Households were registered

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3.6.2 FREE BASIC SERVICES TO LOW-INCOME HOUSEHOLDS

Households earning less than R3 760 per month										
Year	Total	Total	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
			Access	%	Access	%	Access	%	Access	%
2018/2019	5 312	5 312	5 312	100%	5 312	100%	5 312	100%	5 312	100%
2019/2020	6 877	6 877	6 877	100%	6 877	100%	6 877	100%	6 877	100%
2020/2021	7 292	7 292	7 292	100%	7 292	100%	7 292	100%	7 292	100%



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3.6.3 FINANCIAL PERFORMANCE: COST TO MUNICIPALITY OF FREE BASIC SERVICES DELIVERED

Services Delivered	2019/2020		2020/2021		
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	8 293 321	-	7 784 497	8 307 033	6.71%
Wastewater (Sanitation)	4 546 381	3 474 951	6 008 714	5 812 416	-3.27%
Electricity	30 868 350	16 950 048	28 785 383	31 912 228	10.86%
Waste Management (Solid Waste)	5 126 770	3 918 561	6 775 783	6 554 427	-3.27%
Total	48 834 822	24 343 560	49 354 377	52 586 104	6.55%

3.6.4 FREE BASIC SERVICES POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Financial Viability and Management	Number of Indigent registered households	7 000	6 877	7 000	7 292	7 000	8 000	8 000	Target exceeded	Indigent registration period changed from annual registration to bi-annual registration and thus the period will be from 1/07/2019 to 30/06/2021.

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3.6.5 COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

From the statistics it is apparent that there was an increase in Indigent registrations for the 2020/2021 Financial year. In the 2017/2018 financial year 6 391 indigents were registered and in 2018/2019 5 311 Indigents registered and in 2019/2020 6 877 indigent households were registered and the total at the end of the bi-annual Register in the 2020/2021 year were 7 292 registered households. Support was given to 7 292 households which was 415 more than the previous year and 292 more than the target of 7000.

The announcement of the first COVID-19 Lockdown from 27 March 2020 and subsequent lockdowns after that date had an impact on the Indigent Registration process in this financial year as well. With lockdown regulations door to door visits were restricted for many months. No information sessions could be held because of the Covid-19 pandemic.

During the 2020/2021-year regular interaction and one on one meetings were held with ward councillors to assist with problems and delays. In the past there was no pressure on Indigent members of the community to register and to receive the subsidy. Towards the end of the 2020/2021 financial year a Panel of Litigators were appointed for Debt Collection. This will put pressure on Indigent Households to register for the Indigent support.

COMPONENT D: ROADS AND STORM WATER

3.7 INTRODUCTION TO ROADS AND STORM WATER

The division is responsible for the effective maintenance and rehabilitation of roads and stormwater systems and upgrading of gravel roads to surface roads within the areas under Setsoto jurisdiction. The division operates in all four units of Setsoto municipality. Much of the work carried out by the department relates to the following activities:

- Repair / re-instatement of trenches and potholes;
- Replacement of missing manhole covers;
- Unblocking of stormwater drainage systems;
- Grading / re-gravelling of gravel roads; and
- Construction of traffic calming system.

The division is required to provide safe, affordable, sustainable, and accessible road infrastructure services that promotes integrated land use development and ensure optimal mobility for the residents and the users.

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3.7.1 SERVICE STATISTICS: ROADS AND STORM WATER

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	m ² of Potholes Repaired	6 000	12 399.64	8 000	15 536.978	8 000	8 000	8 000
2	Number of Speed Hump installed	15km	63,32km	4	0	4	4	4
3	Km of roads graded	15km	63,32km	40km	65.561	40km	40km	40km
4	Km of channel cleaned/Repaired	20km	16.89km	15km	32.8078	15km	15km	15km
5	Number of Kerb-Inlet/catch pit Cleaned/Repaired	130	265	130	258	10	10	10
6	Km of sidewalks maintained	6km	8.32km	6	9.875	6	6	6
7	Number of Standing Committee Reports generated	12	1	0	0	12	12	12
8	Number of RRAMS forum meeting on attended	4	0	0	0	4	4	4
9	Number of Unit Meetings reports on roads services generated	12	12	0	0	12	12	12

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3.7.2 ROADS AND STORM WATER POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	m ² of Potholes Repaired	6 000	12 399.64	8 000	15 536.978	8 000	8 000	8 000	Target Extremely Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Speed Hump installed	15km	63,32km	4	0	4	4	4	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Km of roads graded	15km	63,32km	40km	65.561	40km	40km	40km	Target Extremely Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Km of channel cleaned/Repaired	20km	16.89km	15km	32.8078	15km	15km	15km	Target Extremely Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Kerb-Inlet/catch pit Cleaned/Repaired	130	265	130	258	10	10	10	Target Extremely Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Km of sidewalks maintained	6km	8.32km	6	9.875	6	6	6	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Standing Committee Reports generated	12	1	0	0	12	12	12	Target Not Reported On	Ensure that realistic targets are set for indicators and that they are reported
Supporting the delivery of municipal services to the right quality and standard	Number of RRAMS forum meeting on attended	4	0	0	0	4	4	4	Target Not Reported On	Ensure that realistic targets are set for indicators and that they are reported
Supporting the delivery of municipal services to the right quality and standard	Number of Unit Meetings reports on roads services generated	12	12	0	0	12	12	12	Target Not Reported On	Ensure that realistic targets are set for indicators and that they are reported

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COMPONENT C: PLANNING AND DEVELOPMENT

3.8 PROJECT MANAGEMENT

3.8.1 INTRODUCTION TO PROJECT MANAGEMENT

The project management unit is responsible for the implementation of all municipal capital infrastructure projects specifically for new, refurbishment and upgrading of existing infrastructure. The project management unit is also for management of all infrastructure conditional grants and ensuring compliance with the Division of Revenue Act in the management of these grants. For the year under review the division had spent all the conditional grants that were allocated to the municipality.

3.8.2 SERVICE STATISTICS: PROJECT MANAGEMENT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage of progress made on the development of the water network on 1110 site with water Marquard/ Moemaneng	10%	99%	1%	0%	100%	100%	100%
2	Percentage of progress made on the development of the sewer network on 1110 site with sewer Marquard/ Moemaneng	10%	99%	1%	0%	100%	100%	100%
3	Percentage of progress made on the Construction of the 500mm diameter pipeline from De Put to WTW in Senekal/ Matwabeng	90%	100%	0.2%	0%	100%	100%	100%
4	Percentage of progress made on the Construction of the 11Ml reservoir in Senekal/ Matwabeng	60%	58.36%	42%	99.80%	100%	100%	100%
5	Percentage of progress made on Upgrading of Van Soelen in Meqheleng/ Ficksburg	100%	77%	29%	0%	100%	100%	100%
6	Percentage of progress made on Conversion of 350 VIP into waterborne sanitation system in Clocolan/Hlohlowane	80%	89%	13%	17.7%	100%	100%	100%
7	Percentage of progress made on Conversion of 969 VIP into waterborne sanitation system	60%	99%	80%	0.0%	100%	100%	100%

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
8	Percentage of progress on the Upgrading of the Wastewater Treatment Works in Clocolan/Hlohlolwane.	100%	80%	60%	0.0%	100%	100%	100%
9	Percentage progress made on upgrading of the sport facility in Moemaneng	100%	97%	100%	0%	100%	100%	100%
10	Percentage progress made on the Development of the Cemeteries in Ficksburg/Meqheleng	50%	0%	100%	0%	100%	100%	100%
11	Percentage of Replacement of an old 5km asbestos water rising main pipeline in Clocolan/Hlohlolwane completed	50%	0%	50%	0%	100%	100%	100%
12	Percentage of Marquard: Upgrading of sport and recreational facility completed	10%	0%	100%	0%	100%	100%	100%
13	Percentage of Ficksburg/Meqheleng: Rehabilitation of 1.5 km surfaced, and storm water drainage completed	60%	0%	30%	0%	100%	100%	100%
14	Percentage of Upgrading of the Water Treatment Works in Clocolan/Hlohlolwane completed	60%	0%	30%	32,6%	100%	100%	100%
15	Percentage of Resuscitation of the Wastewater Treatment Works in Senekal/Matwabeng completed	30%	1%	60%	0%	100%	100%	100%
16	Percentage of Construction of Cyferfontein raw water abstraction pump station: Earth woks, casted concrete reinforcement walls and roof with mechanical concrete doors completed.	30%	1%	405%	0%	100%	100%	100%
17	Percentage of Installation of the 2 mechanical screw pumps, motors, electrical control panel, electrical transformer and cables in De Put completed.	30%	1%	30%	43,52%	100%	100%	100%

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
18	Percentage of Construction of the De Put water abstraction pump station: Earth Works, casted concrete reinforced walls and roof with mechanical concrete doors completed.	45%	0%	15%	62.1%	100%	100%	100%
19	Percentage of Installation of the 500mm diameter OPVC pipe and installation of scour valves, air valves and gate valves from Cyferfontein dam to the new Water Treatment Works. (WTW)	10%	1%	10%	62.9%	100%	100%	100%
20	Percentage of the Construction on the Upgrading of the WTW in Clocolan/Hlohlowane	60%	0%	60%	0%	100%	100%	100%
21	Percentage of the resuscitation of the WWTW in Senekal/Matwabeng	4	4	100%	0%	100%	100%	100%
22	Percentage of the Clocolan/Hlohlowane: Installation of 5 high mast lights (MIS:345766)	8	8	100%	0.0%	100%	100%	100%
23	Percentage of the Ficksburg/Meqheleng: Installation of 10 high mast lights (MIS:345688)	2	2	100%	0.0%	100%	100%	100%
24	Percentage of the Marquard/Moemaneng: Installation of 8 high mast lights (MIS:345806)	0	0	100%	0.0%	100%	100%	100%
25	Percentage of the Senekal/Matwabeng: Installation of 7 high mast lights (MIS:345735)	0	0	100%	0.0%	100%	100%	100%
26	Percentage of the Marquard: Upgrading of sport and recreational facility (MIS:300023)	0	0	100%	0.0%	100%	100%	100%
27	Number of PMU reports generated	12	12	12	4	12	12	12
28	Number of MIG monthly reports	12	12	12	12	12	12	12
29	Number of MIG quarterly reports	4	4	4	4	4	4	4
30	Number of MIG Annual reports	1	0	1	1	1	1	1

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
31	Number of DWS monthly reports	12	12	12	12	12	12	12
32	Number of DWS quarterly reports	8	8	8	7	8	8	8
33	Number of DWS Annual reports	2	2	1	0	1	1	1
34	Number of site visits	40	29	63	80	63	63	63
35	No of site meetings attended	50	28	60	66	60	60	60
36	Number of business plans submitted for funding	3	10	5	7	5	5	5
37	No of Extended Public Works Programme beneficiaries	1 037	311	450	157	450	450	450

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3.8.3 PROJECT MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress made on the development of the water network on 1110 site with water Marquard/ Moemaneng	10%	99%	1%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress made on the development of the sewer network on 1110 site with sewer Marquard/ Moemaneng	10%	99%	1%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress made on the Construction of the 500mm diameter pipeline from De Put to WTW in Senekal/ Matwabeng	90%	100%	0.2%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress made on the Construction of the 11Ml reservoir in Senekal/ Matwabeng	60%	58.36%	42%	99.80%	100%	100%	100%	Target Extremely Met	Continue monitoring to curb overspending on budget
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress made on Upgrading of Van Soelen in Meqheleng/ Ficksburg	100%	77%	29%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress made on Conversion of 350 VIP into waterborne sanitation system in Clocolan/Hlohlohwane	80%	89%	13%	17.7%	100%	100%	100%	Target Well Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress made on Conversion of 969 VIP into waterborne sanitation system	60%	99%	80%	0.0%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of progress on the Upgrading of the Wastewater Treatment Works in Clocolan/Hlohlolwane.	100%	80%	60%	0.0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage progress made on upgrading of the sport facility in Moemaneng	100%	97%	100%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage progress made on the Development of the Cemeteries in Ficksburg/Meqheleng	50%	0%	100%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of Replacement of an old 5km asbestos water rising main pipeline in Clocolan/Hlohlolwane completed	50%	0%	50%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of Marquard: Upgrading of sport and recreational facility completed	10%	0%	100%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of Ficksburg/Meqheleng: Rehabilitation of 1.5 km surfaced, and storm water drainage completed	60%	0%	30%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of Upgrading of the Water Treatment Works in Clocolan/Hlohlolwane completed	60%	0%	30%	32,6%	100%	100%	100%	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of Resuscitation of the Wastewater Treatment Works in Senekal/Matwabeng completed	30%	1%	60%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of Construction of Cyferfontein raw water abstraction pump station: Earth woks, casted concrete reinforcement walls and roof with mechanical concrete doors completed.	30%	1%	405%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of Installation of the 2 mechanical screw pumps, motors, electrical control panel, electrical transformer and cables completed.	30%	1%	30%	43,52%	100%	100%	100%	Target Almost Met	Ensure that targets are achieved within required timeframes

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of Construction of the De Put water abstraction pump station: Earth Works, casted concrete reinforced walls and roof with mechanical concrete doors completed.	45%	0%	15%	62.1%	100%	100%	100%	Target Extremely Met	Continue monitoring and curb overspending on budget
Supporting the delivery of municipal services to the right quality and standard	Percentage of Installation of the 500mm diameter OPVC pipe and installation of scour valves, air valves and gate valves from Cyferfontein dam to the new Water Treatment Works. (WTW)	10%	1%	10%	62.9%	100%	100%	100%	Target Extremely Met	Continue monitoring and curb overspending on budget
Supporting the delivery of municipal services to the right quality and standard	Percentage of the Construction on the Upgrading of the WTW in Clocolan/Hlohlolwane	60%	0%	100%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of the resuscitation of the WWTW in Senekal/Matwabeng	4	4	60%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of the Clocolan/Hlohlolwane: Installation of 5 high mast lights (MIS:345766)	8	8	100%	0.0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of the Ficksburg/Meqheleng: Installation of 10 high mast lights (MIS:345688)	2	2	100%	0.0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of the Marquard/Moemaneng: Installation of 8 high mast lights (MIS:345806)	0	0	100%	0.0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of the Senekal/Matwabeng: Installation of 7 high mast lights (MIS:345735)	0	0	100%	0.0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required time to curb roll-overs
Supporting the delivery of municipal services to the right quality and standard	Percentage of the Marquard: Upgrading of sport and recreational facility (MIS:300023)	0	0	100%	0.0%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of PMU reports generated	12	12	12	4	12	12	12	Target Not Met	Ensure that targets are met within required timeframes
Supporting the delivery of municipal services to the right quality and standard	Number of MIG monthly reports	12	12	12	12	12	12	12	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of MIG quarterly reports	4	4	4	4	4	4	4	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of MIG Annual reports	1	0	1	1	1	1	1	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of DWS monthly reports	12	12	12	12	12	12	12	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of DWS quarterly reports	8	8	8	7	8	8	8	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of DWS Annual reports	2	2	1	0	1	1	1	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of site visits	40	29	63	80	63	63	63	Target Well Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	No of site meetings attended	50	28	60	66	60	60	60	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of business plans submitted for funding	3	10	5	7	5	5	5	Target Not Met	Ensure that targets are met within required time to comply with legal requirements
Supporting the delivery of municipal services to the right quality and standard	No of Extended Public Works Programme beneficiaries	1 037	311	450	157	450	450	450	Target Not Met	Ensure that targets are met within required time to comply with legal requirements

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3.9 INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS

The Integrated Development Planning and Performance Management Systems Division is a principal strategic planning instrument which guides and informs all planning, budgeting, management, and decision-making processes in a municipality. Integrated Development Plan is a five-year development plan directly linked to five-year term of office for local councillors therefore It means that planning has to be developmental, and it has to focus on the needs of the poor.

The Integrated Development Plan process can take up to nine months to complete the cycle, but the process does not affect the implementation of existing projects in a municipality. Involves entire municipality and its citizens finding the best solutions to achieve sustainable long-term development. It is the allocation available and accessible resources around certain development priorities and strategies and focus on service delivery. Integrated Development Plan is drawn up to improve the quality of people's lives through the formulation of integrated and sustainable projects and programmes.

Performance Management is a process which measures the implementation of the organisation's strategy. At Local Government level this has become an imperative, with economic development, transformation, governance, and finance and service delivery being the critical elements in terms of Local Government Strategy. Performance Management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

National Government has also found it necessary to institutionalize and provide legislation on the Performance Management Process for Local Government. The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the Municipal System Act, 32 of 2000 and the Municipal Finance Management Act, 56 of 2003, requires the Integrated Development Plan to be aligned to the municipal budget and to be monitored for the performance of the budget against the Integrated Development Plan via the Service Delivery and the Budget Implementation implemented and monitored.

This framework therefore describes how the municipality's performance process, for the organisation as a whole will be conducted in organised and managed. We need to migrate to a fully automated performance management systems as soon as possible, particularly due to a new normal brought about by the Covid-19 pandemic and environment.

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3.9.1 SERVICE STATISTICS: INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of Integrated Development Planning Process Plan developed and adopted	1	1	1	1	1	1	1
2	Number annual reports developed, submitted to AGSA, and tabled to council for approval	1	1	1	1	1	1	1
3	Number of quarterly performance reports (Section 52(d)) developed and submitted to council	4	4	4	4	4	4	4
4	Number of Performance Management Systems Handbook reviewed and approved	1	1	1	1	1	1	1
5	Number of draft Integrated Development Plan document developed, reviewed, and approved	1	1	1	1	1	1	1
6	Number of Integrated Development Plan document developed, reviewed, and approved	1	1	1	1	1	1	1
7	Number of employee appraisals conducted	4	0	4	0	4	4	4

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
8	Number of Mid-year Budget and Performance Assessment Reports (Section 72 Reports) developed and tabled to council	1	1	1	1	1	1	1
9	Number of Service Delivery and Budget Implementation Plan developed and approved by the Executive Mayor	1	1	1	1	1	1	1
10	Number of Adjusted Service Delivery and Budget Implementation Plan developed and approved by council	1	1	1	1	1	1	1
11	Number of Risk Registers developed and submitted	4	4	4	0	4	4	4
12	Number of progress report on the implementation of Audit Action Plan	4	4	4	4	4	4	4
13	Percentage internal and external audit queries responded to and addressed	1005	100%	100%	100%	100%	100%	100%

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3.9.2 INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Putting people first	Number of Integrated Development Planning Process Plan developed and adopted	1	1	1	1	1	1	1	Target Met	Continue monitoring
Putting people first	Number annual reports developed, submitted to AGSA, and tabled to council for approval	1	1	1	1	1	1	1	Target Met	Continue monitoring
Putting people first	Number of quarterly performance reports (Section 52(d)) developed and submitted to council	4	4	4	4	4	4	4	Target Met	Continue monitoring
Putting people first	Number of Performance Management Systems Handbook reviewed and approved	1	1	1	1	1	1	1	Target Met	Continue monitoring
Putting people first	Number of draft Integrated Development Plan document developed, reviewed, and approved	1	1	1	1	1	1	1	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Putting people first	Number of Integrated Development Plan document developed, reviewed, and approved	1	1	1	1	1	1	1	Target Met	Continue monitoring
Putting people first	Number of employee appraisals conducted	4	0	4	0	4	4	4	Target Met	Continue monitoring
Sound Financial Management	Number of Mid-year Budget and Performance Assessment Reports (Section 72 Reports) developed and tabled to council	1	1	1	1	1	1	1	Target Met	Continue monitoring
Putting people first	Number of Service Delivery and Budget Implementation Plan developed and approved by the Executive Mayor	1	1	1	1	1	1	1	Target Met	Continue monitoring
Putting people first	Number of Adjusted Service Delivery and Budget Implementation Plan developed and approved by council	1	1	1	1	1	1	1	Target Met	Continue monitoring
Putting people first	Number of Risk Registers developed and submitted	4	4	4	0	4	4	4	Target Not Met	Ensure that targets are achieved within the required timeframe

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Putting people first	Number of progress report on the implementation of Audit Action Plan	4	4	4	4	4	4	4	Target Met	Continue monitoring
Putting people first	Percentage internal and external audit queries responded to and addressed	1005	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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3.9.3 EMPLOYEES: INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS

Job Level	2019/2020	2020/2021			
	No of Employee	No of Posts	No of Employees	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	1	1	0	0%
4-6	1	2	1	1	50%
7-9	2	2	2	0	0%
Total	4	5	4	1	20%

3.9.4 FINANCIAL PERFORMANCE: INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS

Details	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operating Revenue	94 814	21 250	21 974	334 316	94%
Expenditure					
Employees	9 393	9 914	9 685	9 285	-7%
Repairs and Maintenance	1	0	0	0	0%
Other	19 831	6 080	6 888	6 535	7%
Total Expenditure	29 225	15 994	16 573	15 820	-1%
Net Operational Expenditure	-65 589	-5 256	-5 401	-318 496	98%

3.9.5 CAPITAL EXPENDITURE: INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS

No capital projected implemented in the year under review.

3.9.6 COMMENT ON INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS PERFORMANCE OVERALL

The division performed fairly well; the only challenge was that departments did not submit reports in time for a proper review to be done before it reports were to be submitted for assurance processes. In order to mitigate this factor, a total migration to a fully automated performance management system need to be completed, as this will eliminate delay in the submission of performance information and clear inconsistencies between the planning performance information and reported performance information.

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3.10 LOCAL ECONOMIC DEVELOPMENT, TOURISM, ARTS AND CULTURE

3.10.1 INTRODUCTION TO LOCAL ECONOMIC DEVELOPMENT

Local Economic Development in Setsoto Local municipality has always sought to create competitive, sustainable, diverse, innovation-driven inclusive economies that are vibrant places in which to live, invest, and work, which in turn maximize local opportunities, address local needs, and contribute to Setsoto's development objectives.

Local Economic Development is therefore a means of systematic identification, development, and utilisation of economic opportunities to benefit local business and communities at large. LED strategies must be undertaken in such a way that they unite the entire economic stakeholders to cooperate to realise an improved economic future.

The National and Provincial Governments provides support for municipalities in developing local economic strategies. The government has identified some key challenges facing municipalities and communities alike as poverty, unemployment, and inequity.

The Setsoto local municipality local economic development implementation framework has been designed to consider the imperatives of both the 2006-2011 and 2013-2018 National Local Economic Development Frameworks but due to latest development shifts, the municipality will always strive to align to the new National Framework for Local Economic Development: Creating Innovation-driven local economies (2018-2028). The framework places emphasis on planning based on the following six policy pillars:

- Policy Pillar 1: Building diverse & innovation-driven local economies
- Policy Pillar 2: Developing inclusive economies
- Policy Pillar 3: Developing learning and skilful economies
- Policy Pillar 4: Enterprise development and support
- Policy pillar 5: Economic governance and infrastructure
- Policy Pillar 6: Strengthening local innovation system

Local Economic Development is a complex process which needs the active participation of a wide variety of stakeholders. Its success depends on bringing the right stakeholders together in the right pattern of roles. All the four functions of Local Economic Development, namely:

- Local Economic Development Governance;
- Local Economic Development Process Facilitation;
- Stakeholder development of priorities; and
- Strategies Implementation,

Require different capacity to execute, which must be found to serve the local economy. Stakeholders with the right skills and commitment need to be linked to the specific functions which define their roles. Without the capacity to execute the main functions required, Local Economic Development attempts will amount to nothing.

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3.10.2 SERVICE STATISTICS: LOCAL ECONOMIC DEVELOPMENT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of SMME's, Street traders and Cooperatives walk-ins for assistance with advice, referrals for finance, skills development support and registrations	200	283	200	332	200	200	200
2	Number of Entrepreneurs capacitated through trainings; workshops; awareness campaigns; roadshows, funding, information sharing sessions and seminars conducted	400	729	220	477	80	80	80
3	Number of SMME's, Cooperatives; NPO/NGO's recruited for Incubation Programme and assisted with Start-Up process; skills development and funding proposals	40	0	15	151	0	0	0
4	Number of updated Vendor database	1	1	1	1	1	1	1
5	Number of people assisted through Agricultural Development initiatives undertaken specifically to target Youth, Women, and disabled people	60	194	60	78	60	60	60
6	Number of projects monitored and evaluated	32	14	24	15	18	18	18
7	Number of Informal Trade Plan and Management Policy Developed	0	0	1	0	1	0	0
8	Number of approved Sector Plans [LED Strategy review]	1	0	0	0	1	0	0
9	Number of databases for Arts & Crafters updated,	1	1	1	1	1	1	1
10	Number of updated tourism Establishment database	1	1	1	1	1	1	1
11	Number of Crafters & Tourism SMME's assisted in development programmes [e.g. crafters market; exhibitions; tour guide Programme]	50	67	50	40	20	20	20
12	Percentage of Business Licenses issued	100%	0%	100%	100%	100%	100%	100%
13	Percentage of Hawker permits issued	100%	94%	100%	100%	100%	100%	100%

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
14	Number of work opportunities created through EPWP, CWP and other related infrastructure	0	0	0	411	200	200	200
15	Number of activities on sports, arts, and culture programmes implemented	6	6	6	6	4	3	4
16	Number of sports council meeting facilitated	4	5	4	4	4	6	4
17	Number of Sports and Recreation Council training/ workshop conducted	2	2	2	2	2	3	2

3.10.3 ECONOMIC ACTIVITY BY SECTOR

		R '000
Sector	2020/2021	
Agric, forestry and fishing		179 082
Mining and quarrying		111
Manufacturing		44 450
Electricity/Water		7 929
Construction		2 769
Trade		117 394
Transport		22 848
Finance		118 939
Community		6 574
General Government		98 870
Other Producers		15 276
Total		614 242

3.10.4 ECONOMIC EMPLOYMENT BY SECTOR

		Jobs
Sector	2020/2021	
Agric, forestry and fishing		70
Mining and quarrying		17
Manufacturing		68
Electricity/Water		12
Construction		56
Trade		175
Transport		43
Finance		54
Government, Community and social		190
Private Households		82
Total		767

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3.10.5 JOBS CREATED DURING 2020/2021 BY LOCAL ECONOMIC DEVELOPMENT INITIATIVES EXCLUDING EXTENDED PUBLIC WORKS PROGRAMME 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)				
2017/2018	142	0	142	Reports
2018/2019	0	0	0	
2020/2021	48	0	48	Reports

3.10.6 JOBS CREATED THROUGH EXTENDED PUBLIC WORKS 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)				
2017/2018	142	0	142	Reports
2018/2019	0	0	0	Reports
2019/2020	78	0	78	Reports
2020/2021	411	0	411	Reports
Ficksburg Landcare Project	48	0	48	Report
Waste Picker	112	0	112	Report
Ambassadors	19	0	19	Report
500mm,12km Diameter Cyferfontein Pipeline Project	18	0	18	Report
Clocolan Upgrading of WWTW	42	0	42	Report
Cleaning and beautification programme	41	0	41	Report
Clocolan Upgrading of WWTW phase 2	12	0	12	Report
Construction of 11ML reservoir in Senekal	28	0	28	Report
Construction of 500mm, 3.3km pipeline from De Put	13	0	13	Report
Construction of De Put abstraction works M	22	0	22	Report
Fxb Rehabilitation of 1,5km surfaced roads	15	0	15	Report
Fxb/Meq: Conversion of 969 VIP to waterborne toile	16	0	16	Report
Meqheleng development of new cemetery	20	0	20	Report
Mrqd: Upgrading of Recreational	9	0	9	Report
Setsoto Records and Achieves Learnership	17	0	17	Report
Setsoto in-service training 19/20	27	0	27	Report

3.10.7 COMMENT ON LOCAL JOB OPPORTUNITIES

Local Economic Development is amongst other things, the practice of creating sustainable jobs in specific localities or regions. The municipality alone cannot create more sustainable jobs due to fiscal constraints. Programmes such as the Extended Public Works Programme and Community Works Programme for instance do not create sustainable jobs because these jobs are linked to specific projects with a limited budget. Sustainable jobs are created in the private sector which makes more money from markets within which they trade.

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The municipality can boost economy by creating a conducive environment in which business can flourish. During the 2020/2021 financial year, jobs created through Extended Public Works Programme / Community Works Programme and Local Economic Development initiatives were 411. Other jobs are created when Small Medium Macro Enterprises such as those in construction are appointed on a sub-contracting basis. Majority of Small Medium Macro Enterprises do provide services and goods to the municipality through its tender system.

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3.10.8 LOCAL ECONOMIC DEVELOPMENT, TOURISM, ARTS AND CULTURE POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Creating a conducive environment for economic development	Number of SMME's, Street traders and Cooperatives walk-ins for assistance with advice, referrals for finance, skills development support and registrations	200	283	200	332	200	200	200	Target Extremely Met Generally, more clients keep visiting LED office than expected	Continue monitoring
Creating a conducive environment for economic development	Number of Entrepreneurs capacitated through trainings; workshops; awareness campaigns; roadshows, funding, information sharing sessions and seminars conducted	400	729	220	477	80	80	80	Target Extremely Met SEDA and Hollard through their partnership managed to conduct trainings	Continue monitoring
Creating a conducive environment for economic development	Number of SMME's, Cooperatives; NPO/NGO's recruited for Incubation Programme and assisted with Start-Up process; skills development and funding proposals	40	0	15	151	0	0	0	Target Extremely Met More entrepreneur outside Incubation programme were also assisted	Service Provider appointed on "Own Risk" basis to assist in establishment of incubators

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Creating a conducive environment for economic development	Number of updated Vendor database	1	1	1	1	1	1	1	Target Met	Continue monitoring
Creating a conducive environment for economic development	Number of people assisted through Agricultural Development initiatives undertaken specifically to target Youth, Women, and disabled people	60	194	60	78	60	60	60	Target Well Met Seeds were available for distribution More people than targeted received our services	Continue monitoring
Creating a conducive environment for economic development	Number of projects monitored and evaluated	32	14	24	15	18	18	18	Target Not Met Some of the projects have ceased to operate because they are seasonal	Set realistic targets in line with seasons
Creating a conducive environment for economic development	Number of Informal Trade Plan and Management Policy Developed	0	0	1	0	1	0	0	Target Not Met Delays by Supply Chain Management	The process will be fast-tracked to go through Bid Evaluation and Bid Adjudication

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Creating a conducive environment for economic development	Number of approved Sector Plans [LED Strategy review]	1	0	0	0	1	0	0	Target Not Met	Ensure that targets are met within required timelines
Creating a conducive environment for economic development	Number of databases for Arts & Crafters updated,	1	1	1	1	1	1	1	Target Met	Continue monitoring
Creating a conducive environment for economic development	Number of updated tourism Establishment database	1	1	1	1	1	1	1	Target Met	Continue monitoring
Creating a conducive environment for economic development	Number of Crafters & Tourism SMME's assisted in development programmes [e.g. crafters market; exhibitions; tour guide Programme]	50	67	50	40	20	20	20	Target Almost Met	
Creating a conducive environment for economic development	Percentage of Business Licenses issued	100%	100%	100%	100%	100%	100%	100%	Target Met No applications were received in the 4th Quarter	

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Creating a conducive environment for economic development	Percentage of Hawker permits issued	100%	94%	100%	100%	100%	100%	100%	Target Almost Met	
Creating a conducive environment for economic development	Number of work opportunities created through Extended Public Works Programme, Community Works Programme and other related infrastructure	0	0	0	411	200	200	200	Target Extremely Met	Continue monitoring
Creating a conducive environment for economic development	Number of activities on sports, arts, and culture programmes implemented	6	6	6	6	4	3	4	Target Met	Continue monitoring
Creating a conducive environment for economic development	Number of sports council meeting facilitated	4	5	4	4	4	6	4	Target Met There were conflicts with sports councils which had to be resolved	Continue monitoring
Creating a conducive environment for economic development	Number of Sports and Recreation Council training/ workshop conducted	2	2	2	2	2	3	2	Target Met	Continue monitoring

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3.10.9 EMPLOYEES: LOCAL ECONOMIC DEVELOPMENT, TOURISM, ARTS AND CULTURE

Job Level	2019/2020		2020/2021		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	1	3	1	2	67%
7 - 9	2	6	2	4	67%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	10	4	6	60%

3.10.9 FINANCIAL PERFORMANCE: LOCAL ECONOMIC DEVELOPMENT

Details	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operating Revenue	-36 776	-75 000	-45 648	-70 242	4 758
Expenditure					
Employees	1 347 830	2 205 252	1 429 244	1 463 492	-741 760
Repairs and Maintenance	510	0	15 000	0	0
Other	122 697	2 706 756	45 648	1 479 129	-1 227 627
Total Expenditure	1 471 037	4 912 008	1 489 892	2 942 621	-1 969 387
Net Operational Expenditure	1 434 261	4 837 008	1 444 244	2 872 379	-1 964 629

3.10.10 CAPITAL EXPENDITURE: LOCAL ECONOMIC DEVELOPMENT

No Capital project were implemented during the year under review.

3.10.11 COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL

The Local Economic Development, Tourism, Arts and Culture, Sport and Recreation Division has been mandated to provide strategic economic direction to the municipality and help to steer it to achieve economic growth and to reduce unemployment. This mandate is drawn from the economic objectives of the Integrated Development Plan priorities and the National Development Plan outcomes, namely to:

- Support and promote the development of the Small Medium Macro Enterprises
- Facilitate the creation of a conducive environment that attract new investments and retain existing businesses.
- Enhance collaboration with public and private stakeholders
- Ensure business regulation, compliance, and enforcement within the informal sector.

For the year under review, the Local Economic Development unit had a set of 17 targets or initiatives which were implemented for driving and achieving the above outcomes. The achievement of these targets is highlighted by the following milestones:

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Office Walk-Ins

Through this work, the office had attended to a total of 332 visitors with different needs – ranging from request for financing information; request for training; requests for land allocation; requests for business planning and requests for resolution of disputes among members of some cooperatives.

Entrepreneur capacity building

The LED unit managed to arrange trainings to almost 517 entrepreneurs, especially on training offered by SEDA. The main training course offered by SEDA was Basic Business Management Skills or Start-Up One as it is commonly known.

Business funding

The construction of the Ficksburg Container Hub came as a blessing for most of our local businesses. This important facility was developed by DESTEA and was earmarked to host Black South Africans who struggle to obtain facilities. Most of our entrepreneurs were assisted through the Small Business Development Programme commonly referred to as Township and Rural Entrepreneurs Programme to obtain funding albeit small amounts. A total of 151 entrepreneurs were assisted through this programme to obtain funding.

Sports Activities

Sports and Recreation Office has been able to deliver sports development to the community through partnership with local sports and recreation council and other stakeholders. With participation of relevant stakeholders, we were able to organise, coordinate and provide facilities for sports activities, competitions, and programmes. During 2020/2021 financial year, sports and recreation office halted all sporting activities due to Corona Virus pandemic that ravished the world and our country. With every level of pandemic that saw the country reducing the virus, other activities were able to take place.

Most notably activities that took place was government allowing for soccer to resume their league without spectators. This was notable because one (1) team from Setsoto Local Municipality played in semi-professional league (ABC Motsepe League) and other three (3) were playing in SAB League. The team that participated in Provincial ABC Motsepe League is Dynamos Football Club from Moemaneng and they will be still participate in the same league 2021/2022 season. Setsoto Local Municipality through Sports and Recreation Office managed to assist Dynamos FC with pre-game attire as part of support of development of Sports within our municipality

Measures undertaken to address the under performance

Because Setsoto's unemployment rate is 37.7%, which is higher than both that of Free State Province (32.6%) and National rate of 25.5%, it is therefore not only a matter of raising recommendations of measures to improve the performance of local economic development services but to actually endeavour to implement such.

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To turn around the situation and to improve on local economic development performance, the following measures or initiatives are proposed:

- **Establishment of Artisan and Skills Development Centre**

This will provide a sound basis for entrepreneurial development and direct employment through self-employment means. Municipality have appointed a Service Provider on a “Own Risk” basis to explore all possibilities and fund raising for the establishment of this initiative.

- **Infrastructure development**

Although developments of this nature require huge amounts of money, this is critical service and a prelude to any industrial development. Without the right infrastructure, the economy will remain stagnated.

- **Productive use of municipality agricultural land**

The municipality needs to develop and finalise the Land Availability Strategy that spells out principles for more productive use of municipal land.

COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.11 PARKS AND CEMETERIES

3.11.1 INTRODUCTIONS TO PARKS AND CEMETERIES

Parks service is seasonal, and the following are covered:

- The maintenance of the municipal gardens, pavements (sidewalks) and open space.
- The maintenance of sport facilities and swimming pool.
- The cleaning of the town halls and community halls.
- The maintenance and management of the caravan parks
- Planting and maintaining trees in municipal area

The service regarding the provision of cemetery management is seen as an important part of the service rendered by the municipality to the community and is done with the necessary sensitivity. The section provides graves to communities ensure that the burial registers are indicative of a proper grave number. The section also provides the maintenance of cemeteries.

Destitute families are assisted by the municipality to obtain a grave and services by a funeral undertaker as per approved indigent policy upon approved requests. Information was obtained from service providers to investigate the possible areas for the planning of cemeteries in Setsoto to ensure adequate space for cemetery development.

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3.11.2 SERVICES STATISTICS: PARKS AND CEMETERIES

	Details	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of parks managed	7	7	7	7	7	7	7
2	Number of recreational facilities managed	6	6	6	6	6	6	6
3	Number of trees planted in public places	150	152	150	0	150	150	150
4	Number of halls cleaned and prepared	10	12	8	9	9	12	12
5	Number of approved reviewed Integrated Environmental Management Plan	1	1	1	1	1	1	1
6	Number of cemeteries managed	8	21	8	8	8	8	8
7	Number of Burial Registers updated	8	8	8	8	8	8	8
8	Number of updates on the risk register	4	4	4	4	4	4	4
9	Percentage external and internal audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%	100%	100%

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3.11.3 PARKS AND CEMETERIES POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of parks managed	7	7	7	7	7	7	7	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of recreational facilities managed	6	6	6	6	6	6	6	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of trees planted in public places	150	152	150	0	150	150	150	Due to Lockdown, trees could not grow at nursery	Ensure that targets are met within required timeframes
Supporting the delivery of municipal services to the right quality and standard	Number of halls cleaned and prepared	10	12	8	9	12	12	12	Other halls been vandalized and temporarily closed	Ensure that targets are met within required timeframes
Supporting the delivery of municipal services to the right quality and standard	Number of approved reviewed Integrated Environmental Management Plan	1	1	1	1	1	1	1	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of cemeteries managed	8	21	8	8	8	8	8	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Burial Registers updated	8	8	8	8	8	8	8	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of updates on the risk register	4	4	4	4	4	4	4	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage external and internal audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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3.11.4 EMPLOYEES: PARKS AND CEMETERIES

Job Level	2019/2020	2020-2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	0	1	0	1	100%
4 - 6	2	6	2	4	67%
7 - 9	3	8	3	5	63%
10 - 12	3	9	3	6	67%
13 - 15	15	27	17	10	59%
16 - 18	38	77	31	46	60%
Total	61	128	56	72	56%

3.11.5 FINANCIAL PERFORMANCE: PARKS AND CEMETERIES

Details	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	-45 000	-1286196	-1275817	-12 300 817
Expenditure					
Employees	10 473 897	12 650 160	1 449 520	13 9903 399	1 253 239
Repairs and Maintenance	81 046	609 996	34 280	38 663	-571 333
Other	1 298 423	15 542 508	1 286 196	14 629 730	-912 778
Total Operational Expenditure	11 853 366	28 802 664	2 769 996	28 571 792	-230 872
Net Operational Expenditure	11 853 366	28 847 664	1 483 800	27 295 975	5 6053 639

3.11.6 CAPITAL EXPENDITURE: PARKS AND CEMETERIES

No capital projects were implemented in the year under review.

3.11.6 COMMENT ON PARKS AND CEMETERIES SERVICES PERFORMANCE OVERALL

The Covid-19 pandemic affected the delivery of services for the better of part the financial year under review where parks, community halls and sports facilities were not opened during the high levels of lockdown. Absolute vehicles and equipment and high rate of vacancies also played a negative impact on the service delivery of the division.

Provision of graves and the burials were the main service that was provided, however the hiring of the TLBs was very high as own TLBs were in most of the times broken and the private ones were hired to continue providing the service under the difficult conditions of covid. Due to covid-19 pandemic, the COGTA, SALGA and South African Cemetery Association encouraged municipalities to avoid the spread of virus at all cost and municipality were requested to use TLBs to cover the graves after burials.

This also had huge expenditure on our service on digging and covering of graves. The death rate also increased which also posed a challenge on the availability of burial space. Senekal and Marquard have challenge with Marquard been in desperate moment, where the current site in town will be extended as temporary measure. Recreational facilities were not in use for the most part of the

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financial year due to lockdown levels, however they were supposed to be maintained throughout the financial year under review.

Youth Community Outreach Coordinator

The Department of Environmental Affairs appointed the Youth Community Outreach Coordinator in January this year for a period of 3 years, in order to coordinate the Good Green Deeds Project Thuma Mina. The Good Green Deeds project assist the municipality on removing waste/illegal dumping to ensure that the community is clean and healthy as stipulated on the Constitution of South Africa, section 24 which states the right of the community to an environment that is not harmful to their health and wellbeing. There will be 22 participants appointed which will assist in clean up campaigns and Education & Awareness.

Environmental Educators

There are 19 Thuma Mina participants located at all towns under the Municipal jurisdiction (Ficksburg 13, Clocolan 2, Marquard 3 & Senekal 1).

- Champion/conduct community-ward based environmental education and awareness (7)
- Environmental Educators appointed by appointed by EPIP's contracts will come to end in October 2021.

3.12 SECURITY SERVICES AND PROPERTY MAINTENANCE

13.12.1 INTRODUCTION TO SECURITY AND PROPERTY MAINTENANCE

The mandate of the Security Division is to ensure safety of municipal employees and property by means of access control to municipal buildings, implement security measures in the form of counterintelligence and to represent the municipality at broad security forums and participate in all security related matters of local, provincial, and national interest. Facilities management section ensures that facilities are maintained to be at the required standard which will enhance the life span off such facilities.

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3.12.2 SERVICE STATISTICS: SECURITY SERVICES AND PROPERTY MAINTENANCE

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of security policy reviewed	1	0	1	1	1	0	0
2	Percentage of employees submitted for vetting (Security Clearance)	0%	0%	100%	100%	29	8	8
3	Number of Awareness on security conducted	0	0	4	0	1	0	0
4	Number of maintenance plan developed	1	0	1	1	1	1	1
5	Percentage of properties repaired	100%	100%	100%	100%	100%	100%	100%
6	Number of risk registers updated	4	4	4	4	4	4	4
7	Percentage of risk assessment conducted on events hosted	100%	100%	100%	100%	100%	100%	100%
8	Percentage respond (external) within time frame	100%	100%	100%	100%	100%	100%	100%
9	Percentage respond (internal) within time frame	100%	100%	100%	100%	100%	100%	100%
10	Percentage reduction of external and internal audit findings responded to and addressed	75%	90%	100%	100%	100%	100%	100%
11	Number of monthly updates of progress on audit action plan	2	2	2	2	2	2	2
12	Percentage of section 4 meetings held	100%	100%	100%	50%	100%	100%	100%

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3.12.3 SECURITY SERVICES AND PROPERTY MAINTENANCE POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of security policy reviewed	1	0	1	1	1	0	0	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of employees submitted for vetting (Security Clearance)	0%	0%	100%	100%	29	8	8	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Awareness on security conducted	0	0	4	0	1	0	0	Target Not Met	Develop and approved measure in line with Covid-19 protocols to ensure that employees are made aware of security issues
Supporting the delivery of municipal services to the right quality and standard	Number of maintenance plan developed	1	0	1	1	1	1	1	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of properties repaired	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of risk registers updated	4	4	4	4	4	4	4	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of risk assessment conducted on events hosted	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage respond (external) within time frame	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage respond (internal) within time frame	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage reduction of external and internal audit findings responded to and addressed	75%	90%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of monthly updates of progress on audit action plan	2	2	2	2	2	2	2	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of section 4 meetings held	100%	100%	100%	50%	100%	100%	100%	Target Not Met	Ensure that targets are achieved within required timeframes to curb public protests

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3.12.4 EMPLOYEES: SECURITY SERVICES AND PROPERTY MAINTENANCE

Job Level	2019/2020	2020/2021			
	No of Employee	Post	No of Employee	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	1	1	1	50%
4-6	0	2	0	2	20%
7-9	34	68	35	68	30%
10-12	0	0	0	0	0
13-15	0	0	0	0	0
16-17	0	0	0	0	0
Total	35	71	36	71	100%

3.12.5 FINANCIAL PERFORMANCE: SECURITY SERVICES AND PROPERTY MAINTENANCE

Details	2019/2020	2020/2021		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	-117 988	-1 411 248	-1 345 716	-1 364 943
Expenditure				
Employees	10 459 822	13 951 056	10 687 156	11 080 167
Repairs and Maintenance	845 579	945 000	1 077 212	0
Other		4 650 000	13 457 16	198 04 491
Total Expenditure	11 305 401	19 546 056	13 110 084	30 884 658
Net Operational Expenditure	11 187 413	18 134 808	11 764 368	29 519 715
				T 3.12.5

3.12.6 CAPITAL EXPENDITURE: SECURITY SERVICES AND PROPERTY MAINTENANCE

No Capital projects implemented in the year under review.

3.12.7 COMMENT ON SECURITY SERVICES AND PROPERTY MAINTENANCE PERFORMANCE OVERALL

Security services was able to represent the municipality at the following meetings:

- Ficksburg SAPS Cluster Joints.

The purpose of the meetings deals with matters relating to security at large such as crime prevention, stock theft and any form of security threats for the well-being of South Africans in particular of Setsoto residents.

Access control is conducted on daily basis where warm bodies are deployed e.g. Head center, stores and water treatment works to ensure safety of municipal assets and employees.

The maintenance of municipal properties is being done however due to financial constrains maintenance of municipal properties was done on a small scale. Largely inspections were conducted on municipal properties.

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3.13 TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES

3.13.1 INTRODUCTION TO TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES

The objective and function of Public Safety Division is law enforcement in respect of the National Road Traffic Act and Municipal bylaws. Safety of all road users is paramount in the approach to Road Safety and operations. Vehicle fitness is part of the division strategy to combat accidents. The personnel in this Section must ensure that all road users abide by the road traffic management regulations and statutes.

The division also ensure that road marking is done and clearing of any impediments to road markings are dealt with. The Fire Brigade Service main objective is to save lives, protect property, conduct awareness and to provide relief during and or after the incident of fire had occurred. The Disaster Management function is coordinate effective response, recovery, rehabilitation, risk assessment, institutional arrangements, and measure of mitigation in relation to Disaster Management incidents.

Fire Services is currently utilizing the Traffic Officers, Working on Fire Team and Disaster Coordinator to fight the fire on ad hoc basis. Equipment is obsolete that it does not meet the required standard to fight fire and does not even measure the turnaround time as required.

3.13.2 SERVICE STATISTICS: TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of traffic operational plans compiled and approved	1	1	1	1	1	1	1
2	Number of roadblocks conducted	30	41	8	17	8	20	20
3	Percentage on traffic fines issued	100%	100%	100%	100%	100%	100%	100%
4	Percentage on point duty and escorts performed	100%	100%	100%	100%	100%	100%	100%
5	Percentage of Rand Received from Escorts Performed	100%	100%	100%	100%	100%	100%	100%
6	Percentage of Emergencies Incidents Reported and attended to	100%	100%	100%	100%	100%	100%	100%
7	Number of Public Awareness Campaigns on Public Safety Conducted	12	12	8	12	12	12	12

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
8	Number of Disaster Management Fora meeting attended	2	3	2	9	2	2	2
9	Number of Risk Assessment Conducted for Events conducted	3	3	3	0	0	0	0
10	Number of Disaster Management Plan reviewed	1	1	1	1	1	1	1

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3.13.3 TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Number of traffic operational plans compiled and approved	1	1	1	1	1	1	1	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of roadblocks conducted	30	41	8	17	8	20	20	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage on traffic fines issued	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage on point duty and escorts performed	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Percentage of Rand Received from Escorts Performed	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Supporting the delivery of municipal services to the right quality and standard	Percentage of Emergencies Incidents Reported and attended to	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Public Awareness Campaigns on Public Safety Conducted	12	12	8	12	12	12	12	Target Well Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Disaster Management Fora meeting attended	2	3	2	9	2	2	2	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Risk Assessment Conducted for Events conducted	3	3	3	0	0	0	0	Target Met	Continue monitoring
Supporting the delivery of municipal services to the right quality and standard	Number of Disaster Management Plan reviewed	1	1	1	1	1	1	1	Target Met	Continue monitoring

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3.13.4 EMPLOYEES: TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES

Job Level	2019/2020	2020/2021			
	No of Employee	No of Posts	No of Employees	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	2	4	2	2	50%
4-6	3	4	3	1	25%
7-9	10	33	10	23	70%
10-12	0	0	0	0	0%
13-15	0	30	0	30	100%
16-17	8	8	7	1	13%
Total	23	79	22	57	72%

3.13.5 FINANCIAL PERFORMANCE: TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES

Details	2019/2020	2020/2021		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	-37 032	-60 000	-30 452	-25 374
Expenditure				
Employees	9 266 324	9 989 616	9 552 136	9 370 436
Repairs and Maintenance	246	246	96	150
Other	217 721	910 284	30 452	9 650 784
Total Expenditure	9 484 291	10 840 446	9 552 232	19 021 370
Net Operational Expenditure	9 447 259	10 840 446	9 552 232	18 995 996

3.13.6 CAPITAL EXPENDITURE: TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES

There were no capital projects implemented in the year under review.

3.13.7 COMMENT ON TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES PERFORMANCE OVERALL

The Division has successfully conducted the following:

- Extinguish fire with Working on Fire Team
- Impound illegal grazing of Livestock.
- Due to Covid 19 pandemic the Disaster Division conducted public awareness to community through community radio on safety measures and covid 19 regulations.
- Conducted Public Awareness related to Fire incidents, Climate Change and Safety Measures.
- The division participate at both Provincial & District Disaster Management Forum and Cluster Meeting.

In ensuring the proper management of the traffic tickets issued and other service, the municipality will consider acquiring the traffic management system. One of the achievements worth mention for traffic division is the truck project in Senekal which was very successful, and the amount of R 195.000 was collected

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in one day by impounding heavy motor vehicles and R 62 800.00 was also collected through by laws noncompliance. The traffic division participated in numerous roadblocks to ensure the was compliance regarding Covid 19 regulations and clean-up of trucks project within four towns of Setsoto LM. Some members of community assisted municipality with road marking paints etc. to ensure safety to all road users.

Fire and Disaster management service is not operating optimally as the municipality has not yet procured a fire truck and appointed fire fighters. However, there is a working arrangement between Setsoto Municipality and Imperani Fire Protection Services which help the municipality with combating of structural fires. Working on fire also work well with the municipality in order to assist with extinguish veld fires. Fire breaks are normally being done quarterly to avoid unwanted fire incidents.

COMPONENT E: CORPORATE POLICY AND OTHER SERVICES

3.14 COMMUNICATIONS SERVICES

3.14.1 INTRODUCTION TO COMMUNICATION SERVICES

The municipality is committed to providing a reliable, sustainable, and effective services to the community as outlined in the Integrated Development Plan. The Communication division is within the Department of the Municipal Manager and is linked to the IDP objective and key performance area of Good Governance & Public Participation.

Effective service delivery is very key in a local government sphere and for the municipality to be able to attend and address all community needs, it must develop a sustainable relationship with the community.

For the community to be adequately informed about municipal projects which are aimed at enhancing their lives the municipality must come up with communication platforms to be used for information transfer and feedback.

The following Communication Strategic documents have been developed and reviewed for adoption and therefore used as a guiding tool towards achieving objectives and goals:

1. Communication Strategy
2. Communication Policy

We are also governed by the following:

1. Intergovernmental Relations Framework Act of 2005
2. Media Development and Diversity Act of 2002
3. MFMA Act of 2003
4. Promotion of Access to Information Act of 2000
5. Municipal Structures Act of 1998
6. Municipal Systems Act of 2000

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3.14.2 SERVICE STATISTICS: COMMUNICATION SERVICES

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of reviewed Communication Policy	1	1	1	0	1	1	1
2	Number of reviewed Communication Strategy	1	1	1	0	1	1	1
3	Number of scheduled interviews	12	12	12	12	12	12	12
4	Number of issued media statement	12	12	12	12	12	12	12
5	Percentage of announcement/notices issued	100%	100%	100%	100%	100%	100%	100%
6	Percentage of media enquiries responded to	100%	100%	100%	100%	100%	100%	100%
7	Number of themed awareness campaigns	4	4	4	4	4	4	4
8	Percentage of website uploads done	100%	100%	100%	100%	100%	100%	100%
9	Percentage of Facebook uploads done	100%	100%	100%	100%	100%	100%	100%

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3.14.3 COMMUNICATION SERVICES POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Promoting good governance, transparency, and accountability	Number of reviewed Communication Policy	1	1	1	0	1	1	1	Target Not Met Could not be finalised due Covid 19	To conduct virtual meetings with the relevant stakeholders to finalise the document.
Promoting good governance, transparency, and accountability	Number of reviewed Communication Strategy	1	1	1	0	1	1	1	Target Not Met Could not be finalised due Covid 19	To conduct virtual meetings with the relevant stakeholders to finalise the document.
Promoting good governance, transparency, and accountability	Number of scheduled interviews	12	12	12	12	12	12	12	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of issued media statement	12	12	12	12	12	12	12	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Percentage of announcement/notices issued	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Promoting good governance, transparency, and accountability	Percentage of media enquiries responded to	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of themed awareness campaigns	4	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Percentage of website uploads done	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Percentage of Facebook uploads done	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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3.14.4 COMMENT ON COMMUNICATION SERVICES PERFORMANCE OVERALL

The unit managed to complete all activities that were planned even though it was with great difficult due to lack of budget.

3.15 RISK MANAGEMENT

3.15.1 INTRODUCTION TO RISK MANAGEMENT

In a volatile, uncertain, complex, and ambiguous Municipal environment organisational leadership is expected to create, protect, and grow value for all stakeholders. The growing complexity in a world of accelerating change, advancements in technology, global connectedness and growing social consciousness, there's a demand for our leaders to incorporate a holistic approach to survive and thrive.

The future of risk management lies in supporting leadership in responding to this demand-This is why risk management is central to managing the Municipality as a whole, and why risk management is integral to planning, organising, directing, and coordinating systems aimed at achieving Municipality's goals and objective.

3.15.2 SERVICES STATISTICS: RISK MANAGEMENT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of risk assessments conducted per year	3	4	3	3	3	3	3
2	Number of Risk Management Policies approved	1	1	1	1	1	1	1
3	Number of Risk Management Committee held	7	6	7	6	7	7	7
4	Number of Risk Management Charter approved	1	1	1	1	1	1	1
5	Number of Awareness campaigns on fraud prevention	1	1	1	1	1	1	1
6	Number of Risk Registers updated	4	4	4	4	4	4	4

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
7	Number of forum meetings convened and attended.	4	4	4	2	0	0	0

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3.15.3 RISK MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Promoting good governance, transparency, and accountability	Number of risk assessments conducted per year	3	4	3	3	3	3	3	Target Met	Continue Monitoring
Promoting good governance, transparency, and accountability	Number of Risk Management Policies approved	1	1	1	1	1	1	1	Target Met	Continue Monitoring
Promoting good governance, transparency, and accountability	Number of Risk Management Committee held	7	6	7	6	7	7	7	Target Almost Met Business Continuity Management Plan still in Supply Chain Management process	Ensure that targets are met in line with the approved schedule
Promoting good governance, transparency, and accountability	Number of Risk Management Charter approved	1	1	1	1	1	1	1	Target Met	Continue Monitoring
Promoting good governance, transparency, and accountability	Number of Awareness campaigns on fraud prevention	1	1	1	1	1	1	1	Target Met	Continue Monitoring
Promoting good governance, transparency, and accountability	Number of Risk Registers updated	4	4	4	4	4	4	4	Target Met	Continue Monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Promoting good governance, transparency, and accountability	Number of forum meetings convened and attended.	4	4	4	2	0	0	0	Target Not Met Due to Covid 19 pandemic provincial Treasury could not schedule forums.	Engage with relevant stakeholders in the development of meeting scheduled in line with the Covid-19 protocols

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3.15.4 EMPLOYEE: RISK MANAGEMENT

Job Level	2019/2020	2020/2021			
	No of Employee	No of Posts	No of Employees	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	0	1	0	1	33,33
4-6	1	1	1	0	0
7-9	1	1	1	0	0
Total	2	3	2	1	33.33

3.15.6 CAPITAL EXPENDITURE: RISK MANAGEMENT

No capital projects were implemented in the year under review.

3.15.7 COMMENT ON RISK MANAGEMENT PERFORMANCE OVERALL

The Risk Management Division consists of dedicated and skilled personnel. The Risk Management Division has performed very well in year under review, and it has improved in Provincial Treasury Ratings. The vacancy of the Chief Risk Officer to be filled so that the Division can function to the best of its ability.

3.16 INTERNAL AUDIT

3.16.1 INTRODUCTION TO INTERNAL AUDIT

The Internal Audit play a pivotal role in the governance structure, and it has been established in 2001 to conform to section 165(1) of the Municipal Finance Management. It has been in existence since 2001 till to date and it is currently operating with five staff and their operational development has been taken care off through the years. It has been an instrumental in assisting municipality's management to achieve desired goal.

The unit conduct its activities in terms of the International Standards for the Professional Practice of Internal Auditing (ISPPIA), which make emphasis on the internal audit activity to evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach. Furthermore, the unit is an independent objective assurance and consulting function established to examine and evaluate activities and to assist Audit and Performance Audit Committee, the Council, Management in the effective discharging their responsibilities.

The unit partially conform to the standards 1200, 1300, 2000, 2300 and 2400 of the International Standard for the Professional Practice of Internal Auditing however there is an action plan developed to address those areas.

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3.16.2 SERVICE STATISTICS: INTERNAL AUDIT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of the reviewed and approved Internal Audit Unit Charter		1	1	1	1	1	1
2	Number of the reviewed and approved Audit and Performance Audit Committee Charter		1	1	1	1	1	1
3	Number of approved Internal Audit Strategic Plan		1	1	1	1	1	1
4	Number of approved Coverage Plan		1	1	1	1	1	1
5	Number of covering letters on quarterly plans drafted		35	35	47	42	42	42
6	Number of progress report in implementation of Coverage Plan		4	4	4	4	4	4
7	Number of Internal Audit Procedural Manual reviewed and approved		1	1	1	1	1	1
8	Percentage of Attendance Registers; Leave and Overtime processed		100%	100%	100%	100%	100%	100%
9	Number of reviewed Quality Assurance and Improvement Programme		1	1	1	1	1	1
10	Number of quarterly audit reports compiled and submitted		37	37	44	42	42	42
11	Number of follow-up audit reports		4	4	4	4	4	4

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
12	Number of internal assessment reports		4	4	4	4	4	4
13	Number of Quality Assurance Reports compiled and submitted to Audit and Performance Audit Committee.		4	4	5	4	4	4
14	Number of quality assurance reports submitted on action plan.		2	3	1	2	2	2
15	Number of resolution registers compiled and submitted to Audit and Performance Audit Committee.		4	4	4	4	4	4
16	Number of Audit and Performance Audit Committee reports submitted to council		4	4	5	4	4	4
17	Number of audit steering meetings coordinated		4	6	12	4	4	4
18	Number of risk operational registers updated,		4	4	4	4	4	4
19	Number of Internal Audit Findings Control Registers compiled		4	4	4	4	4	4

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3.16.3 INTERNAL AUDIT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Promoting good governance, transparency, and accountability	Number of the reviewed and approved Internal Audit Unit Charter	1	1	1	1	1	1	1	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of the reviewed and approved Audit and Performance Audit Committee Charter	1	1	1	1	1	1	1	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of approved Internal Audit Strategic Plan	1	1	1	1	1	1	1	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of approved Coverage Plan	1	1	1	1	1	1	1	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of covering letters on quarterly plans drafted	35	30	35	47	42	42	42	Target Extremely Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of progress report in implementation of Coverage Plan	4	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of Internal Audit Procedural Manual reviewed and approved	1	1	1	1	1	1	1	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Promoting good governance, transparency, and accountability	Percentage of Attendance Registers; Leave and Overtime processed	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of reviewed Quality Assurance and Improvement Programme	1	1	1	1	1	1	1	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of quarterly audit reports compiled and submitted	37	31	37	44	42	42	42	Target Well Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of follow-up audit reports	4	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of internal assessment reports	4	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of Quality Assurance Reports compiled and submitted to Audit and Performance Audit Committee.	4	4	4	5	4	4	4	Target Well Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of quality assurance reports submitted on action plan.	2	2	3	1	2	2	2	Target Not Met Action plan was not submitted	Ensure that the Action Plan is developed and submitted in time to implement corrective actions

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Promoting good governance, transparency, and accountability	Number of resolution registers compiled and submitted to Audit and Performance Audit Committee.	4	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of Audit and Performance Audit Committee reports submitted to council	4	4	4	5	4	4	4	Target Well Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of audit steering meetings coordinated	4	4	6	12	4	4	4	Target Extremely Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of risk operational registers updated,	4		4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of Internal Audit Findings Control Registers compiled	4		4	4	4	4	4	Target Met	Continue monitoring

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3.16.4 EMPLOYEES: INTERNAL AUDIT

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	4	4	0	100%
4 - 6	1	6	1	5	83%
Total	5	10	5	5	50%

3.16.5 FINANCIAL PERFORMANCE: INTERNAL AUDIT

Details	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees		3 286 449,00	3 723 076,11	3 667 092,95	55 983,16
Repairs and Maintenance					
Other		350 694,00	500 004,00	486 169,46	13 834,54
Total Operational Expenditure		3 637 143,00	4 223 080,11	4 153 262,41	69 817,70
Net Operational Expenditure		3 637 143,00	4 223 080,11	4 153 262,41	69 817,70

3.16.6 CAPITAL EXPENDITURE: INTERNAL AUDIT

There were no capital projects implemented in the year under review.

3.16.7 COMMENT ON INTERNAL AUDIT PERFORMANCE OVERALL

The unit managed to complete all audit activities that were planned as per the approved coverage plan.

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3.17 BUDGET AND FINANCIAL REPORTING

3.17.1 INTRODUCTION TO BUDGET AND FINANCIAL REPORTING

- Provide budget support to the municipality
- Provide reporting support to the municipality and its steering committees
- Advising the accounting officer and chief financial officer on financial related matters

In this report, a financial snapshot was conducted to assess the financial performance for the financial year 2020/2021. The actual organisational performance will be measured within the service delivery and budget implementation plan for the reporting period, where performance is to be examined against predetermined and defined key performance areas.

3.17.2 SERVICE STATISTICS: BUDGET AND FINANCIAL REPORTING

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage of legislative compliance	100%	100%	100%	100%	100%	100%	100%
2	Number of mSCOA compliant draft budget submitted	1	1	1	1	1	1	1
3	Number of mSCOA compliant final budget submitted	1	1	1	1	1	1	1
4	Number of mSCOA compliant adjustment budget submitted	1	2	1	1	1	1	1
5	Percentage reporting in relation to spending within the approved budget	100%	100%	100%	100%	100%	100%	100%
6	Number of section 71 reports submitted	12	12	12	12	12	12	12
7	Number of Mid-year Budget and Performance Assessment reports submitted	1	1	1	1	1	1	1
8	Number of section 52 (d) submitted	4	4	4	4	4	4	4

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
9	Number of GRAP compliant Annual Financial Statements compiled and submitted	1	1	1	1	1	1	1
10	Number of Budget related policies reviewed and approved	3	3	3	3	3	3	3
11	Percentage debt coverage ratio	80%	253%	80%	117%	117%	117%	117%
12	Percentage outstanding service debtor's ratio	103%	384%	103%	117%	117%	117%	117%
13	Percentage cost coverage ratio	1%	137%	1%	32%	32%	32%	32%
14	Percentage of audit opinion received on clean audit	100%	100%	100%	100%	100%	100%	100%

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3.17.3 BUDGET AND FINANCIAL REPORTING POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Percentage of legislative compliance	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of mSCOA compliant draft budget submitted	1	1	1	1	1	1	1	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of mSCOA compliant final budget submitted	1	1	1	1	1	1	1	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of mSCOA compliant adjustment budget submitted	1	2	1	1	1	1	1	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Percentage reporting in relation to spending within the approved budget	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of section 71 reports submitted	12	12	12	12	12	12	12	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of Mid-year Budget and Performance Assessment reports submitted	1	1	1	1	1	1	1	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Number of section 52 (d) submitted	4	4	4	4	4	4	4	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of GRAP compliant Annual Financial Statements compiled and submitted	1	1	1	1	1	1	1	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of Budget related policies reviewed and approved	3	3	3	3	3	3	3	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Percentage debt coverage ratio	80%	253%	80%	117%	80%	80%	80%	Target Not Met	Implement the Financial Recovery Plan as well as the Revenue Enhancement Strategy
Ensuring sound financial management and accounting	Percentage outstanding service debtor's ratio	103%	384%	103%	117%	103%	103%	103%	Target Not Met	Implement the Financial Recovery Plan as well as the Revenue Enhancement Strategy
Ensuring sound financial management and accounting	Percentage cost coverage ratio	1%	137%	1%	32%	1%	1%	1%	Target Not Met	Implement the Financial Recovery Plan as well as the Revenue Enhancement Strategy

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Percentage of audit opinion received on clean audit	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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3.17.4 EMPLOYEES: BUDGET AND FINANCIAL REPORTING

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	2	3	2	1	33%
4 - 6	2	4	2	2	50%
7 - 9	0	3	0	3	100%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	10	4	6	60%

3.17.5 FINANCIAL PERFORMANCE: BUDGET AND FINANCIAL REPORTING

Details	R'000				
	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	4 212	4 913	1 928	37 025	95%
Expenditure:					
Employees	2 662	2,113	2 890	2 837	-2%
Repairs and Maintenance	0	0	0	0	0%
Other	991	698	636	578	-10%
Total Operational Expenditure	3 653	2 811	3 526	3 415	-3%
Net Operational Expenditure	-559	2 102	1 598	-33 610	105%

3.17.6 CAPITAL EXPENDITURE: BUDGET AND FINANCIAL EXPENDITURE

No capital projects were planned during the review period.

3.17.7 COMMENT ON BUDGET AND FINANCIAL REPORTING PERFORMANCE OVERALL

The section performed as expected and even gone the extra mile specially with the compilation of an additional adjustment budget in order to accommodate the Covid 19 pandemic expenditure.

3.18 SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Unit, through consultations with other relevant stakeholders had to ensure that the Supply Chain Management Policy of the municipality is implemented optimally and reviewed regularly to ensure compliance to Constitution of South Africa, Municipal Finance Management Act, 56 of 2003, Municipal Regulations and any other relevant legislations. The Supply Chain Management Policy applies when the municipality procures goods or services and/or disposes goods no longer needed or required. The policy does not apply in respect of the procurement of electricity from Eskom.

A total of thirteen bids and eleven formal written quotations were awarded during the year under review. The average turnaround time on the awarding of bids was three months from closing date to the appointment date. Deviations from Supply Chain Management Policy as results of justifiable reasons are compiled and reported to council via Financial Committee and Mayoral Committee. Our Supply Chain Management Policy is deemed to be

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fair, equitable, transparent, competitive, and cost effective and complies with prescribed regulatory for Municipal Supply Chain Management.

Auditor-General of South Africa raised concerns regarding irregular expenditures because of non-compliance to Supply Chain Management Policy and Supply Chain Management Regulations. It was also mentioned that the contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the Municipal Finance Management Act, 56 of 2003. Remedial actions were implemented to address concerns raised by Auditor-General of South Africa and a more detailed Audit Recovery Plan will be compiled and monitored monthly.

The Municipality is determined to ensure that all Supply Chain Management Unit personnel meet the prescribed minimum competency level by providing resources or opportunity for the training of officials involved in the implementation of the Supply Chain Management Policy. Other officials have completed the Municipal Finance Management Program while other are still attending supply chain management learnership pilot programme, initiative by National Treasury and Transport Education Training Authority to bridge a gap identified.

3.18.1 SERVICE STATISTICS: SUPPLY CHAIN MANAGEMENT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Ensuring sound financial management and accounting	Percentage of reviewed Supply Chain Management policy submitted for approval	100%	100%	100%	100%	100%	100%
2	Ensuring sound financial management and accounting	Number of stock take conducted	4	4	4	4	4	4
3	Ensuring sound financial management and accounting	Monthly update of progress on audit action plan	90%	90%	100%	100%	100%	100%
4	Ensuring sound financial management and accounting	Number of workshops with departments on Supply Chain Management challenges	5	5	4	0	4	4
5	Ensuring sound financial management and accounting	Number of quarterly updates of supplier database	4	4	4	4	4	4
6	Ensuring sound financial management and accounting	Percentage of Bid Specification Committee meetings held	90%	90%	100%	100%	100%	100%
7	Ensuring sound financial management and accounting	Percentage of Bid Evaluation Committee meetings held	90%	90%	100%	100%	100%	100%

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
8	Ensuring sound financial management and accounting	Percentage of Bid Adjudication Committee meetings held	90%	90%	100%	100%	100%	100%
9	Ensuring sound financial management and accounting	Number of supply chain management deviation reports submitted	12	12	12	12	12	12
10	Ensuring sound financial management and accounting	Number of quarterly Supply Chain Management contracts registers updated	4	4	4	4	4	4
11	Ensuring sound financial management and accounting	Number of procurement plan developed for approval and submission to Treasury	1	1	1	1	1	1
12	Ensuring sound financial management and accounting	Number of reports on the preparation and monitoring of the procurement plan	4	4	4	4	4	4

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3.18.2 SUPPLY CHAIN MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Percentage of reviewed Supply Chain Management policy submitted for approval	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Number of stock take conducted	4	4	4	4	4	4	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Monthly update of progress on audit action plan	90%	90%	100%	100%	100%	100%	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Number of workshops with departments on Supply Chain Management challenges	5	5	4	0	4	4	Target Not Met Pending interaction results with relevant stakeholders	Interacting with SCM Advisor to involve Free State Provincial Treasury to assist with workshop
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Number of quarterly updates of supplier database	4	4	4	4	4	4	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Percentage of Bid Specification Committee meetings held	90%	90%	100%	100%	100%	100%	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Percentage of Bid Evaluation Committee meetings held	90%	90%	100%	100%	100%	100%	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Percentage of Bid Adjudication Committee meetings held	90%	90%	100%	100%	100%	100%	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Number of supply chain management deviation reports submitted	12	12	12	12	12	12	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Number of quarterly Supply Chain Management contracts registers updated	4	4	4	4	4	4	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Number of procurement plan developed for approval and submission to Treasury	1	1	1	1	1	1	Target met	Continue monitoring
Ensuring sound financial management and accounting	Ensuring sound financial management and accounting	Number of reports on the preparation and monitoring of the procurement plan	4	4	4	4	4	4	Target met	Continue monitoring

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3.18.3 EMPLOYEES: SUPPLY CHAIN MANAGEMENT

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	1	3	1	2	67%
4 - 6	2	4	2	2	50%
7 - 9	5	12	8	4	33%
10 - 12	0	0	0	0	0%
13 - 15	0	2	0	2	100%
Total	8	21	11	10	48%

3.18.4 FINANCIAL PERFORMANCE: SUPPLY CHAIN MANAGEMENT

R'000					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure					
Employees	2 726	2 729	2 727	2 559	-7%
Repairs and Maintenance	0	0	0	0	0%
Other	185	511	244	237	-116%
Total Operational Expenditure	2 911	3 240	2 971	2 796	-16%
Net Operational Expenditure	2 911	3 240	2 971	2 796	-16%

3.18.5 CAPITAL EXPENDITURE: SUPPLY CHAIN MANAGEMENT

R' 000					
Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	27	20	-20	27
Furniture and Laptop	0	27	20	-20	27

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3.19 EXPENDITURE MANAGEMENT

3.19.1 INTRODUCTION TO EXPENDITURE MANAGEMENT

In terms of the Municipal Finance Management Act, 56 of 2003, section 65 (c) the municipality must maintain a system of internal control in respect of creditors and payments to ensure that management and other personnel provide reasonable assurance regarding the achievement of objectives in economy, efficiency and effectiveness of operations and compliance with applicable laws, policies, and regulations to accomplish a clean audit report. Expenditure Management is an ongoing function with the aim of improving creditor's efficiency by improving the percentage in respect of creditors paid within 30 days.

More than 45% of all invoices are paid within 30 days with only invoices that are in dispute being paid later. Currently the Setsoto Local Municipality do experience a negative cash flow challenge that do have a direct Municipal Public Accounts Committee on our payment rate in respect of creditors to be paid within 30 days. The Municipality embarked constantly on revenue enhancement strategies to improve the cash flow challenge.

3.19.2 SERVICE STATISTICS: EXPENDITURE MANAGEMENT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of reports on the actual amount of cash on hand in terms of the Cash Flow forecast	12	12	12	12	12	12	12
2	Percentage of creditors paid within 30 days	65%	64%	65%	79%	65%	65%	65%
3	Percentage of reconciled creditors	90%	85%	90%	85%	75%	75%	75%
4	Number of insurance claims generated	12	12	12	12	12	12	12
5	Number of section 32 report submitted	12	12	12	12	12	12	12
6	Number of reports on Fruitless and Wasteful Expenditure	12	0	12	12	12	12	12
7	Percentage of internal audit responded to in required time frame - 5 days	95%	0	95%	75%	95%	95%	95%

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
8	Percentage of external audit responded to in required time frame - 5 days	100%	0	100%	92%	100%	100%	100%
9	Monthly update of progress on audit action plan	6	0	2	0	6	6	6

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3.19.3 EXPENDITURE MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Number of reports on the actual amount of cash on hand in terms of the Cash Flow forecast	12	12	12	12	12	12	12	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Percentage of creditors paid within 30 days	65%	64%	65%	79%	65%	65%	65%	Target Well Met Overachieved, the payments of the small Eskom's and the SMME'S are forced payments and do have an impact on the percentage	Continue monitoring
Ensuring sound financial management and accounting	Percentage of reconciled creditors	90%	85%	90%	85%	75%	75%	75%	Target Almost Met COVID had an influence on work output as there was not always full staff in offices. Obtaining of statements from suppliers	COVID-19 is a constant challenge in the workplace. Communication with suppliers Ensure that there are enough funds for the municipality to meet all its obligations

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Number of insurance claims generated	12	12	12	12	12	12	12	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of section 32 report submitted	12	12	12	12	12	12	12	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of reports on Fruitless and Wasteful Expenditure	12	0	12	12	12	12	12	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Percentage of internal audit responded to in required time frame - 5 days	95%	0	95%	75%	95%	95%	95%	Target Almost Met	Ensure that internal audit findings are responded to within required time

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Percentage of external audit responded to in required time frame - 5 days	100%	0	100%	92%	100%	100%	100%	Target Almost Met During December 2020 I was on leave and responded on return. Fourth Quarter a petty cash query was issued, and responses was awaited from Cocolan and Marquard	Clear handover to acting official of the importance to respond to queries received intervention of management Ensure that external audit findings are responded to within required time
Ensuring sound financial management and accounting	Monthly update of progress on audit action plan	6	0	2	0	6	6	6	Target Almost Met Challenges with responding and clarity seeking with the Chief Financial Officer	Communication with the Chief Financial Officer Ensure that external audit findings are responded to within required time

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3.19.4 EMPLOYEES: EXPENDITURE MANAGEMENT

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 - 3	2	2	1	1	50%
4 - 6	2	4	2	2	50%
7 - 9	3	7	3	4	57%
Total	7	13	6	7	54%

3.19.5 FINANCIAL PERFORMANCE: EXPENDITURE MANAGEMENT

Details	R'000				
	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	3 506	4 204	3 304	3 225	-30%
Repairs and Maintenance	-	-	-	-	0%
Other	5 764	7 624	8 070	4 471	-71%
Total Operational Expenditure	9 270	11 828	11 374	7 696	-54%
Net Operational Expenditure	9 270	11 828	11 374	7 696	-54%

3.19.6 CAPITAL EXPENDITURE: EXPENDITURE MANAGEMENT

No capital projects were planned during the review period.

3.20 REVENUE MANAGEMENT

3.20.1 INTRODUCTION TO REVENUE MANAGEMENT

The Revenue Division is linked to the IDP Objective through the Key Performance Area of Financial Viability and Management. The Division is responsible to provide effective and efficient Revenue Management and comprises of three sections in line with the key focus areas, namely Billing Services, Credit Control & Indigent Management and Counter Services that comprises of Cashiers and Customer Care. This report reflects the performance of the Division for the year 2020/2021.

3.20.2 SERVICE STATISTICS: REVENUE MANAGEMENT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage payment rate	65%	44%	65%	48%	65%	65%	65%
2	Number of billings conducted	12	12	12	12	12	12	12
3	Number of Indigents registered	7000	6877	7000	7292	7000	7000	7000

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
4	Percentage of queries resolved	75%	70%	68%	69%	75%	75%	75%
5	Percentage daily cash banked	100%	100%	100%	100%	100%	100%	100%
6	Percentage implementation valuation roll	100%	100%	100%	100%	100%	100%	100%
7	Number Revenue policies reviewed	5	5	5	5	5	5	5

3.20.3 DEBT RECOVERY

Details of the types of account raised and recovered	2019/2020		2020/2021		
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %
Property Rates	-59 905	91%	-67 106 412	-66 417 659	99%
Electricity - B&C	-103 092	103%	-82 703 140	-84 002 349	102%
Water - B&C	-133 265	83%	-58 777 800	-60 419 256	103%
Sanitation	-69 570	106%	-35 065 736	-35 032 993	100%
Refuse	-59 284	91%	-44 799 236	-45 192 320	101%
Other	0	0	0	0	0%

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3.20.4 REVENUE MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Percentage payment rate	65%	44%	65%	48%	65%	65%	65%	Historical resistance to pay for services especially in the townships as well as the economic effect on many South Africans due to the COVID19 pandemic	Appointment panel Litigators. After handover of accounts to move to summons within 10 months. Focus on linking state employed persons to outstanding debt. Arrears deduction on prepaid purchases.
Ensuring sound financial management and accounting	Number of billings conducted	12	12	12	12	12	12	12	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number of Indigents registered	7000	6877	7000	7292	7000	7000	7000	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Percentage of queries resolved	75%	70%	68%	69%	75%	75%	75%	Almost achieved missed by 1%	Interaction with Engineering Services to ensure that complaints are attended to, and feedback given. The lockdown changes in working hours could also be a factor to consider for the underperformance.
Ensuring sound financial management and accounting	Percentage daily cash banked	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Percentage implementation valuation roll	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Ensuring sound financial management and accounting	Number Revenue policies reviewed	5	5	5	5	5	5	5	Target Met	Continue monitoring

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3.20.5 EMPLOYEES: REVENUE MANAGEMENT

Employees: Revenue Management					
Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	4	2	2	50%
4 - 6	3	9	2	7	78%
7 - 9	25	35	25	10	29%
10 - 12	4	13	4	9	69%
Total	34	61	33	28	46%

3.20.6 FINANCIAL PERFORMANCE: REVENUE MANAGEMENT

Details	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	94 814	21 250	21 974	334 316	94%
Expenditure:					
Employees	9 393	9 914	9 685	9 285	-7%
Repairs and Maintenance	1	0	0	0	0%
Other	19 831	6 080	6888	6 535	7%
Total Operational Expenditure	29 225	15 994	16 573	15 820	-1%
Net Operational Expenditure	-65 589	-5 256	-5 401	-31 8496	98%

3.20.7 CAPITAL EXPENDITURE: REVENUE MANAGEMENT

No capital projects were implemented in the year under review.

3.20.8 COMMENT ON REVENUE MANAGEMENT PERFORMANCE OVERALL

Monthly billing was done 12 times within the 2020/2021 financial year. The overall average collection rate was 48% which is a increase of 4% from the previous financial year 2019/2020. The payment rate is still not at the level that was anticipated. The Covid-19 Pandemic and the economic impact thereof also influenced all the economic activities in the four towns of Setsoto Local Municipality. In Ficksburg businesses were negatively affected by the long-term closure of the Lesotho/South Africa border.

The payment rate is calculated on amounts billed and collected on the billed amounts. Prepaid sales are not part of this calculation. The payment rate reflects the non-payment of services in the townships, as the bulk of the levies of basic water, refuse, sewerage is for the townships with the larger number of sites.

The set target for Indigent registration was. The COVID-19 Lockdown influenced the registration figures of the last quarter April to June 2020. The low registration figures of Indigents resulted in consumers forfeiting subsidy and a possible inflation of the outstanding debtors.

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With the installation of the prepaid meters in Ficksburg, Senekal, Clocolan and Marquard electricity is purchased in advance and have a positive effect on daily cash flow. This direct collection is not included in the calculation of the payment rate. From end January 2020 debt collection via the prepaid system was introduced. Where accounts with arrears 90 days or older an automatic deduction of 50% of prepaid purchases are allocated to the linked service accounts.

Despite a vacancy rate of 46% the overall performance of the Revenue Division was satisfactory. Positions still need to be filled of employees that resigned or passed away, as these real vacancies have a serious impact on the workload of the remaining employees. Critical positions should be filled as a matter of urgency. With the implementation of the pre-paid meters in Ficksburg, Senekal, Clocolan and Marquard the workload has increased as meters need to be closed and final reading captured by hand.

The Debtor Clerk in Senekal has been suspended for 45 month and all debtor related queries, corrections, finalization of meters for pre-paid installation are referred to Ficksburg. The case against a Credit Controller, who was suspended for 15 months, has not been finalised.

Without regular monthly billing and collection of outstanding debt the municipality would not have been able to meet its commitments, which includes payment of salaries and other operational expenses. Debt Collection in the Townships are low and serious interventions will have to be implemented in the 2020/2021 financial year. A panel of Debt Collectors/Litigators were appointed in March 2021.

The implementation of pre-paid meters ensures that all sites that were transferred to pre-paid pay upfront for electricity. The impact of this will be apparent in the 2020/2021 financial year as the bulk of the prepaid meters have been installed. It will not reflect as part of the collection rate, but the electricity sales will show an increase.

Even though the COVID-19 Pandemic will have an impact on Debt collection, it will be made a priority in the 2021/2022 financial year with the full impact of the Debt Collectors. This will enhance cash flow and thus increasing the spending capacity on the core function – Service Delivery.

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3.21 ASSET MANAGEMENT

3.21.1 INTRODUCTION TO ASSET MANAGEMENT

Most of the municipality's assets are aging and therefore there are serious backlogs in the delivery of basic services to the community since the municipality has financial constraints and only depending mostly on grants. There is also a high rate of theft and vandalism that seems to be increasing daily.

3.23.2 SERVICE STATISTICS: ASSET MANAGEMENT

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage of Compliant Asset Registers as per GRAP and mSCOA requirement	100%	100%	100%	100%	100%	100%	100%
2	Number of updates completed on the asset register	4	4	4	4	4	4	4
3	Number of verifications conducted on the asset register	4	4	4	4	4	4	4
4	Number of reconciliations completed between the fixed asset register and the general ledger	12	12	12	12	12	12	12
5	Percentage of audit external and internal audit queries responded to and addressed	100%	100%	100%	100%	100%	100%	100%
6	Number of asset management policy reviewed and approved	1	1	1	1	1	1	1
7	Number of section 71 Reports submitted to Finance Committee	12	12	12	12	12	12	12

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3.21.3 ASSET MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Percentage of Compliant Asset Registers as per GRAP and mSCOA requirement	100%	100%	100%	100%	100%	100%	100%		
Ensuring sound financial management and accounting	Number of updates completed on the asset register	4	4	4	4	4	4	4		
Ensuring sound financial management and accounting	Number of verifications conducted on the asset register	4	4	4	4	4	4	4		
Ensuring sound financial management and accounting	Number of reconciliations completed between the fixed asset register and the general ledger	12	12	12	12	12	12	12		
Ensuring sound financial management and accounting	Percentage of audit external and internal audit queries responded to and addressed	100%	100%	100%	100%	100%	100%	100%		
Ensuring sound financial management and accounting	Number of asset management policy reviewed and approved	1	1	1	1	1	1	1		

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Ensuring sound financial management and accounting	Number of section 71 Reports submitted to Finance Committee	12	12	12	12	12	12	12		

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3.21.4 EMPLOYEES: ASSET MANAGEMENT

Employees: Revenue Management					
Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
4 - 6	0	2	1	1	50%
7 - 9	2	5	5	0	0%
Total	4	10	8	2	50%

3.21.5 FINANCIAL PERFORMANCE: ASSET MANAGEMENT

Details	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	1 466	1 819	2 157	2 709	33%
Repairs and Maintenance	0	0	0	0	0%
Other	1 096	161	2 200	141	-14%
Total Operational Expenditure	2 562	1 980	4 357	2 850	31%
Net Operational Expenditure	2 562	1 980	4 357	2 850	31%

3.21.6 CAPITAL EXPENDITURE: ASSET MANAGEMENT

No capital projects were implemented in the year under review.

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3.22 HUMAN RESOURCES MANAGEMENT

3.22.1 INTRODUCTION TO HUMAN RESOURCES MANAGEMENT SERVICES

During the financial year 2020/2021 the Division of Human Resources Management Division was responsible for the overall management of the two functions, which are:

- Human Resource Administration, responsible for, Benefits Administration and Recruitment and Placement.
- The second function was the Health and Wellness which is responsible for Employee Wellness and Occupational Health.

3.22.2 SERVICE STATISTICS: HUMAN RESOURCES MANAGEMENT

Details		2019/2020	2020/2021		2021/2022
		Actual	Target	Actual	Target
1	Percentage of co-ordinated positions filled	100.00%	100.00%	100.00%	100.00%
2	Percentage of the effectiveness on the administration of Human Resources Management	80.00%	100.00%	80.00%	100.00%
3	Percentage of employee benefits administered	100.00%	100.00%	100.00%	100.00%
4	Percentage towards awareness made on Health and Safety at the workplace	100.00%	100.00%	100.00%	100.00%
5	Percentage towards the effectiveness of impact on wellness programmes conducted	100.00%	100.00%	100.00%	100.00%
6	Percentage of fulltime appointed s56 managers	100.00%	100.00%	100.00%	100.00%
7	Number of days taken by the municipality to make appointments	253	60	92	60

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3.22.3 HUMAN RESOURCES MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021			2021/2022	2022/2023	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Target	Actual	Target	Target		
Building institutional resilience and administrative capability	Percentage of co-ordinated positions filled	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Building institutional resilience and administrative capability	Percentage of the effectiveness on the administration of Human Resources Management	100%	100%	100%	100%	80%	100%	100%	A policy was developed and submitted to council for approval. Due to non-sitting of council the policy was not approved.	Submission in the next council as well as revising the target in the new financial year
Building institutional resilience and administrative capability	Percentage of employee benefits administered	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Building institutional resilience and administrative capability	Percentage towards awareness made on Health and Safety at the workplace	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Building institutional resilience and administrative capability	Percentage towards the effectiveness of impact on wellness programmes conducted	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021			2021/2022	2022/2023	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Target	Actual	Target	Target		
Building institutional resilience and administrative capability	Percentage of fulltime appointed s56 managers	100%	100%	100%	100%	80%	100%	100%	Target Almost Met	Ensure that targets are achieved within the required timeframe
Building institutional resilience and administrative capability	Number of days taken by the municipality to make appointments	60	253	60	60	92	60	60	Target Not Met Shortlisting not yet done	Adherence to the Conditions of employment for Senior Managers

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3.22.4 EMPLOYEES: HUMAN RESOURCES MANAGEMENT

Job Level	2019/2020	2020/2021			
	employees	Post	Employees	Vacancies fulltime equivalent	Vacancies as a percentage of total posts
0-3	3	3	3	0	0%
4-6	2	4	2	1	25%
7-9	3	10	4	6	60%
Total	8	17	9	7	41%

3.22.5 FINANCIAL PERFORMANCE: HUMAN RESOURCES MANAGEMENT

3.22.6 CAPITAL EXPENDITURE: HUMAN RESOURCES MANAGEMENT

No capital projects were implemented in the year under review.

3.22.7 COMMENT ON HUMAN RESOURCES MANAGEMENT PERFORMANCE OVERALL

During the financial year 2020/2021, the division, Human Resources Management, despite the Covid 19 challenges, we strived to achieve most targets. The challenge was only on the appointment of Senior Managers where the targets were not met. The vacancy of the Director Engineering was advertised but shortlisting was not yet done at the end of the financial year.

3.23 HUMAN RESOURCES DEVELOPMENT

3.23.1 INTRODUCTION TO HUMAN RESOURCE DEVELOPMENT

The Human Resources Development Division derives its mandate from the IDP (Organizational Development). Three top services that are rendered by the Human Resources Development Division are:

- To provide training for Skills Development
- Employment Equity
- To maintain discipline and sound Labour Relations

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3.23.2 SERVICE STATISTICS: HUMAN RESOURCE DEVELOPMENT

Details		2019/2020	2020/2021		2021/2022
		Actual	Target	Actual	Target
1	Percentage of municipality's budget actually spent on implementing its workplace skills plan	28%	85%	16.91%	50%
2	Number of approved Workplace Skills Plan	1	1	1	1
3	Percentage of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality approved Employment Equity Plan	4.2%	60%	3.75%	20%
4	Percentage reduction in disciplinary hearings	25%	50%	31%	50%

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3.23.3 HUMAN RESOURCE DEVELOPMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021			2021/2022	2022/2023	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Target	Actual	Target	Target		
Building institutional resilience and administrative capability	Percentage to which planned Workplace Skills Plan programmes are implemented and achieved	85%	28%	85%	85%	16.91%	50%	50%	Target Not Met	Ensure that there are enough funds to implement programmes
Building institutional resilience and administrative capability	Number of approved Workplace Skill Plans	1	1	1	1	1	1	1	Target Met	Continue monitoring
Building institutional resilience and administrative capability	Percentage of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality Employment Equity Plan	60%	4.2%	60%	60%	3.75%	20%	20%	Target Not Met	Strict adherence to policies
Building institutional resilience and administrative capability	Percentage reduction in Disciplinary Hearings	50%	25%	50%	50%	31%	50%	50%	Target Not Met	Finalise matters within the prescribed period

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3.23.4 EMPLOYEES: HUMAN RESOURCE DEVELOPMENT

Job Level	2019/2020	2020/2021			
	employees	Post	Employees	Vacancies fulltime equivalent	Vacancies as a percentage of total posts
0-3	2	3	2	1	33%
4-6	1	3	1	2	67%
7-9	1	1	1	1	0%
Total	4	7	4	3	43%

3.23.5 FINANCIAL PERFORMANCE: HUMAN RESOURCE DEVELOPMENT

R'000					
Details	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	337	337	88	-283%
Expenditure:					
Employees	3 011	3 779	3 642	3 670	-3%
Repairs and Maintenance	0	6	6	1	-500%
Other	216	345	313	248	-39%
Total Operational Expenditure	3 227	4 130	3 961	3 919	-5%
Net Operational Expenditure	3 227	3 793	3 624	38 31	1%

3.23.6 CAPITAL EXPENDITURE: HUMAN RESOURCE DEVELOPMENT

	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	25	38	100%	38

3.23.7 COMMENT ON HUMAN RESOURCE DEVELOPMENT PERFORMANCE OVERALL

The Human Resources Development Division has ensured that there are sound relationships with Government Departments, Local Government Sector Education Training Authority and another Sector Education and Training Authorities. This enables the Division to obtain strategic partnership with the sectors. These strategic partners provide funding to the programmes that are implemented in the institution. The type of the funding that is allocated come in the form of the Discretionary Grants that are utilized to implement Learnerships and Internships. These projects require capital but since the Grants are allocated, all the programmes that are implemented is through those conditional grants.

The compilations of the Employee Equity Plan, Workplace Skills Plan, Annual Training Report, and Policy Development, which can be classified as the Capital Projects, are not outsourced as the Human Resources Development Division has the capacity to do the work internally. Covid-19 had impacted on training to be implemented and this had led the Division not to perform as expected, furthermore the division rely on the Discretionary Grants and has also secured funds from Local Government Sector Education Training Authority for implementation of Environmental Practice Learnership, Department of Treasury for Supply Chain Management Learnership Programme and the Office of the

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Premier (Internships) and placement of Technical and Vocational Education Training students to acquire workplace experience at the Municipality.

The imposition of lockdown impacted on some hearings and had to be re-scheduled. Non availability of the Presiding Officers and Prosecutors due to work, South African Local Government Association and other unrelated commitments also had a negative impact. Since the easing of the Covid-19 lockdown restrictions disciplinary hearings are continuing.

3.24 INFORMATION COMMUNICATION TECHNOLOGIES, COMMUNICATION AND CUSTOMER CARE RELATIONS

3.24.1 INTRODUCTION TO INFORMATION COMMUNICATION TECHNOLOGIES, COMMUNICATION AND CUSTOMER CARE RELATIONS

The municipality is committed to providing a reliable and sustainable Information Communication Technology environment that supports its goals and objectives, as defined in the Integrated Development Plan. The Information Communication Technology Section is within the office of the Municipal Managers department and is linked to the Integrated Development Plan objective and key performance area off Good Governance and Public Participation.

The strategic goal of the section is to provide strategic leadership to the strategic operational activities of the municipality.

The main responsibility of the Information Communication Technology Section is providing and maintaining Information Systems that responds to the information needs and requirements of the municipality as well as to ensure connectivity of the users at all times by focusing on the following areas;

- Security of all Information Technology systems and assets;
- Availability of systems;
- High performance of systems;
- Increase service delivery of the municipality to its greater customers through highly effective systems;
- Support and maintain systems used by all departments;
- Ensure IT systems work according to business requirements;
- Ensure policies and procedures are in place for governance;
- Ensure seamless integration of systems and platforms; and
- To lead delivery of Information Technology systems and services according to industry best practices and government-based procedures.

The municipality has adopted the Municipal Corporate Governance of Information and Communication Technology Policy Framework, together with its Information and Communication Technology Governance Framework, Policies, and Information and Communication Technology Charter for establishing the Information and Communication Technology Governance Structures required.

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3.24.2 SERVICES STATISTICS: INFORMATION COMMUNICATION TECHNOLOGIES, COMMUNICATION AND CUSTOMER CARE RELATIONS

Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of Information Communication Technology Steering Committee meeting held	4	4	4	4	4	4	4
2	Number of security reports produced	4	4	4	4	4	4	4
3	Number of email internet maintenance reports produced	4	4	4	4	4	4	4
4	Number of Information Communication Technology Policy reviewed	1	1	1	1	1	1	1
5	Number of Servers Upgraded	0	0	1	1	1	1	1
6	Number of CIBECS licenses renewed	200	200	200	200	200	200	200
7	Number of MICROSOFT volume licenses renewed	1	1	1	1	1	1	1
8	Number of Anti-malware and Anti-spyware licenses renewed	320	320	350	0	0	350	350
9	Number of IMPERO licenses renewed	200	200	350	0	0	0	0
10	Number of ePMS licenses renewed	1	0	0	0	0	0	0
11	Number of Disaster Recovery test conducted on HRS-Server	4	4	4	4	4	4	4
12	Number of Disaster Recovery test conducted on BARN-Server	4	4	4	4	4	4	4
13	Number of Disaster Recovery test conducted on DCO1-Server	4	4	4	4	4	4	4

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Details		2019/2020		2020/2021		2021/2022	2022/2023	2023/2024
		Target	Actuals	Target	Actuals	Target	Target	Target
14	Number of risk registers updated,	4	4	4	4	4	4	4
15	Percentage of external and internal audit queries responded to and addressed within required timeframe	100%	100%	100%	100%	100%	100%	100%
16	Number of monthly updates of progress on Audit Action Plan	2	2	2	2	2	2	2

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3.24.3 INFORMATION COMMUNICATION TECHNOLOGIES, COMMUNICATION AND CUSTOMER CARE RELATIONS POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target		
Promoting good governance, transparency, and accountability	Number of Information Communication Technology Steering Committee meeting held	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of security reports produced	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of email internet maintenance reports produced	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of Information Communication Technology Policy reviewed	1	1	1	1	1	1	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of Servers Upgraded	0	0	1	1	1	1	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of CIBECS licenses renewed	200	200	200	200	200	200	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of MICROSOST volume licenses renewed	1	1	1	1	1	1	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target		
Promoting good governance, transparency, and accountability	Number of Anti-malware and Anti-spyware licenses renewed	320	320	350	0	350	350	Target Not Met FWPQ must be re-advertised since it was not visible on the website	Ensure that license fees are paid when due
Promoting good governance, transparency, and accountability	Number of IMPERO licenses renewed	200	200	200	0	0	0	Target Not Met FWPQ must be re-advertised since it was not visible on the website	Ensure that license fees are paid when due
Promoting good governance, transparency, and accountability	Number of ePMS licenses renewed	1	0	1	0	0	0	Target Not Met	Ensure that license fees are paid when due
Promoting good governance, transparency, and accountability	Number of Disaster Recovery test conducted on HRS-Server	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of Disaster Recovery test conducted on BARN-Server	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of Disaster Recovery test conducted on DCO1-Server	4	4	4	4	4	4	Target Met	Continue monitoring

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Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target		
Promoting good governance, transparency, and accountability	Number of risk registers updated,	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Percentage of external and internal audit queries responded to and addressed within required timeframe	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of monthly updates of progress on Audit Action Plan	2	2	2	2	2	2	Target Met	Continue monitoring

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3.24.4 EMPLOYEES: INFORMATION COMMUNICATION TECHNOLOGIES, COMMUNICATION AND CUSTOMER CARE RELATIONS

Job Level	2019/2020	2020/2021			
	employees	Post	Employees	Vacancies fulltime equivalent	Vacancies as a percentage of total posts
0-3	1	1	1	0	0%
4-6	0	2	0	2	100%
7-9	1	2	1	1	50%
Total	2	5	2	3	60%

3.24.5 FINANCIAL PERFORMANCE: INFORMATION COMMUNICATION TECHNOLOGIES, COMMUNICATION AND CUSTOMER CARE RELATIONS

Details	R'000				
	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	3 710 050.82	4 347 148.00	4 280 927.60	66 220.40	3 710 050.82
Expenditure:					
Employees	1 456 747.98	1 378 332.00	1 411 286.86	-32 954.86	1 456 747.98
Repairs and Maintenance	0	0	0	0	0
Other	2 253 302.84	2 968 816.00	2 869 640.74	99 175.26	2 253 302.84
Total Operational Expenditure	3 710 050.82	4 347 148.00	4 280 927.60	66 220.40	3 710 050.82
Net Operational Expenditure	3 710 050.82	4 347 148.00	4 280 927.60	66 220.40	3 710 050.82

3.24.6 CAPITAL EXPENDITURE: INFORMATION COMMUNICATION TECHNOLOGIES, COMMUNICATION AND CUSTOMER CARE RELATIONS

There were no capital projects implemented in the year under review

3.24.7 COMMENT ON INFORMATION COMMUNICATION TECHNOLOGIES, COMMUNICATION AND CUSTOMER CARE RELATIONS PERFORMANCE OVERALL

The Information Communication Technologies Section within the Information Communication Technology, Communication and Customer Relations Division has met 95% of its targets. The variation was due to the delays in SCM drafting the FWPQ on time to be placed on the website.

3.25 LEGAL SERVICES AND CONTRACT MANAGEMENT

3.25.1 INTRODUCTION TO LEGAL SERVICES AND CONTRACT MANAGEMENT

The Legal Services Division is tasked with providing legal and advisory services to both the administrative and political arms of the municipality. Legal Services is also tasked with ensuring effective and efficient contract management and monitoring within the municipality. In the 2020/2021 year, the Division saw an improvement in the turnaround times for the settlement of private claims against the Municipality, as well as the finalization of long outstanding legal cases (i.e., Rudnat and Montsioa Constructions).

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The Municipality’s contracts register was updated and to date, remains a true reflection of all active contracts between third parties and the Municipality (i.e., lease agreements). To control legal costs and curb expenditure, the Division implemented the measure of requesting lawyers to submit taxed invoices when claiming for services rendered, this ensures that the Municipality pays costs as approved by the Taxing Master, and furthermore, the municipality is assured that such invoices and payments thereof can withstand the scrutiny of the Auditor General.

3.25.2 SERVICE STATISTICS: LEGAL AND CONTRACT MANAGEMENT

	Details	2019/2020	2020/2021		2021/2022	2022/2023	2023/2024
		Actual	Target	Actual	Target	Target	Target
1	Number of updates on litigations and private claims register	0	4	4	4	4	4
2	Percentage of new and existing contracts entered into the contracts register	0%	100%	100%	100%	100%	100%
3	Percentage of applications for renewal of expired contracts processed	0%	75%	100%	100%	100%	100%
4	Number of settlements reached on private claims and/or letters of demand	0%	29%	4	4	4	4
5	Number of Section 80 Committee Reports compiled and submitted	0	9	12	12	12	12

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3.25.3 LEGAL SERVICES AND CONTRACT MANAGEMENT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021			2021/2022	2022/2023	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Target	Actual	Target	Target		
Promoting good governance, transparency, and accountability	Number of updates on litigations and private claims register	0	4	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Percentage of new and existing contracts entered into the contracts register	0%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Percentage of applications for renewal of expired contracts processed	0%	75%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of settlements reached on private claims and/or letters of demand	0%	29%	4	4	4	4	4	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of Section 80 Committee Reports compiled and submitted	0	9	12	12	12	12	12	Target Met	Continue monitoring

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3.25.4 EMPLOYEES: LEGAL SERVICES AND CONTRACT MANAGEMENT

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	3	2	1	33%
7 - 9	1	2	1	1	50%
Total	3	5	3	2	40%

3.25.5 FINANCIAL PERFORMANCE: LEGAL SERVICES AND CONTRACT MANAGEMENT

Details	R'000				
	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure					
Employees	11 04	2 675	2 115	2 128	-26%
Repairs and Maintenance	0	19	19	1	-1800%
Other	1 817	1 994	3 650	3 101	36%
Total Operational Expenditure	2 921	4 688	5 784	5 230	10%
Net Operational Expenditure	2 921	4 688	5 784	5 230	10%

3.25.6 CAPITAL EXPENDITURE: LEGAL SERVICES AND CONTRACT MANAGEMENT

No capital projects were implemented during the year under review.

3.25.7 COMMENT ON LEGAL SERVICES AND CONTRACT MANAGEMENT PERFORMANCE OVERALL

In the 2020/2021 financial year, the Legal Services Division was able to achieve the set targets for the year. Unfortunately, the Legal Services budget was exhausted by a certain payment which, despite not being attributable to Legal Services, was made from the Legal Services budget in settlement of a claim that had been lodged against the Municipality (i.e., payment of R 612 000 in settlement of the Salemane claim).

Legal costs continue to be a challenge but have been drastically reduced by requesting lawyers to submit taxed invoices. The contract register is up to date and the litigation register is also updated accordingly. Because the 2020/2021 targets were new targets set by the Division, the same targets have been set for the 2021/2022 financial year to ensure achievement within the set annual budget before revising the targets.

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3.26 ADMINISTRATION AND COUNCIL SUPPORT

3.26.1 INTRODUCTION TO ADMINISTRATION AND COUNCIL SUPPORT

The Administration and Support Services Division is located within the Department of Corporate Services, and it is responsible for the provision of an effective and efficient Administration and Support Services. It comprises of three sections in line with the key focus areas, namely Committee Services, Records and Archive Management as well as the Support Services which also includes the responsibility for Telecommunication and Reprographic Equipment Management, Office Cleaning Services as well as Reception Services. This report reflects the performance of the division for the year 2020/2021.

3.26.2 SERVICE STATISTICS: ADMINISTRATION AND COUNCIL SUPPORT

Administration and Support Services Data							
	Details	2019/2020		2020/2021		2021/2022	
		Actual	Target	Actual	Target	Actual	Target
1	Percentage of planned Records Management Activities implemented	88%	100%	94%	100%		
2	Percentage of planned Committee Services Activities implemented	100%	100%	96%	100%		
3	Percentage of planned Telecommunication and Reprographic related activities implemented.	100%	100%	94%	100%		
4	Percentage of planned activities in respect of cleaning services implemented	100%	100%	100%	100%		
5	Percentage of Planned Activities implemented towards the development and/or review of Bylaws / Administration Policies	2	100%	92%	100%		

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3.26.3 ADMINISTRATION AND COUNCIL SUPPORT POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021			2021/2022	2022/2023	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Target	Actual	Target	Target		
Promoting good governance, transparency, and accountability	Percentage of planned Records Management Activities implemented	100%	88%	100%	100%	94%	100%	100%	Target Almost Met	Ensure targets are met within required timeframe
Promoting good governance, transparency, and accountability	Percentage of planned Committee Services Activities implemented	100%	100%	100%	100%	96%	100%	100%	Target Almost Met	Ensure targets are met within required timeframe
Promoting good governance, transparency, and accountability	Percentage of planned Telecommunication and Reprographic related activities implemented.	100%	100%	100%	100%	94%	100%	100%	Target Almost Met	Ensure targets are met within required timeframe
Promoting good governance, transparency, and accountability	Percentage of planned activities in respect of cleaning services implemented	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Percentage of Planned Activities implemented towards the development and/or review of Bylaws / Administration Policies	2	2	100%	100%	92%	100%	100%	Target Almost Met	Ensure targets are met within required timeframe

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3.26.4 EMPLOYEES: ADMINISTRATION AND COUNCIL SUPPORT

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	1	11	3	8	73%
10 - 12	8	14	8	6	43%
13 - 15	21	24	21	3	13%
Total	34	53	36	17	32%

3.26.5 FINANCIAL PERFORMANCE: ADMINISTRATION AND COUNCIL SUPPORT

Details	R'000				
	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	0	1 684	1 799	1 841	9%
Repairs and Maintenance	12	342	58	19	-1700%
Other	3 138	4 964	3 539	2 719	-83%
Total Operational Expenditure	3 150	6 990	5 396	4 579	-53%
Net Operational Expenditure	3 150	6 990	5 396	4 579	-53%

3.26.6 CAPITAL EXPENDITURE: ADMINISTRATION AND COUNCIL SUPPORT

No capital projects were implemented during the year under review.

3.26.7 COMMENTS ON ADMINISTRATION AND COUNCIL SUPPORT PERFORMANCE OVERALL

The division is operating with an overall 32% vacancy rate. At Clerical Level it has a 56% vacancy rate. As a result of the vacancy rate the Manager and Supervisors are also dealing with various operational issues on a daily basis to ensure that the work gets done. This situation has an impact on sufficient monitoring of the employees. Currently, 1 EPWP is assisting at Clerical Level. 1 Clerk position within Records Management as well as 3 Cleaner / General Worker posts have been budgeted for in the 2021/2022 financial year to address the vacancy rate.

The impact of Covid 19 played a role in some instances whereby all targets could not be achieved especially in the first and last quarter of the 2020/2021 financial year. This relates to submission of deduction lists for telephone calls to Payroll division as people were not working from the office can submit the information, workshop that was planned for records management awareness which could not materialize due to the sudden move to level 4 of the lockdown regulations which prohibited gatherings.

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Also, a political instability within Council whereby various meetings were postponed, adjourned or did not quorate resulting in the Council meetings for approval of compliance matters not being held as per the year plan even though the target of 1 meeting per quarter was achieved.

Furthermore, also due to the removal of the Executive Mayor and the Council not electing a new Executive Mayor immediately (even though the meeting that was held where this took place was declared null and void) it impacted on Mayoral Committee Meetings for the last quarter not being held as planned. For this division to achieve its target, it is imperative that there is political stability within the Council.

3.27 PAYROLL ADMINISTRATION

3.27.1 INTRODUCTION TO PAYROLL ADMINISTRATION

The Payroll Administration Division is within the Corporate Services Department and is responsible for processing of salaries, benefits, deductions, payments to third parties, PAYE reconciliations and all other salary related issues/matters. The Payroll System follows set regulations to ensure compliance to national legislation. Payroll Administration is also responsible for the processing of all leave transactions and maintaining leave records of each employee.

3.27.2 SERVICE STATISTICS: PAYROLL ADMINISTRATION

Details		2019/2020	2020/2021		2021/2022
		Actual	Target	Actual	Target
1	Number of payrolls processed on or before 25 th of every month	12	12	12	12
2	Number of months that Third parties are processed on or before the 3 rd of every month	12	12	12	12
3	Percentage of leave processed	100%	100%	100%	100%

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3.27.3 PAYROLL ADMINISTRATION POLICY OBJECTIVES TAKEN FROM THE INTEGRATED DEVELOPMENT PLAN

Objective	Key Performance Indicator	2019/2020		2020/2021			2021/2022	2022/2023	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Target	Actual	Target	Target		
Promoting good governance, transparency, and accountability	Number of payrolls processed on or before 25 th of every month	3	3	3	3	3	3	3	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Number of months that Third parties are processed on or before the 3 rd of every month	3	3	3	3	3	3	3	Target Met	Continue monitoring
Promoting good governance, transparency, and accountability	Percentage of leave processed	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

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3.27.4 EMPLOYEES: PAYROLL ADMINISTRATION

Job Level	2019/2020	2020/2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
4 - 6	0	1	1	0	0%
7 - 9	1	1	0	1	100%
10 - 12	1	1	1	0	0%
Total	4	5	4	1	20%

3.27.5 FINANCIAL PERFORMANCE: PAYROLL ADMINISTRATION

Details	R'000				
	2019/2020	2020/2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	1 984	2 910	2 843	2 832	-3%
Repairs and Maintenance	0	6	6	1	-500%
Other	208	391	431	247	-58%
Total Operational Expenditure	21 92	3 307	3 280	3 080	-7%
Net Operational Expenditure	2 192	3 307	3 280	3 080	-7%

3.27.6 CAPITAL EXPENDITURE: PAYROLL ADMINISTRATION

No capital projects were implemented during the year under review.

3.27.7 COMMENT ON PAYROLL ADMINISTRATION PERFORMANCE OVERALL

The Division has achieved all targets and the reports were submitted for all four quarters of the financial year 2020/2021 even though the Division was only 80% staffed with a vacant position of a Salary Clerk.

CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4. INTRODUCTION

During the financial year 2020/2021, the Department of Corporate Services continued rendering the support services to the institution in terms of Human Resources Management and Human Resources Development. The institution had a total number of 643 permanent employees. In terms of Senior Managers positions, four positions were filled and only one position of Director Engineering Services was vacant as a result of the resignation of the incumbent.

This position was advertised but at the end of the financial year shortlisting was not yet done. During the last financial year, the process of reviewing the organisational structure was still not finalised, but it is anticipated that the process should be finalised before end of the new financial year. This process will also inform the fast racking and finalisation of job evaluation process.

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

Description	2019/2020	2020/2021			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Council General	9	12	10	2	16.67%
Office of the Municipal Manager	11	14	2	1	7.14%
Integrated Development Planning and Performance Management Systems	4	5	4	1	20.00%
Internal Audit	5	10	5	5	50.00%
Information Communication Technologies, Communication and Customer Care Relations	4	11	4	7	63.64%
Treasury Administration	1	1	1	0	0.00%
Expenditure	9	13	9	4	30.77%
Budget and Financial Reporting	4	10	4	6	60.00%
Supply Chain Management	9	21	9	12	57.14%
Revenue Services	34	53	33	20	37.74%
Assets Management	4	10	8	2	20.00%
Admin and Support	34	51	34	17	33.33%
Human Resource Management	8	17	10	7	41.18%
Payroll Administration	4	5	4	1	20.00%
Legal Services	3	5	3	2	40.00%
Human Resource Development	3	7	4	3	42.86%
Community Administration	1	1	1	0	0.00%
Cemeteries	5	24	5	19	79.17%
Local Economic Development	4	6	4	2	33.33%
Sport and Recreation	62	124	62	61	49.19%
Traffic	22	41	20	21	51.22%
Fire Services	1	36	1	35	97.22%
Disaster Management	1	3	1	2	66.67%
Security Services	31	70	31	39	55.71%
Waste Management	70	143	70	73	51.05%
Engineering Administration	3	1	3	0	0.00%
Project Management Unit	4	8	4	4	50.00%
Road and Storm Water	54	125	54	71	56.80%
Electricity	24	40	24	16	40.00%

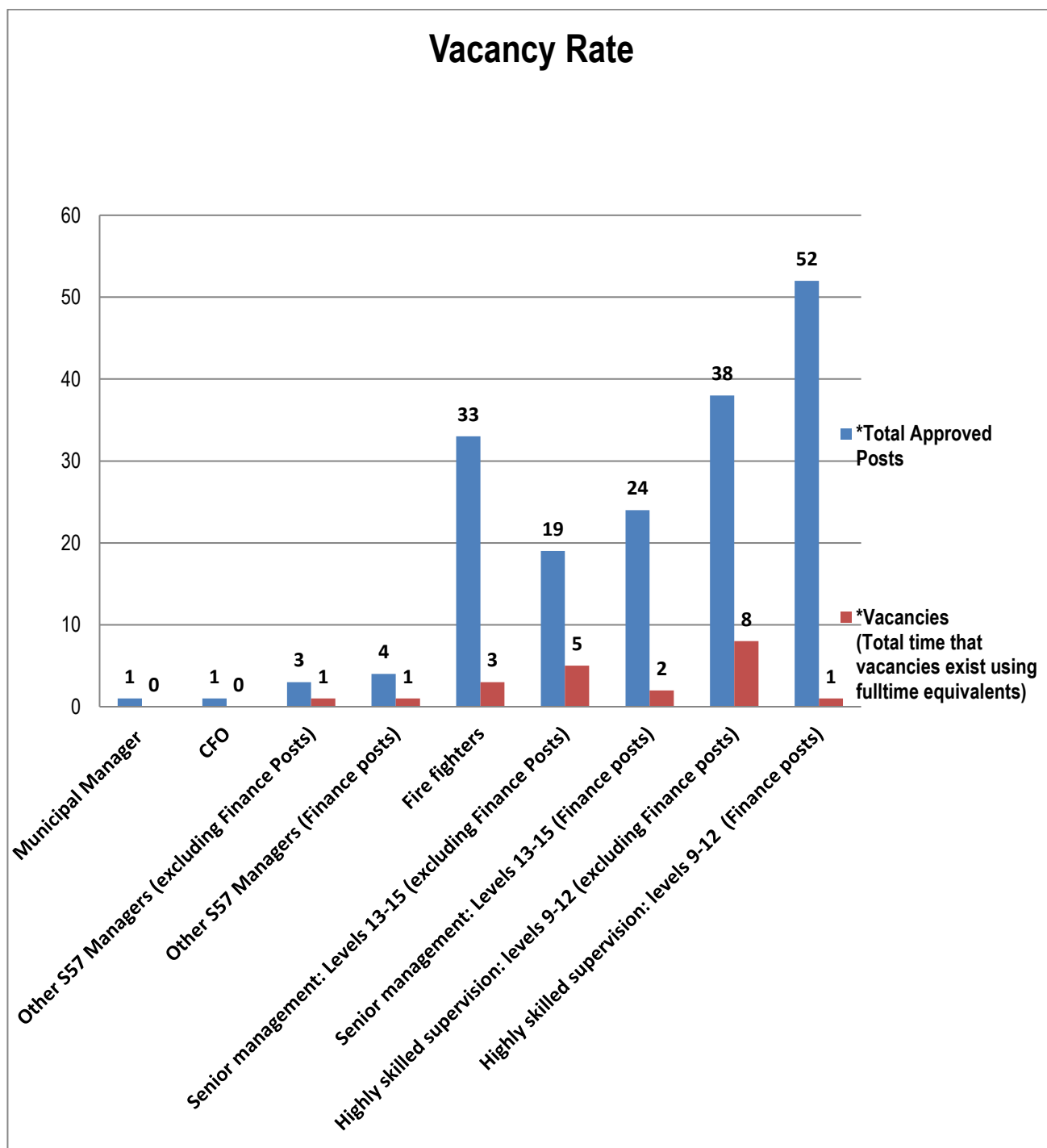
CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

Description	2019/2020	2020/2021			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water Maintenance	65	103	65	38	36.89%
Waste Management	131	162	131	31	19.14%
Housing	19	44	19	25	56.82%
Fleet Management	2	18	4	14	77.78%
Totals	645	1 194	643	541	45.31%

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Vacancy Rate: 2020/2021			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
Chief Financial Officer	1	0	0.00
Other S57 Managers (excluding Finance Posts)	3	1	33.33
Other S57 Managers (Finance posts)	4	1	25.00
Fire fighters	33	3	9.09
Senior management: Levels 13-15 (excluding Finance Posts)	19	5	26.32
Senior management: Levels 13-15 (Finance posts)	24	2	8.33
Highly skilled supervision: levels 9-12 (excluding Finance posts)	38	8	21.05
Highly skilled supervision: levels 9-12 (Finance posts)	52	1	1.92
Total	175	24	13.71

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Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2018/2019	12	24	200%
2019/2020	29	16	55%
2020/2021	25	23	92%

CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4.1.1 COMMENT ON VACANCIES AND TURNOVER

During the financial year 2020/2021, four Section 56 positions were filled, one position was vacant which was for the position of Director Engineering Services. This position was already advertised at the end of the financial year. We had 23 terminations, and only 25 positions were filled during the financial year.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO THE MUNICIPAL WORKFORCE

4.2 POLICIES

Human Resource Policies and Plans				
Name of Policy		Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Bereavement Policy	100%	100%	Version 1: adopted on 24/02/2011
2	Dress Code Policy	100%	0%	Version 1: adopted on 28/02/2011
3	Employment Equity Policy	100%	0%	Version 1: adopted on 30/05/2013
4	Employee Performance Appraisal System	100%	0%	Version 1: adopted on 30/08/2008
5	Employee Assistance Programme	100%	0%	Version 1: adopted on 30/05/2013
6	HIV/AIDS Policy	100%	0%	Version 1: adopted on 30/05/2013 Version 2: review currently underway
7	Occupational Health & Safety Policy	100%	0%	Version 1: adopted on 10/02/2007, Policy under review
8	Promotion Demotion & Transfer Policy	100%	0%	Version 1: adopted on 24/01/2013
9	Staff Retention Policy	100%	0%	Version 1: adopted on 30/10/2012
10	Remuneration Policy for all Employees	100%	0%	Version 1: adopted on 10/12/2007
12	Remuneration Policy for Senior Managers	100%	0%	Version 1: adopted on 10/12/2007
13	Placement Policy	100%	0%	Version 1: adopted on 27/03/2003
14	Training and Development Policy	100%	100%	Version 2: adopted on 16/10/2014
15	Sexual Harassment Policy	100%	0%	Version 1: adopted on 10/12/2007
16	Recruitment, Selection, Appointment Policy	100%	0%	Version 1: adopted on 10/12/2007
17	Relocation Policy	100%	0%	Version 1: adopted on 10/12/2007
18	Labour Relations & Discipline Policy	100%	0%	Version 1: adopted on 10/12/2007
19	Travelling Allowance Scheme	100%	0%	Version 1: adopted on 10/12/2007
20	Policy on Employee Benefits	100%	0%	Version 1: adopted on 10/12/2007
21	Legal Aid to Employees & Cession of Action	100%	0%	Version 1: adopted on 10/12/2007
22	Smoking Policy	100%	0%	Version 1: adopted on 10/12/2007 Version 2: review progress currently underway
23	Induction Policy	100%	0%	Version 1: adopted on 10/12/2007
24	Use of Municipal Vehicles & Equipment	100%	0%	Version 1: adopted on 10/12/2007

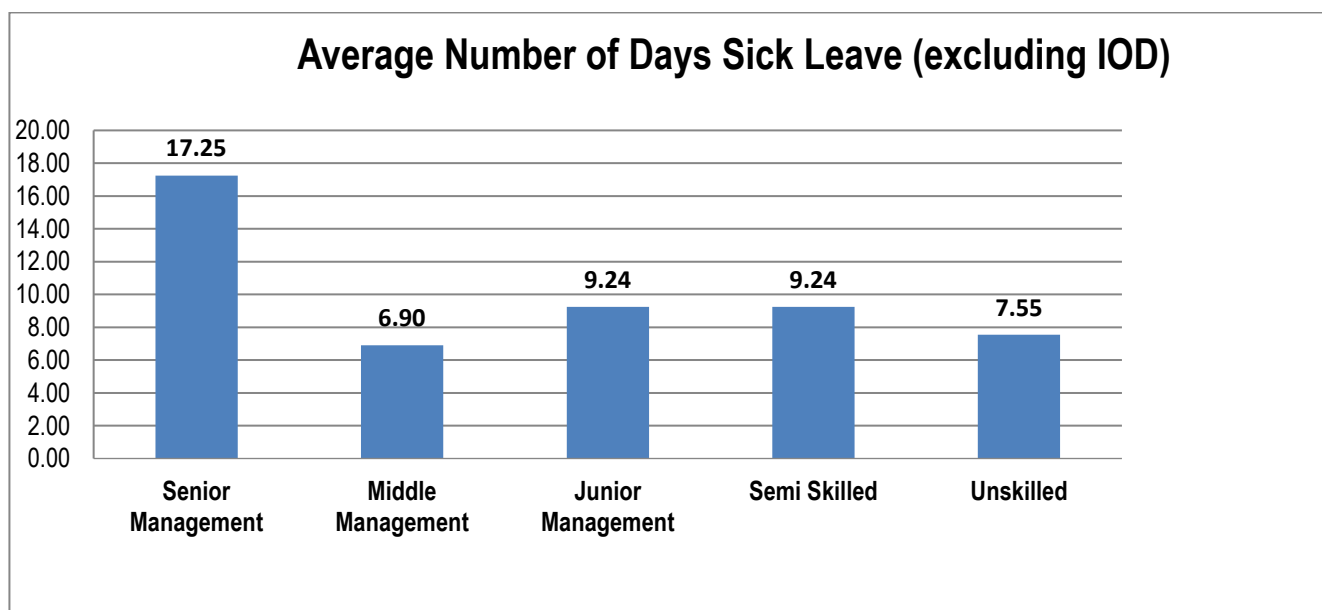
CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4.2.1 COMMENT ON WORKFORCE POLICY DEVELOPMENT

Most of our human resource related policies are outdated, and it was the intention of the division to review them but due to lack of capacity these policies could not be reviewed. During the new financial year, the division will review some of the policies with the assistance of the Legal Division.

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	60	5	8%	12	60
Temporary total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
Total	60	5	8%	12	60



4.3.1 COMMENT ON SICK LEAVE

A total of 466 employees used 5317 total days in sick leave during the 2020/2021 financial year. This averaged out to 8.39 days per employee based on total number of employees in the various positions. The sick leave of employees is monitored by the respective supervisors and where employees are on sick leave an extended period of time, such is brought to the attention of Human Resource Management to analyse the need for medical unfit or temporary incapacity. Each employee's full leave record is maintained online and can provide a full information of sick leave and a number of days taken.

CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4.4 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
Plumber	It is alleged that during the month of December 2019 around OVK the Employee has misused the Council Property	28th February 2020	The Employee was suspended, and disciplinary actions were instituted. Employer decided to withdraw the charges against the Employee after it was determined that there was no sufficient evidence to commence with the disciplinary actions.	Employer withdrew the charges on 14th December 2020 .
Senior Cashier	It is alleged that the Employee failed to perform his Supervisory roles over the Cashiers and that led to the Municipality failing to bank R 335 029. 88. Furthermore is alleged that the Employee failed to ensure the proper control over the money- safe and that led to under-banking and shortages which were not accounted for.	27th June 2018	The Employee was suspended, and disciplinary actions were instituted. Matter finalised after the Employee has resigned as per Clause 11.1 of SALGBC Disciplinary Procedure Collective Agreement.	Finalised: The Employee resigned on 31st December 2020 before the Presiding Officer issue the Finding.
Fleet Assistant Clerk	It is alleged that the Employee displayed act of dishonesty when performing fuel transactions.	3rd March 2021.	Employee currently on suspension. The Investigation Report from Engineering Services and Treasury still pending despite several request.	Pending: Matter to be scheduled once the Charge Sheet is served
Process Controller	It is alleged that the Employee dishonesty about the missing generators at the Cyferfontein Dam whilst he was on duty. The purchase price for one generator is estimated at R 500 000.00	15th October 2020.	The Employee was suspended, and disciplinary actions were instituted. The Hearing of the 25 th May 2021 was postponed because the Initial Employee Representative withdrew from the matter and new Representative requested postponement	Pending: Disciplinary Hearing is scheduled for 20th July 2021
Tipper Truck Driver	It is alleged that the Employee (Tipper-Truck Driver) used the Council's Vehicle without authorization and used it for his personal reasons. It is further alleged that he intimidated the MMC in the process.	17th September 2020.	The Employee was suspended, and disciplinary actions were instituted. The Disciplinary Hearing of 25 th June 2021 could not commence as the results of non-availability of the Presiding Officer due to her medical condition.	Pending The Disciplinary Tribunal is scheduled for 13th July 2021 .

CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken, or Status of Case and Reasons why not Finalised	Date Finalised
Credit Control Clerk	It alleged that the Employee failed to perform his duties that led to non-collection of R2 000.00. It is further alleged that the Employee tried to solicit bribe to the amount of R3000.00 from the member of the community.	9th March 2020	The Employee was suspended, and disciplinary actions were instituted. The introduction of the COVID-19 Regulations made it difficult for completion, the commitments of the Employee's Representative made him to request postponements, the Presiding Officer's commitments all had a negative impact in the finalisation of the matter and lastly the non- availability of the Community Members who were Employer's key witnesses.	Pending The Disciplinary Tribunal is scheduled for 9th July 2021.
Debtor's Clerk	It is alleged that the Employee was involved in processing transfer of immovable properties while such transfers were not authorised by the Section of MFMA or Supply Chain Management's Policy regulating transfer and alienation of municipal properties. Financial loss still to be quantified when the Findings of the Presiding Officer are released.	15th September 2017	The Employee was suspended, and disciplinary actions were instituted. The changes of Employee's private attorneys had negative impact on the proceedings as it led to series of postponements and non-availability of the Employer's key witnesses who was abroad led to further delays in commencing with the matter. The medical conditions of the Employee, her representative and non-availability of the Presiding Officer due to other work - related matters and bereavement within his family were also challenges encountered to finalise.	Pending The Disciplinary Tribunal is scheduled for 26th July 2021.
3x General Workers	It is alleged that the Employees threatened the Senior Managers during the labour unrest at the Senekal Unit.	9th February 2021	The Employee was suspended, and disciplinary actions were instituted. The requests for the postponements from the Parties due to other pressing work-related matters had a negative impact on the finalisation of the matter. The Disciplinary Hearing of ... did not commence due to the request by the Employee's Representative as the Trade Union was on labour action.	Pending The Disciplinary Tribunal is scheduled for 26th July 2021.
Acting Team Leader	It is alleged that the Employee used the Council's Vehicle without authorization and used it for his personal reasons. It is further alleged that he carried stolen goods with it, and it was impounded by the SAPS	21st June 2021.	Employee currently on suspension. Investigation Report is still outstanding. Employee still to be formally charged.	Pending: Matter to be scheduled once the Charge Sheet is served

CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4.5 DISCIPLINARY ACTIONS TAKEN ON CASES OF FINANCIAL MISCONDUCT

Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Supply Chain Manager	It is alleged that the Employee created legitimate to the Service provider with the letter that was not signed or authorised by the Municipal manager. It is further alleged that the Employee intentionally and unlawfully flouted and disregarded supply chain policy and processes when procuring 15 round folding table for the amount total to R35 955.01	The Employee was not suspended, but disciplinary actions were instituted.	Finalised: Employee found guilty and dismissed on 29th January 2021
Credit Control Clerk	It alleged that the Employee failed to perform his duties that led to non-collection of R2 000.00. It is further alleged that the Employee tried to solicit bribe to the amount of R3000.00 from the member of the community.	The Employee was suspended, and disciplinary actions were instituted.	Pending The Disciplinary Tribunal is scheduled for 9th July 2021 .
Senior Cashier	It is alleged that the Employee failed to perform his Supervisory roles over the Cashiers and that led to the Municipality failing to bank R 335 029. 88. Furthermore is alleged that the Employee failed to ensure the proper control over the money- safe and that led to under-banking and shortages which were not accounted for.	The Employee was suspended, and disciplinary actions were instituted. Matter finalised after the Employee has resigned as per Clause 11.1 of SALGBC Disciplinary Procedure Collective Agreement.	Finalised: The Employee resigned on 31st December 2020 before the Presiding Officer issue the Finding
Fleet Assistant Clerk	It is alleged that the Employee displayed act of dishonesty when performing fuel transactions. Amount involved in alleged unauthorised fuel transactions still be to be quantified	The Employee was suspended, and investigations into alleged financial misconduct still to be completed.	Pending: Matter to be scheduled once the Charge Sheet is served
Debtors Clerk	It is alleged that the Employee was involved in processing transfer of immovable properties while such transfers were not authorised by the Section of MFMA or Supply Chain Management's Policy regulating transfer and alienation of municipal properties	The Employee was suspended, and disciplinary actions were instituted.	Pending The Disciplinary Tribunal is scheduled for 26th July 2021 .

4.5.1 COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

Plumber - It is alleged that during the month of December 2019 around OVK the Employee has misused the Council Property. The Employee was suspended on 27th February 2020. The Employee was suspended, and disciplinary actions were instituted. Employer decided to withdraw the charges against the Employee after it was determined that there was no sufficient evidence to commence with the disciplinary actions.

Senior Cashier- it is alleged that the Employee failed to perform his Supervisory roles over the Cashiers and that led to the Municipality failing to bank. Furthermore, is alleged that the Employee failed to ensure the proper control over the money- safe and that led to under-banking and shortages which were not accounted for. The Employee was suspended, Disciplinary Actions were instituted. The Employee resigned on 31st December 2020 before the Presiding Officer issue the Finding.

CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

Tipper Truck Driver - It is alleged that the Employee (Tipper-Truck Driver) used the Council's Vehicle without authorization and used it for his personal reasons. It is further alleged that he intimidated the MMC in the process. The Disciplinary Tribunal is scheduled for 13th July 2021.

Credit Control Clerk: It alleged that the Employee failed to perform his duties that led to non-collection of Municipal Revenue. It is further alleged that the Employee tried to solicit bribe from the member of the community. The Employee was suspended on 9th March 2020, the disciplinary hearing has been instituted. The disciplinary hearing of 22nd June 2020 postponed due the non-availability of the Presiding Officer who had SALGA work-related commitments. The Disciplinary Tribunal is scheduled for 9th July 2021.

Debtor's Clerk: It is alleged that the Employee was involved in processing transfer of immovable properties while such transfers were not authorised by the Section of MFMA or Supply Chain Management's Policy regulating transfer and alienation of municipal properties. The Employee was suspended on 15th September 2017, and disciplinary actions were instituted. The Disciplinary Tribunal is scheduled for 26th July 2021.

Manager -Supply Chain Management: It is alleged that the Employee created legitimate to the Service provider with the letter that was not signed or authorised by the Municipal Manager. It is further alleged that the Employee intentionally and unlawfully flouted and disregarded supply chain policy and processes when procuring 15 round folding tables. The Employee was not suspended, investigations were conducted, and disciplinary actions were instituted. Employee found guilty and dismissed on 29th January 2021.

4.6 PERFORMANCE REWARDS

No performance rewards were implemented in the year under review.

CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

5.7 INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Municipality has submitted the Workplace Skills Plan on the 10th May 2021 after requesting extension for consultation with the Organized Labour component. Covid-19 restrictions and regulations impacted on the implementation of training interventions and further introduced strict control on the consolidated skills budget. The training and development policy introduced the legal framework for Study Grant Regulations for Employees from all Employment Categories.

The challenges that were encountered was some employees are not attending skills audit processes and that implies they do not complete Personal Development Plans. They are not captured as beneficiaries in the Workplace Skills Plan and there are no budget allocations for the training. The Department has also under-budgeted for the trainings that are required to fill the identified skills gap. The internship programmes were introduced for the undergraduates in collaboration with Service Seta is still commencing and it will be completed on the 31st July 2021.

The Municipality have registered employees with accredited Institutions of Higher Learning through Distance Learning and Block system. The other improvements that were made was that the Human Resources Development managed to enroll Senior Managers in order to acquire “Minimum Competency Level”.

CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4.8 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 2021	Number of skilled employees required and actual as at 30 June Year 2021											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of Year 2019/2020	Actual: End of Year 2020/2021	Year 2020/2021 Target	Actual: End of Year 2019/2020	Actual: End of Year 2020/2021	Year 2020/2021 Target	Actual: End of Year 2019/2020	Actual: End of Year 2020/2021	Year 2020/2021 Target	Actual: End of Year 2019/2020	Actual: End of Year 2020/2021
MM and s57	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	2	0	0	0	2	2	2	0	0	0	0	2	2
Councillors, senior officials, and managers	Female	1	0	0	0	3	1	1	0	0	0	0	1	1
	Male	1	0	0	0	3	1	1	0	0	0	0	1	1
Technicians and associate professionals*	Female	0	4	0	0	0	0	0	0	0	0	0	0	0
	Male	0	8	0	0	1	0	0	0	0	0	0	0	0
Professionals	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	2	0	0	0	0	0	0	0	0	0	0	2	2
Sub total	Female	1	0	2	2	0	0	0	0	0	0	0	1	1
	Male	5	0	2	2	0	0	0	0	0	0	0	5	5
Total		12	12	4	4	9	4	4	0	0	0	0	12	12

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	1	2	1	1	1
Chief financial officer	0	0	0	0	0	0
Senior managers	1	1	2	2	2	1
Any other financial officials	46	46	92	0	0	9
Supply Chain Management Officials	4	4	8	1	0	1
Heads of supply chain management units	1	1	2	1	1	1
Supply chain management senior managers	0	0	0	1	1	1
TOTAL	53	53	106	6	5	14

4.8.1 COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE ON THE FINANCIAL COMPETENCY REGULATIONS

The Municipality has long embarked on the strategies to ensure that the Employees achieve minimum competency level as enshrined in the Regulation Municipal Finance Management Act. Challenges were encountered in the past whereby some Employees were not declared competency. The department of Treasury will be providing training for Financial Officials on the area of Supply Chain Management for the financial year 2020/2021 and 2021/2022.

CHAPTER 5-FINANCIAL PERFORMANCE

In 2020/2021 two senior managers were enrolled for Municipal Finance Management Programme in order to ensure that they are competent as per the Registrations of the Municipal Finance Management Act, 56 of 2003. The Financial Officials were also identified for the competency training for those Employees who are still not developed are still to receive training, their training interventions are reflected within the 2020/2021 Workplace Skills Plan.

Section 4.5.3 of the Skills Matrix has total number of 683 Employees inclusive of 33 Councilors and 2 MFMP Treasury Interns; therefore, as a result the staff compliment does not tally because the financial year of reporting to the LG SETA is from 01 May 2020 to 30 April 2021 contrary to the financial year of the municipality. The discrepancies are as a result of attrition.

4.9 COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE

During the financial year 2020/2021 no positions were upgraded.

4.10 DISCLOSURE OF FINANCIAL INTERESTS

Period 1 July 2020 to 30 June 2021		
Position	Name	Description of Financial interests* (Nil / Or details)
Executive Mayor	P I Mavaleliso	None
Member of Mayoral Committee		
M Hlakane		Councillor at Thabo Mofutsanyane District Municipality = R820 - Site 9379 at EXT 11 = R0,00
M L Mthimkulu		Astoria Farm = R0,00 and Residential Property Senekal R 280 000,00
T. B Jakobo		Owns 10 Cattle and 3 Calves = R 65 000,00
T. Selikane		None
M T Sellane		Land and Property - House 9384 Ext 11 - Value R 150 000,00
Councillors		
Speaker	K Mokhuoane	3 Roomed House in Matwabeng = R 25 000,00
Councillor	T. Mthimkhulu	8 Roomed house 1ste suid 2 street = R 220 000,00 - Open site 2de street in Clocolan = R 50 000
Councillor	M. Matsau	50% share at Big Quarrel (PTY) LTD = R 200 000,00 - Director at Big Quarrel (PTY)LTD - Bottle of Whisky = R800,00 - Fishing Stalks X 2 = R 1 400,00
Councillor	M. Mohosho	None
Councillor	T. Makhalanyane	Site 1413 in Ficksburg = R 40 000,00 - House in Ficksburg = R 500 000,00
Councillor	M M Mothibeli	None,
Councillor	M Mokhele	Residential house in Matwabeng = R 550 000,00
Councillor	I. Vries	None
Councillor	M. Mathule	None
Councillor	M. Heymans	None

CHAPTER 5-FINANCIAL PERFORMANCE

Period 1 July 2020 to 30 June 2021		
Position	Name	Description of Financial interests* (Nil / Or details)
Councillor	N. Maoke	Matengoke Crypto currency Company = R0,00 - House No. 39 Kerk Street in Ficksburg = R 750 000,00 - House 1565 Zone 2 in Ficksburg = R0,00
Councillor	P. Matobako	None
Councillor	R. Lipoko	1 share at Ebenezer Academy Private School = R 10 000,00 - Site at Tambo Senekal = R 50 000,00
Councillor	P. Schee	Seven roomed house = R 350 000,00
Councillor	P. Koqo	1 share at General Green Setsoto Recycling Company = R0,00 - Waste Management and Soap Metal at General Green Setsoto = R0,00 - RDP House in Tambo Senekal = R 60 000,00
Councillor	N. Khatlake	None
Councillor	N. Makhubu	None
Councillor	M. Semahla	House 8360 Zone 8 in Meqheleng = R 300 000,00
Councillor	M. Mothibeli	None
Councillor	M. Ralehlatsi	None
Councillor	C. Moipatli	Madam Scrap Metal = R 500,00 - 5580 Tambo Senekal = R0,00
Councillor	*K. Koalane	Health Department Hospital Board Member = R 1 400,00
Councillor	**M. Selasi	Wife has a Construction company but is not yet been appointed for any work = R0,00 - RDP house at 5489 Matwabeng - Land in Senekal = R0,00
Councillor	**N. Khitsane	None
Councillor	**N. Taylor	20 shares at Phuthumanathi = R200 000,00 - 20 shares at Yizani = R 200 000,00 - Erf at Sunflower in Clocolan n = R 42 000,00 - Vacant Land in Clocolan +-R 23 000,00
* Former Executive Mayor until 31 May 2021		
Municipal Manager	S. Ramakarane	Meat at Dries Lateoan = R 350,00 - Whisky from Andre Slabbert = +R 300,00 - House in Bloemfontein = R 2 500 000,00 - Town House in Bloemfontein = R 700 000,00 - House in Qwaqwa = R 350 000,00 - House in Vanderbijlpark = R 700 000,00 - House in Ficksburg = R 450 000,00 - Dairy and Pens from Makhaotse and Associates = +R 170,00 - Desk Calendar from Nakeli Projects +-R 30,00 -
Chief Financial Officer	N. Moletsane	KNTLD Trading Close Corporation = R0,00 - Residential Property in Riebeeckstad = +-R1 200 000,00 - MDJ Entertainment Close Corporation = R0,00
Other S57 Officials		
Director Development Planning and Social Security	T. Zondo	50% Shares in Matwabeng Enterprise -= R0,00 - Matwabeng Enterprise PTY LTD = R0,00 - Private Disc Jockey = R 1 000,00
Director Corporate Services	T. Motsima	None
Acting Chief Financial Officer	D. Van Tonder	Erf in Ficksburg = R 650 000,00 - Erf in Ficksburg = R 550 000,00 - Lezmin 1924 Farming and Transport = R0,00 -Dwarskloof Boerdery (deregistered)
Acting Director Engineering Services	M. Mokhethoa	House in Clocolan = R 500 000,00 - House in Thabong = R 100 000,00

CHAPTER 5-FINANCIAL PERFORMANCE

Period 1 July 2020 to 30 June 2021

Position	Name	Description of Financial interests* (Nil / Or details)
Acting Director Corporate Services	B. Mokoena	Diary from Assupol = R 110,00 - Two Masks from Assupol = R 30,00 - Mirror From Assupol = R 40,00 - 4 shares with SAB Zenzele = R 474,96 - 10 shares with All Joy = R 4,00 - 5 shares in Alexander Forbes = R 21,53 - Portion of Share at Capitec = R 236,55 - 10 shares at Ellis = R 1,00 - 10 shares at EOH = R 70,41 - Portion of share at British American Tobacco = R 95,13 - Portion of share at Goldfields = R 89,46 - 10 shares at Indlu Place = R 37,81 - Portion of share at Italtile = R 16,34 - 10 shares at Nampak = R 23,19 - 15 shares at New Frontiers = R 0,75 - 4 shares at NUT = R 1,00 - 5 shares at Old Mutual = R 81,08 - 10 shares at Purple Group = R 16,42 - 5 shares at Redefine = R 21,61 - 40 shares at RMB = R 59,76 - portion of share at SASOL = R 133,77 - 3 shares at Tsogo = R 25,19 - 5 shares at Tsogo = R 14,37 - 10 shares at Wescoal = R 10,30 - 3 shares at Woolworths = R 162,09

CHAPTER 5-FINANCIAL PERFORMANCE

5. INTRODUCTION

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

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

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

5.1 INTRODUCTION TO FINANCIAL STATEMENTS

The Annual financial Statements are done with the assistance of an external service provider and review by external service providers before submission to the Office of the Auditor General of South Africa.

CHAPTER 5-FINANCIAL PERFORMANCE

5.2 STATEMENT OF FINANCIAL PERFORMANCE

Description	2020/2021											2019/2020			
	Original Budget	Budget Adjustments (i.to. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.to. s31 of the MFMA)	Virement (i.to. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Performance															
Property rates	69,710,100	(2,603,688)	67,106,412			67,106,412	54,904,834		(12,201,578)	82%	79%				53,030
Service charges	220,233,708	1,685,296	221,919,004			221,919,004	199,680,856		(22,238,148)	90%	91%				189,849
Investment revenue	42,274,920	(13,473,368)	28,801,552			28,801,552	30,764,410		1,962,858	107%	73%				4,212
Transfers recognised - operational	207,046,428	36,903,054	243,949,482			243,949,482	243,876,339		(73,143)	100%	118%				196,955
Other own revenue	5,406,288	(652,576)	4,753,712			4,753,712	15,156,832		10,403,120	319%	280%				105,116
Total Revenue (excluding capital transfers and contributions)	544,671,444	21,858,718	566,530,162			566,530,162	544,383,271		(22,146,891)	96%	100%				549,161
Employee costs	(211,286,724)	3,525,700	(207,761,024)			(207,761,024)	(214,610,185)		(6,849,161)	103%	102%	0	0	0	(207,912)
Remuneration of councillors	(14,154,480)	1,143,000	(13,011,480)			(13,011,480)	(12,967,130)		44,350	100%	92%	0	0	0	(13,209)
Debt impairment	(71,253,360)	-	(71,253,360)			(71,253,360)	(111,163,711)		(39,910,351)	0%	0%	0	0	0	(120,553)
Depreciation & asset impairment	(126,155,652)	-	(126,155,652)			(126,155,652)	(411,219,890)	319,561,516	(285,064,238)	326%	326%	0	0	0	(139,514)
Finance charges	(7,662,996)	484,528	(7,178,468)			(7,178,468)	(10,092,062)		(2,913,594)	141%	132%	0	0	0	(6,998)
Materials and bulk purchases	(146,045,028)	20,884,286	(125,160,742)			(125,160,742)	(83,386,021)		41,774,721	67%	57%	0	0	0	(72,863)
Transfers and grants	(22,050,024)	(19,047,472)	(41,097,496)			(41,097,496)	(142,439)		40,955,057	0%	1%	0	0	0	(183)
Other expenditure	(55,810,428)	3,270,074	(52,540,354)			(52,540,354)	(78,250,200)		(25,709,846)	149%	140%	0	0	0	(138,686)
Total Expenditure	(654,418,692)	10,260,116	(644,158,576)			(644,158,576)	(921,831,638)	319,561,516	(277,673,062)	143%	141%	0	0	0	(699,917)
Surplus/(Deficit)	(109,747,248)	32,118,834	(77,628,414)			(77,628,414)	(377,448,367)		(299,819,953)	486%	344%				(150,756)
Transfers recognised - capital	169,915,452	6,757,548	176,673,000			176,673,000	158,587,807		(18,085,193)	90%	93%				111,298
Contributions recognised - capital & contributed assets	-	-	-			-	-		-	0%	0%				1,012
Surplus/(Deficit) after capital transfers & contributions	60,168,204	38,876,382	99,044,586			99,044,586	(218,860,560)		(317,905,146)	-221%	-364%				(38,445)
Share of surplus/ (deficit) of associate	-	-	-			-	-		-	0%	0%				(38,445)
Surplus/(Deficit) for the year	60,168,204	38,876,382	99,044,586			99,044,586	(218,860,560)		(317,905,146)	-221%	-364%				
Capital expenditure & funds sources															
Capital expenditure	181,915	181,742	363,657						-	0%	0%				
Transfers recognised - capital	166,715	-	166,715			166,715			(166,715)	0%	0%				111,298
Public contributions & donations	-	-	-			-			-	0%	0%				1,012
Borrowing	-	-	-			-			-	0%	0%				-
Internally generated funds	15,200	(174)	15,026			15,026			(15,026)	0%	0%				-
Total sources of capital funds	181,915	(174)	181,741			181,741	-		(181,741)	0%	0%				111,298
Cash flows															
Net cash from (used) operating	778,381	74,341	75,120			75,120	180,650		105,530	240%	23208%				207,216
Net cash from (used) investing	(181,915)	174	(7,999)			(7,999)	(157,194)		(157,186)	1965168%	86411%				(166,973)
Net cash from (used) financing	-	-	-			-	-		(8,101)	0%	#DIV/0!				-
Cash/cash equivalents at the year end	596,466	74,515	75,112			75,112	15,355		(59,756)	20%	2574%				40,243

CHAPTER 5-FINANCIAL PERFORMANCE

Financial Performance of Operational Services						
Description	R '000					
	2019/2020	2019/2020			2019/2020 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	(90,384)	(76,787)	(76,787)	(96,092)	20.09%	20.09%
Wastewater management	(48,715)	(52,818)	(52,818)	(53,414)	1.12%	1.12%
Electricity	(86,287)	(111,178)	(111,178)	(95,516)	-16.40%	-16.40%
Waste management	(53,517)	(38,606)	(38,606)	(51,775)	25.43%	25.43%
Housing	(60,212)	(16,785)	(16,785)	(29,724)	43.53%	43.53%
Component A: sub-total	(339,114)	(296,174)	(296,174)	(326,522)	9.29%	9.29%
Road and Traffic Regulations	(136,451)	(149,922)	(149,922)	(406,586)	63.13%	63.13%
Transport	0	0	0	0	0%	0%
Component B: sub-total	(136,451)	(149,922)	(149,922)	(406,586)	63.13%	63.13%
Planning and development	(7,169)	(11,291)	(11,291)	(4,967)	-127.32%	-127.32%
Component B: sub-total	(7,169)	(11,291)	(11,291)	(4,967)	-127.32%	-127.32%
Community and social services	(1,957)	(7,868)	(7,868)	(20,003)	60.67%	60.67%
Health	(1,574)	(655)	(655)	0	0.00%	0.00%
Public safety	(20,599)	(11,912)	(11,912)	(12,900)	7.66%	7.66%
Sport and recreation	(11,768)	(9,174)	(9,174)	(10,360)	11.44%	11.44%
Governance and administration	(148,889)	(167,422)	(167,422)	(140,494)	-19.17%	-19.17%
Component D: sub-total	(184,787)	(197,031)	(197,031)	(183,756)	-7.22%	-7.22%
Total Expenditure	(667,522)	(654,419)	(654,419)	(921,831)	29.01%	29.01%

5.2.1 COMMENT ON FINANCIAL PERFORMANCE

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

5.3 GRANTS

Grant Performance						
R' 000						
Description	2019/2020	2020/2021			2020/2021 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	346,641	415,296	440,969	402,460	-3%	10%
Equitable share	192,499	205,852	239,810	239,810	14%	0%
Finance Management	2,165	2,000	2,000	2,000	0%	0%
Department of Water Affairs	100,121	158,483	152,774	112,223	-41%	-36%
Municipal Infrastructure Grant	47,203	46,899	44,323	46,365	-1%	4%
Integrated National Electrification	2,600	0	0	0	0%	0%
Extended Public Works Programme	2,103	2,062	2,062	2,062	0%	0%
Other grant providers:	238	0	0	0	0%	0%
Municipal Disaster Grant	238	0	0	0	0%	0%
Total Operating Transfers and Grants	346,879	415,296	25,677	402,464	-3	94%

5.3.1 COMMENT ON OPERATING TRANSFERS AND GRANTS

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.

CHAPTER 5-FINANCIAL PERFORMANCE

5.3.2 REPAIRS AND MAINTENANCE

Repair and Maintenance Expenditure: 2020/2021				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	(61,501)	21,425	(3,755)	93.90%

5.3.2.1 COMMENT ON REPAIRS AND MAINTENANCE

The variance on repairs and maintenance is 85% against the annual adjustment budget. This is a result that the municipality has financial difficulties whereby repairs were only performed on item that needed urgent attention

5.4 ASSET MANAGEMENT

5.4.1 INTRODUCTION TO ASSET MANAGEMENT

Management of the assets of the municipality, including the safeguarding and the maintenance of those assets. To ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality and that the municipality's assets and are valued in accordance with standards of generally recognised accounting practice and that the municipality has and maintains a system of internal control of assets including an asset register as may be prescribed.

5.4.2 TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED IN 2020/2021

Asset 1				
Name	Upgrade of Wastewater Treatment Works			
Description	Wastewater Plant			
Asset Type	Sanitation Infrastructure			
Key Staff Involved	Project Management Unit, Technical and Asset Management			
Staff Responsibilities	Project Management and Record Management			
Asset Value	2017/2018	2018/2019	2019/2020	2020/2021
				31 940 391.00
Capital Implications	Monetary Value of Capital Projects			
Future Purpose of Asset	Sanitation Asset			
Describe Key Issues	Service Delivery to Community			
Policies in Place to Manage Asset	Yes			
Asset 2				
Name	Development of New Cemetery			
Description	Cemeteries			
Asset Type	Community Asset			
Key Staff Involved	Project Management Unit, Technical and Asset Management			
Staff Responsibilities	Project Management and Record Management			
Asset Value	2017/2018	2018/2019	2019/2020	2020/2021
				6 605 240.00
Capital Implications	Monetary Value of Capital Projects			
Future Purpose of Asset	Community Asset			
Describe Key Issues	Service Delivery to Community			
Policies in Place to Manage Asset	Yes			

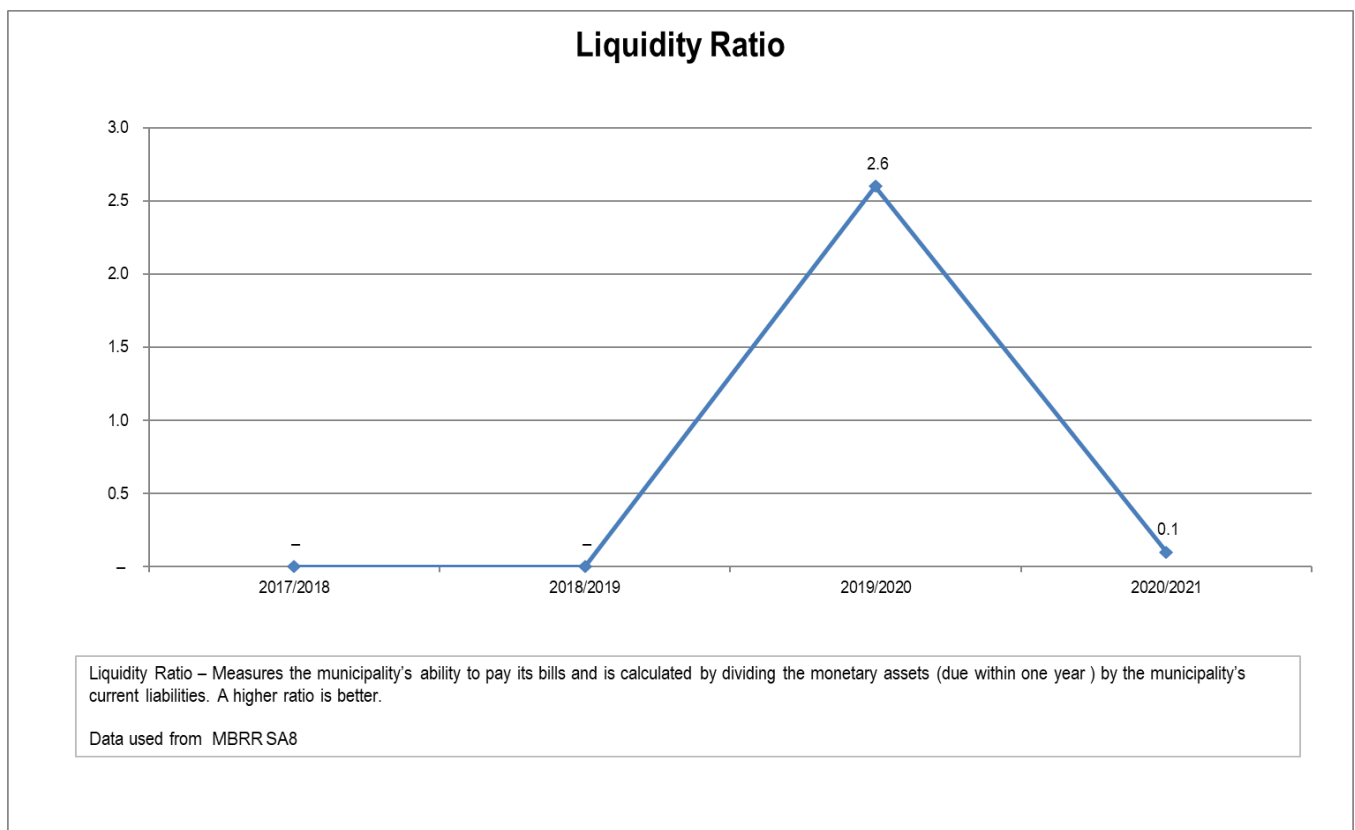
CHAPTER 5-FINANCIAL PERFORMANCE

Asset 3				
Name	Refurbishment of Boreholes			
Description	Boreholes			
Asset Type	Water Infrastructure			
Key Staff Involved	Project Management Unit, Technical and Asset Management			
Staff Responsibilities	Project Management and Record Management			
Asset Value	2017/2018	2018/2019	2019/2020	2020/2021
				1 552 959.00
Capital Implications	Monetary Value of Capital Projects			
Future Purpose of Asset	Water Infrastructure			
Describe Key Issues	Service Delivery to Community			
Policies in Place to Manage Asset	Yes			

5.4.3 COMMENT ON ASSET MANAGEMENT

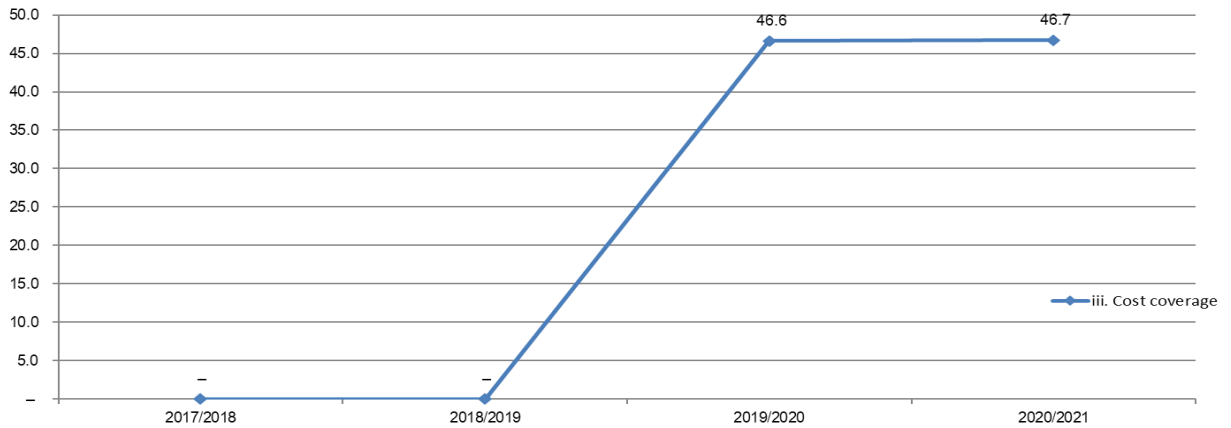
Most of the municipality's assets are aging and therefore there are serious backlogs in the delivery of basic services to the community since the municipality has financial constraints and only depending mostly on grants. There is also a high rate of theft and vandalism that seems to be increasing daily.

5.5 FINANCIAL RATIOS



CHAPTER 5-FINANCIAL PERFORMANCE

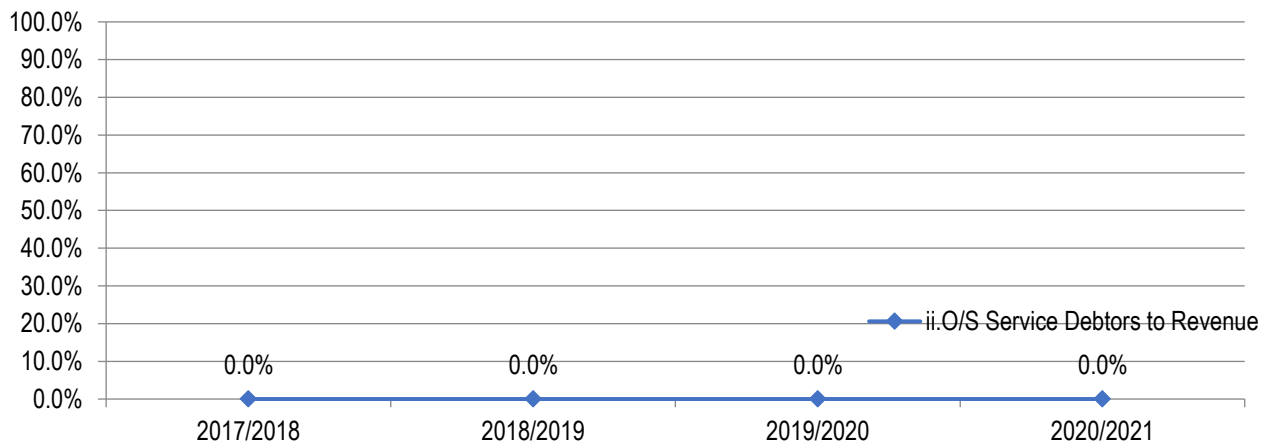
Cost Coverage



Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

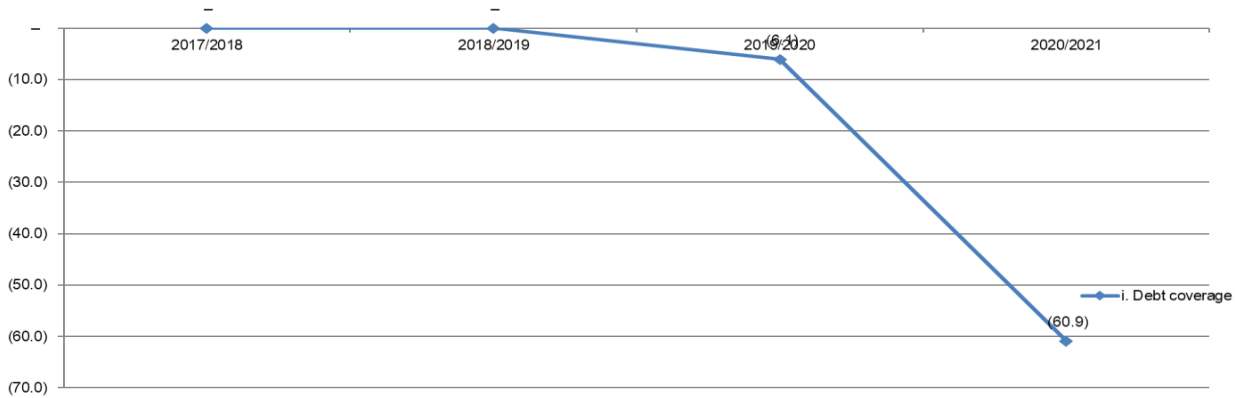
Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

CHAPTER 5-FINANCIAL PERFORMANCE

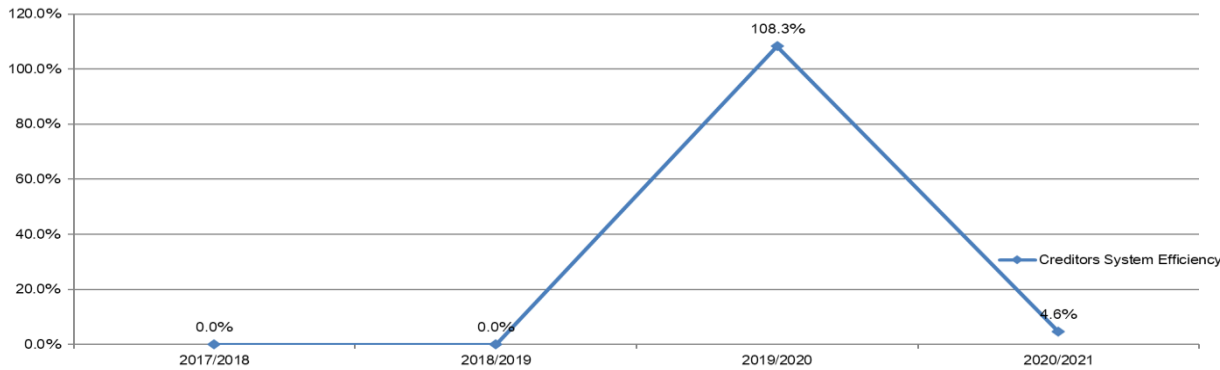
Debt Coverage



Debt Coverage– The number of times debt payments can be accomodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accomodated by the municipality

Data used from MBRR SA8

Creditors System Efficiency

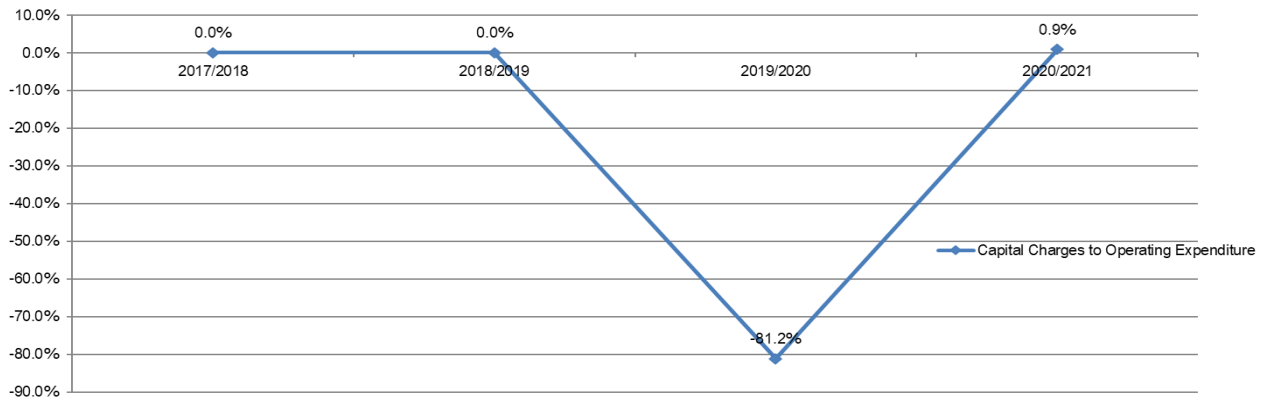


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

CHAPTER 5-FINANCIAL PERFORMANCE

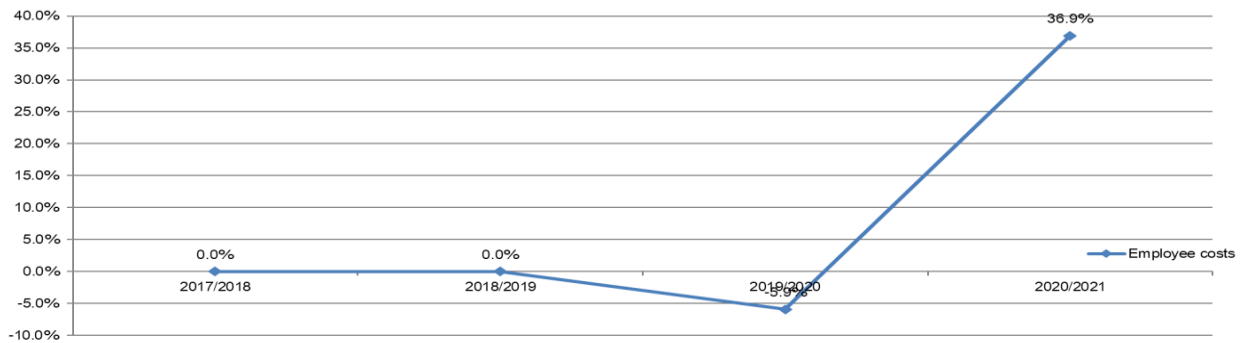
Capital Charges to Operating Expenditure



Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

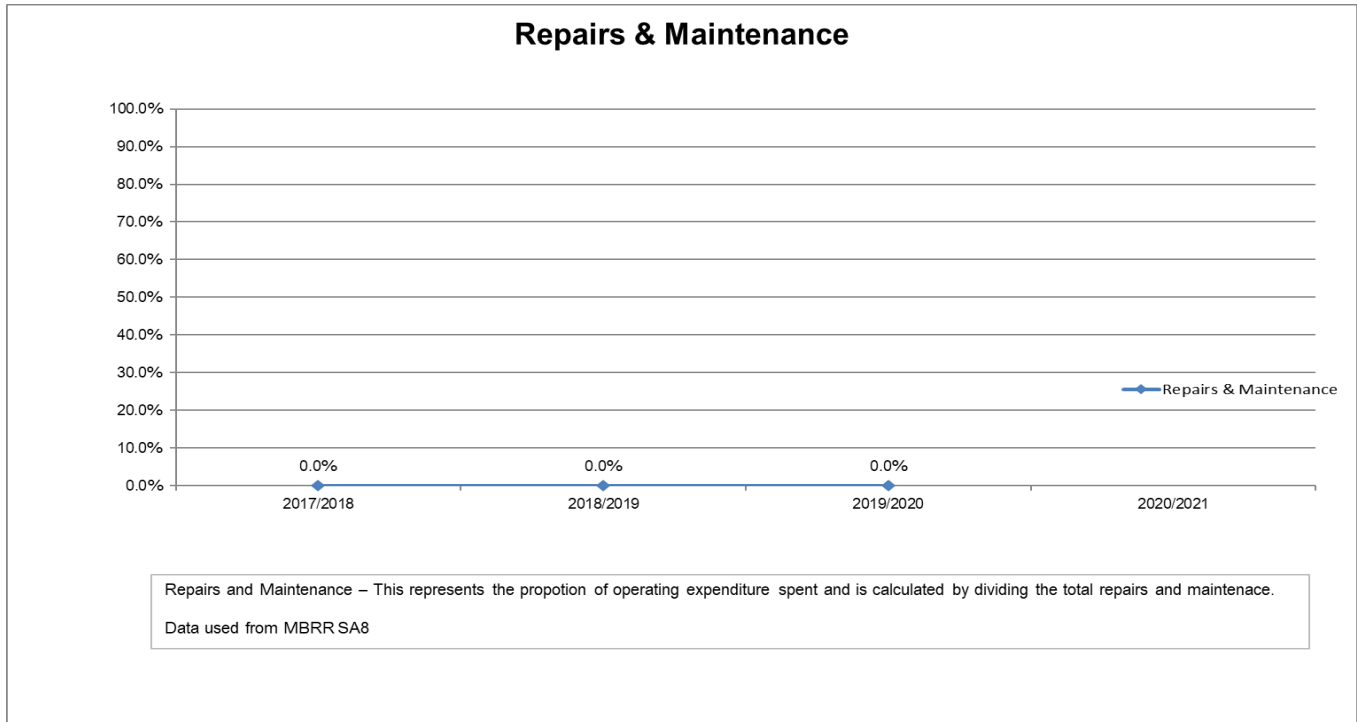
Employee Costs



Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8

CHAPTER 5-FINANCIAL PERFORMANCE



5.5.1 COMMENT ON FINANCIAL RATIOS

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates, and hedges financial risks in close co-operation with the municipality's operating units.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of

derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. 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. Cash flow forecasts are prepared, and adequate utilised borrowing facilities are monitored.

The municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

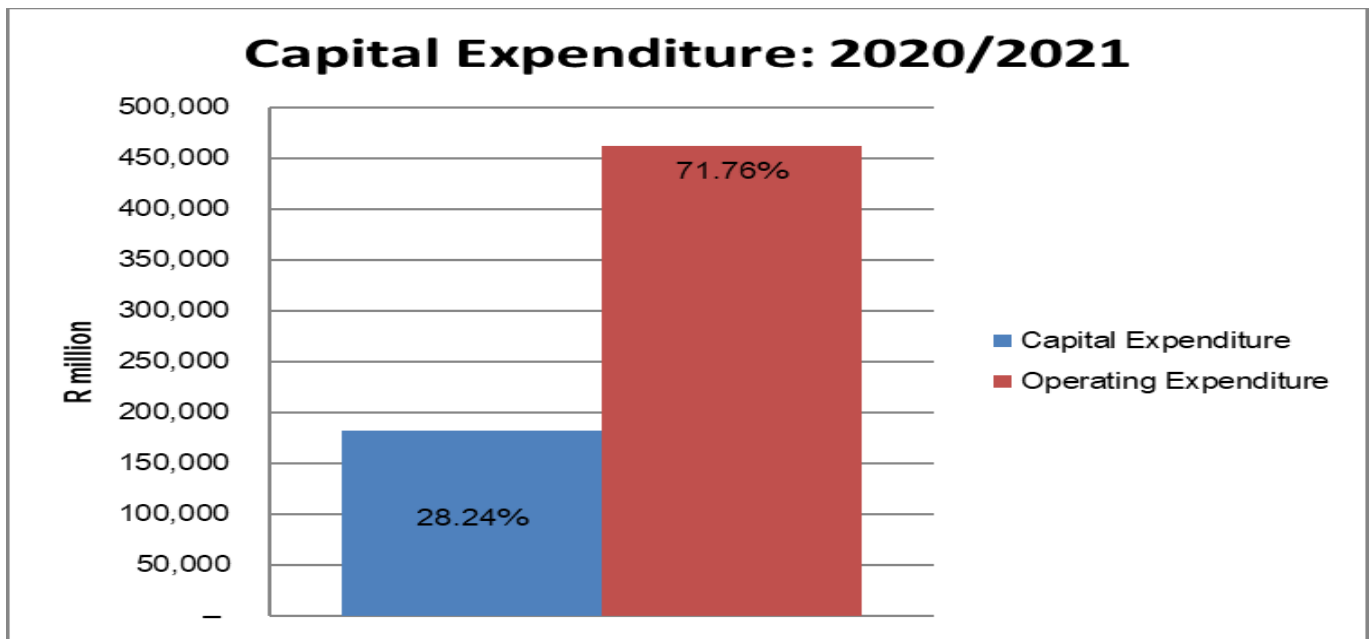
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

CHAPTER 5-FINANCIAL PERFORMANCE

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET



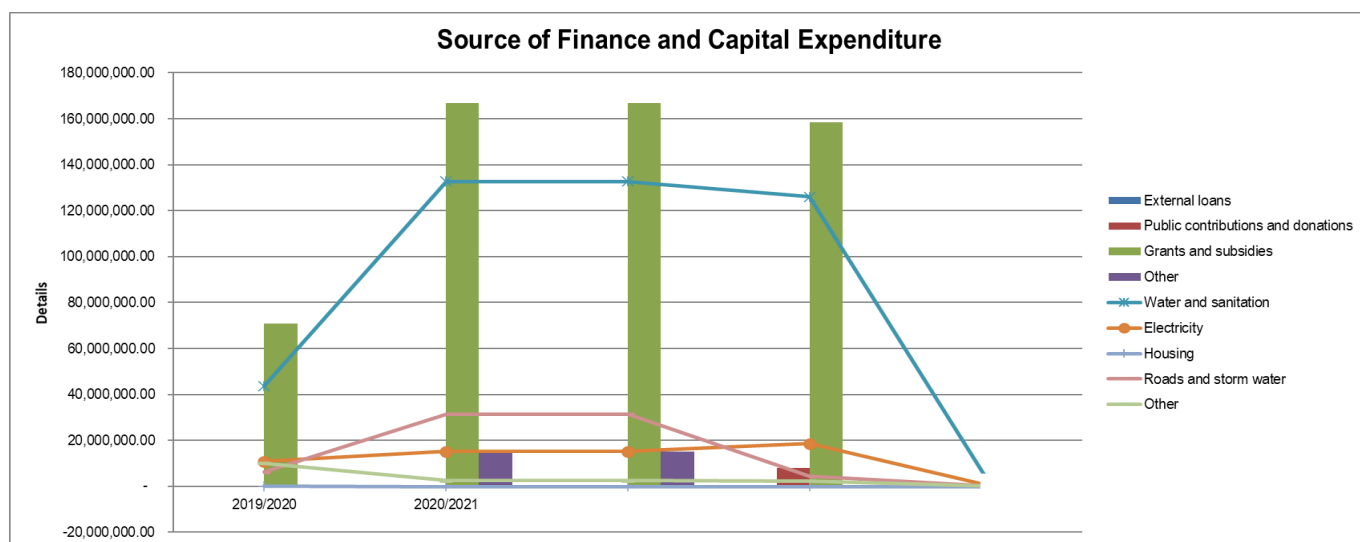
CHAPTER 5-FINANCIAL PERFORMANCE

R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	181,915	181,915	151,364	17%	17%
	181,915	181,915	151,364	17%	17%
Operating Expenditure	472,504	462,244	770,467	-63%	-67%
	472,504	462,244	770,467	-63%	-67%
Total expenditure	654,419	644,159	921,832	-41%	-43%
Water and sanitation	132,689	132,689	126,083	5%	5%
Electricity	15,200	15,200	18,561	-22%	-22%
Housing	-	-	-	-	-
Roads, Pavements, Bridges and storm water	31,462	31,462	4,417	86%	86%
Other	2,564	2,564	2,303	10%	10%
	181,915	181,915	151,364	17%	17%
External Loans	-	-	-	0%	0%
Internal contributions	-	-	-	0%	0%
Grants and subsidies	-	-	-	0%	0%
Other	-	-	-	0%	0%
	-	-	-	0%	0%
External Loans	-	-	-	0%	0%
Grants and subsidies	166,715	166,715	158,588	5%	5%
Investments Redeemed	-	-	-	0%	0%
Statutory Receipts (including VAT)	-	-	-	0%	0%
Other Receipts	-	-	-	0%	0%
	166,715	166,715	158,588	5%	5%
Salaries, wages and allowances	(225,441)	(220,773)	(227,577)	-1%	-3%
Cash and creditor payments	(399,264)	(375,110)	(660,041)	-65%	-76%
Capital payments	(22,050)	(41,097)	(142)	99%	100%
Investments made	-	-	-	0%	0%
External loans repaid	(7,663)	(7,178)	(10,092)	-32%	-41%
Statutory Payments (including VAT)	-	-	-	0%	0%
Other payments	-	-	-	0%	0%
	(654,419)	(644,159)	(897,853)	-37%	-39%
	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Property rates	69,710	67,106	54,905	21%	18%
Service charges	220,234	221,919	199,681	9%	10%
Other own revenue	254,728	277,505	45,921	82%	83%
	544,671	566,530	300,507	45%	47%
Employee related costs	(225,441)	(220,773)	(214,610)	5%	3%
Provision for working capital	-	-	-	0%	0%
Repairs and maintenance	(61,501)	(40,076)	(3,755)	94%	91%
Bulk purchases	(84,544)	(85,084)	(79,631)	6%	6%
Other expenditure	(282,932)	(298,226)	(623,835)	0%	0%
	(654,419)	(644,159)	(921,832)	-41%	-43%
Service charges: Electricity	78,791	83,251	87,987	-12%	-6%
Grants & subsidies: Electricity	-	-	-	-	-
Other revenue: Electricity	-	-	498	0%	0%
	78,791	83,251	88,484	-12%	-6%
Employee related costs: Electricity	(9,583)	(9,556)	(9,272)	3%	3%
Provision for working capital: Electricity	-	-	-	0%	0%
Repairs and maintenance: Electricity	(540)	(400)	(232)	57%	42%
Bulk purchases: Electricity	(84,544)	(85,084)	(79,631)	6%	6%
Other expenditure: Electricity	-	-	-	0%	0%
	(94,667)	(95,041)	(89,135)	6%	6%
Service charges: Water	61,574	58,800	49,822	19%	15%
Grants & subsidies: Water	-	-	19,375	-	-
Other revenue: Water	-	-	20	0%	0%
	61,574	58,800	69,217	-12%	-18%
Employee related costs: Water	(20,269)	(19,377)	(21,312)	-5%	-10%
Provision for working capital: Water	-	-	-	0%	0%
Repairs and maintenance: Water	(2,305)	(2,982)	(508)	78%	83%
Bulk purchases: Water	-	-	-	0%	0%
Other expenditure: Water	(146,123)	(145,089)	(70,189)	52%	52%
	(168,696)	(167,448)	(92,009)	45%	45%

CHAPTER 5-FINANCIAL PERFORMANCE

5.7 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2019/2020 to 2020/2021							R' 000
Details	2019/2020	2020/2021					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
Source of finance							
External loans	0	0	0	0	0%	0%	
Public contributions and donations	0	0	0	8,076	0%	0%	
Grants and subsidies	70,902	166,715	166,715	158,588	0%	-5%	
Other	-	0	15,027	0	-1%	-100%	
Total	70,902	181,915	181,742	166,664	-1%	-105%	
Percentage of finance							
External loans	0%	0%	0%	0%	0%	0%	
Public contributions and donations	0%	0%	0%	0%	0%	0%	
Grants and subsidies	100%	92%	92%	95%	0%	0%	
Other	0%	8%	8%	0%	0%	1%	
Capital expenditure							
Water and sanitation	43,628	132,689	132,689	126,083	0%	-5%	
Electricity	10,922	15,200	15,200	18,561	0%	22%	
Housing	40	-	-	-	0%	0%	
Roads and storm water	6,158	31,462	31,462	4,417	0%	-86%	
Other	10,154	2,564	2,564	2,303	0%	-10%	
Total	70,902	171,982	181,915	181,915	151,364	0%	
Percentage of expenditure							
Water and sanitation	62%	73%	73%	83%	0%	6%	
Electricity	15%	8%	8%	12%	0%	-28%	
Housing	0%	0%	0%	0%	0%	0%	
Roads and storm water	9%	17%	17%	3%	0%	109%	
Other	14%	1%	1%	2%	0%	13%	



5.7.1 COMMENT ON SOURCES OF FINANCE

The municipality's capital expenditure is mainly financed through grants and subsidies:

- Regional Bulk Infrastructure Grant
- Municipal Infrastructure Grant
- Integrated National Energy Grant
- Water and Sanitation Integrated Grant: and
- own funding.

CHAPTER 5-FINANCIAL PERFORMANCE

Most of the capital expenditure is for the acquisition of infrastructure and service delivery items. Since capital expenditure is financed by conditional grants, the municipality strive to ensure that the budget is implemented accordingly to avoid roll over of grants or future stopping of allocation of grants to the municipality.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.8 CASH FLOW

The cash flow and investment portfolio are highlighted below, and cognizance needs to be taken of the cash flow situation of the municipality.

Cash Flow Outcomes					R'000
Description	2019/20220	2020/2021			
	Audited Outcome	Original Budget	Adjusted Budget	Actual	
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other	165,893	932,026	23,955	254,586	
Government - operating	196,955	209,909	33,703	243,876	
Government - capital	149,924	169,915	6,758	158,588	
Interest	4,115	(5,206)	(334)	30,760	
Dividends	45	88	129	47	
Payments					
Suppliers and employees	(374,876)	(624,706)	28,823	(394,412)	
Finance charges	(6,998)	(7,663)	(7,178)	(10,092)	
Transfers and Grants	(183)	(22,050)	(10,097)	(142)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	134,875	60,256	484,926	283,214	
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	371	0	0	563	
Decrease (Increase) in non-current debtors	0	0	0	0	
Decrease (increase) other non-current receivables	0	0	0	0	
Decrease (increase) in non-current investments	0	0	0	0	
Payments					
Capital assets	(126,777)	(181,915)	174	(157,757)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(126,407)	(181,915)	174	(157,194)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Short term loans	0	0	0	0	
Borrowing long term/refinancing	0	0	0	0	
Increase (decrease) in consumer deposits	0	0	0	0	
Payments					
Repayment of borrowing	(7,637)	0	0	8,101	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(7,637)	0	0	8,101	
NET INCREASE/ (DECREASE) IN CASH HELD	831	(121,659)	485,100	134,121	
Cash/cash equivalents at the year begin:	29,386			30,171	
Cash/cash equivalents at the yearend:	30,171			45,526	
T 5.9.1					

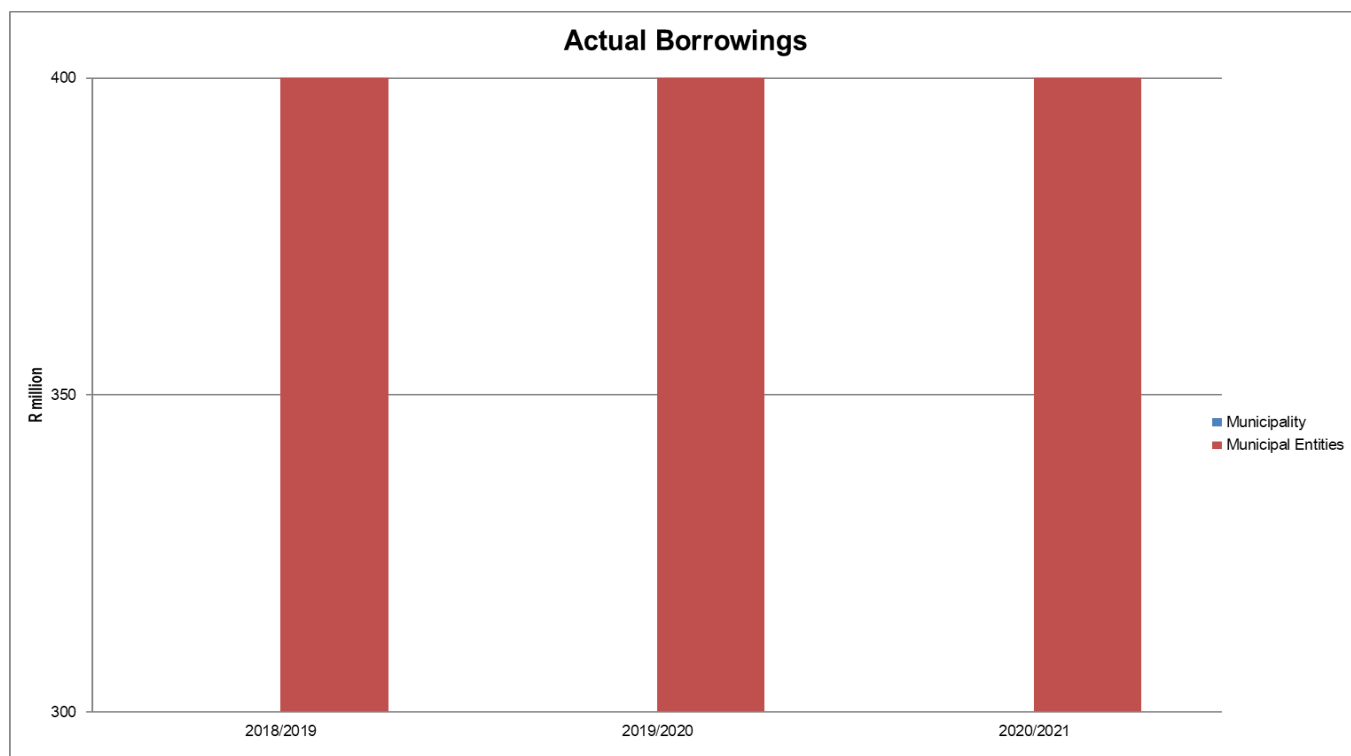
5.8.1 COMMENT ON CASH FLOW OUTCOMES

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

CHAPTER 5-FINANCIAL PERFORMANCE

5.9 BORROWING AND INVESTMENTS

Actual Borrowings: 2018/2019 to Year 2019/2021			
			R' 000
Instrument	2018/2019	2019/2020	2020/2021
Municipality			
Long-Term Loans (annuity/reducing balance)	4,160	3,246	2,657
Long-Term Loans (non-annuity)	0	0	0
Local registered stock	0	0	0
Instalment Credit	0	0	0
Financial Leases	24,249	17,526	10,014
PPP liabilities	0	0	0
Finance Granted By Cap Equipment Supplier	0	0	0
Marketable Bonds	0	0	0
Non-Marketable Bonds	0	0	0
Bankers Acceptances	0	0	0
Financial derivatives	0	0	0
Other Securities	0	0	0
Municipality Total	28,410	20,772	12,671
			T 5.10.2



CHAPTER 5-FINANCIAL PERFORMANCE

Municipal Investments			
			R' 000
Investment type	2018/2019	2019/2020	2020/2021
	Actual	Actual	Actual
Municipality			
Securities - National Government	0	0	0
Listed Corporate Bonds	0	0	0
Deposits - Bank	0	0	0
Deposits - Public Investment Commissioners	0	0	0
Deposits - Corporation for Public Deposits	0	0	0
Bankers' Acceptance Certificates	2,396	3,582	3,616
Negotiable Certificates of Deposit - Banks	0	0	0
Guaranteed Endowment Policies (sinking)	0	0	0
Repurchase Agreements - Banks	0	0	0
Municipal Bonds	0	0	0
Other	51	60	0
Municipality Total	2,447	3,642	3,616
			T 5.10.4

5.9.1 COMMENT ON BORROWING AND INVESTMENTS

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing, and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

5.10 PUBLIC PRIVATE PARTNERSHIPS

The municipality did not enter into any public private partnerships for the year under review.

COMPONENT D: SUPPLY CHAIN MANAGEMENT

5.11 INTRODUCTION TO SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Unit, through consultations with other relevant stakeholders had to ensure that the Supply Chain Management Policy of the municipality is implemented optimally and reviewed regularly to ensure compliance to Constitution of South Africa, Municipal Finance Management Act, 56 of 2003, Municipal Regulations and any other relevant legislations. The Supply Chain Management Policy applies when the municipality procures goods or services and/or disposes goods no longer needed or required. The policy does not apply in respect of the procurement of electricity from Eskom.

A total of thirteen bids and eleven formal written quotations were awarded during the year under review. The average turnaround time on the awarding of bids was three months from closing date to the appointment date. Deviations from Supply Chain Management Policy as results of justifiable reasons are compiled and reported to council via Financial Committee and Mayoral Committee.

CHAPTER 5-FINANCIAL PERFORMANCE

Our Supply Chain Management Policy is deemed to be fair, equitable, transparent, competitive, and cost effective and complies with prescribed regulatory for Municipal Supply Chain Management.

Auditor-General of South Africa raised concerns regarding irregular expenditures because of non-compliance to Supply Chain Management Policy and Supply Chain Management Regulations. It was also mentioned that the contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the Municipal Finance Management Act, 56 of 2003. Remedial actions were implemented to address concerns raised by Auditor-General of South Africa and a more detailed Audit Recovery Plan will be compiled and monitored monthly.

The Municipality is determined to ensure that all Supply Chain Management Unit personnel meet the prescribed minimum competency level by providing resources or opportunity for the training of officials involved in the implementation of the Supply Chain Management Policy. Other officials have completed the Municipal Finance Management Program while other are still attending supply chain management learnership pilot programme, initiative by National Treasury and Transport Education Training Authority to bridge a gap identified.

5.12 GRAP COMPLIANCE

The financial statement are Generally Recognised Accounting Practices compliance in all material aspect.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL REPORT 2019/2020

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Setsoto Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Setsoto Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 16 of 2019 (Dora).

Basis for qualified opinion

Property plant and equipment

3. The municipality did not review the useful lives and residual values of property, plant, and equipment at each reporting date in accordance with the requirements of GRAP 17, *Property, plant, and equipment*. As a result, property, plant, and equipment with a gross carrying amount of R628 000 000 (2019: R2 246 358) had a zero carrying amount while still being in use. I was unable to determine the impact on the net carrying amount of property, plant and equipment, depreciation, and impairment loss, as it was impracticable to do so. In addition, the municipality did not classify property, plant, and equipment in accordance with GRAP 17 as assets relating to infrastructure: road, pavement, bridges, and storm water were incorrectly classified as land. Consequently, land was overstated and infrastructure: road, pavement, bridges, and storm water understated by R12 793 226.
4. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for property, plant, and equipment, due to the status of the accounting records. Assets included in the fixed asset register could not be physically verified and supporting information was not provided for disposals and WIP additions. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to property, plant, and equipment, stated at R2 838 585 796 (2019: R2 864 987 638) in note 11 to the financial statements.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Revenue service charges

5. I was unable to obtain sufficient appropriate audit evidence for service charges, as the municipality did not have adequate systems in place to account for the billing of municipal services. Internal controls were also not established to account for the sales of prepaid electricity. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges, stated at R189 848 624 (2019: R178 270 347) in note 22 to the financial statements.

Capital commitments

6. The municipality did not disclose all capital commitments in the notes to the financial statements, as required by GRAP 17, *Property, plant, and equipment*. The municipality committed to capital projects and made payments for ongoing projects; however, the commitments were not disclosed, resulting in commitments being understated by R6 764 044.

Government grants and subsidies

7. I was unable to obtain sufficient appropriate audit evidence that government grants and subsidies had been properly accounted for, as adequate records were not maintained for project expenditure incurred from conditional grant funding. I was unable to confirm the government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to government grants and subsidies stated at R308 252 655 in note 27 to the financial statements. This also has an impact on unspent conditional grants.

Context for the opinion

8. 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 this auditor's report.
9. 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.
10. 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

11. Note 51 to the financial statements indicates that the municipality incurred a net loss of R38 745 438 during the year ended 30 June 2020. The municipality owed Eskom R32 779 491 (2019: R25 110 583) as at 30 June 2020. These events or conditions, along with other matters set forth in note 51, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Emphasis of matters

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

Irregular expenditure

13. As disclosed in note 45 to the financial statements, irregular expenditure of R92 455 092 (2019: R82 846 851) was incurred due to non-compliance with supply chain management (SCM) requirements.

Unauthorised expenditure

14. As disclosed in note 43 to the financial statements, unauthorised expenditure of R127 354 819 (2019: R616 848 443) was incurred due to overspending of the budget.

Fruitless and wasteful expenditure

15. As disclosed in note 44 to the financial statements, fruitless and wasteful expenditure of R4 333 747 (2019: R2 979 591) was incurred due to interest and penalties on arrear payments to creditors.

Restatement of corresponding figures

16. As disclosed in note 53 to the financial statements, the corresponding figures for 30 June 2019 were restated because of errors in the financial statements of the municipality at, and for the year ended, 30 June 2020.

Material uncertainty relating to claims against the municipality

17. With reference to note 52 to the financial statements, the municipality is the defendant in various lawsuits. 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 47 to the financial statements, material water distribution losses of R15 425 713 (2019: R15 342 187) and electricity distribution losses of R11 112 061 (2019: R8 928 564) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.

Material impairment

19. As disclosed in note 5 to the financial statements, consumer receivables were impaired by R185 239 119 (2019: R176 469 525).

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Other matters

Unaudited disclosure notes

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

Unaudited supplementary schedules

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

Responsibilities of the accounting officer for the financial statements

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

24. 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.
25. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Report on the audit of the annual performance report

Introduction and scope

26. 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 material findings on the reported performance information against predetermined objectives for the selected key performance area (KPA) presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
27. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
28. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected KPA presented in the annual performance report of the municipality for the year ended 30 June 2020:

KPA	Pages in the annual performance report
KPA 1 – Basic service delivery and infrastructure	

29. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
30. The material findings in respect of the usefulness and reliability of the selected development objective are as follows:

KPA 1 – Basic service delivery and infrastructure

Percentage of construction of Cyferfontein raw water abstraction pump station: Earth works, casted concrete reinforcement walls and roof mechanical concrete doors completed

31. The reported target of 45% did not agree with the planned target of 40% as per the approved integrated development plan.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Various indicators

32. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:

Indicator description	Reported achievement
Percentage of water pipes repaired.	99.89%
Percentage of water meters repaired or replaced.	88.46%
Percentage of sewer pipes repaired	94%
Percentage of unblocked sewer spillages	99.48%
Percentage of repaired/replaced sewer manholes	100%
Percentage of buckets removed	87.38%
Percentage of VIP and septic tanks serviced	12.89%

Other matters

33. I draw attention to the matters below.

Achievement of planned targets

34. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the qualified opinion expressed on the usefulness and reliability of the reported performance information in paragraphs 31 to 32 of this report.

Adjustment of material misstatements

35. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 1: Basic services and infrastructure. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

36. 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 an assurance.

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

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Annual financial statements, performance, and annual report

38. 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 on revenue, non-current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

39. Money owed by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
40. Reasonable steps were not taken to prevent irregular expenditure of R92 455 092 disclosed in note 45 to the financial statements, as required by section 62(1)(d) of the MFMA.
41. Reasonable steps were not taken to prevent fruitless and wasteful expenditure R4 333 747 disclosed in note 44 to the financial statements, in contravention of section 62(1)(d) of the MFMA.
42. Reasonable steps were not taken to prevent unauthorised expenditure of R127 354 819 disclosed in note 43 to the financial statements, in contravention of section 62(1)(d) of the MFMA.

Revenue management

43. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
44. Revenue due to the municipality was not calculated monthly, as required by section 64(2)(b) of the MFMA.

Procurement and contract management

45. Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
46. Some quotations were accepted from bidders who did not submit a declaration on whether they are 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.
47. Some quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

48. Some construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board Act 38 of 2000 (CIDB Act) and CIDB regulations 17 and 25 (7A). This non-compliance was identified in the procurement processes for the construction of a 500 mm diameter pump line from Cyferfontein to the new water treatment works in Senekal/ Matwabeng.
49. Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5.
50. Sufficient appropriate audit evidence could not be obtained that the performance of some of the contractors or providers was monitored monthly, as required by section 116(2)(b) of the MFMA.
51. Sufficient appropriate audit evidence could not be obtained that the contract performance and monitoring measures and methods were sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

Asset management

52. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
53. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services, as required by section 14(2)(a) and 14(2)(b) of the MFMA.

Strategic planning and performance management

54. The performance management system and related controls were inadequate as it did not describe how the performance reporting processes should be conducted, as required by municipal planning and performance management reg 7(1).

Conditional grants

55. I was unable to obtain sufficient appropriate audit evidence that the municipal infrastructure grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Dora.
56. I was unable to obtain sufficient appropriate audit evidence that the regional bulk infrastructure grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Dora.
57. I was unable to obtain sufficient appropriate audit evidence that the water services infrastructure grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Dora.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Other information

58. 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 the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.
59. 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.
60. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
61. I did not receive the other information prior to the date of the 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 the auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

62. 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 qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
63. Management did not always exercise oversight to ensure that accurate and reliable information was submitted on time, as there were material misstatements in the financial statements and annual performance report that required adjustments during the audit.
64. Management did not implement effective human resource management to ensure that adequate and sufficiently skilled resources were in place and that performance was monitored. There were significant vacancies in key management positions as well as support staff positions in finance and SCM units during the financial year under review.
65. Management did not ensure that the action plan to address the prior year findings is adequately implemented. This resulted in repeat findings being reported in the current financial year, due to a slow response by management.
66. The formal processes to effectively monitor compliance with key legislation were inadequate, which resulted in non-compliance with legislation in certain cases.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

67. In certain instances, management did not ensure that internal control processes were adequately designed and implemented to prevent non-compliance with SCM requirements. Management relied on internal control processes to ensure compliance with procurement requirements, however it is evident from the increase in the amount of irregular expenditure in the current year that these internal control processes were ineffective and subject to abuse, due to a lack of consequence management.

Material irregularities

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

Material irregularities in progress

69. I identified material irregularities during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. These material irregularities will be included in the next year's auditor's report.

Other reports

70. In addition to the investigations relating to material irregularities, I draw attention to the following engagement being conducted by the Hawks, which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
71. The municipality was under investigation by the Directorate for Priority Crime Investigation (Hawks) due to alleged fraud and corruption relating to the awarding of certain contracts by the municipality during 2018-19. By the date of this report, the investigation was still ongoing.

Bloemfontein
31 March 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

COMPONENT B: AUDITOR-GENERAL AUDIT REPORT 2020/2021

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

Report on the audit of the financial statements

Qualified of opinion

I have audited the financial statements of the Setsoto Local Municipality set out on pages 9 to 111 and ... to ..., which comprise the statement of financial position as at 30 June 2021, statement of financial performance, statement of changes in net assets, cash flow statement, statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects and the 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 Setsoto 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

Service charges

I was unable to obtain sufficient appropriate audit evidence for service charges of electricity and water, as the municipality did not have adequate systems in place to adequately account for the billing of services based on the consumer's monthly consumption. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R199 680 856 (2020: R189 913 073) in note 22 to the financial statements.

Provisions

I was unable to obtain sufficient appropriate audit evidence for the provision for environmental rehabilitation, as the municipality did not have adequate systems in place to provide adequate supporting evidence for the estimated costs and assumptions used in determining the provision for environmental rehabilitation. I was unable to confirm the provision for environment rehabilitation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the provision for environmental rehabilitation stated at R15 796 102 in note 18 to the financial statements.

Context for the opinion

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

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.

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.

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

Note 43 to the financial statements indicates that the municipality incurred a net loss of R218 145 943 during the year ended 30 June 2021. In addition, the municipality had an average creditors payment period of 139 days and the municipality owed Eskom R28 064 402 (2020: R32 779 491) as at 30 June 2021. These events or conditions, along with other matters set out in note 43, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Irregular expenditure

As disclosed in note 47 to the financial statements, the municipality incurred irregular expenditure of R77 876 589 (2020: R92 455 092), due to non-compliance with supply chain management (SCM) requirements.

Unauthorised expenditure

As disclosed in note 45 to the financial statements, the municipality incurred unauthorised expenditure of R319 561 516 (2020: R127 354 819), due to the overspending of the budget as a result of non-cash items.

Restatement of corresponding figures

As disclosed in note 41 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.

Material uncertainty relating to claims against the municipality

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

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

these matters could not be determined and no provision for any liabilities that may result was made in the financial statements.

Material losses

As disclosed in note 49 to the financial statements, material water distribution losses of R12 098 388 (2020: R15 425 713) and electricity distribution losses of R10 706 280 (2020: R11 112 061) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.

Material impairment

As disclosed in note 10 to the financial statements, consumer debtors were impaired by R252 831 528 (2020: R185 239 119).

Other matters

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

Unaudited disclosure notes

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.

Unaudited supplementary schedules

The supplementary information set out on pages 112 to 113 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

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.

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

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

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.

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

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 material findings on the usefulness and reliability of the reported performance information against predetermined objectives for the selected key performance area (KPA) presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected KPA presented in the municipality's annual performance report for the year ended 30 June 2021:

	Pages in the annual performance report
KPA 1 – basic service delivery and infrastructure	53 – 192

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

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

KPA 1 – basic services and infrastructure

Various indicators

The indicators listed below were approved in the service delivery and budget implementation plan for the 2020-2021 financial year, but they were not reported on in the annual performance report. As a result, I was unable to audit the reliability of the indicators. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the indicators listed below:

Indicator description	Planned target
Percentage of total water losses	30%
Percentage of households with access to basic sanitation	97%
Percentage of households with access to basic water supply	100%

I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against the targets listed below as reported in the annual performance report. This was due to limitations placed on the scope of my work and/or adequate supporting evidence was not provided for the measures reported. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported measures taken to improve performance:

Indicator description	Planned target	Reported achievement
Percentage of progress made on the development of the water network on 1110 site with water Marquard/ Moemaneng	1%	0%
Percentage of progress made on the development of the sewer network on 1110 site with sewer Marquard/Matwabeng	1%	0%
Percentage of progress made on upgrading of Van Soelen in Meqheleng/Ficksburg	29%	0%
Percentage of progress made on conversion of 969 VIP into waterborne sanitation system	0%	0%
Percentage of progress on the upgrading of the wastewater treatment works in Clocolan/Hlohlowane	10%	0%
Percentage of replacement of an old 5km asbestos water rising main pipeline in Clocolan/Hlohlowane completed	50%	0%
Percentage of Ficksburg/Meqheleng: Rehabilitation of 1,5 km surfaced, and storm water drainage completed	30%	0%

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Indicator description	Planned target	Reported achievement
MIG covid-19: development of boreholes in Marquard/ Moemaneng	25%	0%

Indicator description	Planned target	Reported achievement
Percentage of construction of Cyferfontein raw water abstraction pump station: earth works, casted concrete reinforcement walls and roof mechanical concrete doors completed	29%	0%
Percentage of the resuscitation of the WWTW in Senekal/Matwabeng	100%	0%
RBIG covid-19: development of boreholes in Clocolan/ Hlohlolwane	100%	0%

The achievements reported in the annual performance report differed materially from the supporting evidence provided for the indicators listed below:

Indicator description	Reported achievement
Percentage of unblocked sewer spillages	100%
Percentage of repaired/replaced sewer manholes	100%
Percentage of VIP and septic tanks serviced	100%

Other matters

I draw attention to the matters below.

Achievement of planned targets

Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 28 to 30 of this report.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 1 – basic services and infrastructure. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

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.

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

Annual financial statements

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 disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

The financial statements were not submitted to the auditor-general, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

Expenditure management

Reasonable steps were not taken to prevent irregular expenditure amounting to R77 876 589 as disclosed in note 47 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM requirements.

Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R2 504 899, as disclosed in note 46 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties charged by the South African Revenue Service (Sars).

Reasonable steps were not taken to prevent unauthorised expenditure amounting to R319 561 516, as disclosed in note 45 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the expenditure vote.

Revenue management

An effective system of internal control for debtors/revenue was not in place, as required by section 64(2)(f) of the MFMA.

Strategic planning and performance management

The internal controls processes relating to the performance monitoring, measurement, review and reporting were not performed, as required by municipal planning and performance management reg 7(1).

Procurement and contract management

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). A similar non-compliance was also reported in the prior year.

Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).

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. This limitation was identified in the procurement processes for the upgrading of wastewater treatment works (WTW) in Clocolan and upgrading of the De Put 500 mm raw water pipeline from De Put dam to WTW in Senekal/Matwabeng.

The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the upgrading of WTW in Clocolan and upgrading of the De Put 500 mm raw water pipeline from the De Put dam to WTW in Senekal/Matwabeng.

The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. A similar non-compliance was also reported in the prior year.

Utilisation of conditional grants

I was unable to obtain sufficient appropriate audit evidence that the regional bulk infrastructure grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Dora.

Consequence management

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.

Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Strategic planning and performance management

The internal controls processes relating to the performance monitoring, measurement, review, and reporting were not performed, as required by municipal planning and performance management reg 7(1).

Other information

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

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 the selected KPA presented in the annual performance report that have been specifically reported in this auditor's report.

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.

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.

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

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 qualified opinion, findings on the annual performance report and the findings on compliance with legislation included in this report.

The leadership did not in all instances exercise oversight responsibilities to ensure that accurate and reliable supporting evidence was submitted timeously, as limitation of scope qualifications was reported above. In addition, material misstatements in the financial statements and annual performance report were identified during the audit.

The leadership did not implement adequate consequence management to ensure that instances of unauthorised and irregular expenditure were investigated during the financial year and the responsible officials are held accountable for incurring such expenditure.

Although the municipality had an action plan to address the prior year findings, this was not adequately implemented and monitored as there was repeat qualifications reported and instances of unauthorised, irregular, and fruitless and wasteful expenditure were identified again in the current year due to the slow responses by management.

There were vacancies in key management position as well as support staff during the financial year. There was also instability in the accounting officer position. This contributed to the lack of adequate oversight over compliance, financial and performance reporting.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Management did not implement adequate processes to effectively monitor compliance with key legislation, which resulted in repeat non-compliance with applicable laws and regulations being reported.

Material irregularities

In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

The material irregularities identified are as follows:

Eskom not paid within 30 days

The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchases 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 R2 837 021

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 the interest to Eskom.

The accounting officer was notified of the material irregularity on 30 March 2021 and was invited to make written submission on the actions taken and those that will be taken to address this matter.

The following actions have been taken or is in progress to resolve the material irregularity:

The municipality is continuously engaging with Eskom to reach a mutual agreement on a payment agreement.

The municipality planned to reduce the electricity distribution losses through various interventions as part of their revenue enhancement strategy implemented within the various departments at the municipality.

The investigation of the fruitless and wasteful expenditure incurred will be performed by the municipal public accounts committee (MPAC) to determine if any official should be held liable for the loss once the council elected new committee members towards January 2022.

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

Late payment of employee taxes

The municipality did not pay over money deducted from employees within seven days after the end of the month during which the amounts were deducted or withheld from employees in respect of their liability for normal tax, as required by section 2(1) of the fourth schedule of the Income Tax Act 58 of 1962. The late payment resulted in a material financial loss for the municipality due to interest of R118 071 and penalties of R1 887 396 incurred for the period 1 April 2019 to 30 June 2020.

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

The accounting officer was notified of this material irregularity on 30 March 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The following actions have been taken or is in progress to resolve the material irregularity:

The municipality paid the full outstanding amount due to the (Sars).

The municipality is currently in the process of appointing a service provider to assist with the recovery of Value Added Tax and the remission of interest and penalties payable to Sars as part of the revenue enhancement strategy.

The investigation of the fruitless and wasteful expenditure incurred will be performed by the MPAC to determine if any official should be held liable for the loss once the council elected new committee members towards January 2022.

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

Bloemfontein

17 December 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

ACTION PLAN 2020/2021

REMEDIAL ACTION PLAN TOWARD THE 2021/2022-SETSOTO LOCAL MUNICIPALITY						
Functional Area	Audit Finding for the financial year ended 30 June 2019	Audit Finding for the financial year ended 30 June 2020	Audit Finding for the financial year ended 30 June 2021	Root-Cause	Responsible Manager	Responsible Head of Department
Qualification Matters	None.	None	I was unable to obtain sufficient audit evidence for service charges of electricity and water, as the municipality did not have adequate systems in place to adequately account for billing of services based on consumer's monthly consumption. I was unable to confirm the service charges by alternative means. consequently, i was unable to determine whether any adjustments were necessary to service charges stated at R 199 680 856 (2020: R 189 913 073) in note 22 to the financial statement	Revenue service charges: Estimates billed at zero and account billed using estimates for prolonged period, leading to revenue not been measured.	Revenue Management Manager	Chief Financial Officer
Qualification Matters	None.	None	I was unable to obtain sufficient appropriate audit evidence for the provision for environmental rehabilitation, as the municipality did not have adequate systems in place to provide adequate supporting evidence for the estimated costs and assumptions used in determining the provision for environmental rehabilitation. i was unable to confirm the provision for environment rehabilitation by alternative means. Consequently, i was unable to determine whether any adjustments were necessary to the provision for environmental rehabilitation stated at R 15 796 102 in note 18 to the financial statements	Provision for landfill sites: Limitation of scope on supporting amounts, calculations and rates used.	Waste Management Manager	Director Development Planning and Social Security
Restatement of corresponding figures	As disclosed in note 57 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.	As disclosed in note 53 to the financial statements, the corresponding figures for 30 June 2019 were restated because of errors in the financial statements of the municipality at, and for the year ended, 30 June 2020	As disclosed in note 41 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	(a) A proper review not being done of the financial statements before submission for audit purpose (b) Supporting schedules not kept for amounts disclosed in the financial statements	Manager Budget and Financial Reporting	Chief Financial Officer

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Functional Area	Audit Finding for the financial year ended 30 June 2019	Audit Finding for the financial year ended 30 June 2020	Audit Finding for the financial year ended 30 June 2021	Root-Cause	Responsible Manager	Responsible Head of Department
Material impairments	As disclosed in note 5 to the financial statements, consumer receivables were impaired by R176 469 525 (2018: R157 730 763).	As disclosed in note 5 to the financial statements, consumer receivables were impaired by R185 239 119 (2019: R176 469 525)	As disclosed in note 10 to the financial statements, consumer debtors were impaired by R 252 831 528 (2020: R 185 239 119)	Historic culture of non-payment. Revenue strategy is not yielding the expected results	Revenue Management Manager	Chief Financial Officer
Material uncertainty relating to going concern	Note 53 to the financial statements indicates that the municipality incurred a net loss of R644 326 365 during the year ended 30 June 2019. The municipality deducted pay as you earn from employee's salaries but did not pay over R12 654 718 (2018 R14 976 672) of these amounts deducted to the relevant third parties at year end as disclosed in note 16. In addition, the municipality owed Eskom R25 110 583 (2018: R15 478 508) as at 30 June 2019 which was long overdue. These events or conditions, along with other matters set forth in note 53, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.	Note 51 to the financial statements indicates that the municipality incurred a net loss of R38 745 438 during the year ended 30 June 2020. The municipality owed Eskom R32 779 491 (2019: R25 110 583) as at 30 June 2020. These events or conditions, along with other matters set forth in note 51, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.	Note 43 to the financial statement indicates that the municipality incurred a net loss of R 218 145 943 during the financial year ended 30 June 2021. In addition, the municipality had an average creditors payment period of 139 days and the municipality owed Eskom R 28 064 402 (2020: R 32 779 491) as at 30 June 2021. These even or conditions, along with other matters set out in note 43, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.	Correction of assets verification process contribute mainly to material loss.	Asset Management Manager	Chief Financial Officer

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

REMEDIAL ACTION PLAN TOWARD THE 2021/2022-SETSOTO LOCAL MUNICIPALITY						
Functional Area	Audit Finding for the financial year ended 30 June 2019	Audit Finding for the financial year ended 30 June 2020	Audit Finding for the financial year ended 30 June 2021	Root-Cause	Responsible Manager	Responsible Head of Department
Irregular expenditure	As disclosed in note 46 to the financial statements, irregular expenditure of R76 933 103 (2018: R98 765 998) was incurred due to non-compliance with supply chain management (SCM) requirements.	As disclosed in note 45 to the financial statements, irregular expenditure of R92 455 092 (2019: R82 846 851) was incurred due to non-compliance with supply chain management (SCM) requirements	As disclosed in note 47 to the financial statements, the municipality incurred irregular expenditure of R 77 876 589 (2020: R 92 455 092), due to non-compliance with supply chain management (SCM) requirements.	Lack of effective prevention and detection is that management did not ensure that the correct process is followed when goods and services are procured, that the necessary approvals are obtained for all the deviations and that all required documents are obtained from the bidders/prospective suppliers	Manager Supply Chain Management	Chief Financial Officer
Unauthorised expenditure	As disclosed in note 44 to the financial statements, unauthorised expenditure of R616 848 443 (2018: R17 301 739) was incurred, due to overspending a main division within the vote.	As disclosed in note 43 to the financial statements, unauthorised expenditure of R127 354 819 (2019: R616 848 443) was incurred due to overspending of the budget.	As disclosed in note 45 to the financial statements, the municipality incurred unauthorised expenditure of R 319 561 516 (2020: R 127 354 819), due to the overspending of the budget as a result of non-cash items	Review controls	Manager Budget and Financial Reporting	Chief Financial Officer
Material losses	As disclosed in note 48 to the financial statements, material water distribution losses of R15 342 187 (2018: R7 044 679) and electricity distribution losses of R8 928 564 (2018: R2 871 219) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.	As disclosed in note 47 to the financial statements, material water distribution losses of R15 425 713 (2019: R15 342 187) and electricity distribution losses of R11 112 061 (2019: R8 928 564) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft	As disclosed in note 49 to the financial statements, material water distribution losses of R 12 098 388 (2020: R 15 425 713) and electricity distribution losses of R 10 706 280 (2020: R 11 112 061) were incurred by the municipality mainly due to leakages, burst pipes, line losses, tampering and theft.	Did not in all instances prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Legal Manager	Director Corporate Services

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Functional Area	Audit Finding for the financial year ended 30 June 2019	Audit Finding for the financial year ended 30 June 2020	Audit Finding for the financial year ended 30 June 2021	Root-Cause	Responsible Manager	Responsible Head of Department
Material uncertainty relating to claims against the municipality	With reference to note 54 to the financial statements, the municipality is the defendant in various lawsuits. 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.	With reference to note 52 to the financial statements, the municipality is the defendant in various lawsuits. 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	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 liability that may result was made in the financial statements.	No provision was made in the Annual Financial Statement as a result the liabilities might be understated	Manager Budget and Financial Reporting	
Predetermined Objectives	None.	None	The indicators listed below were approved in the service delivery and budget implementation plan for the 2020/2021 financial year, but they were not reported in the annual performance report. As a result, I was unable to audit the reliability of the indicators. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the indicators listed below	Did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Manager Integrated Development Plan	Municipal Manager
Predetermined Objectives	None.	None	I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against the targets listed below as reported in the annual performance report. This was due to limitations placed on the scope of work and/or adequate supporting evidence was not provided for the measures reported. I was unable to conform the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustment was required to the reported measures taken to improve performance.	Did not implement proper record keeping in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting	Manager Integrated Development Plan	Municipal Manager

CHAPTER 6-AUDITOR GENERAL AUDIT FINDINGS

Functional Area	Audit Finding for the financial year ended 30 June 2019	Audit Finding for the financial year ended 30 June 2020	Audit Finding for the financial year ended 30 June 2021	Root-Cause	Responsible Manager	Responsible Head of Department
Predetermined Objectives	None.	None	The achievements reported in the annual performance report differed materially from the supporting evidence provided for the indicators listed below	Did not implement proper record keeping in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting	Manager Integrated Development Plan	Municipal Manager

VOLUME II-ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS 2020/2021



Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial statements
for the year ended 30 June 2021
Auditor-General of South Africa

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
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 Setsoto Municipal area.
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (No.56 of 2003) Local Government: Municipal Systems Act (No.32 of 2000) Local Government: Municipal Systems Amendment Act (No. 44 of 2003) Local Government: Municipal Structures Act (No. 117 of 1998) Local Government: Municipal Structures Amendment Act (No. 33 of 2000) Housing Act (No. 107 of 1997) Constitution of the Republic of South Africa (No. 108 of 1996) Property Rates Act (No. 6 of 2004) Annual Division of Revenue Act Municipal Demarcation Act (No. 27 of 1998) Local Government: Transition Act Second Amendment (No. 97 of 1996) Water Services Act (No. 108 of 1997) Electricity Act (No. 41 of 1987) Intergovernmental Fiscal Relations Act (No. 97 of 1997) Intergovernmental Relations Framework Act (No. 13 of 2005)
Mayor / Executive Mayor	Koalane, Komane Elias (1 July 2020 - 31 May 2021) Maveleliso, Paka Isaac (From 1 June 2021)
Executive Committee / Mayoral Committee	Taylor, Nnini Annie (From 1 July 2020 - 31 May 2021) Hlakane, Moeketsi Selasi, Motsamai William (From 1 July 2020 - 31 May 2021) Khitsane, Nthatsi Petronella (From 1 July 2020 - 31 May 2021) Selikane, Thabiso Shadrack (From 1 June 2021) Sellane, Matieho Theresia (From 1 June 2021) Jakobo, Tsheliso Bernard (From 1 June 2021) Mthimkulu, Mamotena Lydia (From 1 February 2021)
Councillors	Speaker - Mokhuoane, Krog Sexton Koqo, Palesa Elizabeth Mokhele, Modise Moses Mathuhle, Motsamai John Schee, Pulane Constance Lipoko, Ratsholwane Shadrack Makhubu, Ntali Selina Mohosho, Andronika Modiehi Strydom, Evert Phillip Matsau, Malefane Patrick Makhalanyane, Tieho George Moipatli, Chere Daniel Mothibeli, Moselantja Mercy Selikane, Thabiso Shadrack (From 1 July 2020 - 31 May 2021)

Setsoto Local Municipality

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Financial Statements for the year ended 30 June 2021

General Information

	Mthimkulu, Mamotena Lydia (From 1 July 2020 - 31 January 2021) Makobane, Serame Ishmael Khatlake, Ntema Peter Jakobo, Tsheliso Bernard (From 1 July 2020 - 31 May 2021) Mthimkhulu, Thabo Isaac Vries, Isak Semahla, Mookho Hilda Matobako, Puseletso Constance Sellane, Matieho Theresia (From 1 July 2020 - 31 May 2021) Mokoena, Teboho Jacob (From 1 July 2020 - 30 November 2020) Maveleliso, Paka Isaac (From 1 July 2020 - 31 May 2021) Maoke, Nthateng Alice Heymans, Maria Cornelia Taylor, Nnini Annie (From 1 June 2021) Selasi, Motsamai William (From 1 June 2021) Khitsane, Nthatisi Petronella (From 1 June 2021) Koalane, Komane Elias (From 1 June 2021)
Grading of local authority	06 - Medium Capacity
Accounting Officer	Mr. STR Ramakarane
Chief Finance Officer (CFO)	Mr. NL Moletsane
Registered office	27 Voortrekker Street Ficksburg 9730
Business address	27 Voortrekker Street Ficksburg 9730
Postal address	P O Box 116 Ficksburg 9730
Bankers	First National Bank, a division of First Rand Limited
Auditors	Auditor-General of South Africa
Legal Manager	PM Koalane P O Box 116, Ficksburg, 9730 matshediso@setsoto.co.za
Telephone Number	(051) 933 9300
Fax Number	(051) 933 9363

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2021

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Setsoto Local Municipality

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Financial Statements for the year ended 30 June 2021

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
COGTA	Department of Cooperative Governance and Traditional Affairs
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
mSCOA	Municipal Standard Chart of Accounts
IGRAP	Interpretation of the South African Standards of Generally Recognised Accounting Practice

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
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 (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared as required by in terms of Section 122 of the Municipal Finance Management Act (No.56 of 2003) and in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 financial statements are prepared on the basis that the municipality is a going concern and that the Setsoto Local Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 8 September 2021.

Mr. STR Ramakarane
Municipal Manager

Setsoto Local Municipality

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Financial Statements for the year ended 30 June 2021

Audit & Performance Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 number of meetings were held.

Name of member	Number of meetings attended
Mr H B Mathibela - Chairperson	5
Mr T Zororo	5
Mr L S Mofokeng	5
Ms F Kobo	5
Mrs SJ Masite	5

All members are independent with no interest in the management or conduct of the business of the Municipality and the members of the Audit And Performance Audit Committee were appointed on the 26 June 2017 and their contract will end on 27 July 2022.

Audit and Performance Committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The Audit and Performance Audit Committee has adopted appropriate formal terms of reference as its Audit and Performance Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is considered generally adequate in design and is partially ineffective in its implementation and this was evident by the reasonable assurance given by the Internal Audit Unit. However, there have been some vast improvements on some internal controls. The identification of corrective actions and suggested enhancements to the controls were done through risk management process and interaction with management on the action plan on audited report.

Evaluation of financial statements

The Audit and Performance Audit Committee has:

- reviewed and discussed the unaudited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed changes in accounting policies and practices;
- reviewed the adjustments made which appear on notes of prior period error and reclassification;
- provide assurance on irregular, fruitless and wasteful expenditure;
- monitors asset management;
- monitor the implementation of the procurement plan;
- monitor the implementation of the SCM policy and deviations.

Internal audit

The Audit and Performance Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Date: _____

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

Net deficit of the municipality was R218 145 943 (2020: deficit R41 375 136)

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R2 764 462 769 and that the municipality's total assets exceed its liabilities by R2 764 462 769.

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.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

The financial statements was prepared as required in terms of Section 122 of the Municipal Finance Management Act (No. 56 of 2003) and in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such statements issued by the Accounting Practices Board, and in accordance with the prescribed framework by National Treasury.

6. Employee Benefits

Management performed an actuarial valuation of the Employee Benefits of the employer's liability as arising from the Post-Retirement Healthcare Subsidy ("RHS") payable to current and retired employees.

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

Refer to note 8 for detail about these valuations.

7. Non-current assets

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

8. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. STR Ramakarane	RSA

9. Auditors

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

Setsoto Local Municipality

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Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

10. Jurisdiction

Setsoto Local Municipality included the following areas:

- Ficksburg
- Senekal
- Marquard
- Clocolan

Mr. STR Ramakarane
Municipal Manager

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	9	2 613 228	2 751 139
Receivables from exchange transactions	11&10	204 187 715	200 815 151
Receivables from non-exchange transactions	12&10	54 248 943	50 021 646 *
VAT receivable	13	30 886 515	12 001 983 *
Cash and cash equivalents	14	45 525 760	30 170 505 *
		337 462 161	295 760 424
Non-Current Assets			
Investment property	3	83 725 336	103 133 497 *
Property, plant and equipment	4	2 595 748 879	2 838 980 522 *
Intangible assets	5	545 252	1 307 033 *
Heritage assets	6	15 385 903	15 385 903
Other financial assets	7	3 615 509	3 498 052
		2 699 020 879	2 962 305 007
Total Assets		3 036 483 040	3 258 065 431
Liabilities			
Current Liabilities			
Other financial liabilities	17&16	9 045 133	8 100 734
Payables from exchange transactions	19	118 166 024	128 847 741 *
Consumer deposits	20	3 194 033	3 157 199
Employee benefit obligation	8	3 348 000	3 101 000
Unspent conditional grants and receipts	15	55 259 611	53 334 375 *
		189 012 801	196 541 049
Non-Current Liabilities			
Other financial liabilities	17&16	3 626 368	12 671 614
Employee benefit obligation	8	63 585 000	52 503 000
Provisions	18	15 796 102	13 741 077 *
		83 007 470	78 915 691
Total Liabilities		272 020 271	275 456 740
Net Assets		2 764 462 769	2 982 608 691
Accumulated surplus		2 764 462 769	2 982 608 691 *
Total Net Assets		2 764 462 769	2 982 608 691

The accounting policies on pages 16 to 44 and the notes on pages 45 to 111 form an integral part of the financial statements.

* See Note 41

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	199 680 856	189 913 073 *
Rental of facilities and equipment	23	1 347 653	1 631 309
Interest received (trading)		28 914 253	33 682 040 *
Licences and permits		70 242	36 776
Commissions received		840 708	1 042 203
Other income	24	3 574 852	1 814 253
Interest received - investment	25	1 850 157	4 120 697 *
Fair value adjustments		115 759	-
Actuarial gains		-	9 883 257
Dividends received	25	46 880	45 156
Total revenue from exchange transactions		236 441 360	242 168 764
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	54 904 834	53 030 041
Transfer revenue			
Government grants & subsidies	28	403 164 146	308 952 655 *
Donated assets		8 076 388	1 012 368
Fines, Penalties and Forfeits		1 084 350	636 300
Total revenue from non-exchange transactions		467 229 718	363 631 364
Total revenue	21	703 671 078	605 800 128
Expenditure			
Employee related costs	29	214 610 185	202 482 218 *
Remuneration of councillors	30	12 967 130	13 208 568
Repairs and maintenance		3 754 580	3 527 867 *
Depreciation and amortisation	31	393 083 789	140 772 718 *
Impairment of assets	32	18 136 101	2 824 628 *
Finance costs	33	9 627 724	11 589 677 *
Lease rentals on operating lease		4 667 001	4 600 572 *
Debt impairment	34	111 163 711	120 148 035 *
Bulk purchases	35	80 035 213	72 862 820
Contracted services	36	10 850 314	13 211 320 *
Transfers and Subsidies	27	142 439	190 384 *
Loss on disposal of assets		18 819 974	16 868 983 *
Fair value adjustments		-	276 979
Actuarial losses		5 204 581	-
General Expenses	37	38 754 279	44 610 495 *
Total expenditure		921 817 021	647 175 264
Deficit for the year		(218 145 943)	(41 375 136)

* See Note 41

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	2 973 934 064	2 973 934 064
Changes in net assets		
Prior-year adjustments (Refer to note 41)	50 049 763	50 049 763
Net income (losses) recognised directly in net assets	50 049 763	50 049 763
Deficit for the year	(41 375 136)	(41 375 136)
Total changes	8 674 627	8 674 627
Restated* Balance at 01 July 2020	2 982 608 712	2 982 608 712
Changes in net assets		
Deficit for the year	(218 145 943)	(218 145 943)
Total changes	(218 145 943)	(218 145 943)
Balance at 30 June 2021	2 764 462 769	2 764 462 769
Note(s)		

* See Note 41

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		45 043 002	39 392 571 *
Sale of goods and services		91 810 948	87 134 067 *
Grants		404 389 382	346 878 749
Interest income		30 760 371	37 802 737 *
Dividends received		46 880	45 156
Other receipts		5 971 366	7 649 407 *
Fines, penalties and forfeits		1 084 350	636 300
		<u>579 106 299</u>	<u>519 538 987</u>
Payments			
Employee costs		(225 885 120)	(212 497 214)*
Suppliers		(150 106 952)	(149 698 796)*
Finance costs		(3 579 798)	(5 398 508)*
VAT		(18 884 534)	(17 117 991)*
		<u>(398 456 404)</u>	<u>(384 712 509)</u>
Net cash flows from operating activities	38	<u>180 649 895</u>	<u>134 826 478</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(157 756 605)	(126 775 250)*
Proceeds from sale of property, plant and equipment	4	562 812	370 579
Net cash flows from investing activities		<u>(157 193 793)</u>	<u>(126 404 671)</u>
Cash flows from financing activities			
Take up/(Repayment) of other financial liabilities		(8 100 847)	(7 637 157)
Net cash flows from financing activities		<u>(8 100 847)</u>	<u>(7 637 157)</u>
Net increase/(decrease) in cash and cash equivalents		15 355 255	784 650
Cash and cash equivalents at the beginning of the year		30 170 505	29 385 855
Cash and cash equivalents at the end of the year	14	<u>45 525 760</u>	<u>30 170 505</u>

* See Note 41

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	220 233 708	1 685 296	221 919 004	199 680 856	(22 238 148)	Over budgeting and income forgone (subsidy to poor) decreased revenue
Rental of facilities and equipment	1 864 716	(506 676)	1 358 040	1 347 653	(10 387)	Immaterial variance
Interest received (trading)	37 450 236	(10 532 428)	26 917 808	28 914 253	1 996 445	Immaterial variance
Licences and permits	45 648	-	45 648	70 242	24 594	Strict implementation of Council policies increased revenue
Commissions received	564 492	(188 508)	375 984	840 708	464 724	Additional commission received
Other income - (rollup)	1 997 808	662 460	2 660 268	3 574 852	914 584	Implementation of Council policy on unallocated deposits
Interest received - investment	4 824 684	(2 940 940)	1 883 744	1 850 157	(33 587)	Immaterial variance
Dividends received	87 996	41 112	129 108	46 880	(82 228)	Over budgeting on dividend received
Total revenue from exchange transactions	267 069 288	(11 779 684)	255 289 604	236 325 601	(18 964 003)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	69 710 100	(2 603 688)	67 106 412	54 904 834	(12 201 578)	Income forgone implementation iro destitutional help
Transfer revenue						
Government grants & subsidies	207 046 428	36 903 054	243 949 482	244 576 339	626 857	Immaterial variance
Donated assets	-	-	-	8 076 388	8 076 388	Under budget on donated assets
Fines, Penalties and Forfeits	845 628	(660 964)	184 664	1 084 350	899 686	Strict implementation of Council policies increased revenue
Total revenue from non-exchange transactions	277 602 156	33 638 402	311 240 558	308 641 911	(2 598 647)	
Total revenue	544 671 444	21 858 718	566 530 162	544 967 512	(21 562 650)	
Expenditure						
Personnel	(211 286 724)	3 525 700	(207 761 024)	(214 610 185)	(6 849 161)	Immaterial variance
Remuneration of councillors	(14 154 480)	1 143 000	(13 011 480)	(12 967 130)	44 350	Immaterial variance
Repairs and maintenance	(61 500 948)	21 424 550	(40 076 398)	(3 754 580)	36 321 818	Classification correction
Depreciation and amortisation	(126 155 652)	-	(126 155 652)	(393 083 789)	(266 928 137)	Correction of assets register and useful live of assets
Impairment loss/ Reversal of impairments	-	-	-	(18 136 101)	(18 136 101)	Correction of assets
Finance costs	(7 662 996)	484 528	(7 178 468)	(9 627 724)	(2 449 256)	Correct implementation of finance costs
Lease rentals on operating lease	(6 343 992)	1 545 954	(4 798 038)	(4 667 001)	131 037	Immaterial variance

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Debt Impairment	(71 253 360)	-	(71 253 360)	(111 163 711)	(39 910 351)	Poor payment rate contribute to increased impairment
Bulk purchases	(84 544 080)	(540 264)	(85 084 344)	(80 035 213)	5 049 131	Immaterial variance
Contracted Services	(27 496 440)	596 384	(26 900 056)	(10 850 314)	16 049 742	Implementation of strict cost containment measures
Transfers and Subsidies	(22 050 024)	(19 047 472)	(41 097 496)	(142 439)	40 955 057	Transfer and grants disclosed as income forgone
General Expenses	(21 969 996)	1 127 736	(20 842 260)	(38 754 279)	(17 912 019)	Classification correction
Total expenditure	(654 418 692)	10 260 116	(644 158 576)	(897 792 466)	(253 633 890)	
Operating deficit	(109 747 248)	32 118 834	(77 628 414)	(352 824 954)	(275 196 540)	
Loss on disposal of assets and liabilities	-	-	-	(18 819 974)	(18 819 974)	Correction of assets
Transfers and subsidies - Capital	169 915 452	6 757 548	176 673 000	158 587 807	(18 085 193)	Less transfers received from Government
Fair value adjustments	-	-	-	115 759	115 759	Under budgeting on shares fair value adjustment
Actuarial gains/(losses)	-	-	-	(5 204 581)	(5 204 581)	Poor economic climate contributes to actuarial loss
	169 915 452	6 757 548	176 673 000	134 679 011	(41 993 989)	
Deficit before taxation	60 168 204	38 876 382	99 044 586	(218 145 943)	(317 190 529)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	60 168 204	38 876 382	99 044 586	(218 145 943)	(317 190 529)	

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Financial Statements for the year ended 30 June 2021

Accounting Policies

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 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 receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, 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 operation surplus note.

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.

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Accounting Policies

1.2 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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - 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 the waste water and water networks. 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 8.

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 that material 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.

GRAP 24: Presentation of budget information

Deviations between the budget and actual amounts are regarded as material if they exceed a 10% deviation.

All material differences are explained in the notes/appendices to the annual financial statements.

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Operating lease commitments

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

1.3 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.

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	15 - 80 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.4 Property, plant and equipment

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	10 - 80 years
Plant and machinery	Straight-line	2 - 20 years
Furniture and office equipment	Straight-line	5 - 10 years
Transport assets	Straight-line	5 - 20 years
Office equipment	Straight-line	3 - 7 years
IT equipment	Straight-line	3 - 7 years
Computer equipment	Straight-line	3 - 6 years
Infrastructure - Electricity	Straight-line	5 - 50 years
Buildings and other structures (Community)	Straight-line	25 - 50 years
Other property, plant and equipment	Straight-line	3 - 7 years
Infrastructure - Waste management	Straight-line	5 - 40 years
Infrastructure - Roads, pavements, bridged, and storm water	Straight-line	5 - 80 years

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Accounting Policies

1.4 Property, plant and equipment (continued)

Infrastructure - Water	Straight-line	5 - 80 years
Infrastructure - Waste water management	Straight-line	10 - 60 years
Work in progress	Straight-line	Transfer to assets on completion

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.5 Intangible assets

An asset is identifiable if it either:

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

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Accounting Policies

1.5 Intangible assets (continued)

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

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).

1.6 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.

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Accounting Policies

1.6 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 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.

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

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.

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

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

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

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Accounting Policies

1.6 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

1.7 Financial instruments

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

A financial asset is:

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

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

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

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

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

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

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

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.

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.

Financial Instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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.

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Accounting Policies

1.7 Financial instruments (continued)

- Financial instruments at cost

Debtors

Debtors are initially recognised at fair value plus any transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified in the Statement of Financial Performance.

Creditors

Trade payables are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

These are initially and subsequently recorded at amortised cost.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

Loans and receivables

Loans and receivables are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in the Statement of Financial Performance for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Fixed and negotiable deposits

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality will hold to maturity.

Fixed and negotiable deposits are initially and subsequently measured at fair value which in the case of investments that have an original maturity date of less than 12 months equates the cost. Fixed and negotiable deposits held for greater than 12 months are fair valued annually and the difference recognised in the statement of financial performance.

On disposal of Fixed and negotiable deposits, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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1.8 Tax

The municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

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.

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.

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

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.

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1.10 Inventories (continued)

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.

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.

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1.11 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.12 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 transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

An entity 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 should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, whichever is earlier.

In certain circumstances government will only remit grants on a re-imburement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

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 shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.13 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.

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1.13 Tax (continued)

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.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Value in use

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.

1.14 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.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

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.

1.15 Employee benefits

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

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

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

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

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

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

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

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

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

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1.15 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

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.

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1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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.

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1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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1.15 Employee benefits (continued)

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 financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

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

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

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

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

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

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

Before determining the effect of a curtailment or settlement, the entity re-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 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.

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Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

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1.15 Employee benefits (continued)

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.

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.

1.16 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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1.16 Provisions and contingencies (continued)

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.

1.17 Commitments

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

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.18 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.

When uncertainty arises about the delectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Measurement

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

Sale of goods

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

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

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1.18 Revenue from exchange transactions (continued)

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.

Revenue from rental of facilities and equipment is recognised on a straightline basis over the term of the lease agreement.

Interest 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 using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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.

1.19 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.

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1.19 Revenue from non-exchange transactions (continued)

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.

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.

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1.19 Revenue from non-exchange transactions (continued)

Assessment rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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.

Fines

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

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

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

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.

Services in-kind

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

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

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Accounting Policies

1.20 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.

1.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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Accounting Policies

1.21 Accounting by principals and agents (continued)

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

1.22 Comparative figures

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

1.23 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.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, and Guidelines.

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.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, and Guidelines.

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.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is defined in section 1 of the MFMA as follows:

"Irregular expenditure", in relation to a municipality or municipal entity, means:

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy

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1.25 Irregular expenditure (continued)

Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

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.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.27 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.

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1.28 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections 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.

1.29 Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the Standard rate (15%) in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2020 to 30/06/2021.

The budget for the economic entity includes all the entities approved budgets under its control.

The 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 financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

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2021

2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	To be determined	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	To be determined	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2021	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2021	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2021	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2021	Not expected to impact results but may result in additional disclosure
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Unlikely there will be a material impact

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3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	120 198 602	(36 473 266)	83 725 336	130 705 602	(27 572 105)	103 133 497

Reconciliation of investment property - 2021

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	103 133 497	(10 507 001)	(2 247)	(8 898 913)	83 725 336

Reconciliation of investment property - 2020

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	105 333 977	(1 017 259)	(21 298)	(1 161 923)	103 133 497

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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4. 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	51 935 480	-	51 935 480	57 830 195	(14 448)	57 815 747
Furniture and Office Equipment	6 399 984	(5 573 906)	826 078	6 437 467	(4 701 312)	1 736 155
Transport assets	54 133 094	(37 246 805)	16 886 289	49 825 554	(17 022 291)	32 803 263
Computer Equipment	8 307 625	(6 313 792)	1 993 833	7 927 085	(5 367 559)	2 559 526
Infrastructure - Electricity	342 294 799	(141 669 860)	200 624 939	323 742 637	(134 034 549)	189 708 088
Buildings & Other Structure Community)	407 669 201	(173 610 438)	234 058 763	397 294 663	(142 681 240)	254 613 423
Infrastructure - Waste management	35 534 067	(17 703 662)	17 830 405	34 165 967	(10 287 156)	23 878 811
Infrastructure: Road, Pavement, Bridges & Storm water	2 764 746 505	(2 008 458 240)	756 288 265	2 761 403 306	(1 769 447 746)	991 955 560
Machinery & Equipment	3 912 144	(3 256 154)	655 990	4 712 644	(3 556 399)	1 156 245
Infrastructure - Waste Water (Sanitation)	606 264 637	(191 311 954)	414 952 683	602 365 634	(152 066 401)	450 299 233
Infrastructure - Water	1 158 997 329	(259 301 175)	899 696 154	1 043 433 705	(210 979 234)	832 454 471
Total	5 440 194 865	(2 844 445 986)	2 595 748 879	5 289 138 857	(2 450 158 335)	2 838 980 522

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Work in progress movements	Depreciation	Impairment loss	Provision adjustment	Total
Land	57 815 747	-	(5 880 267)	-	-	-	-	51 935 480
Furniture and Office Equipment	1 736 155	111 229	(11 676)	-	(1 009 630)	-	-	826 078
Transport Assets	32 803 263	4 858 294	(47 826)	-	(20 727 442)	-	-	16 886 289
Computer Equipment	2 559 526	1 204 435	(27 542)	-	(1 742 586)	-	-	1 993 833
Infrastructure Electricity	189 708 088	-	(7 529)	18 561 372	(7 636 992)	-	-	200 624 939
Buildings & Other Structure Community	254 613 423	24 677 487	(2 171)	(14 298 175)	(29 562 275)	(1 369 526)	-	234 058 763
Infrastructure - Waste management	23 878 811	-	-	-	(7 416 505)	-	1 368 099	17 830 405
Infrastructure: Road, Pavement, Bridges & Storm water	991 955 560	-	(329 841)	4 417 067	(239 754 521)	-	-	756 288 265
Machinery & Equipment	1 156 245	218 248	(1 266)	-	(717 237)	-	-	655 990
Infrastructure - Waste Water (Sanitation)	450 299 233	31 940 391	(963 896)	(25 941 526)	(29 873 790)	(10 507 729)	-	414 952 683
Infrastructure Water	832 454 471	28 190 167	(1 603 774)	91 894 004	(44 982 115)	(6 256 599)	-	899 696 154
	2 838 980 522	91 200 251	(8 875 788)	74 632 742	(383 423 093)	(18 133 854)	1 368 099	2 595 748 879

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Reclassification on	Work in progress movements	Depreciation	Impairment loss	Provision adjustment	Total
Land	58 043 125	-	(227 378)	-	-	-	-	-	57 815 747
Furniture and Office Equipment	2 595 039	86 277	(2 694)	-	-	(942 467)	-	-	1 736 155
Transport Assets	35 085 750	1 012 368	-	-	-	(3 294 855)	-	-	32 803 263
Computer Equipment	3 343 326	558 498	(40 682)	-	-	(1 301 616)	-	-	2 559 526
Infrastructure Electricity	176 939 685	1 547 042	(733 995)	-	21 476 934	(9 521 578)	-	-	189 708 088
Buildings & Other Structure Community)	272 071 787	-	(1 530 742)	(22 450 673)	17 144 648	(10 603 417)	(18 180)	-	254 613 423
Infrastructure: Waste Management	29 710 699	-	-	(3 131 808)	-	(2 435 560)	-	(264 520)	23 878 811
Infrastructure: Road, Pavement, Bridges & Storm water	1 067 032 189	3 494 303	-	-	(1 137 330)	(74 648 452)	(2 785 150)	-	991 955 560
Machinery & Equipment	1 912 058	24 700	(124 768)	-	-	(655 745)	-	-	1 156 245
Infrastructure - Waste Water (Sanitation)	423 016 270	-	(2 061 448)	29 175 481	14 570 265	(14 401 335)	-	-	450 299 233
Infrastructure - Water	799 465 077	13 203 929	(11 477 362)	(3 593 000)	55 805 984	(20 950 157)	-	-	832 454 471
	2 869 215 005	19 927 117	(16 199 069)	-	107 860 501	(138 755 182)	(2 803 330)	(264 520)	2 838 980 522

Pledged as security

Carrying value of assets pledged as security:

Transport assets	7 852 410	23 440 425
Transport assets purchased on instalment agreement and financed through ABSA and FNB		

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4. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Ficksburg / Meqheleng Rehabilitation of 1.5km Surfaced Roads and Storm water Drainage Due to poor performance, as well as failure to implement the scope and management of cashflow by the contractor, the municipality after engaging with the contractor concluded on the termination of the contract. The municipality will use the retention funds on the project to complete the scope.	6 550 846	2 133 780
Upgrading of the Van Soelen Outfall sewer pipeline and related works in Meqheleng (Phase 2) The project is running behind schedule due to the dispute lodged by the contractor which necessitated the municipality to embark on a mediation process in terms of the GCC.	18 418 696	19 424 961
Construction of new water reticulation of 1110 sites in Marquard / Moemaneng Contract was terminated with the appointed contractor due to poor performance.	15 118 020	14 325 495
Construction of new sewer reticulation of 1110 sites in Marquard / Moemaneng Contract was terminated with the appointed contractor due to poor performance.	17 422 859	16 587 758
Installation of the prepaid electrical meters The project has been delayed due to inaccessible households and the shortage of electrical meters to be installed.	49 021 150	31 067 401
The conversion of 969 VIP toilets in Meqheleng / Ficksburg The project was delayed due to COVID 19 regulations and also by the instruction of the court on the then pending dispute.	24 937 777	23 711 957
Electrification of 205 erven (Skeleton park) and 60 erven (Tienie van Rooyen, Clocolan) Phase 1 of the project was delayed due to COVID 19 regulations.	4 485 668	4 485 668
	135 955 016	111 737 020

*The above disclosure note with regards to, property, plant and equipment that is taking a significantly longer period of time to complete than expected, was not presented in the 2019/2020 annual financial statements.

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	252 817 845	252 817 845
Additions/capital expenditure	151 364 400	151 364 400
Transferred to completed items	(76 731 658)	(76 731 658)
	327 450 587	327 450 587

Description	Opening balance	Cost additions	Transfer out	Total
Buildings and other structures (Community)	14 298 175	2 302 925	(16 601 100)	-
Infrastructure Electrical	37 831 445	18 561 372	-	56 392 817
Infrastructure Roads, Pavements, Bridges & Stormwater	2 133 780	4 417 067	-	6 550 847
Infrastructure Waste Water (Sanitation)	94 366 151	5 998 865	(31 940 391)	68 424 625
Infrastructure Water	104 188 294	120 084 171	(28 190 167)	196 082 298
	252 817 845	151 364 400	(76 731 658)	327 450 587

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	144 957 344	144 957 344
Additions/capital expenditure	126 105 774	126 105 774
Transferred to completed items	(18 245 273)	(18 245 273)
	252 817 845	252 817 845

Description	Opening balance	Cost addition	Transfer out	Reclassification	Total
Buildings and other structures (Community)	19 604 200	17 144 648	-	(22 450 673)	14 298 175
Infrastructure Electrical	16 354 511	22 504 602	(1 027 668)	-	37 831 445
Infrastructure Roads, Pavements, Bridges & Stormwater	3 271 110	2 356 973	(3 494 303)	-	2 133 780
Infrastructure Waste Management	3 131 808	-	-	(3 131 808)	-
Infrastructure Waste Water (Sanitation)	50 620 405	14 570 265	-	29 175 481	94 366 151
Infrastructure Water	51 975 310	69 529 286	(13 723 302)	(3 593 000)	104 188 294
	144 957 344	126 105 774	(18 245 273)	-	252 817 845

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Repairs and maintenance	3 754 580	3 527 897
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 247 016	(3 701 764)	545 252	4 585 469	(3 278 436)	1 307 033

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	1 307 033	(761 781)	545 252

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	2 158 666	(851 633)	1 307 033

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6. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	14 506 753	-	14 506 753	14 506 753	-	14 506 753
Municipal jewellery	879 150	-	879 150	879 150	-	879 150
Total	15 385 903	-	15 385 903	15 385 903	-	15 385 903

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical buildings	14 506 753	14 506 753
Municipal jewellery	879 150	879 150
	15 385 903	15 385 903

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical buildings	14 506 753	14 506 753
Municipal jewellery	879 150	879 150
	15 385 903	15 385 903

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7. Other financial assets		
Designated at fair value		
Listed shares	884 404	849 385
Sanlam		
Unlisted shares	1 297 736	1 264 066
OVK/EFC shares		
	2 182 140	2 113 451
At amortised cost		
Other financial assets	1 433 369	1 384 601
Consist of Sanlam Redemption fund and a housing collateral at ABSA Bank		
Total other financial assets	3 615 509	3 498 052
Non-current assets		
Designated at fair value	2 182 140	2 113 451
At amortised cost	1 433 369	1 384 601
	3 615 509	3 498 052
Financial assets at fair value		
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 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 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 3 applies inputs which are not based on observable market data.		
Level 1		
Sanlam	884 404	849 385
As at 30 June 2021, the Sanlam share value was : R61.37 (2020: R58.94)		
Level 3		
OVK	1 297 736	1 264 066
As at 30 June 2021 the OVK share value was as follows:		
OVK Operations: R14.00 (2020: R13.85)		
OVK Holdings: R16.50 (2020: R15.85)		
	2 182 140	2 113 451
Financial assets at amortised cost		
Fair values of financial assets measured or disclosed at fair value		
Class 1	1 433 369	1 384 601

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8. Employee benefit obligations

Defined benefit plan

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below and which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

The following are defined benefit plans:

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

Post retirement medical aid plan

The Post-retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:

Total members

In service (employee) members	538	527
Contribution members (eg retirees, widows, orphans)	35	33
	573	560

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25. The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

The amounts recognised in the statement of financial position are as follows:

As at 30 June

Opening balance	(42 839 000)	(46 089 853)
Service costs	(2 028 000)	(2 512 254)
Interest costs	(4 513 000)	(4 320 501)
Actuarial benefits paid	1 455 815	1 472 508
Actuarial gains/(losses)	(5 590 815)	8 611 100
	(53 515 000)	(42 839 000)

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8. Employee benefit obligations (continued)

Long service bonus

An actuarial valuation of the liability in respect of the long service awards was performed by an independent company.

The primary purpose of this valuation is to enable the municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and can therefore be used in the compilation of the Annual Financial Statements of the Municipality.

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in the future.

Membership data

Number of current employees	643	644
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The amounts recognised in the statement of financial position are as follows:

As at 30 June

Opening balance	(12 765 000)	(12 490 744)
Service cost	(1 289 000)	(1 350 919)
Interest costs	(848 000)	(963 893)
Actuarial benefits paid	1 097 766	768 400
Actuarial gains/(losses)	386 234	1 272 156
	(13 418 000)	(12 765 000)

Total amounts recognised in the statement of financial position are as follows:

Non-current liabilities	(63 585 000)	(52 503 000)
Current liabilities	(3 348 000)	(3 101 000)
	(66 933 000)	(55 604 000)

Total net expense recognised in the statement of financial performance

Current service cost	(3 317 000)	(3 861 173)
Interest cost	5 361 000	5 284 394
Actuarial (gains) / losses	5 204 581	(9 883 257)
Benefits paid	2 553 581	2 240 908
	9 802 162	(6 219 128)

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8. Employee benefit obligations (continued)

Key assumptions used

Post retirement medical aid plan:

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation date for the period over which the liability obligations are to be settle.

Discount rates used	10.27 %	10.70 %
Index linked yield	4.10 %	4.73 %

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

These rates were calculated by using a liability-weighted average of the yields for the two components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields). The two components are as follows:

	Duration (Years)	Fixed-Interest Yield	Index-Linked Yield
In-service members' retirement liability	23.00	10.73 %	4.28 %
Continuation members' liability	8.50	8.98 %	3.57 %

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 6.95% (2020: 6.72%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.45% (2020: 5.22%). A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.10% (2020: 3.73%) which derives from $((1+10.27\%)/(1+6.95\%))-1$.

The expected inflation assumption of 5.45% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.10%) and those of fixed interest bonds (10.27%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+10.27\%-0.50\%)/(1+4.10\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2022.

Maximum Subsidy Inflation Rate

This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R 4,773.12 (2020: R 4,773.12) for the year ending 30 June 2021. The annual increases to this maximum amount are periodically specified by the local government bargaining council.

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8. Employee benefit obligations (continued)

Recent past annual increases balanced with sustainability needs of employees have resulted in this assumption being set at 7.5% of salary inflation. The future salary inflation assumption of 6.45% (2020: 6.22%), was set to be 1.00% above expected CPI inflation. Thus a maximum subsidy inflation assumption of 4.84% (2020: 4.67%) was assumed. The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2022.

Replacement Ratio

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic Assumptions

Mortality During Employment

SA 85-90 ultimate table, adjusted for female lives.

Post-Employment Mortality

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from $[1 - (1 - 1\%)^2]$, and so on.

Withdrawal from Service

If an in-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Age	Withdrawal rate females	Withdrawal rate males
20	9 %	9 %
25	8 %	8 %
30	6 %	6 %
35	5 %	5 %
40	5 %	5 %
45	4 %	4 %
50	3 %	3 %
55+	0 %	0 %

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-service members who have passed the assumed retirement age, have been assumed to retire at their next birthday.

Continuation of Membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family Profile

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible in-service members on a health care arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

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8. Employee benefit obligations (continued)

Medical Scheme Option

It has been assumed that continuation members will remain on the same medical scheme and option. In-service members were assumed to remain on the same medical scheme and option, should they continue to receive the subsidy after retirement.

Plan Assets

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Other Assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.

Long service bonus:

In estimating the unfunded liability for Long Service Award of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It is difficult to predict future investment returns and earnings inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the Long Service Awards arrangement - this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time.

The key financial and demographic assumptions are summarised below

Financial variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

	Current valuation	Preceding valuation
Discount rate	8.98 %	7.12 %
CPI (consumer price inflation)	5.74 %	3.84 %
Normal salary increase rate	4.00 %	6.25 %
Net effective discount rate	3.07 %	3.16 %

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

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8. Employee benefit obligations (continued)

Consequently, a discount rate of 8.98% (2020: 7.12%) per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payments of long service awards, for each employee. The 8.98% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.57% (2020: 3.68%). These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 30 June 2021. The liability-weighted average term of the liability is 8.50 years (2019: 6.25 years)

Earnings Inflation Rate:

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the Long Service Awards are based on an employee's earnings at the date of the award

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Escalation. The latter is considered under demographic assumptions.

General Earnings Inflation:

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 4.74% (2020: 2.84%) was obtained from the differential between market yields on index-linked bonds (3.57%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.98%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.98\%-0.50\%)/(1+3.57\%))-1$.

Thus, a general earnings inflation rate of 5.74% per annum over the expected term of the liability has been assumed, which is 1,00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.07%.

It has been assumed that the next earnings increase will take place on 1 July 2022.

Demographic Assumptions:

Demographic assumptions are required about the future characteristics of current employees who are eligible for Long Service Awards.

Promotional Earnings Scale:

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 5.74% (2020: 3.84%) per annum for all employees.

In addition to the normal salary inflation rate, we assumed the following promotional salary increase:

Age Band	Additional promotional scale
20 - 24	5 %
25 - 29	4 %
30 - 34	3 %
35 - 39	2 %
40 - 44	1 %
> 44	0 %

Average Retirement Age:

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of all ill-health and early retirement. Employees who have passed the assumed retirement age, have been assumed to retire at their next birthday.

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8. Employee benefit obligations (continued)

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted down for female lives.

Withdrawal from Service:

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Age Band	Withdrawal rate females	Withdrawal rate males
20	9 %	9 %
25	8 %	8 %
30	6 %	6 %
35	5 %	5 %
40	5 %	5 %
45	4 %	4 %
50	3 %	3 %
55+	0 %	0 %

Plan Assets:

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

LSA Arrangement Assumptions:

It was assumed that the employer's LSA arrangements would remain as outlined in Section 3, and that the level of benefits in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

Defined contribution plan

The following are defined contribution plans:

- Free State Municipal Provident Fund
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi-employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund are R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund were on 30 June 2015. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund are R1 308 million which is adequately financed by assets of R 1 531 million. The actuarial valuation determined that the retirement plan was in a sound financial position.

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9. Inventories		
Consumable stores	2 409 093	2 627 233
Water for distribution	204 135	123 906
	2 613 228	2 751 139
Carrying value of inventories carried at fair value less costs to sell	2 613 228	2 751 139
Inventories recognised as an expense during the year	6 164 120	10 438 154
Carrying value of inventories carried at fair value less costs to sell.		
Inventory pledged as security		
No inventory was pledged as security during the current financial year.		

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10. Consumer debtors disclosure				
Gross balances				
Consumer debtors - Rates	70 223 687	61 697 622		
Consumer debtors - Electricity	47 425 279	30 999 919		
Consumer debtors - Water	171 146 643	141 540 932		
Consumer debtors - Sewerage	87 618 945	73 283 449		
Consumer debtors - Refuse	118 260 212	98 977 617		
Consumer debtors - Other	5 506 650	19 442 581		
	500 181 416	425 942 120		
Less: Allowance for impairment				
Consumer debtors - Rates	(27 061 514)	(21 809 769)		
Consumer debtors - Electricity	(12 368 835)	(9 548 387)		
Consumer debtors - Water	(95 287 395)	(64 464 786)		
Consumer debtors - Sewerage	(48 301 531)	(36 354 106)		
Consumer debtors - Refuse	(67 326 672)	(50 369 649)		
Consumer debtors - Other	(2 485 581)	(2 692 422)		
	(252 831 528)	(185 239 119)		
Net balance				
Consumer debtors - Rates	43 162 173	39 887 853		
Consumer debtors - Electricity	35 056 444	21 451 532		
Consumer debtors - Water	75 859 248	77 076 145		
Consumer debtors - Sewerage	39 317 414	36 929 343		
Consumer debtors - Refuse	50 933 540	48 607 968		
Consumer debtors - Other	3 021 069	16 750 159		
	247 349 888	240 703 000		
Reconciliation of allowance for impairment 2021				
	Opening balance	Impairment raised	Impairment reversed / Debt written off	Closing balance
Rates	21 809 769	5 824 184	(572 439)	27 061 514
Electricity	9 548 387	4 168 858	(1 348 410)	12 368 835
Water	64 464 786	48 171 565	(17 348 956)	95 287 395
Sewerage	36 354 106	22 511 371	(10 563 946)	48 301 531
Refuse	50 369 649	31 959 177	(15 002 154)	67 326 672
Other	2 692 422	6 149 597	(6 356 438)	2 485 581
	185 239 119	118 784 752	(51 192 343)	252 831 528
Reconciliation of allowance for impairment 2020				
	Opening balance	Impairment raised	Impairment reversed / Debt written off	Closing balance
Rates	16 141 458	9 524 310	(3 855 999)	21 809 769
Electricity	11 888 404	798 927	(3 138 944)	9 548 387
Water	63 810 115	43 336 541	(42 681 870)	64 464 786
Sewerage	34 528 722	21 812 113	(19 986 729)	36 354 106
Refuse	47 382 261	30 388 050	(27 400 662)	50 369 649
Other	2 718 565	14 498 792	(14 524 935)	2 692 422
	176 469 525	120 358 733	(111 589 139)	185 239 119

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Figures in Rand	2021	2020
10. Consumer debtors disclosure (continued)		
Rates		
Current (0 -30 days)	124 592	(150 977)
31 - 60 days	4 062 146	4 082 896
61 - 90 days	3 050 609	2 339 396
91 - 120 days	2 826 321	3 142 715
121 - > 365 days	60 160 019	52 283 592
Impairment	(27 061 514)	(21 809 769)
	43 162 173	39 887 853
Electricity		
Current (0 -30 days)	11 867 930	9 428 379
31 - 60 days	5 126 810	2 377 741
61 - 90 days	2 318 560	1 056 035
91 - 120 days	1 819 642	739 064
121 - > 365 days	26 292 337	17 398 700
Impairment	(12 368 835)	(9 548 387)
	35 056 444	21 451 532
Water		
Current (0 -30 days)	1 688 448	752 594
31 - 60 days	6 049 849	5 760 862
61 - 90 days	5 050 819	4 816 023
91 - 120 days	4 914 238	4 697 612
121 - > 365 days	153 443 289	125 513 840
Impairment	(95 287 395)	(64 464 786)
	75 859 248	77 076 145
Sewerage		
Current (0 -30 days)	72 403	515
31 - 60 days	2 898 687	2 746 563
61 - 90 days	2 731 384	2 575 580
91 - 120 days	2 643 981	2 467 039
121 - > 365 days	79 272 490	65 493 752
Impairment	(48 301 531)	(36 354 106)
	39 317 414	36 929 343
Refuse		
Current (0 -30 days)	93 867	815
31 - 60 days	4 204 206	3 535 675
61 - 90 days	3 542 023	3 319 276
91 - 120 days	3 434 063	3 239 948
121 - > 365 days	106 986 053	88 881 903
Impairment	(67 326 672)	(50 369 649)
	50 933 540	48 607 968

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10. Consumer debtors disclosure (continued)		
Other		
Current (0 -30 days)	(146 744)	(4 333 536)
31 - 60 days	25 678	717 365
61 - 90 days	59 886	533 314
91 - 120 days	81 980	540 925
121 -> 365 days	5 485 850	21 984 513
Impairment	(2 485 581)	(2 692 422)
	3 021 069	16 750 159

Consumer debtors past due but not impaired 2021	Current	31-60 Days	61-90 Days	91-120 Days	121 - >365 Days	Total
Rates	76 579	2 496 751	1 875 021	1 737 165	36 976 657	43 162 173
Electricity	8 772 691	3 789 704	1 713 864	1 345 067	19 435 118	35 056 444
Water	748 390	2 681 541	2 238 731	2 178 193	68 012 393	75 859 248
Sewerage	32 492	1 300 733	1 225 659	1 186 439	35 572 091	39 317 414
Refuse	40 427	1 810 711	1 525 516	1 479 018	46 077 868	50 933 540
Other	(80 507)	14 086	32 855	44 976	3 009 659	3 021 069
	9 590 072	12 093 526	8 611 646	7 970 858	209 083 786	247 349 888

Consumer debtors past due but not impaired 2020	Current	31-60 Days	61-90 Days	91-120 Days	121 - >365 Days	Total
Rates	(97 607)	2 639 615	1 512 432	2 031 783	33 801 630	39 887 853
Electricity	6 524 314	1 645 365	730 762	511 422	12 039 669	21 451 532
Water	409 825	3 137 079	2 622 566	2 558 086	68 348 589	77 076 145
Sewerage	262	1 384 060	1 297 898	1 243 202	33 003 921	36 929 343
Refuse	402	1 736 372	1 630 098	1 591 140	43 649 956	48 607 968
Other	(3 733 425)	618 024	459 460	466 017	18 940 083	16 750 159
	3 103 771	11 160 515	8 253 216	8 401 650	209 783 848	240 703 000

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	10 211 674	9 571 188
31 - 60 days	14 834 939	14 338 015
61 - 90 days	12 476 720	12 077 201
91 - 120 days	12 092 558	11 636 387
121 -> 365 days	368 591 595	318 607 933
	418 207 486	366 230 724

Industrial/ commercial		
Current (0 -30 days)	2 940 978	849 662
31 - 60 days	5 060 229	3 356 897
61 - 90 days	2 030 519	1 623 061
91 - 120 days	1 708 809	1 418 525
121 -> 365 days	47 814 127	39 256 252
	59 554 662	46 504 397

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Figures in Rand	2021	2020				
10. Consumer debtors disclosure (continued)						
National and provincial government						
Current (0 -30 days)	547 847	(1 411 163)				
31 - 60 days	2 472 206	1 850 714				
61 - 90 days	2 246 042	987 599				
91 - 120 days	1 918 857	1 677 030				
121 -> 365 days	15 234 319	10 102 815				
	22 419 271	13 206 995				
Total						
Current (0 -30 days)	13 700 496	9 009 686				
31 - 60 days	22 367 374	19 545 628				
61 - 90 days	16 753 281	14 687 863				
91 - 120 days	15 720 224	14 731 942				
121 -> 365 days	431 640 041	367 967 001				
	500 181 416	425 942 120				
Less: Allowance for impairment	(252 831 528)	(185 239 120)				
	247 349 888	240 703 000				
Past due but not impaired 2021						
	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	120 - >365 Days	Total
Consumers	10 211 672	14 834 939	12 476 720	12 092 558	368 591 594	418 207 483
Industrial/Commercial	2 940 978	5 060 229	2 030 519	1 708 809	47 814 127	59 554 662
National and provincial government	547 847	2 472 206	2 246 042	1 918 857	15 234 319	22 419 271
Subtotal	13 700 497	22 367 374	16 753 281	15 720 224	431 640 040	500 181 416
Less: Impairment	(4 110 424)	(10 273 846)	(8 141 635)	(7 749 366)	(222 556 257)	(252 831 528)
	9 590 073	12 093 528	8 611 646	7 970 858	209 083 783	247 349 888
Past due but not impaired 2020						
	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	120 - > 365 Days	Total
Consumers	9 571 188	14 338 015	12 077 201	11 636 387	318 607 933	366 230 724
Industrial/Commercial	849 662	3 356 897	1 623 061	1 418 525	39 256 254	46 504 399
National and provincial government	(1 411 163)	1 850 714	987 599	1 677 030	10 102 817	13 206 997
Subtotal	9 009 687	19 545 626	14 687 861	14 731 942	367 967 004	425 942 120
Less: Impairment	(2 594 024)	(8 060 586)	(6 386 405)	(6 425 653)	(161 772 452)	(185 239 120)
	6 415 663	11 485 040	8 301 456	8 306 289	206 194 552	240 703 000

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Figures in Rand	2021	2020
11. Receivables from exchange transactions		
Consumer debtors - Electricity	35 056 444	21 451 532
Consumer debtors - Water	75 859 248	77 076 145
Consumer debtors - Sewerage	39 317 414	36 929 343
Consumer debtors - Refuse	50 933 540	48 607 968
Consumer debtors - Other	3 021 069	16 750 163
	204 187 715	200 815 151

Trade and other receivables pledged as security

No consumer debtors were pledged as security.

Fair value of trade and other receivables

In determining the recoverability of consumer debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of consumer debtors has been made for all consumer balances outstanding based on the payment ratio over a 12 months period per service type. No further credit provision is required in excess of the provision for impairment.

12. Receivables from non-exchange transactions

Fines	227 071	26 430
Salary receivable (COGTA)	1 400 000	700 000
Legal fees recoverable	-	236 741
Cashiers short banking	338 657	354 934
Prepayment (Infrastructure project)	5 729 021	5 729 021
Sundry Debtors	189 000	-
Prepayments (Eskom and Fuel Deposits)	3 203 021	3 086 665
Rates (Details as per note 10 above)	43 162 173	39 887 855
	54 248 943	50 021 646

13. VAT

VAT	30 886 515	12 001 983
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The municipality is registered on the payment basis, VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors. VAT payables and receivables are shown separate in note 49

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Figures in Rand 2021 2020

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 006 189	1 124 417
Short-term deposits	43 510 364	29 036 881
Cash on hand	9 207	9 207
	45 525 760	30 170 505

Cessions

A cession to the amount of R5 729 021 in favour of Setsoto Local Municipality is held in terms of the upgrading of the Van Soelen outfall sewer pipeline project. The cession is with ABSA bank and the account details are as follows:

ABSA Bank

Linomtha Planthire and Road Construction (Pty) Ltd - account 93 5340 6209	5 729 021	5 729 021
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Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral for the current financial year.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
FNB Bank - Account - 620 480 92647	1 741 934	877 290	2 372 705	2 006 189	1 124 417	2 427 931
FNB Bank - Business Money Market - 621 517 83563	731 781	717 907	9 540	731 781	717 907	9 540
FNB Bank - NSTD Account - 620 490 46205	1 371 301	54 009	439 969	1 375 340	54 009	440 638
FNB Bank - Call Account - 623 105 40465	24 872 038	28 264 965	26 317 817	24 872 038	28 264 965	26 498 539
STD Bank - Notice Deposit - 48445851002	10 220 950	-	-	10 220 950	-	-
STD Bank - Notice Deposit - 48445851003	6 310 255	-	-	6 310 255	-	-
Total	45 248 259	29 914 171	29 140 031	45 516 553	30 161 298	29 376 648

Differences between bank statement and cashbook 2021:

	Bank statement	Cash book	Difference
FNB Bank - Account 620 480 92647	1 741 934	2 006 189	264 255
FNB Bank - NSTD Account - 620 490 46205	1 371 301	1 375 340	4 039
	3 113 235	3 381 529	268 294

The difference of R264 255 is due to cashier receipts captured before year end and only deposited after year end.

The difference of R4 039 is due to interest accrued.

Differences between bank statement and cashbook 2020:

	Bank statement	Cash book	Difference
FNB Bank - Account 620 480 92647	877 290	1 124 415	247 125

The difference of R247 125 is due to cashier receipts captured before year end and only deposited after year end.

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Notes to the Financial Statements

Figures in Rand	2021	2020
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	5 520 276
Water Services Infrastructure Grant	5 729 021	15 542 987
Regional Bulk Infrastructure Grant (RBIG)	40 551 330	23 291 852
Provincial Government - Free State	8 979 260	8 979 260
	55 259 611	53 334 375
Movement during the year		
Balance at the beginning of the year	53 334 375	14 708 281
Additions during the year	405 089 382	347 578 749
Income recognition during the year	(403 164 146)	(308 952 655)
	55 259 611	53 334 375
See note 28 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
16. Other financial liabilities		
At amortised cost		
Bank loan	2 657 156	3 246 165
Financial liabilities - Instalment sales agreements	10 014 345	17 526 183
	12 671 501	20 772 348
Total other financial liabilities	12 671 501	20 772 348
Refer to Appendix A for further details on other financial liabilities.		
Non-current liabilities		
At amortised cost	3 626 368	12 671 614
Current liabilities		
At amortised cost	9 045 133	8 100 734

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Notes to the Financial Statements

Figures in Rand	2021	2020
17. Finance lease obligation		
Minimum lease payments due		
- within one year	9 107 194	9 107 194
- in second to fifth year inclusive	1 661 711	10 768 906
	<hr/>	<hr/>
	10 768 905	19 876 100
less: future finance charges	(754 560)	(2 349 917)
Present value of minimum lease payments	<hr/> 10 014 345	<hr/> 17 526 183
Present value of minimum lease payments due		
- within one year	8 387 313	7 511 839
- in second to fifth year inclusive	1 627 032	10 014 344
	<hr/>	<hr/>
	10 014 345	17 526 183

Finance lease obligations are included and form part of the total other financial liabilities disclosed in note 16.

It is municipality policy to lease certain vehicles, computers, faxes, equipment and photo copy machines under finance leases.

The average lease term was 3 - 5 years and the average effective borrowing rate was 11% (2020: 11%).

Interest rates are linked to prime 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. Refer note 4.

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Figures in Rand

2021

2020

18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in estimate	Unwinding of provision	Total
Environmental rehabilitation	13 741 077	1 368 099	686 926	15 796 102

Reconciliation of provisions - 2020

	Opening Balance	Unwinding of provision	Change in discount factor	Total
Environmental rehabilitation	13 150 795	854 802	(264 520)	13 741 077

Environmental Rehabilitation (Landfill Sites)

In terms of the Mineral and Petroleum Resources Development Act, 2002 (No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites at Ficksburg, Clocolan, Marquard and Senekal. Provision has been made for this cost based on actual cost calculations received from Consulting Engineers. The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The following assumptions were used to calculate the provision

- Total area expected to be rehabilitated: 140 300 (2020: 125 500) square metres
- Average rate per square metre: R130.45 (2020: R132.86) escalating every year 5% (2020: 5%)

Total area to be rehabilitated can be reconciled to the different sites as follows:

- Ficksburg - 52 800 m² (2020: 38 000 m²)
- Senekal - 32 400 m² (2020: 32 400 m²)
- Marquard - 27 000 m² (2020: 27 000 m²)
- Clocolan - 28 100 m² (2020: 28 100 m²)

Each of the landfill site has different remaining lifespans ranging from 5 months to 20 years.

- Ficksburg - 10 years (2020: 20 years)
- Senekal - 13 years (2020: 19 years)
- Marquard - 1 year (2020: 2 years)
- Clocolan - 5 months (2020: 1 year and 5 months)

For events after the reporting period affecting provisions please refer to note 44.

19. Payables from exchange transactions

Trade payables	52 457 124	70 874 906
Payments received in advance	8 891 933	10 146 429
Bonus - 13th Cheque	4 744 812	4 427 371
Accrued leave pay	19 491 100	17 170 013
Salary control - third parties	9 580 112	11 289 864
Retention monies	17 173 121	10 977 577
Unallocated deposits	3 598 608	2 051 478
Payments received in advance - Prepaid electricity	2 229 214	1 910 103
	118 166 024	128 847 741

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Figures in Rand	2021	2020
20. Consumer deposits		
Electricity	2 788 793	2 765 425
Water	133 271	123 870
Rental deposits	271 969	267 904
	3 194 033	3 157 199
21. Revenue		
Service charges	199 680 856	189 913 073
Rental of facilities and equipment	1 347 653	1 631 309
Interest received (trading)	28 914 253	33 682 040
Licences and permits	70 242	36 776
Commissions received	840 708	1 042 203
Other income	3 574 852	1 814 253
Interest received - investment	1 850 157	4 120 697
Dividends received	46 880	45 156
Property rates	54 904 834	53 030 041
Government grants & subsidies	403 164 146	308 952 655
Donated assets	8 076 388	1 012 368
Fines, Penalties and Forfeits	1 084 350	636 300
	703 555 319	595 916 871
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	199 680 856	189 913 073
Rental of facilities and equipment	1 347 653	1 631 309
Interest received (trading)	28 914 253	33 682 040
Licences and permits	70 242	36 776
Commissions received	840 708	1 042 203
Other income	3 574 852	1 814 253
Interest received - investment	1 850 157	4 120 697
Dividends received	46 880	45 156
	236 325 601	232 285 507
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	54 904 834	53 030 041
Transfer revenue		
Government grants & subsidies	403 164 146	308 952 655
Donated assets	8 076 388	1 012 368
Fines, Penalties and Forfeits	1 084 350	636 300
	467 229 718	363 631 364

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Figures in Rand	2021	2020
22. Service charges		
Sale of electricity	87 986 621	76 013 316
Sale of water	49 821 909	50 979 406
Sewerage and sanitation charges	27 236 922	27 779 561
Refuse removal	34 635 404	35 140 790
	199 680 856	189 913 073
23. Rental of facilities and equipment		
Premises		
Premises	1 346 455	1 623 296
Facilities and equipment		
Rental of facilities	1 198	8 013
	1 347 653	1 631 309
24. Other income		
Sundry income	2 325 309	1 051 851
Cemetery fees	1 249 543	762 402
	3 574 852	1 814 253
25. Investment revenue		
Dividend revenue		
Unlisted financial assets - Local	46 880	45 156
Interest revenue		
Interest earned on cash and bank	385 854	494 673
Investment and short term deposits	1 464 303	3 626 024
	1 850 157	4 120 697
	1 897 037	4 165 853

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Figures in Rand	2021	2020
26. Property rates		
Rates received		
Residential	49 844 654	47 857 777
State	16 573 005	16 407 538
Less: Income forgone	(11 512 825)	(11 235 274)
	54 904 834	53 030 041
Valuations		
Residential	2 300 699 100	2 258 492 100
Commercial	620 429 000	619 906 000
State	486 836 200	482 636 200
Municipal	905 148 700	939 164 700
Small holdings and farms	3 974 527 300	3 963 957 300
Churches	66 288 000	66 558 000
	8 353 928 300	8 330 714 300

Valuations on land and buildings are performed every 5 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.

A general rate of R0.02 (2020: R0.02) is applied to property valuations to determine assessment rates of residential. A general rate of R0.04 (2020: R0.04) is applied to property valuations to determine assessment rates of business.

Rebates of 47% (2020: 50%) are granted to the residential and state property owners.

Rates are levied on an annual basis with equal payments over twelve months. Interest at prime plus 1% per annum is levied on outstanding rates.

27. Transfers and subsidies

Other subsidies

Distitutional help	142 439	190 384
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Notes to the Financial Statements

Figures in Rand	2021	2020
28. Government grants and subsidies		
Operating grants		
Equitable share	240 513 857	193 149 000
EPWP Grant	1 802 000	1 769 000
Financial Management Grant (FMG)	2 000 000	2 165 000
Municipal Disaster Relief Grant	-	238 000
SETA Funding	260 482	333 749
	244 576 339	197 654 749
Capital grants		
Municipal Infrastructure Grant	46 365 138	41 682 724
Water Services Infrastructure Grant	19 374 999	2 686 034
National Government - Integrated National Electricity Grant	-	2 600 000
National Government - Regional Bulk Infrastructure	92 847 670	64 329 148
	158 587 807	111 297 906
	403 164 146	308 952 655

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R471 (2020: R444), which is funded from the grant.

An amount of R36 583 956 was withheld from equitable share.

An amount of R700 000 (2020: R700 000) was recognised under equitable share for the municipal manager salary debtor receivable from COGTA.

MIG Grant

Balance unspent at beginning of year	5 520 276	-
Current-year receipts	44 323 000	47 203 000
Conditions met - transferred to revenue	(46 365 138)	(41 682 724)
Roll over withheld	(3 478 138)	-
	-	5 520 276

Conditions still to be met - remain liabilities (see note 15).

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The municipality reports at year - end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budget to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants were used construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

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Figures in Rand 2021 2020

28. Government grants and subsidies (continued)

EPWP Grant

Current-year receipts	1 802 000	1 769 000
Conditions met - transferred to revenue	(1 802 000)	(1 769 000)
	<u>-</u>	<u>-</u>

The grant is used for job creation projects in previous disadvantage areas.

Water Services Infrastructure Grant

Balance unspent at beginning of year	15 542 987	5 729 021
Current-year receipts	19 374 999	12 500 000
Conditions met - transferred to revenue	(19 374 999)	(2 686 034)
Roll over withheld	(9 813 966)	-
	<u>5 729 021</u>	<u>15 542 987</u>

Conditions still to be met - remain liabilities (see note 15).

This grant was used to address water loss control and assisting with water shortages in Clocolan, Marquard and Senekal during drought period.

Financial Management Grant (FMG)

Current-year receipts	2 000 000	2 165 000
Conditions met - transferred to revenue	(2 000 000)	(2 165 000)
	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

INEG Grant

Current-year receipts	-	2 600 000
Conditions met - transferred to revenue	-	(2 600 000)
	<u>-</u>	<u>-</u>

This grant is provided by the Department of Energy to upgrade the electric network.

SETA Funding

Current-year receipts	260 482	333 749
Conditions met - transferred to revenue	(260 482)	(333 749)
	<u>-</u>	<u>-</u>

SETA will ensure that the skill requirements sector is identified and that adequate and appropriate skills are readily given to staff of the Municipality.

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Figures in Rand	2021	2020
28. Government grants and subsidies (continued)		
Regional Bulk Infrastructure Grant		
Balance unspent at beginning of year	23 291 852	-
Current-year receipts	133 399 000	87 621 000
Conditions met - transferred to revenue	(92 847 670)	(64 329 148)
Roll over withheld	(23 291 852)	-
	40 551 330	23 291 852

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to assist the municipality in alleviating water availability and scarcity in the municipal area.

Provincial Government Free State

Balance unspent at beginning of year	8 979 260	8 979 260
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Conditions still to be met - remain liabilities (see note 15).

Municipal Disaster Relief Grant

Current-year receipts	-	238 000
Conditions met - transferred to revenue	-	(238 000)
	-	-

The grant was provided to municipalities for response and intervention measures for the COVID-19 pandemic.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 9 of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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29. Employee related costs

Basic salary	124 709 417	117 063 671
Medical aid - company contributions	17 603 157	15 990 242
Unemployment Insurance Fund	1 147 481	1 118 243
Workers Compensation Act Levies	482 682	574 213
Skills Development Levies	1 419 725	1 292 952
Leave pay provision charge	3 847 537	3 948 586
Defined contribution plans	21 833 383	21 260 737
Travel, motor car, accommodation, subsistence and other allowances	13 615 914	12 465 992
Overtime payments	12 788 917	11 918 893
Long-service awards	1 289 001	1 350 920
Acting allowances	2 190 767	2 640 331
Housing benefits and allowances	2 565 065	2 516 773
Holiday Bonus	10 374 636	9 600 718
Allowance - Telephone	665 965	668 235
Industrial Council Levies	76 538	71 712
	214 610 185	202 482 218

Remuneration of Municipal Manager: Mr STR Ramakarane

Annual remuneration	945 828	928 827
Bonus	78 819	77 273
Backpay	-	17 000
Travel allowance	168 216	168 183
Housing allowance	116 700	116 700
Cellphone allowance	40 932	40 932
Non pension allowance	791 607	790 222
Reimbursive tax	-	98 939
Subsistence allowance	-	13 050
Company contributions	212 690	212 689
	2 354 792	2 463 815

There is an amount of R236 456.97 payable to the municipal manager in terms of an arbitration award. This amount has not been included in the annual remuneration disclosed above.

COGTA agreed to finance an amount of R700 000 per annum towards the salary of the Municipal Manager. Funds received during the financial period amounted to R0 (2020: R0).

Remuneration of Acting Municipal Manager: Me TF Zondi

Acting allowance	50 511	-
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Me TF Zondi was acting municipal manager for the period 10 June 2020 until 21 September 2020 for the 2020/2021 financial year.

Remuneration of Acting Municipal Manager: Mr NL Moletsane

Acting allowance	130 638	-
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Mr NL Moletsane was acting municipal manager for the period 10 November 2020 until 10 May 2021 for the 2020/2021 financial year.

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Figures in Rand	2021	2020
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29. Employee related costs (continued)

Remuneration of Acting Municipal Manager: Mr TR Zondo

Acting allowance	-	10 132
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Mr TR Zondo was acting municipal manager for the period 1 December 2019 until 31 December 2019 for the 2019/2020 financial year.

Remuneration of Chief Financial Officer: Mr NL Moletsane

Salary	754 992	-
Travel allowance	132 000	-
Cellphone allowance	12 400	-
Non pensionable	130 660	-
Reimbursive tax	15 430	-
	1 045 482	-

Mr NL Moletsane was appointed on 1 August 2020.

Remuneration of Acting Chief Financial Officer: Mr DJ van Tonder

Acting allowance	61 588	307 077
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Mr DJ van Tonder was acting chief financial officer for the period 1 June 2020 until 31 July 2020 for the 2020/2021 financial year.

Mr DJ van Tonder was acting chief financial officer for the period 12 July 2019 until 30 June 2020 for the 2019/2020 financial year.

Remuneration of Acting Chief Financial Officer: Mrs M Marx

Acting allowance	-	48 915
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Mrs M Marx was acting chief financial officer for the period 1 July 2019 until 11 July 2019 for the 2019/2020 financial year.

Remuneration of Corporate Services Director: Mr TP Motsima

Salary	784 705	291 564
Bonus	65 392	-
Backpay	-	35 395
Travel allowance	283 366	118 069
Non pensionable	45 339	18 891
Reimbursive tax	6 285	3 223
Subsistence allowance	-	180
Company contributions	65 868	-
	1 250 955	467 322

Mr TP Motsima was appointed as Corporate Services Director in February 2020.

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Figures in Rand	2021	2020
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29. Employee related costs (continued)

Remuneration of Acting Corporate Services Director: Me BL Mokoena

Acting allowance	92 551	70 451
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Me BL Mokoena was acting corporate services director for the period 12 October 2020 until 24 December 2020 for the 2020/2021 financial year.

Me BL Mokoena was acting corporate services director for the period 1 December 2019 until 4 January 2020 for the 2019/2020 financial year.

Remuneration of Acting Corporate Services Director: Mr SG Skosana

Acting allowance	-	234 660
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Mr SG Skosana was acting corporate services director for the period 1 July 2019 until 30 November 2019 for the 2019/2020 financial year.

Remuneration of Engineering Services Director: Me TF Zondi

Salary	463 021	363 071
Backpay	-	8 335
Bonus	69 194	-
Travel allowance	107 618	86 195
Housing allowance	34 592	27 610
Cellphone allowance	23 283	18 380
Non pensionable	67 688	53 953
Leave pay out	56 462	-
Company contributions	46 670	34 614
Reimbursive tax	-	20 009
Subsistence allowance	-	90
	868 528	612 257

The Director resigned from her position during February 2021.

Remuneration of Acting Engineering Services Director: Mr MA Mokhethoa

Acting allowance	77 535	-
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Mr MA Mokhethoa was acting engineering services director for the period 1 March 2021 until 30 June 2021 for the 2020/2021 financial year.

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29. Employee related costs (continued)

Remuneration of Acting Engineering Services Director: Mr MS Radiopane

Acting allowance	-	133 953
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Mr MS Radiopane was acting engineering services director for the period 1 July until 30 September 2019 for the 2019/2020 financial year.

Remuneration of Acting Engineering Services Director: Mr S Kunene

Acting allowance	-	22 049
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Mr S Kunene was acting engineering services director for the period 1 December 2019 until 31 December 2019 for the 2019/2020 financial year.

Remuneration of Director Development, Planning and Security Services: Mr TR Zondo

Salary	885 906	675 001
Bonus	73 826	54 652
Backpay	-	210 904
Travel allowance	112 171	112 171
Acting allowance	-	10 132
Housing allowance	30 960	30 960
Cellphone allowance	15 300	15 300
Reimbursive tax	-	12 196
Subsistence allowance	-	360
Non pensionable	60 639	50 522
Company contributions	165 783	160 911
	1 344 585	1 333 109

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30. Remuneration of councillors

Executive Mayor	905 259	905 840
Mayoral Committee Members	3 070 494	3 486 806
Speaker	733 088	733 088
Councillors	8 258 289	8 082 834
	12 967 130	13 208 568

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee are appointed on a full-time basis. Each is provided with an office and secretarial support at the cost of the the Council.

The Executive Mayor and Speaker has use of a Council owned vehicle for official duties.

Executive Mayor

Basic salary	681 513	861 440
Travelling allowance	179 346	-
Cell phone allowance	44 400	44 400
	905 259	905 840

Mayoral Committee Members

Basic salary	2 271 872	2 832 378
Travelling allowance	580 322	410 228
Cell phone allowance	218 300	244 200
	3 070 494	3 486 806

Speaker

Basic salary	516 516	516 516
Travelling allowance	172 172	172 172
Cell phone allowance	44 400	44 400
	733 088	733 088

Councillors

Basic salary	6 085 070	6 065 236
Travelling allowance	1 041 019	885 398
Cell phone allowance	1 132 200	1 132 200
	8 258 289	8 082 834

31. Depreciation and amortisation

Property, plant and equipment	383 423 093	138 759 162
Investment property	8 898 913	1 161 923
Intangible assets	761 783	851 633
	393 083 789	140 772 718

32. Impairment of assets

Impairments

Property, plant and equipment	18 133 854	2 803 330
Investment property	2 247	21 298
	18 136 101	2 824 628

Various assets were found to be not in a working condition and were impaired in the current financial year.

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Figures in Rand	2021	2020
33. Finance costs		
Employee benefits	5 361 000	5 284 394
Trade and other payables	1 628 624	2 541 784
Unwinding of provision for landfill sites	686 926	854 802
Other financial liabilities	1 951 174	2 908 697
	9 627 724	11 589 677
34. Debt impairment		
Contributions to debt impairment provision	59 971 368	8 558 896
Bad debts written off	51 192 343	111 589 139
	111 163 711	120 148 035
Reconciliation of debt impairment		
Actual bad debt written off - consumer debtors	51 192 343	111 589 139
Increase in provision for impairment - other receivables	510 352	193 816
Increase in provision for impairment - consumer debtors	59 461 016	8 365 080
	111 163 711	120 148 035
35. Bulk purchases		
Electricity - Eskom	80 035 213	72 862 820
36. Contracted services		
Outsourced Services		
Meter Management	82 000	66 409
Consultants and Professional Services		
Business and Advisory	7 308 882	10 221 019
Legal Cost	3 138 782	2 822 679
Contractors		
Electrical	300 830	63 006
Employee Wellness	2 100	3 790
Sports and Recreation	17 720	34 417
	10 850 314	13 211 320

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Figures in Rand	2021	2020
37. General expenses		
Advertising and publicity	436 333	1 238 821
Auditors remuneration	418 778	557 009
Bank charges	959 692	568 176
Commission paid	2 444 243	2 216 006
Community development and training	701 885	422 632
Conferences and seminars	17 066	662 457
Materials and supplies	8 848 011	8 190 768
Entertainment	2 524	56 500
Fuel and oil	5 308 634	5 951 307
Insurance	1 508 338	1 384 150
IT expenses	3 287 394	2 719 621
Laboratory Services - Water	153 905	176 598
Other expenses	245 699	263 456
Postage and courier	106 324	501 721
Protective clothing	328 781	1 911 917
Royalties and license fees	610 318	518 351
Security (Guarding of municipal property)	1 581 740	1 064 326
Subscriptions and membership fees	2 427 720	2 313 316
Telephone and fax	810 357	935 139
Travel - local	574 338	1 695 163
Ward committee expenses	1 922 000	1 968 000
Water & Chemicals	6 060 199	9 295 061
	38 754 279	44 610 495
38. Cash generated from operations		
Deficit	(218 145 943)	(41 375 136)
Adjustments for:		
Depreciation and amortisation	393 083 789	140 772 718
(Gain) / loss on disposal of assets and liabilities	18 819 974	16 868 983
Fair value adjustments	(115 759)	276 979
Finance costs - provisions	686 926	854 802
Impairment deficit	18 136 101	2 824 628
Debt impairment	111 163 711	120 148 035
Movements in retirement benefit assets and liabilities	763 419	1 622 265
Interest income other financial asset	-	(51 973)
Other non-cash item	-	(25 269)
Interest accrual	(4 039)	-
Finance costs - employee benefits	5 361 000	5 284 394
Donated Assets	(8 076 388)	(1 012 368)
Actuarial (gain) / losses	5 204 581	(9 883 257)
Changes in working capital:		
Inventories	137 911	3 099 597
Receivables from exchange transactions	(108 199 376)	(102 487 698)
Receivables from non-exchange transactions	(10 561 831)	(14 179 395)
Payables from exchange transactions	(10 681 717)	(9 356 869)
VAT	(18 884 534)	(17 117 991)
Unspent conditional grants and receipts	1 925 236	38 626 094
Consumer deposits	36 834	(62 061)
	180 649 895	134 826 478

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39. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	89 465 723	319 605 344
Total capital commitments		
Already contracted for but not provided for	89 465 723	319 605 344

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40. Related parties

Related entities

Tema Resources : Reg number 2003/004389/07
(Director : STR Ramakarane - Municipal Manager)

Morakare Trading Enterprises : Reg number
2005/113728/23 (Member : STR Ramakarane -
Municipal Manager)

Mhleka Investment Holding : Reg number
2021/496181/07 (Director : NL Moletsane - CFO)

KNTLD Trading : Reg number 2007/038077/23
(Member : NL Moletsane - CFO)

MDJ Entertainment : Reg number 2009/020357/23
(Member : NL Moletsane - CFO)

Manthateng Enterprise : Reg number
2017/282819/07 (Director : TR Zondo - Director
DPSS)

Poloko Trading : Reg number 2006/055436/23
(Member : TR Zondo - Director DPSS)

Tshepiso Flying Pest Control and Contractors : Reg
number 2006/192177/23 (Member: T Motsima -
Directors DCS)

Landiwe Makhalema Foundation: Reg number
2019/362236/08 (Director : T Motsima - Directors
DCS)

Phatsima Suppliers : Reg number 2006/038397/23
(Member : T Motsima - Directors DCS)

Motjha Iketsetse Trading : Reg number
2006/044703/23 (Member : T Motsima - Directors
DCS)

Phatsimo Security Services : Reg number
2006/180316/23 (Member : T Motsima - Directors
DCS)

Motsima Trading : Reg number 2006/214460/23
(Member : T Motsima - Directors DCS)

Big Brothers Trading: Reg number 2006/082498/23
(Member : T Motsima - Directors DCS)

Bright Idea Project 2397: Reg number
2009/201765/23 (Member : T Motsima - Directors
DCS)

No business was conducted with any of the above mentioned companies by Setsoto Local Municipality.

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40. Related parties (continued)

The municipality did business with the following suppliers:

Supplier	Employee	Position	Relationship
ERB Marketing & Business Solutions	R Burgwandeem	IT specialist	Close family relation
Eternal City Trading	LZ Tlale & TE Majoale	Building inspector & SCM manager	Close family relation
Lira Transport	MP Lira	Asset clerk	Close family relation
Mohautse Transport	S Mohautse	Assistant accountant : service charges	Close family relation
Mthembana Construction	S Melithafa	Human resource advisor	Close family relation
Selane Transport	NMA Selane	Traffic officer	Close family relation
Tlou Letebele	T Shabalala	EPWP employee	Owner of Tlou Letebele
MC Enterprise	ML Mthimkulu	Councillor	Close family relation

Related party transactions

Purchases from (sales to) related parties

ERB Marketing & Business Solution	104 348	180 000
Eternal City Trading	28 496	3 000
Lira Transport	1 610	10 190
Mohautse Transport	-	3 000
Mthembana Construction	4 250	1 875
Selane Transport	4 500	78 635
Tlou Letebele	52 505	80 116
MC Enterprise	675 600	416 925

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41. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Trade payables

During the year under errors were identified in prior period accruals raised, these errors were corrected. The salary control disclosure amount was also recalculated and the disclosure corrected.

The effect is as follows:

- Decrease in payables from exchange - trade payables amounting to R6 212 344
- (Increase) in accumulated surplus amounting to R2 486 483
- (Increase) in payables from exchange - salary control amounting to R3 725 861

Trade payables

During the year under review the accruals raised during the 2019/2020 financial period were corrected.

The effect is as follows:

- Decrease in payables from exchange transactions - trade payables amounting to R321 890
- (Decrease) in employee costs - skills development levies amounting to R145 250
- (Decrease) in general expenses - security amounting to R176 640

Salary control

During the year under review the salary control - third parties was corrected with interest and penalties reversed.

The effect is as follows:

- Decrease in payables from exchange transactions - salary control amounting to R2 512 323
- (Decrease) in finance costs amounting to R1 547 872
- (Increase) in accumulated surplus amounting to R964 451

Trade payables

During the year under review it was found that the following order accruals were raised incorrectly in the 2017/2018 and 2018/2019 financial years. The accounting treatment of these accruals were corrected.

The effect is as follows:

- (Increase) in payables from exchange transactions - trade payables amounting to R126 101
- Increase in VAT receivable amounting to R105 657
- Increase in general expenses - auditors remuneration amounting to R365
- Increase in contracted services - business and advisory amounting to R9 000
- Increase in contracted services - employee wellness amounting to R1 000
- Increase in repairs and maintenance amounting to R483 417
- Increase in general expenses - security amounting to R109 430
- Increase in contracted services - sports and recreation amounting to R7 152
- Increase in general expenses - materials and supplies to R1 134 691
- Increase in lease rentals on operating leases amounting to R14 538
- Increase in general expenses - advertising and publicity amounting to R99 184
- Increase in general expenses - IT expenses amounting to R64 782
- Increase in general expenses - conferences and seminars amounting to R6 261
- Increase in general expenses - travel local amounting to R38 022
- Increase in general expenses - protective clothing amounting to R184 165
- Increase in transfers and subsidies amounting to R7 240
- (Increase) in accumulated surplus amounting to R2 138 803

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41. Prior-year adjustments (continued)

Sale of land

During the year under review it was noted that sale of water was incorrectly classified and disclosed as sale of land in the 2019/2020 financial period, the classification was corrected.

The effect is as follows:

- Decrease in sale of land amounting to R64 449
- (Increase) in service charges - water amounting to R64 449

Provision for impairment of consumer debtors

During the year under review it was noted that the VAT on the movement of the 2020 provision for impairment movement was incorrectly included under the debt impairment expense.

The effect is as follows:

- Increase in VAT receivable amounting to R404 515
- (Decrease) in debt impairment expense amounting to R404 515

Traffic fines impairment

During the year under review it was noted that traffic fines impairment was incorrectly classified and disclosed as impairment loss in the 2019/2020 financial period, the classification was corrected.

The effect is as follows:

- Increase in debt impairment expense amounting to R193 816
- (Decrease) in impairment loss expense amounting to R193 816

Post-retirement medical aid payments

During the year under review it was noted that GRAP 25 post-retirement medical aid payments were incorrectly disclosed in the 2019/2020 financial year as defined contribution plan payments in the notes to the AFS, the classification was corrected.

The effect is as follows:

- Increase in employee cost - medical aid - company contributions amounting to R2 512 254
- (Decrease) in employee cost - defined contribution plans amounting to R2 512 254

Receivables from non-exchange (Prepayments)

During the year under review it was noted that interest received on the eskom deposits for the 2019/2020 financial year was corrected.

The effect is as follows:

- Increase in receivables from non-exchange - prepayment amounting to R16 641
- (Increase) in interest received amounting to R16 641

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41. Prior-year adjustments (continued)

General expenses

During the year under review it was noted that the classification of some expenses in the statements of financial performance was incorrect. These classifications were corrected.

The effect is as follows:

- Increase in general expenses - advertising amounting to R22 821
- Increase in general expenses - materials and supplies (previously named inventory consumed) amounting to R3 108 669
- Increase in general expenses - entertainment amounting to R56 500
- Increase in general expenses - fuel and oil amounting to R623 210
- Increase in general expenses - IT expenses amounting to R10 022
- Increase in general expenses - royalties and licence fees amounting to R9 810
- (Decrease) in general expenses - water and chemicals amounting to R3 831 032

Provisions

During the year under review it was noted that provision for landfill sites was not accounted for in term of GRAP. The accounting treatment was corrected and opening balances corrected.

The effect is as follows:

- Decrease in provisions amounting to R2 063 013
- Increase in property, plant and equipment - infrastructure waste management cost - amounting to R12 097 762
- (Increase) in property, plant and equipment - waste management accumulated depreciation amounting to R4 383 258
- (Decrease) in VAT receivable amounting to R1 020 835
- (Increase) in accumulated surplus amounting to R10 558 421
- (Decrease) in general expenses - departmental inventory consumed amounting to R591 775
- Increase in finance costs amounting to R854 802
- Increase in depreciation expense amounting to R1 538 712

Trade payables

During the year under review credit notes were issued for invoices incorrectly captured in the 2019/2020 financial year. The credit notes were moved to the 2019/2020 financial year.

The effect is as follows:

- Decrease in payables from exchange transactions - trade payables amounting to R324 031
- (Decrease) in VAT receivable amounting to R42 090
- (Decrease) in contracted services - legal cost amounting to R253 713
- (Decrease) in lease rentals on operating lease expense amounting to R19 449
- (Decrease) in repairs and maintenance amounting to R8 779

Cash and cash equivalents - Investments

During the year under review it was noted that in the 2019/2020 financial year the investment bank account balances per the annual financial statement and the register did not agree. The error was corrected.

The effect is as follows:

- (Decrease) in cash and cash equivalents - short-term deposits amounting to R46 171
- Decrease in interest received - investments amounting to R46 171

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41. Prior-year adjustments (continued)

Trade payables

During the year under review it was found that the following accruals were raised incorrectly in the 2019/2020 financial year. These accruals were corrected and reversed.

The effect is as follows:

- (Decrease) in general expenses - advertising and publicity amounting to R28 253
- (Decrease) in general expenses - materials and supplies to R105 895
- (Decrease) in general expenses - fuel and oil amounting to R1 844
- (Decrease) in general expenses - security amounting to R38 010
- (Decrease) in general expenses - protective clothing amounting to R186 506
- (Decrease) in repairs and maintenance amounting to R201 690
- (Decrease) in lease rentals on operating lease amounting to R1 073
- (Decrease) in contracted services - electrical amounting to R18 848
- (Decrease) in contracted services - legal amounting to R3 441
- Decrease in payables from exchange transactions - trade payables amounting to R585 560

Employee benefits

During the year under review it was found that the interest costs on the employee benefit obligations were included as employee costs instead of finance costs. The classification was corrected.

The effect is as follows:

- Increase in finance costs - employee benefits amounting to R5 284 394
- (Decrease) in employee related costs - medical aid - amounting to R4 320 501
- (Decrease) in employee related costs - long service awards amounting to R963 893

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
ASSETS				
Inventories	9	2 751 139	-	2 751 139
Receivables from exchange transactions	11	200 815 148	3	200 815 151
Receivables from non-exchange transactions	12	43 575 983	6 445 663	50 021 646
VAT receivable	13	13 302 005	(1 300 022)	12 001 983
Cash and cash equivalents	14	30 216 676	(46 171)	30 170 505
Investment property	3	64 837 312	38 296 185	103 133 497
Property, plant and equipment	4	2 838 585 796	394 726	2 838 980 522
Intangible assets	5	115 529	1 191 504	1 307 033
Heritage assets	6	15 385 903	-	15 385 903
Other financial assets	7	3 498 052	-	3 498 052
LIABILITIES				
Other financial liabilities	16	(8 100 734)	-	(8 100 734)
Payables from exchange transactions	19	(134 951 926)	6 104 185	(128 847 741)
Consumer deposits	20	(3 157 199)	-	(3 157 199)
Employee benefit obligation	8	(3 101 000)	-	(3 101 000)
Unspent conditional grants and receipts	15	(47 605 354)	(5 729 021)	(53 334 375)
Other financial liabilities	16	(12 671 614)	-	(12 671 614)
Employee benefit obligation	8	(52 503 000)	-	(52 503 000)
Provisions	18	(15 804 090)	2 063 013	(13 741 077)
ACCUMULATED SURPLUS		(2 935 188 626)	(50 049 763)	(2 985 238 389)
		-	(2 629 698)	(2 629 698)

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41. Prior-year adjustments (continued)

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
REVENUE					
Service charges	22	(189 848 624)	-	(64 449)	(189 913 073)
Rental of facilities and equipment	23	(1 631 309)	-	-	(1 631 309)
Interest received - trading		(33 665 399)	(16 641)	-	(33 682 040)
Licences and permits		(36 776)	-	-	(36 776)
Commissions received		(1 042 203)	-	-	(1 042 203)
Sale of land		(64 449)	-	64 449	-
Actuarial gains	8	(9 883 257)	-	-	(9 883 257)
Other income	24	(1 814 253)	-	-	(1 814 253)
Interest received - investments	25	(4 166 869)	46 172	-	(4 120 697)
Dividends received	25	(45 156)	-	-	(45 156)
Property rates	26	(53 030 041)	-	-	(53 030 041)
Government grants & subsidies	28	(308 252 655)	(700 000)	-	(308 952 655)
Donated assets		(1 012 368)	-	-	(1 012 368)
Fines, penalties and forfeits		(636 300)	-	-	(636 300)
EXPENDITURE					
Employee related costs	29	207 911 862	(145 250)	(5 284 394)	202 482 218
Remuneration of councillors	30	13 208 568	-	-	13 208 568
Repairs and maintenance		3 254 919	272 948	-	3 527 867
Depreciation and amortisation	31	136 668 317	4 104 401	-	140 772 718
Impairment loss	32	3 039 741	-	(215 113)	2 824 628
Finance costs	33	6 998 353	(693 070)	5 284 394	11 589 677
Lease rentals on operating leases		4 606 557	(5 985)	-	4 600 572
Debt impairment	34	120 358 734	(404 515)	193 816	120 148 035
Bulk purchases	35	72 862 820	-	-	72 862 820
Contracted services	36	13 470 172	(258 852)	-	13 211 320
Transfers and subsidies	27	183 144	7 240	-	190 384
Loss on disposal of assets		16 932 414	(84 728)	21 297	16 868 983
Fair value adjustments		276 979	-	-	276 979
General expenses	37	44 102 517	507 978	-	44 610 495
Deficit / (Surplus) for the year		38 745 438	2 629 698	-	41 375 136

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41. Prior-year adjustments (continued)

Cash flow statement

2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
RECEIPTS				
Property rates		43 880 765	(4 488 194)	39 392 571
Sale of goods and services		121 375 998	(34 241 931)	87 134 067
Grants		346 878 749	-	346 878 749
Interest income		4 114 895	33 687 842	37 802 737
Dividends received		45 156	-	45 156
Other receipts		-	7 649 407	7 649 407
Fines, penalties and forfeits		636 300	-	636 300
PAYMENTS				
Employee costs		(213 878 236)	1 381 022	(212 497 214)
Suppliers		(161 180 692)	11 481 896	(149 698 796)
Finance costs		(6 998 353)	1 599 845	(5 398 508)
VAT		-	(17 117 991)	(17 117 991)
		134 874 582	(48 104)	134 826 478
Cash flow from investing activities				
Purchase of property, plant and equipment		(126 777 185)	1 935	(126 775 250)
Proceeds from sale of property, plant and equipment		370 579	-	370 579
		(126 406 606)	1 935	(126 404 671)
Cash flow from financing activities				
Take up/(Repayment) of other financial liabilities		(7 637 157)	-	(7 637 157)

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41. Prior-year adjustments (continued)

The following adjustments were made to disclosure notes:

	As previously reported	Correction of error	Re-classification	Restated
Cash generated from operations				
Surplus (deficit)	(38 745 438)	(2 629 698)	-	(41 375 136)
Depreciation and amortisation	136 668 317	4 104 401	-	140 772 718
Assets write-off	16 932 414	(63 431)	-	16 868 983
Fair value adjustments	276 979	-	-	276 979
Interest income	(51 973)	-	-	(51 973)
Impairment deficit	3 039 741	(215 113)	-	2 824 628
Debt impairment	120 358 734	(210 699)	-	120 148 035
Movements in retirement benefits	(2 976 597)	4 598 862	-	1 622 265
Movements in provisions	680 540	(680 540)	-	-
Donated assets	(1 012 368)	-	-	(1 012 368)
Other non-cash item	(25 269)	-	-	(25 269)
Finance costs provision	-	854 802	-	854 802
Finance costs employee benefits	-	5 284 394	-	5 284 394
Actuarial (gain) / loss	-	(9 883 257)	-	(9 883 257)
CHANGES IN WORKING CAPITAL				
Inventories	3 099 597	-	-	3 099 597
Receivables from exchange transactions	7 942 215	(110 429 913)	-	(102 487 698)
Other receivables from exchange transactions	(120 358 734)	120 358 734	-	-
Other receivables from non-exchange transactions	(3 887 400)	3 887 400	-	-
Receivables from non-exchange transactions	-	(14 179 395)	-	(14 179 395)
Payables from exchange transactions	(8 697 094)	(659 775)	-	(9 356 869)
VAT	(16 933 115)	(184 876)	-	(17 117 991)
Unspent conditional grants and receipts	38 626 094	-	-	38 626 094
Consumer deposits	(62 061)	-	-	(62 061)
	134 874 582	(48 104)	-	134 826 478
Related parties - Purchases from (sales to) related parties				
Eternal City Trading	-	3 000	-	3 000
Mohautse Transport	-	3 000	-	3 000
Tlou Letebele	104 307	(24 191)	-	80 116
MC Enterprise	-	416 925	-	416 925
	104 307	398 734	-	503 041
Contingent liabilities				
IMATU obo. F. Viljoen & M Marx	982 446	(803 770)	-	178 676
Fundisol Pty (Ltd)	-	65 000	-	65 000
	982 446	(738 770)	-	243 676

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41. Prior-year adjustments (continued)

General expenses	As previously reported	Correction of error	Re-classification	Restated
Advertising	1 145 070	70 930	22 821	1 238 821
Auditors remuneration	556 644	365	-	557 009
Bank charges	568 176	-	-	568 176
Commission paid	2 216 006	-	-	2 216 006
Community development and training	422 632	-	-	422 632
Conferences and seminars	656 196	6 261	-	662 457
Materials and supplies	4 645 079	437 020	3 108 669	8 190 768
Entertainment	-	-	56 500	56 500
Fuel and oil	5 329 941	(1 844)	623 210	5 951 307
IT expenses	2 644 817	64 784	10 020	2 719 621
Insurance	1 384 150	-	-	1 384 150
Laboratory services - water	176 598	-	-	176 598
Other expenses	263 456	-	-	263 456
Postage and courier	501 721	-	-	501 721
Protective clothing	1 914 257	(2 340)	-	1 911 917
Royalties and licence fees	508 541	-	9 810	518 351
Security	1 169 546	(105 220)	-	1 064 326
Subscriptions and membership fees	2 313 316	-	-	2 313 316
Telephone and fax	935 139	-	-	935 139
Travel - local	1 657 141	38 022	-	1 695 163
Ward committee expenses	1 968 000	-	-	1 968 000
Water and chemicals	13 126 091	-	(3 831 030)	9 295 061
	44 102 517	507 978	-	44 610 495

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41. Prior-year adjustments (continued)

During the year under review the the fixed asset register was reviewed and the errors found corrected. The following corrections were made to the movable and immovable assets.

Intangible assets, Investment property, Property plant and equipment

- Increase in property, plant and equipment - land cost amounting to R1 888 989
- Decrease in property, plant and equipment - land accumulated depreciation amounting to R470 450
- Increase in property, plant and equipment - furniture cost amounting to R153 111
- Decrease in property, plant and equipment - furniture accumulated depreciation amounting to R1 187 487
- Increase in property, plant and equipment - transport assets cost amounting to R113 153
- Decrease in property, plant and equipment - transport assets accumulated depreciation amounting to R246 448
- Increase in property, plant and equipment - computer equipment cost amounting to R482 360
- Decrease in property, plant and equipment - computer equipment accumulated depreciation amounting to R76 566
- Increase in property, plant and equipment - infrastructure electrical cost amounting to R1 800 368
- (Increase) in property, plant and equipment - infrastructure electrical accumulated depreciation amounting to R733 821
- Increase in property, plant and equipment - infrastructure buildings and other cost amounting to R5 453 186
- (Increase) in property, plant and equipment - infrastructure buildings and other accumulated depreciation amounting to R3 038 293
- (Decrease) in property, plant and equipment - infrastructure waste management cost amounting to R51
- (Decrease) in property, plant and equipment - infrastructure roads and other cost amounting to R277 631
- Increase in property, plant and equipment - machinery and equipment cost amounting to R358 016
- Decrease in property, plant and equipment - machinery and equipment accumulated depreciation amounting to R42 098
- (Decrease) in property, plant and equipment - infrastructure waste water cost amounting to R4 208 933
- (Increase) in property, plant and equipment - infrastructure waste water accumulated depreciation amounting to R2 233 421
- (Decrease) in property, plant and equipment - infrastructure water cost amounting to R4 092 544
- (Increase) in property, plant and equipment - infrastructure water accumulated depreciation amounting to R25 558
- Increase in depreciation expense amounting to R2 565 689
- (Decrease) in loss on disposal of assets and liabilities amounting to R84 729
- (Increase) in accumulated surplus amounting to R39 630 629
- Increase in investment property cost amounting to R38 353 402
- (Increase) in investment property accumulated depreciation amounting to R57 217
- Decrease in intangible assets accumulated depreciation and amortisation amounting to R1 191 504
- Increase in loss on disposal of assets and liabilities amounting to R21 298
- (Decrease) in impairment loss amounting to R21 298
- Increase in heritage assets - municipal jewellery amounting to R879 150
- (Decrease) in heritage assets - historical buildings amounting to R879 150t

Unspent grants

- (Increase) in unspent grants amounting to R5 729 021
- (Decrease) in work in progress waste water management amounting to R4 981 757
- Increase in receivables from non-exchange - prepayments amounting to R5 729 021
- Decrease in accumulated surplus amounting to R5 729 021
- (Decrease) in VAT receivable amounting to R747 264

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41. Prior-year adjustments (continued)					
Property, plant and equipment	As previously reported	Correction of error	Reclassification	WIP	Restated
Land - Cost	55 941 206	1 890 000	(1 011)	-	57 830 195
Land - A/D	(484 898)	469 439	1 011	-	(14 448)
Furniture and equipment - Cost	6 284 352	153 026	89	-	6 437 467
Furniture and equipment - A/D	(5 888 799)	1 187 576	(89)	-	(4 701 312)
Transport assets - Cost	49 712 406	113 148	-	-	49 825 554
Transport assets - A/D	(17 268 739)	246 448	-	-	(17 022 291)
Computer equipment - Cost	7 444 726	30 606	451 753	-	7 927 085
Computer equipment - A/D	(5 444 124)	528 318	(451 753)	-	(5 367 559)
Infrastructure - electrical - cost	321 942 269	1 269 084	13 848	517 436	323 742 637
Infrastructure - electrical - A/D	(133 300 728)	(719 973)	(13 848)	-	(134 034 549)
Infrastructure - buildings and other - cost	414 292 150	4 688 889	764 297	(22 450 673)	397 294 663
Infrastructure - buildings and other - A/D	(139 642 948)	(2 273 995)	(764 297)	-	(142 681 240)
Infrastructure - waste - cost	22 068 205	12 097 812	-	(50)	34 165 967
Infrastructure - waste - A/D	(5 903 848)	(4 383 308)	-	-	(10 287 156)
Infrastructure - roads and other - cost	2 761 680 936	(277 630)	-	-	2 761 403 306
Infrastructure - roads and other - A/D	(1 769 447 746)	-	-	-	(1 769 447 746)
Machinery and equipment - cost	4 354 630	139 363	218 651	-	4 712 644
Machinery and equipment - A/D	(3 598 497)	260 749	(218 651)	-	(3 556 399)
Infrastructure - waste water - cost	583 846 460	(4 283 498)	37 182	22 765 490	602 365 634
Infrastructure - waste water - A/D	(149 832 980)	(2 196 239)	(37 182)	-	(152 066 401)
Infrastructure - water - cost	1 052 785 439	(3 986 703)	448 928	(5 813 959)	1 043 433 705
Infrastructure - water - A/D	(210 953 676)	423 370	(448 928)	-	(210 979 234)
	2 838 585 796	5 376 482	-	(4 981 756)	2 838 980 522
Work-in-progress	As previously reported	Correction of error	Reclassification		Restated
Buildings and other	36 748 847	-	(22 450 672)		14 298 175
Infrastructure electrical	37 312 072	-	519 373		37 831 445
Infrastructure roads	2 133 780	-	-		2 133 780
Infrastructure waste water	71 638 044	(4 981 756)	27 709 863		94 366 151
Infrastructure water	109 966 858	-	(5 778 564)		104 188 294
	257 799 601	(4 981 756)	-		252 817 845
Investment property	As previously reported	Correction of error	Reclassification		Restated
Cost	92 944 395	38 353 402	(592 195)		130 705 602
Accumulated depreciation	(28 107 083)	(57 217)	592 195		(27 572 105)
	64 837 312	38 296 185	-		103 133 497
Intangible assets	As previously reported	Correction of error	Reclassification		Restated
Cost	4 585 469	-	-		4 585 469
Accumulated amortisation	(4 469 940)	1 191 504	-		(3 278 436)
	115 529	1 191 504	-		1 307 033
Heritage assets	As previously reported	Correction of error	Reclassification		Restated
Historical buildings	15 385 903	-	(879 150)		14 506 753
Municipal jewellery	-	-	879 150		879 150
	15 385 903	-	-		15 385 903

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41. Prior-year adjustments (continued)

Receivables from non-exchange

During the year under review a receivable for the outstanding money owed to the municipality with regards to the municipal manager salary was raised. Refer to note 29 for further details.

The effect is as follows:

- Increase in receivables from non-exchange transactions - salary receivable amounting to R700 000
- (Increase) in government grants and subsidies - equitable share amounting to R700 000

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	9 045 133	2 361 264	1 265 104	-
Consumer deposits	3 194 033	-	-	-
Unspent conditional grants and receipts	55 259 611	-	-	-
	67 498 777	2 361 264	1 265 104	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	8 100 846	9 176 517	3 494 983	-
Consumer deposits	3 157 199	-	-	-
Unspent conditional grants and receipts	53 334 375	-	-	-
	64 592 420	9 176 517	3 494 983	-

The 2020 disclosure figures were corrected to agree with the statement of financial position.

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42. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2021	2020
Receivables from exchange transactions	204 187 715	200 815 151
Receivables from non-exchange transactions	54 248 943	50 021 646
VAT receivables	30 886 515	12 001 983
Cash and cash equivalents	45 525 760	30 170 505

Market risk

Interest rate risk

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

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43. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 2 764 462 769 and that the municipality's total assets exceed its liabilities by R 2 764 462 769. Furthermore the municipality incurred a loss of R218 145 943 (2020: R41 375 136) for the 2020/2021 financial year.

In addition, the municipality had an average creditors payment period of 139 days and the municipality owed Eskom R28 064 402 (2020: R32 779 491) as at 30 June 2021, which was long overdue. These events or conditions, along with other matters set forth in note 43, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

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.

Covid-19

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As far as possible the Municipality factored in the effect of the lockdown regulations on our economic environment. At this stage, it is still uncertain how long the pandemic will remain or how long the economy will take to recover from the lockdown levels.

The Municipality assessed the impact of COVID-19 pandemic by comparing the financial indicators of 2021 and 2020 as illustrated below:

Current ratio (norm - 2 : 1)	1.8	1.5
Creditors days (norm - 30 days or less)	138.54 days	92.56 days
Debtors collection rate (norm - 30 days)	354.63 days	361.63 days

When analysing the results of the ratios, it can be concluded that the COVID-19 pandemic had an adverse effect from a financial sustainability perspective. The results are not solely due to the effects of COVID-19 and subsequent lockdown regulations, but has been significantly impacted by the pandemic. These events or conditions, along with other matters set forth in note 51, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

COVID-19 - Response Expenditure

The summary below indicates the total Covid-19 response expenditure for the period ending 30 June 2021 and 30 June 2020.

Type of expenditure

Cleaning materials	124 808	91 107
Food parcels	-	18 602
Masks, gloves, and hand sanitizer	36 732	223 482
Thermometer	-	28 950
Transport	-	5 175
	161 540	367 316

Funding

Own revenue	161 540	129 316
Grant funding	-	238 000
	161 540	367 316

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44. Events after the reporting date

The municipality applied to the Department of Economic Development, Tourism and Environmental Affairs for an amendment to the waste licence of Clocolan and Marquard on the 14th of September 2021.

The Department granted the extension of the waste licenses for Clocolan and Marquard with a period of three years from 14 October 2021.

45. Unauthorised expenditure

Opening balance as previously reported	127 354 819	855 835 944
Opening balance as restated	127 354 819	855 835 944
Add: Expenditure identified - current	319 561 516	127 354 819
Less: Approved/condoned/authorised by council	-	(855 835 944)
Closing balance	446 916 335	127 354 819

Unauthorised expenditure derived mainly from the correction and revaluation of assets which resulted in a loss which is a non-cash financial entry.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Overspending of expenditure votes, mainly contributed by depreciation	319 561 516	127 354 819
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46. Fruitless and wasteful expenditure

Opening balance as previously reported	286 354	31 668
Correction of prior period error	(48 330)	-
Opening balance as restated	238 024	31 668
Add: Expenditure identified - current	2 504 899	4 333 747
Less: Amount written off - current	(1 593)	(4 079 061)
Closing balance	2 741 330	286 354

Details of fruitless and wasteful expenditure

Payments made on interest and penalties	1 531 269	4 333 747
Other payments	973 630	-
	2 504 899	4 333 747

Prior period errors

Balance previously reported	-	286 354
Less: Fruitless and wasteful expenditure reversed	-	(1 547 872)
Add: Write off of fruitless and wasteful expenditure reversed	-	1 499 542
	-	238 024

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47. Irregular expenditure		
Opening balance as previously reported	189 971 894	133 404 252
Correction of prior period error	15 340 406	-
Opening balance as restated	205 312 300	133 404 252
Add: Irregular Expenditure - current	77 876 589	92 455 092
Less: Amount written off - current	(849 049)	(18 501 792)
Less: Amounts duplicated on the register	-	(17 385 658)
Closing balance	282 339 840	189 971 894
Incidents/cases identified in the current year include those listed below:		
Expenditure items identified where the SCM processes and procedures were not followed	56 658 488	41 690 371
Procurement without competitive bidding	599 599	50 764 721
BAC composition	20 618 502	-
	77 876 589	92 455 092
Payments to be recouped		
Opening balance	2 967	-
Overpayment of councillors	-	531 145
From mayor - payment of calendars	189 000	-
Amounts recovered	-	(528 178)
	191 967	2 967
Correction of error		
Balance previously reported	-	189 971 894
Add: Additional irregular expenditure identified	-	29 134 263
Less: Irregular removed - BAC composition	-	(13 793 857)
	-	205 312 300
48. Audit and Performance Audit Committee Fees		
Audit and Performance Audit Committee	418 778	557 009
The 2020 financial year balance was restated with an amount of R365.		
49. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government (SALGA)		
Opening balance	(4 390)	-
Current year subscription / fee	2 313 310	2 298 400
Amount paid - current year	(2 308 920)	(2 302 790)
	-	(4 390)

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Reticulation (Distribution) losses

Electricity

The implementation of prepaid electricity meters contributed positively to the decrease in electricity losses.

The prescribed norm from National Treasury for electricity losses is estimated to be between 7% and 10%.

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Electricity

Estimated electricity losses	10 706 280	11 112 061
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Electricity

Percentage losses	12 %	13 %
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Water

Estimated water losses included distribution to townships with unmetered water.

The prescribed norm from National Treasury for water losses is estimated to be between 15% and 30%.

Estimated water losses suffered by the municipality for the year under review is as follows:

Water

Estimated water losses	12 098 388	15 425 713
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Water

Percentage losses	29 %	42 %
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Audit fees

Opening balance	5 194 774	2 947 655
Current year subscription / fee	7 178 351	6 925 052
Amount paid - current year	(7 952 245)	(4 677 933)
Credit notes	(211 462)	-
	4 209 418	5 194 774

PAYE and UIF

Opening balance	6 543 365	5 994 600
Current year subscription / fee	27 707 711	25 941 576
Amount paid - current year	(31 884 689)	(25 392 811)
	2 366 387	6 543 365

The opening balance of the 2020 financial year was restated with an amount of R184 302.

Pension and Medical Aid Deductions

Opening balance	4 662 863	4 307 788
Current year subscription / fee	57 578 687	54 931 732
Amount paid - current year	(57 343 105)	(54 576 657)
	4 898 445	4 662 863

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	100 901 525	75 407 351
VAT payable	(70 015 010)	(63 405 368)
	30 886 515	12 001 983

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49. 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	Outstanding more than 90 days	Total
Councillor TB Jakobo	1 281	211	1 492
Councillor TB Jakobo (Plus one other)	4 523	40 594	45 117
Councillor RS Lipoko	2 536	4 152	6 688
Councillor MK Ralehlatsi	2 597	845	3 442
Councillor MM Mokhele	5 066	13 033	18 099
Councillor TG Makhalanyane	-	8 164	8 164
Councillor TI Mthimkhulu	1 228	7 088	8 316
Councillor MM Mothibeli	1 773	891	2 664
	19 004	74 978	93 982

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor A Taylor	1 304	4 423	5 727
Councillor TP Jakobo (Plus one other)	4 060	35 344	39 404
Councillor RS Lipoko	5 276	6 717	11 993
Councillor TG Makhalanyane	1 273	8 790	10 063
Councillor TJ & PE Matobako	-	160	160
Councillor MO Mokhele	4 582	12 504	17 086
Councillor KS Mokhuoane	2 526	31 576	34 102
Councillor TI Mthimkhulu	4 607	3 267	7 874
Councillor KE Koalane	1 367	1 176	2 543
Councillor MK Ralehlatsi	10 084	2 600	12 684
Councillor TB Jakobo	1 187	23	1 210
Councillor M Makobane	648	-	648
	36 914	106 580	143 494

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2021	Highest outstanding amount	Aging (in days)
Councillor MM Mokhele	22 082	649
Councillor RS Lipoko	11 420	274
Councillor MK Ralehlatsi	20 953	191
Councillor I Vries	8 257	388
Councillor TG Makhalanyane	1 454	99
Councillor KE Koalane	1 689	109
Councillor A Taylor	4 849	340
Councillor TB Jakobo	1 469	104
Councillor TB Jakobo (Plus one other)	58 074	525
Councillor TI Mthimkhulu	11 735	720
Councillor MM Mothibeli	3 744	137
	145 726	3 536

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
30 June 2020		
	Highest outstanding amount	Aging (in days)
Councillor AMO Mokhele	19 576	778
Councillor PE Koqo	3 078	545
Councillor EM Makobane	7 961	410
Councillor RS Lipoko	15 276	228
Councillor MK Ralehlatsi	45 996	718
Councillor TJ & PE Matobako	12 867	751
Councillor GTG Makhalanyane	14 806	1 004
Councillor KE Koalane	12 149	753
Councillor A Taylor	15 516	1 000
Councillor TP Jakobo (Plus one other)	46 052	1 002
Councillor TI Mthimkhulu	12 612	527
	205 889	7 716
Money to be recouped from councillors		
From mayor - payment of calendars	189 000	-
Skills development levies		
Opening balance	141 907	402 906
Current year subscription/fee	1 529 734	1 437 850
Amount paid - current year	(1 518 668)	(1 698 849)
	152 973	141 907

Non-compliance with the Municipal Finance Management Act

The municipality did not always pay employee's third party deduction(s) to benefit funds on time due to cash-flow constraints.

Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure being incurred in certain instances.

The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.

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50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Various goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the normal procurement processes as required by paragraph 12(1) of the same gazette. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations were recorded and reported to the meeting of council.

Deviation summary listing

Emergency cases	2 420 478	3 429 144
Sole / Limited provider	1 757 570	1 671 888
Impractical to follow SCM process	2 637 751	1 046 160
Technical nature of the service	742 908	996 159
	7 558 707	7 143 351

The 2019/2020 amount for emergency cases was adjusted by R341 520.

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51. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

Details of the arrangement is as follows:

The municipality has appointed a service provider to sell prepaid electricity on its behalf. A binding written agreement is in place with the service provider.

Setsoto Local Municipality is the principal. The assumption made in this regard are as follows:

- Setsoto Local Municipality is responsible for the provision of electricity municipal services within its legislated area of jurisdiction.
- Electricity tariffs are determined by the municipality.
- The municipality is liable to pay the usage to the electricity provider (Eskom).
- Ownership in and to the vending of electricity is and shall at all times remain vested in the municipality and shall under no circumstances vest in the agent.

The service provider is responsible for the implementation of a prepaid electricity vending system and accepts customer payments on the municipality's behalf. The vending system is also used as a form of credit control, integrating the system with the municipality's debt collection systems, in order to balance out the payment of arrears for post-paid services with customer payments for prepaid electricity.

The municipality shall pay over a commission of 5% (5.7% inclusive of VAT) in respect of service vended.

There were no changes to the terms of the agreement from the previous financial year.

Risks are managed through the supplier being required to pay over receipts collected on a daily basis to the municipality.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

There are no resources of the municipality under the custodianship of the agent.

Fee paid

Fee paid as compensation to the agent	2 444 243	2 216 006
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Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Should the agreement be terminated, in order to provide a similar experience to consumers, the municipality will need to incur the following costs:

- Purchase of vending machines
- Set up of networks
- Arrangements with banks
- Security costs to protect the network and machines
- Additional insurance

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Figures in Rand		2021	2020
52. Contingencies			
The municipality had the following contingent liabilities for the 2020/2021 financial year:			
Name	Details	2021	2020
Rudnat Projects CC	Claim in regard to a project that was initiated by the Department of Water Affairs for a feasibility study for the construction of a dam. Matter finalized: Plaintiffs withdrew the action against Setsoto Local Municipality. The Municipality only had to pay its own legal costs, which have been paid.	-	5 287 036
MM. Masisi	Former CFO, claiming breach of contract by the Municipality in rescinding her employment contract	3 788 206	846 180
Salemane and Others	Claim for compensation following the death of plaintiff's son, who fell into a decommissioned pump station in Clocolan in 2017 Matter finalized: A settlement of R612 000 was reached with the plaintiffs, the amount included the plaintiff's legal costs.	-	867 000
SALGBC & IMATU obo TJ Ntombela, P Potsane & M Nteso	Alleged that Setsoto Local Municipality (Respondent) did not comply to the Clause 14.6 of SALGBC Disciplinary Procedure Collective Agreement Settlement Agreement reached for two employees and the other one resigned.	-	7 145
IMATU obo F. Viljoen & M Marx	(Applicants) alleges unfair labour practice by the Municipality (Respondent) by not remunerating them like other Managers. An amount of R89 338 was awarded per manager as per the arbitration process at 30 June 2021. The municipality has obtained a legal opinion, and the legal opinion states that there is a low probability that this amount will have to be paid. The matter will be referred to court.	178 676	178 676
J De Buys	Flooding of property due to storm water drainage directing water into the yard Matter finalized following investigations by the Department Engineering Services, which revealed that the burst storm water pipe was that of the provincial department, and not of the Municipality.	-	14 850
Linomtha	The contractor is disputing the claims paid to him for the work done on the project of Van Soelen Sewer Line	5 213 566	5 213 566

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Figures in Rand		2021	2020
52. Contingencies (continued)			
Mr. Zondi	Damaged palisade (Third Party) at 65 Bloem Street Ficksburg during work in progress by the municipal officials	30 000	30 000
Mr Xaba	Third Party's vehicle slipped and he lost control of a vehicle due to water and oil on the street which caused him to collide with other vehicle Claim submitted to the Municipality's insurers.	26 000	26 000
Mr. Swanepoel	Damaged wall of third party during repairs of pipe burst at Caledon park in front of Sand and Klip Ficksburg	30 000	30 000
L. Mokoena	Claim for R54 832.82 for vehicle damages as a result of colliding with a third party's vehicle whilst trying to avoid a pothole on Andries Pretorius Street in Clocolan on the 10th July 2020.	54 833	-
Roland Bottin	Mr. Bottin is alleging that the Municipality, alternatively, the MEC for Roads and Transport, is responsible for the alleged incident which allegedly resulted in his injuries, medical expenses and loss of income. The plaintiff's Attorneys, Corne Van De Venter Inc are demanding R530 544.62 (Five hundred and thirty thousand five hundred and forty-four Rands and sixty-two cents).	530 545	-
Montsioa Constructions	The plaintiff was suing the Municipality for costs allegedly incurred in the preparation of land to be developed following the revocation of a 2014 tender the Municipality had awarded to the plaintiff for the development of 60 sites in Ficksburg. Matter finalized: File closed on recommendation of the Municipality's attorneys on 25 June 2020. Plaintiff's attorneys withdrew from the matter and neither the plaintiff nor the director could be traced, Municipality's attorneys advised that it would not be cost effective for the Municipality to try and collect wasted costs.	-	-
Fundisol PTY (LTD)	Claim for renovations to station houses donated to the Municipality by Transnet. Matter finalized. A total settlement of R62 000 was reached with the claimants.	-	65 000
		9 851 826	12 565 453

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52. Contingencies (continued)

Contingent assets

The municipality had the following contingent assets for the 2020/2021 financial year:

Name	Details	2021	2020
Bastian Finance and Sharp Connect	Civil Claim for R208 280.30 for unauthorised and illegal deduction from the municipal account after the services of Sharp Connect were terminated in July 2015. Ponoane Attorneys have indicated that they are unable to locate Bastian Finance, and there is no likelihood of the matter being resolved in the 2021/2022 financial year.	-	208 280
Senekal Motor Ingenieurs BK	Service Provider Claims for motor repair services and the case is likely to be in the favour of the municipality The Sheriff could not enforce the warrant of execution, and Fixane Attorneys has opted to apply for the plaintiff's account to be frozen, as recovery of the due amount is highly unlikely.	-	40 908
		-	249 188

53. Change in estimate

Property, plant and equipment

During the 2021 financial year physical verification and condition assessment of the municipality's assets was undertaken as a result there was a change in the remaining useful lives of assets.

This resulted in an increase of depreciation of R292 960 195.

Investment property

During the 2021 financial year physical verification and condition assessment of the municipality's assets was undertaken as a result there was a change in the remaining useful lives of assets.

This resulted in an increase of depreciation of R627 422.

Setsoto Local Municipality

Appendix A

June 2021

Schedule of external loans as at 30 June 2021

Loan Number	Redeemable	Balance at Tuesday, 30 June 2020	Interest for the period	Redeemed written off during the period	Balance at Wednesday, 30 June 2021	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
		Rand	Rand	Rand	Rand			
Development Bank of South Africa								
DBSA Loan @11.36%	101389	31/12/2024	3 246 165	352 712	941 721	2 657 156	-	-
			3 246 165	352 712	941 721	2 657 156	-	-
Instalment sales agreements - ABSA Bank Limited								
ABSA Bank Limited at 10%	89515381	01/06/2022	414 691	32 619	229 649	217 661	-	-
ABSA Bank Limited at 10%	89514989	01/06/2022	299 465	23 556	165 839	157 182	-	-
ABSA Bank Limited at 10%	89516256	01/06/2022	623 236	49 023	345 138	327 121	-	-
ABSA Bank Limited at 10%	89515861	01/06/2022	231 457	18 206	128 177	121 486	-	-
ABSA Bank Limited at 10%	89516272	01/06/2022	623 236	49 023	345 138	327 121	-	-
ABSA Bank Limited at 10%	89515110	01/07/2022	1 143 118	90 993	610 155	623 956	-	-
ABSA Bank Limited at 10%	89514009	01/07/2022	518 558	41 278	276 787	283 049	-	-
ABSA Bank Limited at 10%	89514076	01/07/2022	518 558	41 278	276 787	283 049	-	-
ABSA Bank Limited at 10%	89516795	01/06/2022	28 449	2 238	15 754	14 933	-	-
ABSA Bank Limited at 10%	89516779	01/06/2022	28 449	2 238	15 754	14 933	-	-
ABSA Bank Limited at 10%	89517519	01/09/2022	776 558	63 114	386 879	452 793	-	-
ABSA Bank Limited at 10%	89512457	01/09/2022	1 734 647	140 982	864 197	1 011 432	-	-
ABSA Bank Limited at 10%	89512260	01/09/2022	776 979	63 148	387 089	453 038	-	-
ABSA Bank Limited at 10%	89512260	08/08./202	1 179 742	94 934	607 913	666 763	-	-
			8 897 143	712 630	4 655 256	4 954 517	-	-
Instalment sales agreement - Wesbank								
Wesbank, a division of First Rand Limited	85265501996	01/08/2022	413 294	42 380	236 450	219 224	-	-
Wesbank, a division of First Rand Limited	85265447849	01/09/2022	692 626	72 862	357 410	408 078	-	-
Wesbank, a division of First Rand Limited	85264693609	01/09/2022	2 325 726	232 696	1 188 119	1 370 303	-	-

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Appendix A

June 2021

Schedule of external loans as at 30 June 2021

	Loan Number	Redeemable	Balance at Tuesday, 30 June 2020	Interest for the period	Redeemed written off during the period	Balance at Wednesday, 30 June 2021	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			Rand	Rand	Rand	Rand		
Wesbank, a division of First Rand Limited	85264694308	01/09/2022	2 325 726	232 696	1 188 119	1 370 303	-	-
Wesbank, a division of First Rand Limited	85266334438	01/09/2022	870 398	91 563	449 143	512 818	-	-
Wesbank, a division of First Rand Limited	85266283448	01/09/2022	870 398	91 563	449 143	512 818	-	-
Wesbank, a division of First Rand Limited	85266628441	01/09/2022	438 249	46 103	226 146	258 206	-	-
Wesbank, a division of First Rand Limited	8526537408	01/09/2022	692 626	72 862	357 410	408 078	-	-
			8 629 043	882 725	4 451 940	5 059 828	-	-
Total external loans								
Development Bank of South Africa			3 246 165	352 712	941 721	2 657 156	-	-
Instalment sales agreements - ABSA Bank Limited			8 897 143	712 630	4 655 256	4 954 517	-	-
Instalment sales agreement - Wesbank			8 629 043	882 725	4 451 940	5 059 828	-	-
			20 772 351	1 948 067	10 048 917	12 671 501	-	-

CONSOLIDATION:

RATHABA MATHABO-IDP CLERK

POTLOANE TEBOHO-PMS CLERK

REVIEWER:

POTLOANE MOOROSI-IDP OFFICER

DESIGN AND LAYOUT:

MAKHELE MOAHLEHI SILVANUS-IDP MANAGER

PROORREADING:

MOLETSANE LEFA-CHIEF FINANCIAL OFFICER

ZONDO THEMBA-DIRECTOR DEVELOPMENT PLANNING AND SOCIAL SECURITY

MOTSIMA TSHEPISO-DIRECTOR CORPORATE SERVICES

MAFUBETSOANE MOSHOABATHE-ACTING DIRECTOR ENGINEERING SERVICES

QUALITY ASSURANCE

LEBEKO SELINA-CHIEF AUDIT EXECUTIVE

APPROVED BY

RAMAKARANE TSHEPISO-MUNICIPAL MANAGER