



DRAFT ANNUAL REPORT

2020/2021



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Acronyms

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Acronyms

| | |
|-------|--|
| CoGTA | Cooperative Governance and Traditional Affairs |
| CWP | Community Works Programme |
| DCoG | Department of Cooperative Governance |
| ICIP | Integrated Comprehensive Infrastructure Plan |
| IDP | Integrated Development Planning |
| IEP | Integrated Energy Plan |
| KPI | Key Performance Indicators |
| LEDP | Local Economic Development Plan |
| LED | Local Economic Development |
| mSCOA | Municipal Standard Chart of Account |
| MSA | Municipal System Act |
| MFMA | Municipal Finance Management Act |
| MDGs | Millennium Development Goals |
| NDP | National Development Plan |
| PMS | Performance Management System |
| SCM | Supply Chain Management |
| SDBIP | Service Delivery and Budget Implementation Plan |
| SMART | Specific, Measurable, Attainable, Realistic and Timely |

Municipal Manager's Accountability Statement

Honourable Executive Mayor, Councillor L Tshongwe, it is with pleasure that I present the Annual Report of Metsimaholo Local Municipality for the financial year ended on 30 June 2021.

In presenting this Annual Report, it is important to highlight that, section 121(3) of the Municipal Finance Management Act 56 of 2003 and section 46 of the Municipal Systems Act 32 of 2000, both prescribes the core contents of an Annual Report for a municipality. In preparation of this annual report, I have therefore considered these and other legislative requirements and National Treasury Guidelines regarding the preparation of a municipality's Annual Report.

Moreover, I have also considered the importance of reliability, usefulness and relevance of the annual financial statements and performance information contained herein as will be submitted to the Auditor-General on the 31st of August 2021 for auditing purposes.

This Annual Report therefore, serves as an authoritative record of the activities of the Metsimaholo Local Municipality for the period 1 July 2020 to 30 June 2021 in a manner that seeks to promote accountability to the community.

CHAPTER 1: EXECUTIVE MAYOR'S FOREWORD & EXECUTIVE SUMMARY

1.1 Executive Mayor's Foreword

The 2020/21 financial year was definitely one of the worst in the history of our country as the Covid-19 pandemic, which dominated the latter part of the financial year, made it extremely difficult for us to ensure that we achieve our goals for the year.

The national lockdown interrupted the provision of the much required basic services such as water and electricity to our communities and affected our normal way of doing things. Our special appreciation goes to all our essential services for working around the clock to ensure that we protect the environment and the spread of the covid-19 virus. We managed to fumigate most of our public places, trace, created awareness amongst our community members and ensured that we work with other organs of state to ensure that the regulatory framework is adhered to.

The Annual Report of the municipality we are presenting, draws a curtain on the financial year 2020/21, which is the final year of my term of office as the executive mayor of this multiparty council to present the Annual Report. The Annual Report accounts for the performance of the municipality against the strategic plan, during the year of implementation. Our planned targets could not be achieved due to unfortunate environment where we were faced by this deadly pandemic called COVID-19. Though we are still keen to keep the promise we took when we assumed our responsibilities, that's the promise of improving lives of our communities. Covid-19 has brought about drastic changes across the world, forcing the majority of people to adopt a new way of life both physically and mentally.

Furthermore, the Annual Report seeks to portray a picture of the efforts our municipality made to address the needs of its more than 200 000 inhabitants spread through our municipal area namely, Sasolburg, Zamdela, Deneysville, Viljoensdrift, Oranjeville and Metsimaholo.

The strategic objective and philosophy of our council remain the same mainly to improve the quality of life of our people.

This Annual Report therefore, is not only reflective of how much we have achieved on the mandate bestowed on us during the 2017 Bi-Elections but a true reflection of a municipality that continues to rise. This has been made possible by a number of bold steps and initiatives taken by Council. We are working very hard to improve our performance management systems in order to ensure that plans are being implemented, that they are having the desired development impact, and that resources are being used efficiently and for purposes intended for.

This report further outlines our achievements for the past financial year, reflecting concrete steps taken to realize our vision and plans for our community's future. The intention of this report, which covers the past

financial year, is to provide an easily readable and summarized statement of Metsimaholo's progress towards the targets set in its Integrated Development Plan.

The achievement of service-delivery targets and deliverables required to be viewed together with the municipality's financial performance and our compliancy with the whole suite of municipal legislation.

Metsimaholo Local Municipality has focused its energy and delivered on sustainability through a range of initiatives in houses, roads and electricity in areas such as Themba Kubeka in Deneysville. The municipality has also established partnership agreements with the business community and private sector, such as Sasol and Seriti, and always work together. We really appreciate the support and the assistance from them, including our national and provincial Government.

The municipality has done a lot, but we still acknowledge that much more needs to be done. If we continue to work together, and learn from our past experiences we can move even faster to realize the goal of a better life for all.

On behalf of the Council, I would like to sincerely extend a word of thanks and gratitude to our communities and stakeholders for entrusting us with their Municipality, and for their active participation in the affairs of the municipality. We are happy with the growing number of people taking part in our various public participation platforms such as community meetings and civic education programmes and many more.

Cllr Lindiwe Tshongwe
Executive Mayor

1.2 Municipal Manager's Executive Summary

The 2020/21 financial year was demanding as the municipality was accosted by the impact of Covid19 pandemic against the set strategic objectives on service delivery.

The Metsimaholo Local Municipality performed satisfactorily in line with its 5 Key Performance Areas, namely:

- Basic Service Delivery
- Local Economic Development
- Financial Viability and Management
- Municipal Transformation and Institutional Development and
- Good Governance and Participation

Basic service delivery drive and rollout had its challenges, influenced by resources, both in human capital and in capital. The strategic planning reflected targets in the Integrated Development Plan (IDP), and covered roads, electricity, water, sanitation landfill sites, cemeteries, parks, traffic, fire, and disaster management. All these departments and sections are fully functional and provide services to communities of Metsimaholo and surrounding areas. Metsimaholo maintained its 99% blue water status. The Waste Water Treatment Works in Refengkgotso is improved to address the capacity issues. A process to identify and develop a new landfill site is at an advanced stage, undertaken in partnership with Sasol.

Metsimaholo is developing a comprehensive Local Economic Development Strategy, to benefit local businesses, attract potential investors, and present platform for job creation. The Spatial Development Framework (SDF) was completed and approved, indicating locations of regional sustainable development. Our Tourism was highly affected by the impact of covid19 pandemic. Though remain high on potential for growth, especially in the Sasolburg areas by the river, Refengkgotso and Oranjeville.

The Inter-governmental Relations is a priority in the municipality, and liaison with other departments remained robust.

The Metsimaholo Local Municipality commenced that 2020/21 financial still under Section 139 1 (b) of the Constitution of RSA, 152 of 1996. This Administration status continued until June 2021 when the NCOP visited the municipality and subsequently reversed it. The municipality had the acting Municipal Manager for the first six months of the year, Mr F.M Mathe, and Mr S. Molala for the second half of the year 2020/21. This reflects instability, and thus compounded as all Senior Managers reporting to the Municipal Manager are also in an acting capacity.

The financial position of the municipality is under serious strain, due to below budget collection rate. The municipality is owed billions of rands by businesses and residents, and finalised a plan called Operation Patala, in order to enhance its collection rate. The municipal asset register remains a challenge, and a service provider was appointed to assist the municipality with this ongoing limitation. Key departments in the Office of the Municipal Manager are functional and continue to guide the municipality towards good governance, namely Internal Audit, Risk Management, ICT, Security Management and IDP & Performance Management.

The municipality has 1148 approved posts on the organisational structure, and vacancy rate of 35%. Key positions are filled, and the municipal recruitment drive for competent and relevant employees continues. Council of the municipality remains generally functional, with challenges in operation of its sub-committees. The Audit Committee is fully functional, and their term is ending almost the end of the financial. The recruitment of the new committee is completed and will resume work just as the old committee ends, presenting a smooth handover.

The following critical infrastructure projects were completed:

- Gortin Sanitation Phase 4
- Refenggotso Sport Complex
- Gortin Sanitation sewer yard connections
- Themba Khubeka Bulk Electrical Phase 1
- Gortin: Sanitation Phase 4

Other projects are in an advanced stage of completion, others just started, whilst some are in the procurement stages. Some of key projects are, Refenggotso paved roads and stormwater drainage in ward 3; Upgrading of Oranjeville Water Treatment Plant (1 ML/Day); Upgrading of Oranjeville Water Treatment Plant 3 ML/Day; and Upgrading of Refenggotso Water Treatment Plant to 6 ML/Day.

Metsimaholo despite its challenges, at Council and Administration levels, remains one of the best municipalities in the Free State province. Its potential is unimaginably unlimited. A lot of investors have shown interest in this municipality that borders Gauteng with Vaal River.

As a resident of this beautiful region, I appreciate an opportunity to have led this municipality and its people under these trying times of covid19 pandemic. May our land be healed from painful consequences of this pandemic.

Mr SM Molala
Municipal Manager

1.3 Municipal Overview

Metsimaholo is a category B municipality as envisaged in section 155(1) (h) of the Constitution, and thus has specific legislative powers and performs such duties and functions which are attributable to a local municipality by the constitution. The municipality is located within Fezile Dabi District Municipality and covers an estimated area of 1 739 square kilometers. The major towns within the Metsimaholo areas of jurisdiction include Sasolburg, Zamdela, Deneysville, Oranjeville Viljoensdrif and Coalbrook.

1.3.1 Overview of Sasolburg / Zamdela

The town owes its existence to the petro-chemical industry. Its refinery is one of the only two viable coal-derived oil refineries in the world (the other is at Secunda in Mpumalanga). The town was established in the early 1950s in order to provide housing and facilities for SASOL (South African Coal, Oil & Gas) employees.

The town has won the prize for the most attractive town entrance several years in a row and is a leader in environmental awareness as statistics show there are more trees and shrubs in the town. (Source: www.freestatetourism.org)

1.3.2 Deneysville / Refengkgotso

Named after Deneys Reitz, son of a former Free State president, Deneysville is a small rural village established on the banks of the Vaal Dam in 1939. The town is also known as the Highveld's inland sea and the yachting mecca for its landlocked neighbours. The biggest inland regatta in South Africa, 'Round the Island Race', is held on the dam annually, during February. With six yacht clubs, marinas, boat chandlers, boat builders and repair yards, Deneysville is the home of yachting enthusiasts. (Source: www.freestatetourism.org)

1.3.3 Oranjeville / Metsimaholo

This town, situated on the banks of the Wilge River, was established during 1919 as a halfway stop for ox wagons between Heilbron, Frankfort and Vereeniging. The town was named after the Prins van Orange of Holland. (Source: www.freestatetourism.org)

Table 1.1 - Quick Statistical Facts about Metsimaholo Local Municipality

| Details | 2016 Community Survey | % Change 2011 - 2016 | 2011 Census | % Change 2001 - 2011 | 2001 Census |
|------------------------------------|-----------------------|----------------------|----------------|----------------------|----------------|
| Total population | 163 564 | 10% | 149 108 | 29% | 115 955 |
| Young (0-14) | 23.74% | -10% | 26.30% | -5% | 27.70% |
| Working Age (15-64) | 70.99% | 2% | 69.30% | 0% | 69.30% |
| Elderly (65+) | 5.25% | 19% | 4.40% | 19% | 3.70% |
| Dependency ratio | 51 | 15% | 44.3 | -3% | 45.7 |
| Sex ratio | 109.6 | 1% | 108.6 | 4% | 104.4 |
| Growth rate | 2.10% | -16% | 2.51% | 55% | 1.62% |
| Population density | 95 persons/km2 | 9% | 87 persons/km2 | 30% | 67 persons/km2 |
| Unemployment rate | n/a | n/a | 32.10% | -13% | 37% |
| Youth unemployment rate | n/a | n/a | 41.60% | -13% | 47.70% |
| No schooling aged 20+ | 9.30% | 63% | 5.70% | -47% | 10.70% |
| Higher education aged 20+ | 9.80% | -21% | 12.40% | 49% | 8.30% |
| Matric aged 20+ | 33.20% | 11% | 29.80% | 34% | 22.20% |
| Number of households | 59 113 | 29% | 45 757 | 42% | 32 260 |
| Average household size | 2.80% | -10% | 3.10% | -6% | 3.30% |
| Female headed households | 33.60% | 3% | 32.50% | 2% | 32.00% |
| Formal dwellings | 87.50% | 4% | 83.90% | 32% | 63.60% |
| Housing owned/paying off | 73.60% | 28% | 57.30% | 33% | 43.20% |
| Flush toilet connected to sewerage | 74.10% | -3% | 76.00% | 10% | 69.00% |
| Weekly refuse removal | 78.30% | -1% | 78.90% | 29% | 61.10% |
| Piped water inside dwelling | 95.50% | 33% | 71.70% | 66% | 43.20% |
| Electricity for lighting | 85.50% | -1% | 86.40% | 11% | 77.70% |

Source: Stats SA: CS 2016

CHAPTER 2: GOVERNANCE

Component A – Governance Structures

1. Political Governance Structure

The political structure of the municipality is made up of the entire municipal Council, the Executive Mayor, the Speaker and the Mayoral Committee. The Council has executive and legislative authority over the affairs of the municipality. The Council is thus has the ultimate decision making powers over the affairs of the municipality. The Executive Mayor is the link between the Council and Administration and is accountable for ongoing monitoring and for tabling of reports to the Council.

1.1 Municipal Council

For the reporting period under review, the Council comprised of forty two (42) councillors from eight (8) political parties. The Executive Mayor and the Speaker also form part of this council and are both full time political office-bearers. As at the end of the reporting period under review, the structure of composition of the Council was as follows:

Table 2.1 - Political governance structure

| Composition of the Municipal Council | |
|---|-------------------------------|
| Name of Political Party | Number of Councillors / Seats |
| African National Congress (ANC) | 16 |
| Democratic Alliance (DA) | 11 |
| Economic Freedom Fighters (EFF) | 8 |
| Metsimaholo Community Association (MCA) | 1 |
| Freedom Front Plus (FF+) | 1 |
| Forum for Service Delivery (4FSD) | 1 |
| African Independent Congress (AIC) | 1 |
| South African Communist Party (SACP) | 3 |
| Total | 42 |

1.2 Political Office Bearers and Mayoral Committee

For the reporting period under review, the Political Officer Bearers and the Mayoral Committee were as follows below:

Table 2.2 - Structure of Political Officer Bearers and Mayoral Committee

| Political Office Bearers | |
|------------------------------------|--|
| Executive Mayor | Ms S L Tshongwe |
| Speaker | Mr K T Mabasa |
| Council Whip | Mr V L Mashia |
| Mayoral Committee | |
| Name | Portfolio Responsible for |
| Councillor M S Poho | Municipal Infrastructure and Technical and Services |
| Councillor M J Malindi | Corporate Services |
| Councillor L S Semonyo | Spatial Planning, Rural Development and Human Settlement |
| Councillor F Mosokweni | Community/Social Services |
| Councillor L Fisher | Finance, IDP and Performance Management |
| Councillor N P Mokoena (Ms) | SMME's and Economic Development |
| Councillor N M Mtshali (Ms) | Special Programme |
| Councillor K B Mofokeng | Public Safety and Transport |
| Councillor L Makhefu | Ethics Committee |
| Councillor M Molawa | Municipal Public Accounts Committee (MPAC) |
| Councillor S S Kobo | Public Places and Street Naming Committee |

1.3 Decision-Making

Table 2.3 - Key council resolutions taken

| Type of Council Meeting | Date of Meeting | Matter(s) tabled | Resolution Number | Status as at 30 June 2021 |
|--|-----------------|---|-------------------|--|
| Special Council meeting (No. 8 of 2020/2021) | 31 May 2021 | Audit and Performance Audit Committee report | 4 | Approved by Council |
| Special Council meeting (No. 8 of 2020/2021) | 31 May 2021 | Appointment of Audit and Performance Audit Committee members | 5 | Approved by Council |
| Special Council meeting (No. 8 of 2020/2021) | 31 May 2021 | Draft 2021/2022 Revised Integrated Development Plan (IDP) | 7 | Approved by Council |
| Special Council meeting (No. 8 of 2020/2021) | 31 May 2021 | Draft 2021/2022 Medium Term Revenue and Expenditure Budget | 8 | Approved by Council |
| Special Council meeting (No. 8 of 2020/2021) | 31 May 2021 | Draft 2021/2022 Service Delivery and Budget Implementation Plan (SDBIP) | 9 | Noted by Council and approved by the Executive Mayor |
| Ordinary Council (No. 4 of 2020/2021) | 29 June 2021 | Budget Policies | 26 | Approved by Council |

2. Administrative Governance Structure

As legislatively prescribed, the administrative structure of the municipality is headed by the Municipal Manager. As at the end of the reporting period under review, the administrative structure of the municipality consisted of the following administrative departments:

- The Office of the Municipal Manager
- Finance Department
- Technical Services
- Social Services
- Corporate Services
- Economic Development & Planning

As the Accounting Officer, the Municipal Manager accounts to the Council for all the administrative issues of the municipality, including implementation of Council resolutions. In execution of his duties, the Municipal Manager was assisted by the acting senior managers (since the positions of the directors are vacant), who serve as departmental heads and all together, constitutes the senior management team of the municipality.

The table below outlines the macro-administrative assembly of the municipality as at the end of the reporting period under review.

Table 2.4 - Administrative Governance Structure

| Position | Incumbent | Full time / Acting |
|---|----------------|--------------------|
| Municipal Manager | Mr. S M Molala | Full Time |
| Chief Financial Officer | Vacant | Acting |
| Director: Technical Services | Vacant | Acting |
| Director: Corporate Service | Vacant | Acting |
| Director: Social Services | Vacant | Acting |
| Director: Economic Development and Planning | Vacant | Acting |

Component B: Intergovernmental Relations (IGR)

Intergovernmental relations in the municipality were mostly facilitated by the three interrelated structures during the period under review, viz – The District Coordinating Forum, The Speakers Forum, and Technical Intergovernmental Relations Forum.

The responsibilities and activities of these forums were as follows during the reporting period under review:

Table 2.5 - IGR Structures

| Name of the IGR Structure | Conveners | Core Responsibilities |
|---|--|--|
| The District Coordinating Forum | Executive Mayors within the district | Promotion and facilitation of intergovernmental relations within the district. |
| The Speakers Forum | Speakers within the district | Sharing ideas and integration of municipal programs. |
| The Technical Intergovernmental Relations Forum | Municipal Managers within the district | Promotion of Intergovernmental Relations within the district and other sector departments at the higher spheres of government. |

The table below shows a summary of information for intergovernmental meetings that were attended during the reporting period under review through the above IGR structures.

Table 2.6 - Details of IGR Structures meetings held

| The District Coordinating Forum | | | |
|--|------|-------|-------------------------|
| Meeting | Date | Venue | Attended? (Yes / No) |
| No meetings took place / attended during the reporting period under review | | | |
| The Speakers' Forum | | | |
| Meeting | Date | Venue | Attended? (Yes / No) |
| No meetings took place / attended during the reporting period under review | | | |
| Technical Intergovernmental Relations Forum | | | |
| Meeting | Date | Venue | Attended? (Yes / No) |
| No meetings took place / attended during the reporting period under review | | | |

Component C: Public Accountability & Participation

1. Public Meetings

During the period under review, the municipality's public meetings were coordinated through Ward Committees in different wards. A table below provides in detail meetings held during this reporting period.

2. IDP Alignment and Participation

During the reporting period under review, the municipality could not hold intensive public participation in all key planning and reporting procedures due to Covid19 restrictions. However, the municipality relied on public contributions through municipal website and social media platforms to inform critical decisions involving the Integrated Development Plans, Budgets, Service Delivery and Budget Implementation Plan (SDBIP).

Ward based public participation meetings could not be held due to Covid19 restrictions, however, as indicated above, the community was afforded an opportunity to participate through municipal website and social media platforms.

Component D: Corporate Governance

1. Risk Management

According to section 62 Municipal Finance Management Act (MFMA), the municipality must maintain effective, efficient and transparent system of financial and risk management. This therefore means that risk management is an integral part of the internal processes of a municipality.

From the municipality's point of view, risk management is a logical and systematic process of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables the municipality to minimise losses and maximise opportunities.

During the period under review, the following risk management related activities were performed:

Table 2.7 - Risk Management Activities Performed during 2020/21

| Activity / Function | Date Completed |
|--|--|
| Review of Risk Management Committee (RMC) Charter | 01 December 2020 |
| Review of Risk Management (RM) Policy and Strategy | 29 June 2021 |
| Quarterly Risk Assessment reports | Qtr. 1 (Jul'20 – Sept'20), Qtr. 2 (Oct'20 – Dec'20), Qtr. 3 (Jan'21 – Mar'21), Qtr. 4 (Apr'21 – Jun'21) |
| Risk Management Implementation Plan report | 01 December 2020 |
| Risk Management Maturity model | 17 November 2020 |

Having an understanding of risks to the strategy, allows the municipality to measure and position its strengths in optimising opportunities and take the appropriate actions in reducing its losses. Over the period under review, risk management trends and components within the municipality were indicating an overlap with those of internal auditing, performance management, project management, financial management, organisational development & change management, customer care, communication, and therefore require incremental inclusion in current and future planning of the entire organisation.

The following were the identified top risks that the municipality faced during 2020/21.

Table 2.8 - Top risks in 2020/21

| Top Risks in 2020/21 financial year | |
|-------------------------------------|--|
| No | Risk Description |
| 1 | Deterioration of Roads infrastructure |
| 2 | Absence of landfill sites and absence of licenses |
| 3 | Encroachment of roads, reserves, servitudes and building lines. |
| 4 | Non-compliance with section 116 of the MFMA (Contract and Contract Management). |
| 5 | Inadequate control over Irregular expenditure Fruitless and wasteful expenditure |
| 6 | Failure to recover data and systems efficiently and effectively in the event of disruptions (Lack of BCP & DRP). |
| 7 | Unaccounted water distribution loss |
| 8 | Fraud and Corruption (non-reporting of fraud & corruption cases) |
| 9 | Cable theft |
| 10 | Failure to recruit skilled and adequate staff (performance) and retain competent staff and placement/redeployment of skill |

2. Anti-Fraud and Corruption

During the period under review, the municipality continued to monitor the implementation of anti-fraud strategies to combat fraud and corruption. The Council has since approved the use of the National Anti-Corruption Hotline number **0800 701 701** to report all cases of fraud and corruption which relates to the Metsimaholo Local Municipality.

The table below listed anti-fraud and anti-corruption plans / strategies that were adopted by Council which serves as guiding principles to deal with any fraud or corruption related activities.

Table 2.9 - Fraud Prevention Plan

| Name of plan / strategy | Date Approved by Council |
|-------------------------|--------------------------|
| Fraud Prevention Plan | 26 September 2017 |

Investigations conducted

No investigations were conducted in 2020/21 financial year.

3. Supply Chain Management

Although not sufficiently staffed in line with the approved organisational structure, the Supply Chain Management unit has appropriately skilled personnel. The unit is headed by a senior official who assume the duties of a senior supply chain practitioner. The table below provides and overview of the staffing capacity within the unit.

Table 2.10 - Supply Chain Management Staff Compliment

| Designation | Number of available positions | Number of positions filled | Number of vacancies |
|-----------------------------------|-------------------------------|----------------------------|---------------------|
| Manager | 1 | 1 | 0 |
| Secretary | 1 | 1 | 0 |
| Supply Chain Practitioner | 3 | 2 | 1 |
| Supply Chain Clerk (Buyer) | 4 | 2 | 2 |
| Supply Chain Administration Clerk | 1 | 1 | 0 |
| Stock Clerk | 1 | 1 | 0 |
| Total | 11 | 8 | 3 |

The composition of the bid committees was also in accordance with the provisions of the Supply Chain Management Regulations, 2005.

The Supply Chain Management function is a supportive strategy and the objective is to manage procurement and provisioning processes in order to eliminate non-value added cost, infrastructure, time and activities to improve service delivery.

The table below provides an overview of the number of procurements within specified thresholds for the period under review:

Table 2.11 - Tenders / Bids Awarded (Excluding as and when required tenders) in 2020/21

| Procurement Range: >R 200 000 & long-term contract | | |
|--|---------------------------|-----------------------|
| Period | Number of Tenders Awarded | Total Awarded Amount |
| First Quarter | 13 | R 9 553 525.20 |
| Second Quarter | 2 | R 10 714 649.28 |
| Third Quarter | 0 | 0 |
| Fourth Quarter | 7 | R67 921 793.12 |
| Sub-Total | 22 | R88 189 967.60 |
| Procurement Range: R 30 001 - R 200 000 | | |
| Period | Number of Tenders Awarded | Total Awarded Amount |
| 1 st Quarter | 09 | R468 327.78 |
| 2 nd Quarter | 14 | R679 020.00 |
| 3 rd Quarter | 11 | R1 010 144.94 |

| | | |
|--|----------------------------------|-----------------------------|
| 4 th Quarter | 10 | R875 452.58 |
| Sub-Total | | |
| Procurement Range: R 1 - R 30 000 | | |
| Period | Number of Tenders Awarded | Total Awarded Amount |
| 1 st Quarter | | |
| 2 nd Quarter | 103 | R 890 106.13 |
| 3 rd Quarter | 55 | R 603 971.51 |
| 4 th Quarter | 51 | R 394, 010.83 |
| Sub-Total | 209 | R1 888 088.47 |

Supply Chain Management Activities are conducted were conducted within the framework of the approved supply chain management policy which is in line with the MFMA, Supply Chain Management Regulation and Preferential Procurement Policy Framework Regulations of 2011.

Table 2.12 – Supply Chain Management Policy

| Name of Policy | Date Approved by Council |
|--------------------------------|--------------------------|
| Supply Chain Management Policy | 29 June 2021 |

The municipality has also entered in contracts for the supply of goods and / or services on an “as-and-when required” basis during the period under review. This means that these contracts have no precise price and because a service requirement for such goods and / or service is determined as and when a need arises from the municipality and subsequently procurement occurs based on the scale of the evaluated requirement.

The details of such contracts as follows:

Table 2.13 - Contracts procured on an “As-and-When Required” basis

| Commodities | |
|-------------------------|---------------------------|
| Period | Number of Tenders Awarded |
| 1 st Quarter | n/a |
| 2 nd Quarter | n/a |
| 3 rd Quarter | n/a |
| 4 th Quarter | n/a |
| Sub-Total | |
| Professional Services | |
| Period | Number of Tenders Awarded |
| 1 st Quarter | 13 |
| 2 nd Quarter | 02 |

| | |
|--|----------------------------------|
| 3 rd Quarter | 00 |
| 4 th Quarter | 07 |
| Sub-Total | 22 |
| Equipment Rental/Lease Services | |
| Period | Number of Tenders Awarded |
| 1 st Quarter | n/a |
| 2 nd Quarter | n/a |
| 3 rd Quarter | n/a |
| 4 th Quarter | n/a |
| Sub-Total | |
| Other Services | |
| Period | Number of Tenders Awarded |
| 1 st Quarter | n/a |
| 2 nd Quarter | n/a |
| 3 rd Quarter | n/a |
| 4 th Quarter | n/a |
| Sub-Total | |

4. By-Laws

No new by-laws were promulgated or reviewed for 2020/21 financial year.

5. Publication of Information on the Municipality's Websites

Section 21A of Municipal Systems Act requires that all documents that must be made public by a municipality in terms of a requirement of this Act, the Municipal Finance Management Act or other applicable legislation, must be conveyed to the local community: -

- a) by displaying the documents at the municipality's head and satellite offices and libraries;
- b) by displaying the documents on the municipality's official website, if the municipality has a website as envisaged by section 21B; and
- c) by notifying the local community, in accordance with section 21, of the place, including the website address, where detailed particulars concerning the documents can be obtained.

On the other hand, section 21B(3) states that the Municipal Manager must maintain and regularly update the municipality's official website, if in existence, or provide the relevant information as required by subsection (2).

Pursuant to the foregoing legislative provisions, the municipality's website was functional and accessible throughout the period under review and the table below provides details of important information that was publicised on the website.

Table 2.14 - Publication of information on municipal website

| Documents to be published on the municipality's website | Published / Not published |
|--|---------------------------|
| Budget | |
| Draft Budget | |
| Approved Annual Budget and quality certificate | |
| Adjustment budget and quality certificate | |
| Annual Reports | |
| Annual Report | Published |
| Oversight report | Published |
| Quarterly Reports | |
| SCM Quarterly reports | Published |
| Financial Reports | |
| Supply Chain Management Reports | |
| Budget Related Policies | |
| Asset Management Policy | |
| Bad Debts Write Off Policy | |
| Borrowings Policy | |
| Budget Policy | |
| Cash Management Policy | |
| Credit Control Debt Collection and Customer Care Policy | |
| Indigent Policy | |
| Property Rates Policy | |
| Rates Policy | |
| Unauthorized, Irregular, Fruitless and Wasteful Expenditure | |
| Virement Policy | |
| Revised SCM Policy | Published |
| Risk Management Policy | |
| Documents to be published on the municipality's website | |
| Published / Not published | |

| Financial Statements | |
|--|---------------|
| AFS | |
| Mid-Year budget and performance assessment Reports | |
| Mid-Year Budget & Performance Assessment Report | Published |
| Bid Register | |
| Bid Register | Not Published |

6. Public Satisfaction on Municipal Services

No public satisfaction survey was conducted during the period under review.

7. Municipal Oversight Committees

Municipal Public Accounts Committee (MPAC) and the Audit and Performance Committee are the two committees responsible for the exercise of oversight over the executive functionaries of council; ensure good governance in the municipality. These committees are also responsible advising the council, the political office-bearers, the accounting officer and the management staff of the municipality on various matters dealt with under their responsibilities.

During the period under review, the respective committees have discharged their responsibilities as follows in accordance with their terms of reference:

Table 2.15 - Activities performed by the MPAC

| Municipal Public Accounts Committee | |
|--|-------------------|
| Matters considered in 2020/21 | Date |
| Oversight by MPAC over mid-year budget and performance assessment report | 07 October 2021 |
| Budget Implementation report for the quarter ending 31 December 2020 | 26 June 2020 |
| Quarterly financial Indicators for the period ending 31 December 2020 | 02 December 2020 |
| Adjustment Budget for 2020/21 financial year | 30 September 2020 |
| Approval of the 2020/21 Integrated development plan (IDP) | 26 June 2020 |

Table 2.16 - Activities performed by the Audit & Performance Committee

| Audit & Performance Committee | |
|---|---|
| Matters considered in 2020/21 | Date |
| Auditor General SA Audit Findings Action Plan | 22 September 2020 |
| Internal Audit Reports: Supply Chain Management, Human Resource Management, Compliance, Cash Management, Revenue and Billing, PMS (Q2 – Q4: 2019/20) | 22 September 2020 |
| Schedule C – July 2020 | 22 September 2020 |
| Draft Annual Report – 2019/20 | 28 October 2020, 30 March 2021 & 28 June 2021 |
| Draft Annual Financial Statements – 2019/20 | 28 October 2020 |
| Internal Audit Reports: Fleet Management, Asset Management, Cash Management, Traffic, Fire and Disaster Management, Risk Management, PMS (Q1 – Q2 and Midyear: 2020/21) | 12 March 2020 |
| Risk Management Reports | 12 March 2021 |
| Finance – Midyear Report (2020/21) | 12 March 2021 |
| Revised Internal Audit Charter | 30 March 2021 |
| Internal Audit Annual Plan – 2021/22 | 30 March 2021 |
| Auditor General – 2019/20 Draft Audit Report | 30 March 2021 |
| Audit and Performance Audit Committee Charter | 28 June 2021 |
| Schedule C – April 2021 | 28 June 2021 |

Chapter 3: Service Delivery Performance (Performance Report Part I)

Component A: Introduction to Performance Report

This chapter focuses on reporting on service delivery on a service-by-service in line with the approved IDP and SDBIP of the municipality for the 2020/21 financial year. This chapter therefore aims at demonstrating what has been achieved and what remains outstanding as initially planned in terms of the municipality's IDP.

Component B: Overview of the relevant progress achieved on the relevant outcomes for Local Government as required by National and Provincial Spheres

1. Water Services

Table 3.1 – Water Service Delivery Levels per Household

| Description | 2020/21 Actual No. | 2019/20 Actual No. | % Variance |
|---|-----------------------|--------------------------|---------------|
| Water: (above min level) | | | |
| Piped water inside dwelling | 44 938 | 44 938 | |
| Piped water inside yard (but not in dwelling) | 2 536 | 2 536 | |
| Using public tap (within 200m from dwelling) | 3000 | - | |
| Other water supply (within 200m) | 40 | 40 | |
| Minimum Service Level and Above sub-total | 50 514 | 47 514 | |
| Minimum Service Level and Above Percentage | 88.96% | 94.58% | |
| Water: (below min level) | | | |
| Using public tap (more than 200m from dwelling) | 0 | 3000 | |
| Other water supply (more than 200m from dwelling) | 750 | 750 | |
| No water supply | - | - | |
| Below Minimum Service Level sub-total | 750 | 3750 | |
| Below Minimum Service Level Percentage | 0 | 0 | |
| Total number of households | | | |

Table 3.2 – Total Use by Sector

| Total Use of Water by Sector (Kilolitres) | 2020/21 | 2019/20 | % Variance |
|--|---------|---------|---------------|
| Agriculture | 0 | 0 | - |
| Forestry | 0 | 0 | - |
| Industrial | | | |
| Domestic | | | |
| Unaccounted Water | | | |

Table 3.3 – Water Services Capital Expenditure

| Capital Expenditure 2020/21: Water Services R' 000 | | | | |
|--|---------|----------------------|-----------------------|--|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment Budget | Actual Expenditure | % Variance from adjustment budget |
| Transport assets | 0 | 50 | 0 | 100% |
| Infill stands | 50 | 0 | 0 | 0 |
| Ldv/ldv canopy | 280 | 280 | 0 | 100% |
| Covid-19 transport asset | 0 | 1 844 | 0 | 100% |
| Covid-19 transport asset | 0 | 0 | 1 603 | |
| Replacement of ac pipes | 1 500 | 500 | 0 | 100% |
| Water pump replacements | 500 | 1 500 | 0 | 100% |
| Vaalpark unserviced stands | 1 853 | 1 853 | | 100% |
| Covid-19 infrastructure water asset | 0 | 3 156 | 0 | 100% |
| Water treatment: oranjeville | 0 | 4 467 | 1 895 | 58% |
| Covid-19 infrastructure water asset | 0 | 0 | 2 696 | |
| Water pipes to upvc in zamdela | 0 | 8 247 | 2 023 | 75% |
| Conventional water meter | 1 000 | 0 | 399 | |
| Residential water meters | 0 | 0 | 0 | 0 |
| Water pump replacements | 0 | 0 | 0 | 0 |

| | | | | |
|-------------------------------|--------------|---------------|--------------|------------|
| Va petrol key start generator | | 0 | 0 | |
| Conventional water meters | 2 000 | 2 000 | 95 | 95% |
| Total | 7 183 | 23 898 | 8 352 | 65% |

Table 3.4 – Water Services Financial Performance

| Financial Performance – Water Services Financial Performance 2020/21: Water Services | | | |
|--|-------------------|-------------------|---------------|
| R'000 | | | |
| Details | 2020/21 Actual | 2019/20 Actual | % Variance |
| Total Operational Revenue | 440 917 | 446 700 | 101% |
| Operational Expenditure | | | |
| Employees | (18 658) | (17 605) | 94% |
| Repairs and Maintenance | (3 224) | (2 536) | 78% |
| Other | (191 581) | (205 283) | 107% |
| Total Operational Expenditure | (213 463) | (225 424) | 106% |
| Net Operational Expenditure | 227 454 | 221 276 | 97% |

Table 3.5 – Sanitation Service Delivery Levels per Household

| Description | 2020/21 Actual No. | 2019/20 Actual No. | % Variance |
|--|-----------------------|-----------------------|---------------|
| Sanitation/sewerage: (above minimum level) | | | |
| Flush toilet (connected to sewerage) | 41 247 | 41 247 | |
| Flush toilet (with septic tank) | 3 617 | 3 617 | |
| Pit toilet (ventilated) | | 2536 | |
| Other toilet provisions (above minimum service level) | | | |
| Minimum Service Level and Above sub-total | 44 864 | 38 008 | |
| Minimum Service Level and Above Percentage | 83.57% | 80% | |
| Sanitation/sewerage: (below minimum level) | | | |
| Bucket toilet | 2536 | 2536 | |
| Other toilet provisions (below minimum service level) | | | |
| No toilet provisions | 3750 | 3 750 | |
| Below Minimum Service Level sub-total | 6286 | 6 283 | |
| Below Minimum Service Level Percentage | 11.71% | 60% | |
| Total households | 53 683 | 51 147 | |

2. Sanitation Services

Table 3.6 - Sanitation Services Financial Performance

| Financial Performance 2020/21: Sanitation Services | | | R'000 |
|--|-------------------|-------------------|---------------|
| Details | 2020/21 Actual | 2019/20 Actual | % Variance |
| Total Operational Revenue | 50 380 | 73 249 | 145% |
| Expenditure: | | | |
| Employees | (11 886) | (11 584) | 97% |
| Repairs and Maintenance | (36 489) | (40 104) | 110% |
| Other | (1 365) | (4 861) | 356% |
| Total Operational Expenditure | (49 740) | (56 549) | 114% |
| Net Operational Expenditure | 640 | 16 700 | 2 610% |

Table 3.7 - Sanitation Services Capital Expenditure

| Capital Expenditure 2020/21: Sanitation Services R'000 | | | | |
|--|---------------|-------------------|--------------------|-----------------------------------|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment Budget | Actual Expenditure | % Variance from adjustment budget |
| Vaalpark unserviced stand | 2 440 | 2440 | 0 | 100% |
| Gortin house connection (sewer) mig | 285 | 205 | 6 463 | -31% |
| Gortin : construction of sewer yard | 207 | 7 432 | 0 | 100% |
| Waste water: refengkgotso | 25 000 | 44 685 | 0 | 100% |
| Water water equipment | 50 | 0 | 0 | 0 |
| Waste water treatment oranjeville | 25 000 | 15 532 | 4 410 | 72% |
| Sewerage equipment | 500 | 500 | 0 | 100% |
| Ldv/hp vacuum / jetting sewer truck | | 250 | 0 | 100% |
| Total All | 53 482 | 71 044 | 10 873 | |

3. Electricity Services

Table 3.8 - Electricity Service Delivery Levels per Household

| Description | 2020/21 Actual No. | 2019/20 Actual No. | % Variance |
|---|--------------------|--------------------|------------|
| <u>Energy: (above minimum level)</u> | | | |
| Electricity (at least minimum service level) | 51 927 | 51 927 | 100% |
| Electricity - prepaid (minimum service level) | | | |
| Minimum Service Level and Above sub-total | | | |
| Minimum Service Level and Above Percentage | | | |
| <u>Energy: (below minimum level)</u> | - | - | - |
| Electricity (<minimum service level) | - | - | - |

Table 3.9 - Electricity Services Financial Performance

| Financial Performance 2020/21: Electricity Services | | | R'000 |
|---|-------------------|-------------------|---------------|
| Details | 2020/21 Actual | 2019/20 Actual | % Variance |
| Total Operational Revenue | 335 094 | 324 841 | 97% |
| Expenditure: | | | |
| Employees | (19 137) | (17 361) | 91% |
| Repairs and Maintenance | (3 728) | (10 761) | 289% |
| Other | (322 427) | (288 340) | 89% |
| Total Operational Expenditure | (345 292) | (316 462) | 92% |
| Net Operational Expenditure | 10 198 | 8 379 | 82% |

Table 3.10 - Electricity Service Capital Expenditure

| Capital Expenditure 2020/21: Electricity Services | | | | R'000 |
|---|---------|----------------------|-----------------------|--|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment budget | Actual Expenditure | % Variance from adjustment budget |
| Electrical infrastructure | 2 000 | 2 700 | 0 | 0 |
| Upgrading substations | 100 | 250 | 0 | 0 |
| Themba khubeka household connections | 23 956 | 9 092 | 7 921 | 87% |
| Gortin phase 3 network | 2 000 | 800 | 0 | 0 |
| Vaalpark load control unit | | 600 | 0 | 0 |
| Upgrading sub sasolburg deneysville | 7 000 | 1 000 | 249 | 25% |
| Streetlighting network | 1 000 | 500 | 0 | 0 |
| 00Pre paid meters | 4 000 | 2 700 | 0 | 0 |
| Electrical infrastructure (vaalpark) | | 2 700 | 0 | 0 |
| Pole top transformer zamdela | 0 | 500 | 176 | 35% |
| Transport assets(Finance lease) | 560 | 560 | 0 | 0 |
| Fencing substation | 300 | 0 | 0 | 0 |
| Transport assets | 250 | 0 | 0 | 0 |
| Two way radio | 350 | 0 | 0 | 0 |
| Amelia highmast | 236 | 0 | 0 | 0 |
| Provision/ Stands welgelegen west | 3 416 | 0 | 0 | 0 |
| Antrim substation switch gears | 500 | 1 000 | 0 | 0 |

| | | | |
|------------------|---------------|---------------|--------------|
| Total All | 45 668 | 23 118 | 9 388 |
|------------------|---------------|---------------|--------------|

Table 3.11 - Gravel Road Infrastructure in Kilometers

| Gravel Road Infrastructure in Kilometers | 2019/20 | 2018/19 | % Variance |
|--|---------|---------|------------|
| Total gravel roads | 322 | 322 | |
| New gravel roads constructed | - | - | |
| Gravel roads upgraded to tar | 0 | 6 | |
| Gravel roads graded/maintained | 60 | 114 | |

Table 3.12 - Tarred Road Infrastructure in Kilometers

| Tarred Road Infrastructure in Kilometers | 2019/20 | 2018/19 | % Variance |
|--|---------|---------|------------|
| Total tarred roads | 354 | 354 | 0 |
| New tar roads | - | 6 | -100% |
| Existing tar roads re-tarred | - | - | - |
| Existing tar roads re-sheeted | - | - | - |
| Tar roads maintained | 354 | 354 | 0% |

4. Roads

Table 3.13 - Roads Infrastructure Capital Expenditure

| Capital Expenditure 2020/21 : Roads Services | | | | R'000 |
|--|---------|-------------------|--------------------|-----------------------------------|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment budget | Actual Expenditure | % Variance from adjustment budget |
| Machinery & equipment | 0 | 300 | 0 | 0% |
| Re-sealing sasolburg & vaalpark | 10 000 | 10 000 | 0 | 0% |
| New gravel roads | 10 000 | 2 000 | 0 | 0% |
| Reseal/rehabilitation sasolburg vaalpark | 25 000 | 25 000 | 0 | 0% |

| | | | | |
|--------------------------------------|---------------|---------------|---------------|-----|
| Reseal/rehabilitation deneysville | 4 000 | 4 000 | 0 | 0% |
| Transportation assets | 280 | 0 | 0 | 0% |
| Transportation assets(Finance lease) | 1 280 | 0 | 0 | 0% |
| Rebuilt scott street | 16 000 | 16 000 | 0 | 0% |
| Paved roads phase1 (mig) | 0 | 2 199 | 1 912 | 87% |
| Refenkgotso paved ward 3;2;012km | 10 751 | 10 679 | 8 892 | 83% |
| 1 x trailer (compact. Roller) | 180 | 180 | 0 | 0% |
| Total All | 77 491 | 71 917 | 10 804 | |

5. Storm-water Infrastructure

Table 3.15 – Storm Water Infrastructure in Kilometers

| Storm water Infrastructure in Kilometres | 2020/21 | 2019/20 | % Variance |
|--|---------|---------|------------|
| Total Storm water measures | 219 | 219 | 0% |
| New storm water measures | 0 | 0 | 0% |
| Storm water measures upgraded | 0 | 0 | 0% |
| Storm water measures maintained | 3 | 5 | -40% |

Table 3.16 - Cost of Storm-water Infrastructure Construction/Maintenance

| Storm water measures | 2020/21 | 2019/20 | % Variance |
|----------------------|---------|---------|------------|
| New (R'000) | | | |
| Upgraded (R'000) | 0 | 0 | |
| Maintained (R'000) | 100 | 50 | |

6. Waste Management

Table 3.17 - Waste Management Services Financial Performance

| Details | 2020/21 Actual | 2019/20 Actual | % Variance |
|--------------------------------------|-------------------|-------------------|---------------|
| Total Operational Revenue | 54 270 | 49 044 | 90% |
| Employees | (32 826) | (32 429) | 99% |
| Repairs and Maintenance | (3 473) | (4 016) | 116% |
| Other | (4 552) | (9 618) | 211% |
| Total Operational Expenditure | (40 853) | (46 063) | 113% |
| Net Operational Expenditure | (13418) | (2 981) | 22% |

Table 3.18 - Waste Management Services Capital Expenditure

| Capital Expenditure 2020/21: : Waste Management Services R'000 | | | | |
|--|---------------|----------------------|-----------------------|--|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment budget | Actual Expenditure | % Variance from adjustment budget |
| Transport assets | 500 | 4 500 | 0 | 100% |
| Front-end loader | 3 500 | 3 500 | 0 | 100% |
| Tipper truck/tipper truck | 2 350 | 2 350 | 0 | 100% |
| Office blocks | 4 200 | 0 | 0 | 0 |
| Specialized vehicles | | 2 313 | 2 011 | 13% |
| Equipment | 5 | 5 000 | 0 | 100% |
| New landfill site | 1 427 | 0 | 0 | 0 |
| Properties | | 200 | 0 | 100% |
| Total All | 11 982 | 12 868 | 2 010 | 84% |

7. Libraries & Theatre

Table 3.19 - Libraries & Theatre Financial Performance

| | Actual 2020/21 R 000 | Actual 2019/20 R 000 | % Variance |
|--------------------------------------|----------------------------|----------------------------|---------------|
| Total Operational Revenue | 0 | 0 | 0 |
| Employees | 0 | 0 | 0 |
| Repairs and Maintenance | 0 | 0 | 0 |
| Other | (112) | (63) | 56% |
| Total Operational Expenditure | (112) | (63) | 56% |
| Net Operational Expenditure | (112) | (63) | 56% |

*Libraries are under the Provincial government and theatre is now administrated by Sasol factory.

8. Cemeteries

Table 3.21 - Number of People Buried

| Area | Actual 2020/21 R 000 | Actual 2019/20 R 000 | % Variance |
|--------------------------------|----------------------------|----------------------------|---------------|
| Number of People Buried | | | |
| Sasolburg | 207 | 425 | 21.8% |
| Zamdela | 885 | 555 | 3.3% |
| Refengkgotso/Deneysville | 172 | 197 | 2.5% |
| Oranjeville/Metsimaholo | 52 | 44 | 0.8% |
| Total | 1316 | 1221 | 0.95% |

Table 3.22 - Cemeteries Financial Performance

| Details | Actual 2020/21 R 000 | Actual 2019/20 R 000 | % Variance |
|--------------------------------------|----------------------------|----------------------------|---------------|
| Total Operational Revenue | 4 550 | 323 | 7% |
| Expenditure: | | | |
| Employees | (1 297) | (1 137) | 88% |
| Repairs and Maintenance | (177) | 0 | 0 |
| Other | (471) | (42) | 9% |
| Total Operational Expenditure | (1 945) | (1 179) | 61% |
| Net Operational Expenditure | 2 605 | 856 | 33% |

Table 3.23 - Cemeteries Capital Expenditure

| Capital Expenditure 2020/21: : Cemeteries R'000 | | | | |
|---|---------------|----------------------|-----------------------|--|
| Capital Projects | 2020/21 | | | % Variance from adjustment budget |
| | Budget | Adjustment budget | Actual Expenditure | |
| Cemetery management software | 200 | 200 | 0 | 0 |
| Sasolburg cemetery toilets | 100 | 100 | 0 | 0 |
| Brushcutters | 45 | 45 | 0 | 0 |
| Electronical | 439 | 439 | 0 | 0 |
| Zamdela cemetery equipment | 0 | | | |
| Upgrading Zamdela cemetery | 5 367 | 5 367 | 0 | 0 |
| Machinery and equipment | 140 | | | |
| Zamdela new cemetery | 9 041 | 3 971 | 431 | 11% |
| Machinery and equipment | 140 | 40 | 0 | 0 |
| Building office and toilets | 30 | 30 | 0 | 0 |
| Total All | 15 502 | 10 192 | 431 | 4.4% |

9. Traffic Police Services

Table 3.24 - Traffic Police Service Performance Data

| Details | 2020/21 Actual No | 2019/20 Actual No | % Variance |
|---|----------------------|----------------------|---------------|
| Number of road traffic accidents reported | 238 | 937 | 25.4% |
| Number of by-law infringements attended | n/a | 134 | - |
| Average number of police officers in the field on a day | 14 | 18 | 77.7% |
| Average number of police officers on duty on a day | 15 | 16 | 93.7% |

Table 3.25 - Traffic Police Service Financial Performance

| Financial Performance 2020/21: Traffic Police | | R'000 | |
|---|-----------------|-----------------|------------|
| Details | 2020/21 | 2019/20 | % |
| | Actual | Actual | Variance |
| Total Operational Revenue | (826) | (2 536) | 307% |
| Employees | (15 270) | (13 608) | 89% |
| Repairs and Maintenance | (773) | (925) | 120% |
| Other | (524) | (401) | 76% |
| Total Operational Expenditure | (16 567) | (14 934) | 90% |
| Net Operational Expenditure | (15741) | (12 398) | 79% |

Table 3.26 - Traffic Police Service Capital Expenditure

| Capital Expenditure 2020/21: Traffic Police Service R'000 | | | | |
|---|------------|-------------------|--------------------|-----------------------------------|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment budget | Actual Expenditure | % Variance from adjustment budget |
| Traffic: Equipment- new | 300 | 300 | 0 | 0 |
| Fire arms | 0 | 150 | 0 | 0 |
| Equipment | 5 | 65 | 0 | 0 |
| Total All | 305 | 515 | 0 | 0 |

10. Fire Services

Table 3.27 - Fire Services Financial Performance

| Financial Performance 2020/21: Fire Services R'000 | | | |
|--|-----------------|-----------------|------------|
| Details | 2020/21 | 2019/20 | % |
| | Actual | Actual | Variance |
| Total Operational Revenue | 910 | 546 | 60% |
| Expenditure: | | | |
| Employees | (23 240) | (19 972) | 86% |
| Repairs and Maintenance | (702) | (448) | 64% |
| Other | (1 726) | (654) | 38% |
| Total Operational Expenditure | (25 668) | (21 074) | 82% |
| Net Operational Expenditure | (24 758) | (20 528) | 83% |

Table 3.28 - Fire Services Capital Expenditure

| Capital Expenditure 2020/21: Fire Services R'000 | | | | |
|--|--------------|-------------------|--------------------|-----------------------------------|
| Capital Projects | 2020/21 | | | % Variance from adjustment budget |
| | Budget | Adjustment budget | Actual Expenditure | |
| Fire rescue vehicle | 158 | 158 | 0 | 0 |
| Fire engine - finance lease | 6 000 | 6 000 | 0 | 0 |
| Jaws/breathing/diviing | 180 | 180 | 0 | 0 |
| Hose/repair station/recording | 1 098 | 380 | 0 | 0 |
| Bakkie | 158 | 158 | 0 | 0 |
| Total All | 7 594 | 6 877 | 0 | 0 |

11. Disaster Management

Table 3.29 - Disaster Management Financial Performance

| Financial Performance 2020/21: Disaster Management R'000 | | | |
|--|----------------|----------------|-------------|
| Details | 2020/21 | 2019/20 | % |
| | Actual | Actual | Variance |
| Total Operational Revenue | 0 | 0 | 0 |
| Employees | (1 005) | (1 035) | 103% |
| Repairs and Maintenance | (36) | (42) | 117% |
| Other | (21) | (68) | 324% |
| Total Operational Expenditure | (1 062) | (1 145) | 108% |
| Net Operational Expenditure | (1 062) | (1 145) | 108% |

Table 3.30 - Disaster Management Capital Expenditure

| Capital Expenditure 2020/21: Disaster Management R'000 | | | | |
|--|------------|-------------------|--------------------|-----------------------------------|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment budget | Actual Expenditure | % Variance from adjustment budget |
| Equipment | 100 | 100 | 0 | 0 |
| Total | 100 | 100 | 0 | 0 |

12. Sports & Recreation

Table 3.31 - Sports & Recreation Financial Performance

| Financial Performance 2020/21: Sports & Recreation R'000 | | | |
|--|--------------|----------------|---------------|
| Details | 2020/21 | 2019/20 | % |
| | Actual | Actual | Variance |
| Total Operational Revenue | 6 | 5 172 | |
| Employees | (57) | (54) | 95% |
| Repairs and Maintenance | 0 | 0 | |
| Other | (147) | (174) | 118% |
| Total Operational Expenditure | (204) | (228) | 112% |
| Net Operational Expenditure | (198) | (4 944) | 2 496% |

Table 3.32 - Sports & Recreation Capital Expenditure

| Capital Expenditure 2020/21: Sports & Recreation | | | | R'000 |
|--|---------|-------------------|--------------------|-----------------------------------|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment Budget | Actual Expenditure | % Variance from adjustment budget |
| Refengkgotso stadium – new buildings | 2 294 | 4 890 | 2 958 | 60% |
| Chairs/tables | 45 | 45 | 0 | 0 |
| Total All | | 1 620 | 138 | 91% |

13. Planning & Development

Table 3.33 - Applications for Land Use Development

| Area | Actual 2020/21 | Actual 2019/20 | Variance |
|--------------|---------------------------------|----------------|----------|
| | Number of Applications Received | | |
| Sasolburg | 57 | 19 | 33% |
| Zamdela | 20 | 1 | 95% |
| Refengkgotso | 4 | 0 | 0 |
| Oranjeville | 1 | 0 | 0 |
| Vaalpark | 21 | 3 | 85% |
| Other areas | 10 | 1 | 90% |
| Total | | | |

Table 3.34 - Planning Services Financial Performance

| Financial Performance 2020/21: Planning Services R'000 | | | |
|--|--------------|----------------|----------|
| Details | 2020/21 | 2019/20 | % |
| | Actual | Actual | Variance |
| Total Operational Revenue | 0 | 729 | |
| Expenditure: | | | |
| Employees | (809) | (5 385) | |
| Repairs and Maintenance | (5) | (35) | |
| Other | (17) | | |
| Total Operational Expenditure | (831) | (5 801) | |
| Net Operational Expenditure | (831) | (5 072) | |

Table 3.35 - Planning Services Capital Expenditure

| Capital Expenditure 2020/21: : Planning Services R'000 | | | | |
|--|----------|-------------------|--------------------|-----------------------------------|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment Budget | Actual Expenditure | % Variance from adjustment budget |
| Machinery and equipment | 4 | 4 | 0 | 0 |
| Total All | 4 | 4 | 0 | 0 |

Table 3.36 - Local Economic Development Services Financial Performance

| Financial Performance 2020/21: Local Economic Development R'000 | | | |
|---|----------------|----------------|-------------|
| Details | 2020/21 | 2019/20 | % |
| | Actual | Actual | Variance |
| Total Operational Revenue | 0 | | |
| Expenditure | | | |
| Employees | (1 213) | (1 283) | 106% |
| Repairs and Maintenance | (3) | (9) | 300% |
| Other | (11) | (23) | 209% |
| Total Operational Expenditure | (1 227) | (1 315) | 107% |
| Net Operational Expenditure | (1 227) | (1 315) | 107% |

Table 3.37 - Local Economic Development Services Capital Expenditure

| Capital Expenditure 2020/21: : Local Economic Development R'000 | | | | |
|---|----------------|-------------------|--------------------|-----------------------------------|
| Capital Projects | 2020/21 | | | |
| | Budget | Adjustment Budget | Actual Expenditure | % Variance from adjustment budget |
| Transport Assets | 158 | 158 | 0 | 0 |
| Tourism information and communication SI | 500 | 500 | 0 | 0 |
| Informal business | 1 000 | 1 000 | 0 | 0 |
| Total All | (1 658) | (1 658) | 0 | 0 |

14. Free Basic Services & Indigent Support

Table 3.38 - Free Basic Services Structure

| Description | 2020/21 | 2019/20 | % |
|--|---------|---------|----------|
| | | | Variance |
| Property Rates (per month per household)indigent | R50 | R50 | 100% |
| Sanitation/sewage additional (per month per household)Indigent | Free | Free | - |
| Sanitation/sewage (per month per household) | Free | Free | - |
| Water (per month per household) | 6kl | 6kl | - |
| Water (per month per household) Indigent | 6kl | 6kl | - |
| Electricity (per month per household) | 50kWh | 50kWh | - |
| Electricity (per month per household) indigent | 50kWh | 50kWh | - |
| Refuse Removal (per month per household) | Free | Free | - |

Performance Analysis:

Free basic services are provided to indigent households according to the municipality's indigent policy. This includes 6kl of water, 50kWh electricity, R50 subsidy on assessment rates, free sanitation and refuse removal per household per month.

A total of 10 323 households were recorded in the indigent register at the end of the 2020/2021 financial year.

Component C: Annual Performance Report against Pre-Determined Objectives

KPA 1: Basic Service Delivery & Infrastructure Development

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|---|---------------------|--|--|--|---|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| PRIORITY AREA/PROGRAMME: INTEGRATED DEVELOPMENT PLANNING | | | | | | | |
| Ensure that the municipality broadly delivers service according to the strategic orientation based on key sector plans | 1.1.1 WSDP and Roads and Storm and Water Plan developed and approved by Council | Draft WSDP in place | WSDP and roads and storm water plan developed and submitted to Council for approval by June 2021 | Approved sector plans and Council resolution | Target not achieved, (Draft is complete to be submitted to management committee) | Workshop to be done before Council approves | Dates to be provided for workshops of all Councillors |
| To ensure development of legally compliant and credible IDP. | 4.5.1. Improved assessment ratings of the municipality's IDP year on year expressed as a % of number of areas rated and compliance achieved over the total number of rated areas. | 0 | 80% improvement of annual assessment ratings of the IDP by CoGTA by June 2021 | Assessment reports | Target not achieved (The assessments are no longer being conducted by CoGTA) | Due to Covid19 restrictions | Report on the assessment will be provided once the assessments are conducted by CoGTA again |
| To ensure development of legally compliant and credible IDP. | 4.5.1.1 Legally compliant and credible IDP developed | Achieved | Legally compliant and credible IDP reviewed and approved by the 31st of May 2021 | Approved IDP; Council resolution | Target achieved (The IDP was tabled and approved by Council on the 31st of May 2021) | n/a | n/a |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|---|------------------|--|--|---|---|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| PRIORITY AREA/PROGRAMME: ROADS | | | | | | | |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.1 Number of kms of internal roads repaired and maintained | 0 | 5 kms of internal roads repaired and maintained by June 2021 | Quarterly Reports from Technical services | Target not achieved (1053,6 m2 of patching was done) | Financial constraints | Council to take a loan |
| | 1.2.1.1 Number of km of roads identified for paving construction. | 0 | Construction of 6 km's paved roads (Zamdela/Metsimaholo/Refengkgotso) by June 2021 | Progress Report, site minutes and completion certificate | Target not achieved, (0 km was completed but the project in Refengkgotso at 10%). | Delays in procurement of service provider | Fast track procurement in order to achieve the set targets |
| | 1.2.1.2 Number of kms of roads graded | 0 | 20 kms of roads graded by June 2021 | Report from Technical Services | Target not achieved (1,469 km was achieved) | Grader broken and delays in procurement stages for hiring of yellow fleet | Fast track procurement in order to achieve the set targets and fix all the yellow fleet |
| PRIORITY AREA/PROGRAMME: ELECTRICITY | | | | | | | |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|---|------------------|--|--|---|--|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure universal access to reliable and quality basic municipal services by all communities. | 1.2.2 New electricity connections installed in all newly established formal settlement areas by June 2021 | Achieved | Completion of Themba Kubeka Phase 1 of bulk supply by 30 June 2020 | Quarterly Progress reports and site meetings minutes for Phase 1 Bulk supply | Target achieved, (100 % complete and practical completion certificate submitted) | n/a | n/a |
| | 1.2.2.1 % Provision of new electrical connections provided in Themba Kubeka by June 2021 | Achieved | 50% installation of electricity connections in Themba Kubeka by 30 June 2020 | Quarterly Progress reports and close up report | Target not achieved. (The electrical connections were prioritised for Gortin and somerspost. A total of 100 connections were achieved. A project change control was submitted and approved for the change of area to install connections) | Limited funding was available. The connections could only be constructed after the completion of Phase 1 bulk connection. The project for installing electrical connections is scheduled for commencement in September 2021. | More funding to be made available in order to fully electrify Themba Kubeka within 2021/22 allowing the Municipality to achieve target |
| | 1.2.2.2 Electricity Maintenance Plan developed and approved by council | Not achieved | Electricity Maintenance Plan developed and approved by Council by June 2021 | Approved maintenance plan and Council resolution | Target not achieved. | Due to vacant posts of the management of the department | The post to be filled |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|--|------------------|--|--------------------------------|---|--|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | 1.2.2.3 % of electricity distribution losses minimized | 20% achieved | Electricity distribution losses minimised to 20% | Report | Target achieved, (16,59%) | n/a | n/a |
| PRIORITY AREA/PROGRAMME: PORTABLE WATER | | | | | | | |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.3 Number of Conventional water meters replaced with prepaid meters in all the identified areas | 0 | 1000 targeted meter installations and replacement of meters by prepaid meters completed by June 2021 | Report from Technical Services | Target not achieved- 0 meters were installed | Financial constraints | Business plans to be submitted to sector departments for funding |
| | 1.2.4 Number of KMs of Obsolete / Old asbestos water pipes replaced. | 0 | 5 kms obsolete/old asbestos water pipes replaced by June 2021 | Report from Technical Services | Target not achieved- 0km was replaced | Financial constraints | Business plans to be submitted to sector departments for funding |
| | 1.2.4.1 % minimization of water distribution losses | 15.54% achieved | Water distribution losses minimised to 10% | Report from Finance | Target not achieved- % achieved | Unaccounted water(technical losses, unmetered communal taps and incorrect billing) | To address replacement AC pipes through the funding and improve on billing |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|---|------------------|--|---|---|---|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.4.2 % compliance with the blue drop water quality accreditation system | Not achieved | >99 % compliance with the blue drop water quality accreditation system | Report from the BDS | Target not achieved, (Sasolburg Micro:99,9%, Oranjeville Micro: 99.9%, Denesville Micro:99.9% Sasolburg Chemical :99.9%, Oranjeville Chemical:99.9%,Deneysville Chemical:99.9%, | Contamination of supply in Sasolburg and low disinfectant due to sludge build up in the reservoir | Service provider to be appointed for cleaning of reservoirs |
| PRIORITY AREA/PROGRAMME: SANITATION | | | | | | | |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.5 Upgrade the WWTW | 40% achieved | 40% of the Construction works completed by June 2021 to upgrade the WWTW in Refengkgotso | Construction progress report and completion certificate | Target not achieved,- (The project is still on 40%). | The project is currently in arbitration stage with the sector department trying to resolve the matter | Finalisation of claims and the contractor to come back to site |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.5.1 Water and Sanitation Maintenance Plan developed and submitted to Council for approval | Draft in place | Water and Sanitation Maintenance Plan developed and submitted to council for approval by June 2021 | Construction progress report and completion certificate | Target not achieved- (draft to be submitted to Council) | Delays in Council sitting | Council to sit |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|--|------------------|---|--|--|---|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.5.2 % compliance with the green drop quality accreditation system | Not achieved | >99 % compliance with the green drop water quality accreditation system | Report from the BDS | Target not achieved- (Micro 33,3%, Chem 33,3% and Physical 87,5% and 0% operation) | The plant is currently overloaded with capacity | Upgrading of Refengkgotso and Oranjeville WWTW to be completed |
| PRIORITY AREA/PROGRAMME: PROJECT MANAGEMENT | | | | | | | |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.5.3 Number of new projects for which funding is sourced (MIG,DOE,DWS) | 3 Achieved | Sourcing of funding for 3 new capital projects by June 2021. | Proof of submission of business plans, minute ,register and approval from sector departments | Target achieved- (5 projects registered) | n/a | n/a |
| | 1.2.5.4 % spending on grants as per DORA requirements per quarter | Not achieved | 100% compliance on spending on grants as per DORA requirements quarterly | Progress report with regard to spending on grants and proof of payment | Target achieved, (100 % of expenditure was achieved) | n/a | n/a |
| | 1.2.5.5 Number of progress reports submitted to Management and Council on monitoring of all capital projects | 4 Achieved | 4 progress reports on monitoring of all capital projects submitted to Management and Council on a quarterly basis | Site meetings and progress reports, completion certificates | Target achieved- (All reports submitted to Council) | n/a | n/a |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|---|------------------|--|---|---|---|---------------------------------------|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| PRIORITY AREA/PROGRAMME: SOLID WASTE MANAGEMENT | | | | | | | |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.6 Refuse removal service extended to all new formal settlements as per township register within Metsimaholo LM. | 49000 hhs | Establishment of the new Industrial and Business Area as a collection station by June 2021 | Waste management report signed by HOD on refuse collection | Target achieved | n/a | n/a |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.6.1 IWMP reviewed, submitted to Council for approval and 80% implemented | Not achieved | Review of the IWMP and 80% implementation of the plan by June 2021 | Council resolution, Schedule and report of the implementation of IWMP | Target not achieved | The Plan The five year period expired. The YCOP Officer is busy with completion 50% | IWMP review (National DEAFF) |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.6.2 Number of illegal dumping sites removed | 12 achieved | 12 illegal dumping sites removed by June 2021 | Report supported with photos on illegal dumping sites removed | Target achieved | n/a | n/a |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.6.3 Number of Waste management awareness programmes implemented | 2 achieved | 4 Waste management awareness programmes implemented by June 2021 | Attendance register and photos | Target achieved | n/a | n/a |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|---|------------------|---|---|---|------------------------|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | 1.2.6.4 100% of Cemeteries, parks, community halls and sports, arts and culture services and facilities maintained and upgraded | Achieved 100% | 100% maintenance and upgrades to community facilities implemented quarterly | Report on Maintenance conducted and photos | Target achieved 100% | n/a | n/a |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.6.5 Number of cemeteries developed | 1 Achieved | 1 cemetery developed by June 2021 | Report and photos of an established cemetery | Target achieved | n/a | n/a |
| | 1.2.6.6 Number of parks developed | 1 Achieved | 1 Recreational park developed by June 2021 | Report and photos for developed recreational park | Target achieved | n/a | n/a |
| | 1.2.6.7 Number of arts and culture activities organised | 0 | 2 Arts and Culture activities organized by June 2021 | Report, attendance register and photos of culture activities organised. | Target not achieved | Covid 19 regulations | They will be carried out when the situation is back to normality |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|---|------------------|--|--|---|--|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.7 New landfill site established in Sasolburg | Not achieved | New landfill site established by June 2021 | Approval to close old landfill site by department of environmental affairs | Target not achieved | Hiccups identification of site for establish landfill site | Three suitable land is being identified, the legal department must secure the best alternative for establishing the landfill site |
| PRIORITY AREA/PROGRAMME: PUBLIC SAFETY | | | | | | | |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.8. Number of road traffic blocks conducted | 12 Achieved | 12 Road traffic blocks conducted by June 2021 | Quarterly reports | Target achieved | n/a | n/a |
| | 1.2.9 Number of safety and security programmes attended | 8 Achieved | 8 security cluster programmes attended by June 2021 | Attendance registers | Target achieved | n/a | n/a |
| PRIORITY AREA/PROGRAMME: DISASTER MANAGEMENT | | | | | | | |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.10 % of disaster incidents within the municipality attended as and when they occur. | 100% Achieved | 100% of disaster incidents within the municipality attended to as and when they occur. | Attendance register and Photos. | Target not achieved (Partially Achieved) | Due to curfew number of emergency calls were decreased | The incident will be attended as and when they occur |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|--|------------------|--|--|--|---|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | 1.2.10.1. Number of disaster management awareness programmes conducted | 0 | 2 Disaster management awareness programmes or campaigns conducted by June 2021 | Attendance registers and Photos. | Target not achieved No awarenesses were conducted | Due to covid 19 regulations not allowing gatherings | Awareness programmes will be done once the covid 19 regulations have been uplifted. |
| Ensure universal access to reliable and quality basic municipal services by all communities | 1.2.10.2 Number of disaster management training provided to volunteers | 0 | Train 20 volunteers on disaster management by March 2021 | Attendance registers and photos. | Target not achieved | No training were provided to volunteers | Trainings will be carried out in 2021/22 financial year |
| | 1.2.10.3 Municipal Disaster Management Advisory Forum established (MDMAF) and functional | Not achieved | 4 MDMAF meetings convened by June 2021 | Attendance registers and minutes of the meetings | Target not achieved | The Disaster Coordinator attend the district advisory forum as the one of the Municipality lack attendance from other departments | The disaster coordinator continues attending the district forum |
| | 1.2.10.4 Review Disaster Management Plan Annually and submit to Council for approval | Not achieved | Review DMP Annually and submit to Council for approval by June 2021 | Approved DMP and Council resolution | Target not achieved | The disaster plan was reviewed, the department is awaiting council to convene and it will be submitted for approval | The department is awaiting council to convene and it will be submitted for approval in the next Council sitting |

| KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | |
|--|--|------------------|--|--|---|--|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure universal access to reliable and quality basic municipal services by all communities. | 1.2.10.5 % of fire incidents within the municipality attended as and when they occur | 100% Achieved | 100% of fire incidents within the municipality attended to as and when they occur. | Attendance register and Photos. | Target not achieved | No awareness's were conducted due to covid 19 regulations not allowing gatherings | Awareness programmes will be done once the covid 19 regulations have been uplifted. |
| Ensure universal access to reliable and quality basic municipal services by all communities. | 1.2.10.6 Municipal Fire Advisory forum established and functional | New KPI | 4 Municipal Fire Advisory Forum meetings convened by June 2021 | Attendance registers and minutes of the meetings | Target not achieved | Fire services does not have local fire services advisory forum. Chief fire officers attend the provincial fire service advisory as it deals with the issues of fire services legislations not community. | A recommendation to consider removing the KPI will be done |
| | 1.2.10.7 Number of fire services management awareness programmes conducted | 2 achieved | 2 Fire service management awareness programmes or campaign conducted by June 2021 | Attendance register and Photos. | Target not achieved | Covid 19 regulations prohibit gatherings | Awareness programmes will be done once the covid 19 regulations have been uplifted. |

KPA 2: Local Economic Development

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS

ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS

| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
|--|---|------------------|--|--|---|--|---|
| PRIORITY AREA/PROGRAMME: LOCAL ECONOMIC DEVELOPMENT | | | | | | | |
| Create conducive environment for improving local economic development. | 2.1.1 Annually reviewed LED strategy and submitted for council approval | Not achieved | LED strategy reviewed and submitted to Council for approval by June 2021 | Approved LED Strategy and Council resolution | Target not achieved (Draft is being developed through the assistance of CoGTA)) | The Strategy was not budgeted for as there is no financial commitment for such initiative by Council | To put Budget for LED Activities and educate power that be about the LED importance. On the other hand Cogta is also busy Developing LED Strategy on our behalf and the draft document will be available in due course according to them. |
| | 2.1.2 LED stakeholder forum established and ensuring functionality of the forum | Not achieved | Establishment of LED stakeholder forum and 3 | Report on the established LED Forum and the attendance | Target not achieved (No meetings held) | Due to Covid-19 and also lack of resources, it is | To provide programmes that will attract and retain stakeholders to participate |

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS | | |
|---|--|------------------|---|--|--|--|--|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Create conducive environment for improving local economic development. | | | quarterly meetings by June 2021 | registers for the LED forum meetings | | difficult to conduct such gathering. | such as being biased to local SMMEs on procurement as is their main complain. |
| | 2.1.3 Number of jobs created through EPWP initiatives | 100 | 100 EPWP jobs created by June 2021 | Appointment letters/ employment contracts | Target achieved | n/a | n/a |
| Use the municipality's buying power to advance economic empowerment of SMMEs and Cooperatives | 2.1.4 Number of jobs created through CWP initiatives | 1023 | 1000 CWP jobs created by June 2021 | Appointment letters and employment contracts | Target achieved | n/a | n/a |
| | 2.2.1 Number of trainings provided to SMMEs as part of ongoing support | 0 | 2 Trainings provided to SMMEs by June 2021 as part of ongoing support | Attendance registers | Target not achieved | Lack of budget | Proper allocation of budget for LED section to ensure capacitation of SMMEs. |
| | 2.2.2 % of Increase in local procurement spent towards SMME and cooperatives | Not achieved | 80% of procurement directed to SMMEs and cooperatives by June 2021 | Report | Target not achieved | Target is not attainable as procurement is done through competitive bidding process. | Consult treasury for policy review to allow ring-fencing of a certain percentage towards local SMMEs |

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS | | |
|--|---|------------------|--|---|--|---|--|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | 2.2.3 Number of LED Capital projects implemented | 0 | 2 LED Capital Projects implemented by June 2021 | Reports | Target not achieved | Lack of interest to ensure that LED programmes are priorities | There is a need for proper planning and prioritization of LED Infrastructure |
| PRIORITY AREA/PROGRAMME: SPATIAL PLANNING | | | | | | | |
| Create conducive environment for improving local economic development. | 2.3.1 Annually reviewed Spatial Development Framework (SDF) submitted to council for approval | Not achieved | Review the SDF and submit it for council approval by June 2021 | Approved SDF and Council resolution | Target achieved | n/a | n/a |
| | 2.3.2 Developed annual SPLUMA implementation plan submitted to council for approval together with a report on monitoring of tribunals | Achieved | Develop SPLUMA implementation plan and submit to Council for approval together with a report on monitoring of tribunals. | Report on the implementation of SPLUMA, Council resolution and functionality of tribunals | Target achieved | n/a | n/a |
| Create conducive environment for improving local economic development. | 2.3.2.1 % of Identified informal settlements formalised | Not achieved | Planning for formalization of identified informal settlements 100% finalised by June 2021 | Human settlement Report | Target achieved | n/a | n/a |

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS

ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS

| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
|--|--|------------------|---|-------------------------------------|---------------------------|---|---|
| | 2.3.2.2 % of Rezoning and subdivisions applications approved within 30 days of receipt of applications | 100% achieved | 100% of rezoning and subdivisions applications processed and approved within 30 days of receipt of applications quarterly | Register | Target not achieved | Authorized Official was not available to finalise Land Use Applications | Municipal Manager was notified and action was taken to align the process. |
| | 2.3.2.3 % of building plans approved within a specified period of time of receipt: (30 days ≤ 500m2 and 60 days ≥ 500m2) | 100% Achieved | 100% of building plans approved within a specified period of time: 30 days ≤ 500m2 and 60 days ≥ 500m2) quarterly | Register | Target achieved | n/a | n/a |
| Create conducive environment for improving local economic development. | 2.3.3 Review of Human Settlement Plan and submitted to council for approval | Not achieved | Review of the Human Settlement Plan and submission to Council for approval by June 2021 | Approved HSP and Council resolution | Target not achieved | Financial constraints | Provisions will be made on the adjustment budget |

PRIORITY AREA/PROGRAMME: TOURISM

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS | | |
|---|--|------------------|---|--|--|---|--|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Maximise on the tourism potential of the municipality | 2.3.4 % of Directional signs installed for tourism facilities throughout Metsimaholo | 0 | 100% installation of directional signs local tourism facilities throughout Metsimaholo by June 2021 | Report and completion certificate on Installed directional signs | Target not achieved | SCM and Procurement delays due to COVID 19 restrictions | Re -Advertising processes and appointment of the service provider to be done in the next financial year. |
| | 2.3.5 Number of Tourism promotional events organised | 0 | 2 Tourism promotional events organised and staged by March 2021 | Attendance register, Report | Target not achieved | Adhering to COVID 19 regulations (The tourism sector was closed and restricted) | Sufficient budget allocation submitted for the next financial year |

KPA 3: Financial Management & Viability

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS | | |
|--|--|------------------|---|---|---|---|--|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| PRIORITY AREA/PROGRAMME:REVENUE MANAGEMENT | | | | | | | |
| Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards | 3.1.1 Revenue enhancement strategy reviewed and submitted for Council approval | Not achieved | Review Revenue Enhancement Strategy and submit it for Council approval by September 2020. | Approved strategy and Council resolution Minutes of the workshop and resolutions taken | Target not achieved | Strategy workshop keep on being postponed | Political office to arrange Strategy session |
| | 3.1.1.1 % of Revenue Enhancement Strategy plans implemented | 0 | 100% of Revenue Enhancement Strategy plans implemented by June 2021 | Report on the implementation of the strategy. | Target not achieved | Strategy workshop keep on being postponed | Political office to arrange Strategy session |
| | 3.1.1.2 Draft Budget compiled and final budget finalized in time in accordance with applicable legislation | Not Achieved | Draft Budget compiled and tabled by no later than 31 March and final budget tabled before end of May 2021 | Approved budget and Council resolution | Target achieved (2021/22 Draft Budget was approved on the 31 st of March 2021 and the final budget was approved on the 31 st of May 2021) | n/a | n/a |

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS | | |
|--|--|------------------|--|---|--|---|--|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards | 3.1.1.3 % of Revenue targets in the budget met (Excluding Capital Grant income) | 94.80% | 100% of Revenue targets in the budget met by June 2021 | Schedule C Budget comparison to Actuals | Target not achieved (90% achieved). | Actual Water billed below budget. A high distribution loss. The figures for Q4 not finalised, only done with submission of AFS. Traffic fines for example still outstanding | |
| | 3.1.3 % in Improved annual consumer debtors' revenue collection rate. | 65,08% | Improve consumer debtors' collection rate to 83% by June 2021 | Debt collection report and Schedule C | Target not achieved. (68.94% achieved) | No credit control action done in all areas | Recovery Plan to be implemented in July 2021 |
| PRIORITY AREA/PROGRAMME: INDIGENT MANAGEMENT | | | | | | | |
| Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards | 3.1.2 Review and updating of the indigent register (addresses issues of indigents) | Not achieved | Review and quarterly updating of the indigent register and submission to Council by June 2021. | Updated indigent register and Council resolution. | Target not achieved | The Indigent register not submitted to Council | To draw up report for Council |

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS | | |
|--|---|------------------|--|---|---|--|---------------------------------------|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| PRIORITY AREA/PROGRAMME: FINANCIAL MANAGEMENT AND CONTROL | | | | | | | |
| Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards | 3.1.4 % of revenue targets in the budget met (Excluding Grant income) | 94.8% | 100% of Revenue targets in the budget met by June 2021 | Schedule C Budget comparison to Actuals | Target not achieved. (90% achieved) | Actual Water billed below budget. A high distribution loss. The figures for Q4 not finalised, only done with submission of AFS. Traffic fines for example still outstanding. | |
| | 3.1.5 % of Creditors paid within 30 days of receipt of invoice | 97% | 80% of creditors paid within 30 days of receipt of invoice | Expenditure Report | Target achieved (Per invoice date: 72.20% Per stamp date: 99.10%) | n/a | n/a |
| | 3.1.5.1 Insurance claims submitted in time | 100% achieved | Claims submitted within 7 working days of receipt by June 2021 | Expenditure Report | Target achieved 100% | n/a | n/a |

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|--|---|------------------|---|--|---|--------------------------------|---|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards | 3.1.5.2 % of FMG allocation spent | 100% Achieved | FMG allocation spent 100% by June 2021 | Expenditure Report | Target achieved 100% | n/a | n/a |
| | 3.1.6 100% of debt older than 12 months cleaned up | 0 | 100% of debt older than 12 months cleaned up by June 2021 | Debt management report | Target not achieved | No credit control action done. | Recovery plan to be implemented 1 July 2021 |
| Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards | 3.1.7 Financial reports including AFS compiled and submitted to appropriate authorities | Achieved | Financial reports (Monthly, Quarterly) including AFS compiled and submitted to appropriate authorities within set timeframes (AFS 31st August and monthly reports within 10 days) | Monthly and quarterly Schedules Annual Financial Statements Schedule C reports | Target achieved 100% (Schedule C submissions were done) | n/a | n/a |

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|--|---|------------------|--|---|--|---|---|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards | 3.1.7.1 Fixed Asset Register (FAR) compiled and updated annually in line with GRAP requirements | Not achieved | Fixed Asset Register (FAR) compiled and updated quarterly in line with GRAP requirements | Update Fixed Assets Register | Target not achieved (In process and will be finalised for 2020/2021 at 31 August 2021) | | Will be finalised for 2020/2021 at 31 August 2021 |
| | 3.1.10 % of Post Audit Action Plan matters relating to financial matters fully addressed | Not achieved | 100% of Post Audit Action Plan matters relating to financial matters addressed | Report on the implementation of the action plan | Target not achieved. | No formal committee. No responses and POE from all sections. | |
| | 3.1.11 Reduction in irregular expenditure incurred due to non-compliance with SCM processes | Not achieved | Zero irregular expenditure incurred by 30 June 2020 | Expenditure Report | Target not achieved | 1. Work is done without following SCM processes. 2. Extension of contracts that have expired- Late submission of Specifications. | 1. Conduct workshops on irregular expenditure in order to discourage work been done without authorisation. 2. Competitive bidding process has already been initiated for some transactions that cause irregular expenditure. |

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS | | |
|--|--|------------------|---|------------------------------|--|---|---|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards | 3.1.12 Tenders / bids evaluated and Adjudicated within the set time frames from the date of advertisement / re-advertisement | Not achieved | Evaluate and Adjudicate all tenders / bids as follows from the date of advertisement / re-advertisement: <ul style="list-style-type: none"> 15 days for tenders / bids up to R 30 000 (VAT incl.) 25 days for tenders / bids from R 30 001 up to R 200 000 (VAT incl). 90 days for tenders / bids from R 200 001 and above (VAT incl). | Reports on tenders awarded | Target not achieved | Delays in approving of reports for tenders/bids from R30 001 up to R200 000 (VAT incl.) due to late submissions of samples by recommended bidders. Delays due to committees not sitting- dependent on the availability of members | Recommended bidders to be given timeframe to submit samples for approval. Develop a work schedule for committee sittings. |
| Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA | 3.1.13 Appointment letters for adjudicated bids / tenders issued within the set time frames from | Not achieved | Issue appointment letters to successful bidders for all categories of tenders / bids within | Report on successful bidders | Target Achieved | n/a | n/a |

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS | | |
|---|---|------------------|---|--------------------------------|--|------------------------|---------------------------------------|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| & other relevant legislation and the applicable accounting standards | the date of date of adjudication report. | | 10 days after receiving the report of the Adjudication Committee / Report of the SCM Manager. | | | | |
| PRIORITY AREA/PROGRAMME: ANTI-FRAUD AND CORRUPTION | | | | | | | |
| Ensure financial management that enhance financial viability and compliance with the requirement of MFMA & other relevant legislation and the applicable accounting standards | 3.1.8 % of instances of fraud and corruption formally reported to the SAPS for investigation and Council, Executive Mayor and Speaker for noting as and when they occur | Achieved | 100% instances of fraud and corruption formally reported to the SAPS for investigation and Council, Executive Mayor and Speaker for noting as and when they occur | Incidents register and reports | Target achieved (Two cases were reported) | n/a | n/a |

KPA 4: Municipal Transformation & Institutional Development

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|--|---|--|---|---|--|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| PRIORITY AREA/PROGRAMME: INSTITUTIONAL DEVELOPMENT | | | | | | | |
| To capacitate and empower workforce. | 4.1.1 Organisational Structure reviewed and submitted to Council for approval | 2012 approved Organisational structure in place | Organisational Structure reviewed and approved by Council by June 2021 | Reviewed organisational structure. Council resolution | Target not achieved | Delayed as a result of contractual dispute with the service provider | After letter of demand was issued, service provider delivered the report. To allow the necessary internal processes to take place |
| | 4.1.1.1 Human Resource Strategy developed and done with the organizational structure | Not achieved | Development of HR strategy and submission to Council for approval by June 2021 | Specification submitted to SCM and the advert | Target not achieved | Dependent on the organisational re-engineering | After letter of demand was issued, service provider delivered the report. To allow the necessary internal processes to take place |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|--|---------------------|--|---|---|--|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| To capacitate and empower workforce. | 4.1.1.2 % of funded posts filled within 90 days | Not achieved | 100% filling of funded posts as per requests from the departments filled within 90 days by June 2021 | Date of request submitted by the departments against the filling of those posts | Target Achieved | n/a | n/a |
| | 4.1.1.3 % of the Organizational Development Plan developed and implemented | Not achieved | 100% development and implementation of OD by June 2021 | OD Plan and the minutes of Senior Management; proposal of the intervention, attendance register | Target not achieved | Dependent on the organisational re-engineering | After letter of demand was issued, service provider delivered the report. To allow the necessary internal processes to take place |
| | 4.1.4 Enhance Change Management efforts in the municipality | Not achieved | Develop, Implement and report on the organisational Change management by June 2021 | Organisational Change management plan and implementation reports | Target not achieved | Dependent on the organisational re-engineering | After letter of demand was issued, service provider delivered the report. To allow the necessary internal processes to take place |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|---|---------------------|--|--|---|------------------------|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| To improve the administrative capability of the municipality | 4.3.3 % in monitoring of compliance with Code of Conduct for employees and councillors | Achieved | 100% of monitoring of compliance with Code of Conduct for employees and councillors by June 2021 | Reports on compliance with Code of conduct | Target achieved | n/a | n/a |
| To improve the administrative capability of the municipality | 4.3.10 Number of prescribed minimum business processes implemented within the systems and integrated transaction processing environment of the municipality | Not achieved | Fully implement 3 prescribed minimum business processes within the systems and integrated transaction processing environment of the municipality by March 2021 | Implementation reports | Target not achieved | lack of capacity | Capacity will be sought and implementation will take place in the next financial year |
| | 4.3.11 % of attendance to litigations in favour or against the municipality as and when they occur | Achieved | 100% attendance to litigations in favour or against the municipality as and when they occur by June 2021 | Litigation register | Target achieved | n/a | n/a |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|--|---------------------|---|---|---|--|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | 4.3.12 % of contract and service level agreement developed in line with tenders/contracts issued | Not achieved | 100% development of contract and service level agreement in line with tenders/contracts issued by June 2021 | Contract register | Target not achieved | Capacity issues | The Division has recently been capacitated |
| To improve the administrative capability of the municipality | 4.3.13 Number of Integrated Document Management System (IDMS) developed and approved | Not achieved | One Integrated Document Management System developed (IDMS) by June 2021 | Approved IDMS | Target not achieved | Delayed in development of the policy | Development of the policy will be done in the next financial year |
| | 4.3.14 % in disposal of records in accordance with the National Archives Act | Not achieved | 100% disposal of records in accordance with the National Archives Act by June 2021 | 100% disposal of records in accordance with the National Archives Act throughout the quarters | Target not achieved | Documentation to be disposed were not identified | To identify the documents to be disposed |

PRIORITY AREA/PROGRAMME: HUMAN RESOURCE DEVELOPMENT

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|--|---------------------|--|---|---|------------------------|---------------------------------------|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| To capacitate and empower workforce. To capacitate and empower workforce. | 4.1.2 Workplace Skills Plan and Annual Training Report reviewed, implemented and submitted to LGSETA | Achieved | Workplace skills plan (WSP) and ATR compiled, implemented 100% and submitted to the LGSETA by June 2021 | Compiled WSP & ATR; Proof of submission to LGSETA; Copy of approved training schedule by the training committee | Target achieved | n/a | n/a |
| | 4.1.3 Increased internal funding towards Human Resource development. | Achieved | Ensure that all identified skills development / training needs in the WPSP are sufficiently budgeted for and fully funded. | WSP and Training report | Target achieved | n/a | n/a |
| PRIORITY AREA/PROGRAMME: LABOUR RELATIONS | | | | | | | |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|---|---------------------|--|---|---|---|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| To ensure sound labour relations so as to minimise labour disputes and disruptions | 4.2.1 % of reported cases of misconduct attended to within 90 days of reporting | Achieved | 100% of reported cases of misconduct attended to within 90 days as and when they occur | Case Management Register from SLRO | Target achieved | n/a | n/a |
| To ensure sound labour relations so as to minimise labour disputes and disruptions | 4.2.1.1 Number of LLF meetings held annually | Not achieved | 12 LLF meetings held by June 2021 | Notice of a meeting, agenda and attendance registers. | Target not achieved | Some COVID -19 levels restrict meetings | Meetings and other small bilaterals are held to iron out some urgent matters |
| PRIORITY AREA/PROGRAMME: HEALTH AND SAFETY | | | | | | | |
| To improve the administrative capability of the municipality. | 4.3.1 Occupational Health and Safety function in the municipality strengthened | Achieved | 100% strengthening of Occupational Health and Safety function by June 2021 | Attendance register of meetings | Target achieved | n/a | n/a |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|--|---------------------|--|---|---|------------------------|---------------------------------------|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| To improve the administrative capability of the municipality. | 4.3.1.1 Number of trainings for OHS Reps committee conducted | Achieved | OHS Reps and committee trained once by 31 March 2021 | Proof of training attended from SDF (Attendance register) | Target Achieved | n/a | n/a |
| | 4.3.1.2 Employment Equity Plan reviewed and submitted to DoL by 15 January | Achieved | Employment Equity (EE) Plan, reviewed, 100% of targets met and EE report compiled and submitted to DoL by 15 January | Draft plan, final EE plan and proof of submission on time | Target Achieved | n/a | n/a |
| PRIORITY AREA/PROGRAMME: INFORMATION COMMUNICATION TECHNOLOGY | | | | | | | |
| To improve the administrative capability of the municipality. | 4.3.2 Establish and maintain disaster Recovery facility (offsite) | Achieved | Establish and maintain disaster Recovery facility (offsite) by the 31st of December | Report on the established disaster recovery facility | Target Achieved | n/a | n/a |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|---|---------------------|--|--|---|--|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| To improve the administrative capability of the municipality. | 4.3.2.1 Review of ICT policy and submission to Council | Not achieved | Review of ICT policy and submission to Council by June 2021 | Approved ICT policy and Council resolution | Target not achieved | Non-sitting of Senior Management Committee | Convene the SM committee meeting |
| | 4.3.2.2 Number of ICT Steering committee meetings convened | Not achieved | 4 ICT Steering committee meetings convened by June 2021 | Attendance registers and minutes | Target not Achieved | Non-sitting of the committee | Appoint new members to serve in the committee |
| | 4.3.2.3 % Wide Area Network uptime to be over 95% as per the system (to be generated by the system) | Achieved | % Wide Area Network uptime to be over 95% as per the system (to be generated by the system) by June 2021 | System reports | Target Achieved | n/a | n/a |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|---|---------------------|---|---------------------------------------|--|---|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| PRIORITY AREA/PROGRAMME: PERFORMANCE MANAGEMENT | | | | | | | |
| To improve the administrative capability of the municipality. | 4.3.4 Senior Managers entered into performance agreement and their performance assessed on a quarterly basis. | Not achieved | Senior Managers entered into performance agreement and their performance reviewed on a quarterly basis. | Report on quarterly reviews conducted | Target not achieved (No performance agreements signed in the 2020/21 financial year. They were prepared for the acting incumbents and were submitted to the Administrator but were not executed) | Non-appointment of Senior Managers by Council | The Council should appoint full time Senior Managers for all Directorates |
| To improve the administrative capability of the municipality. | 4.3.5 Number of Internally Audited performance of all Senior Manager's and the Municipal Manager's as part of monitoring of their performance agreements. | Not Achieved | 4 internal audit reports on audit of Performance of all Senior Manager's as part of monitoring of their performance agreements by June 2021 | Quarterly Internal Audit Reports | Target not achieved | No assessment report received | The appointment of Senior Managers should be done for their assessment to take place |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|---|---------------------|---|--|---|------------------------|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | 4.3.5.1 Quarterly, mid- term and annual performance reports compiled and approved | Achieved | Quarterly, mid- term and annual performance reports compiled and approved by the 31st of January 2021 | Approved reports; Council resolutions | Target achieved (All quarterly reports were compiled) | n/a | n/a |
| To improve the administrative capability of the municipality. | 4.3.6 Number of Internally Audited performance reports and draft annual reports submitted to the Audit Committee | Not achieved | 4 Internally Audited quarterly performance reports and a draft annual report submitted to the Audit Committee by June 2021 | Audit Committee agenda and minutes of the meetings | Target achieved | n/a | n/a |
| | 4.3.7 Number of Senior Management meetings convened for inclusive and continuous strategic alignment of organisational goals and performance. | Not achieved | 12 monthly Senior Management meetings convened quarterly for inclusive and continuous strategic alignment of organisational goals and performance | Attendance registers of the meetings convened | Target not achieved | | Meetings will be rescheduled and the Acting MM will be requested to ensure that Senior Management meetings sit as scheduled. |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|--|---------------------|---|---|---|--|---|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| To improve the administrative capability of the municipality. | 4.3.7.1 Development of a Compliance Policy and submission to Council for approval | Not achieved | Compliance policy developed and submitted to Council for approval by June 2021 | Approved Compliance policy and Council resolution | Target not achieved | Compliance Officer post is vacant | Appointment of the compliance Officer to be prioritised |
| | 4.3.7.2 Development of a Regulatory Universe and submission to Council for approval | Not achieved | Regulatory Universe developed and submitted to Council for approval by June 2021 | Approved Regulatory Universe and Council resolution | Target not achieved | Compliance Officer post is vacant | Appointment of the compliance Officer to be prioritised |
| | 4.3.7.3 Monitoring of Compliance on applicable laws quarterly | Not achieved | Monitoring of Compliance on applicable laws conducted on a quarterly basis and report submitted to Management | Progress reports | Target not achieved | Compliance Officer post is vacant | Appointment of the compliance Officer to be prioritised |
| To improve the administrative capability of the municipality. | 4.3.7.4 Number of Quarterly Reports on service delivery units (Oranjeville & Deneysville) submitted to the Municipal Manager | Not achieved | 4 Quarterly Reports on service delivery units (Oranjeville & Deneysville) submitted to the Municipal Manager by June 2021 | 4 produced reports | Target not achieved | Due to challenges with regard to limitations of duties executed by the Unit Manager against the ones executed by the | Clear segregation of duties of the Unit Manager is required to be able to execute the work adequately |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|---|---------------------|---|---|--|---|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | | | | | | Directors of service delivery directorates | |
| To improve the administrative capability of the municipality. | 4.3.7.5 Security plan developed and submitted to Council for approval | Not achieved | Security management plan developed and submitted to Council for approval by June 2021 | Approved security management plan and Council resolution | Target not achieved | Due to no risk assessment being conducted and no security policy in place | Risk Assessment will be conducted and the Security Policy and Plan will also be developed in the next financial year |
| PRIORITY AREA/PROGRAMME: RISK MANAGEMENT | | | | | | | |
| To build a risk conscious culture within the organisation. | 4.4.1 Review of risk management policy and submission to Council for approval | Not achieved | Review of Risk Management Policy and submission to Council for approval by June 2021 | Minutes of Senior Management, Risk Management Committee, Approved risk management policy and Council resolution | Target Achieved 100% (The Risk Management Policy was presented to Audit Committee on the 12 April 2021, then tabled to council and approved on the 29th June 2021) | n/a | n/a |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|---|---------------------|--|---|--|---|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| To build a risk conscious culture within the organisation. | 4.4.2 Review of risk management strategy and submission to Council for approval | Not achieved | Review of Risk Management strategy and submission to Council for approval by June 2021 | Minutes of Senior Management, Risk Management Committee, Approved risk management strategy and Council resolution | Target Achieved 100% (The Risk Management Strategy was presented to Audit Committee on the 12 April 2021, then tabled to council and approved on the 29th June 2021) | n/a | n/a |
| To build a risk conscious culture within the organisation. | 4.4.3 Compilation and updating of the risk register and risks assessments conducted quarterly | Achieved | Quarterly compilation and updating of the risk register and quarterly risk assessments conducted | Updated risk register | Target Achieved 100% (Assessment and updating of the risk register were conducted quarterly) | n/a | n/a |
| To build a risk conscious culture within the organisation. | 4.4.4 Number of risk management committee meetings convened | Not achieved | 4 Risk management committee meetings convened by June 2021 | Minutes of Risk Management Committee, and attendance registers | Target not Achieved. (50%) Sitting in Qrt 2 & 4 | Scheduled meeting(s) did not quorate. Lack of Commitment by member(s). Non adherence to scheduled | Adherence to the approved schedule of meetings by the committee should be done |

| KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | |
|--|---------------------------|---------------------|----------------|-----------------------|---|--------------------------------------|--|
| ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 | | | | | | | |
| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | | | | | | meeting(s) as approved by council | |

KPA 5: Good Governance & Public Participation

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|--|--|------------------|--|--|---|------------------------|---------------------------------------|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| PRIORITY AREA/PROGRAMME: PUBLIC PARTICIPATION/STAKEHOLDER ENGAGEMENT | | | | | | | |
| Ensure transparency, accountability and regular engagements with communities and stakeholders. | 5.1.1 Number of report back meetings to communities and stakeholders held by the Executive Mayor and/or Mayoral/Committee to communicate policies, plans and progress of council | Not achieved | 4 Quarterly report back meetings to communities and stakeholders by the Executive Mayor and/or Mayoral/Committee held to communicate policies, plans and progress of council by June 2021. | Attendance registers of the meetings held | Target achieved | n/a | n/a |
| | 5.1.1.1 Structures including Ward Committees and IDP Representative Forum established and involved in IDP and Budget processes | Not achieved | Structures including Ward Committees and IDP Representative Forum established and involved in IDP and Budget processes | Attendance registers of the meetings of the structures | | | |

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|---|--|------------------|---|---|---|------------------------|---------------------------------------|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure transparency, accountability and regular engagements with communities and stakeholders | 5.1.1.2. Communities invited and attending Council proceedings | Not achieved | Communities invited and attending Council proceedings quarterly by June 2021. | Notices inviting community to Council proceedings | | | |
| | 5.1.2 Number of awareness campaigns and special programmes dedicated towards community upliftment held | Achieved | 4 awareness campaigns and special programmes dedicated towards community upliftment held by June 2021. | Attendance registers | Target achieved | n/a | n/a |
| Ensure transparency, accountability and regular engagements with communities and stakeholders | 5.1.3 Number of visits to hotspots / areas where there are breakdowns in community services and what was subsequently done | Achieved | Visits all hotspots / areas where there are breakdowns in community services and subsequently submit a report to Council on what done in each such instances by 30 June 2021. | Report | Target achieved | n/a | n/a |

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|---|---|------------------|---|---|--|--|--|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure that ward committees are functional and interact with communities continuously. | 5.2.1 Ward development plans developed, approved by council and implemented. | Not achieved | Develop and approve ward-based plans for 21 wards within the municipality and ensure that Ward Committees are assessed quarterly against their approved plans by June 2021. | Approved ward based plans and reports on quarterly assessment | | | |
| PRIORITY AREA/PROGRAMME: GOOD GOVERNANCE | | | | | | | |
| Ensure transparency, accountability and regular engagements with communities and stakeholders | 5.1.4 Number of reports on monitoring and oversight over Councillors' fulfilment of their duties and obligations towards communities on a continuous basis. | Achieved | 4 Quarterly consolidated reports of Councillors on fulfilment of their duties and obligations towards communities on a continuous basis by June 2021. | Quarterly reports | | | |
| Ensure that ordinary council meetings are held regularly to consider and endorse reports. | 5.3.1 Number of Ordinary Council meetings held to consider and endorse reports. | 3 achieved | 4 Ordinary Council meetings held by June 2021 | Attendance registers and minutes | Target not achieved (Only special Council meeting sat on 31 May 2021 to consider Budget, | There were no other reports submitted and served at the Portfolio meeting before being | The matter will be reported to the Executive Mayor to encourage and ensure that Portfolio Heads call |

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|--|---|------------------|--|---|---|--|--|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | | | | | IDP and the SDBIP reports). | tabled at Council as per the normal procedure. | portfolio meetings on monthly basis. |
| Ensure that ordinary council meetings are held regularly to consider and endorse reports. | 5.3.2 % in Monitoring of the implementation of Council resolutions | Not achieved | 100% Monitoring of the implementation of Council resolutions by June 2021 | Resolution register indicating how many resolution registered against those implemented | Target not achieved | Council did not approve the minutes on time. | Previous minutes will be submitted to Council for approval, thereafter the resolutions will be sent to different Directors to indicate which resolutions were implemented. |
| Ensure that all council committees (s 79 committees) sit regularly and process items for council decisions | 5.4.1 Number of Council Committee meetings convened by each committee to consider reports | Not achieved | 4 Council Committee meetings convened by each committee to consider reports by June 2021 | Minutes and attendance register of Council committees meeting | Target not achieved (Partially achieved) | Only Audit and Risk committee meetings sat. | |
| | 5.4.2 Number of Whippery meetings convened to deal with municipal matters | Not achieved | 12 Whippery meetings convened by June 2021 to deal with municipal matters | Attendance registers of Whippery meetings held | Target not achieved | Convened Meetings could not corrare | It becomes difficult to compel Councillors to attend these meetings as: 1 Council Whips powers have not been delegated thus not being possible to |

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|--|--|------------------|--|---|---|------------------------|--|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | | | | | | | reprimand councillors who do not attend. 2 Council Whippery is not a statutory office therefore it is difficult to take or institute disciplinary measures against any Councillor for non-attendance. |
| Ensure a functional governance structures and systems. | 5.5.1 Number of Internally Audited financial management controls conducted. | Achieved | 4 Internally Audited Financial Management Controls conducted by June 2021 | Report on the reviews and the updates conducted | Target achieved | n/a | n/a |
| | 5.5.1.1 % of annual internal audit plan approved by audit committee before end of June | Achieved | 100% of annual internal audit plan approved by audit committee before end of June 2021 | Approved annual internal audit plan and Audit Committee minutes of approval | Target Achieved. (The Internal Audit plan was approved by the AC in June 2021). | n/a | n/a |

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|---|---|------------------|---|---|--|------------------------|---------------------------------------|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| Ensure a functional governance structures and systems. | 5.5.1.2 % in execution of annual internal audit plan | Not achieved | 100% Execution of annual internal audit plan by June 2021 | Reports on the execution of the plan | Target Achieved. (All the planned Internal Audit processes were completed). | n/a | n/a |
| | 5.5.2 % review of audit charters and completed annually. | Achieved | 100% review of audit charters completed and approved annually by June 2021 | Reviewed and approved audit charters | Target Achieved. (The Internal Audit and Audit Committee charters were before end of June 2021). | n/a | n/a |
| Ensure a functional governance structures and systems. | 5.5.2.1 Number of Audit Committee meetings convened annually | 3 Achieved | Audit Committee meetings convened at least 4 times a year by June 2021 | Minutes and attendance register of AC meeting | Target Achieved. (There were five audit committee meetings held during 2020/21 FY). | n/a | n/a |
| Ensure that Councillors fulfil their duties and obligations towards communities on a continuous basis | 5.7.1 Number of public meetings held by Councillors and reports on the meetings generated and received from Councillors to the Speaker. | Not achieved | 12 public meetings held by Councillors by June 2021 and reports on the meetings generated and received from | Attendance registers, minutes/report on the meetings convened | | | |

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|---|--|------------------|--|----------------------------------|---|------------------------------|---|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | | | Councillors to the Speaker. | | | | |
| PRIORITY AREA/PROGRAMME: INTERGOVERNMENTAL RELATIONS | | | | | | | |
| To promote intergovernmental relations amongst stakeholders | 5.6.1 % in attendance of IGR meetings and agreements and decisions implemented | 0 | 100% of IGR meetings attended and agreements and decisions implemented by June 2021 | Attendance registers and reports | Target not achieved | No invitations were received | Meetings will be attended when the invitations are received |
| | 5.6.2 % of Publications publicized to community (Public Notices/Adverts) as and when received. | Achieved | 100% of publications made to community (Public Notices/Adverts) as and when received by June 2021. | Publications register | Target achieved | n/a | n/a |
| | 5.6.3 Number of newsletters regarding Municipal service delivery produced | Not achieved | 4 Newsletters regarding Municipal service delivery produced by June 2021 | Copies of produced newsletters. | Target not achieved | Waiting for SCM processes | Waiting for SCM processes |
| PRIORITY AREA/PROGRAMME: SPECIAL PROGRAMMES | | | | | | | |
| To ensure that there is a coherent approach in the | 5.8.1 HIV/AIDS day commemorated and dedicated public awareness programs on | Not achieved | 1 HIV/AIDS day commemorations held in December and 2 | Attendance registers | Target achieved | n/a | n/a |

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|---|--|------------------|---|---|---|------------------------|---------------------------------------|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| municipality in dealing with HIV/AIDS and TB | HIV/AIDS, TB, Cancer, etc held together with the community. | | dedicated public awareness programs on HIV/AIDS, TB, Cancer, etc held together with the community by June 2021 | | | | |
| To implement special programmes aimed at the needs of vulnerable groups and youth within the community. | 5.9.1 Number of public and special outreach programmes aimed at empowering vulnerable groups within the community conducted. | Achieved | 12 public and special outreach programmes aimed at empowering vulnerable groups within the community conducted by June 2021 | Attendance registers of the outreach programmes conducted | Target not achieved | Covid 19 Regulations | as and when restrictions are relaxed |
| | 5.9.2 Number of Youth Summit held Annually | 0 | 1 Youth Summit held by June 2021 | Attendance register | Target not achieved | Covid 19 Regulations | as and when restrictions are relaxed |
| | 5.9.3 Number of Youth awareness programmes conducted (Alcohol/Drug Abuse, Teenage pregnancy, Youth Day commemoration etc.) | 3 | 4 Youth Awareness programmes conducted by June 2021. | Attendance register | Target not achieved | Covid 19 Regulations | as and when restrictions are relaxed |

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021

| PLANNED PERFORMANCE OBJECTIVES AND INDICATORS | | | | | ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS | | |
|---|---------------------------|------------------|----------------|-----------------------|---|------------------------|---------------------------------------|
| Strategic Objectives | Key Performance Indicator | 2019/20 Baseline | Annual Targets | Means of verification | Annual actual performance | Reasons for deviations | Corrective measures taken/to be taken |
| | | | | | | | |

Chapter 4: Organisational Development Performance (Performance Report Part II)

1. Introduction to Organisational Development

The focus of chapter is on details pertaining to the implementation of an efficient and effective organisational performance management system, organisational development and performance of a municipality in line with performance management regulations. This information in this chapter is therefore vital in identifying skills gaps and plans for the purpose of sourcing and / or development of such skills.

Below are the key organisational development areas that are reported on in order to measure the outcome of effective organisational development against the municipality's strategic plans:

- Municipal Human Resource;
- Capacitating the municipal workforce;
- Managing the municipal workforce expenditure;
- Organisational structure enhancement;
- Increased accountability;
- Increased participation in problem solving, goal setting and new ideas; and
- Identifying and development of skills needed to perform.

Component A: Introduction to the Municipal Workforce

1. Workforce Profile

The chapter addresses information pertaining to the implementation of an effective performance management system, organisational development and performance of municipality. The information that follows in this chapter is important in identifying skills gaps and plans for the development of such skills.

During the period under review, the Municipality had 1148 approved posts on its Organisational Structure. As at the Financial Year under review, the vacancy rate stood at 35% and the turnover rate at 4.24%. The table below summarizes the total workforce of the municipality per race group for the period under review.

Table 4.1 - Workforce profile of the municipality

| Occupations | Females | | | | Males | | | | Total |
|--|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|------------|
| | A | C | I | W | A | C | I | W | |
| Legislators | 10 | 00 | 00 | 02 | 26 | 00 | 00 | 05 | 43 |
| Managers | 06 | 01 | 00 | 01 | 22 | 01 | 01 | 00 | 32 |
| Professionals | 16 | 00 | 00 | 01 | 23 | 01 | 01 | 00 | 42 |
| Technicians And Trade Workers | 15 | 00 | 00 | 03 | 33 | 00 | 00 | 01 | 52 |
| Community and Personal Service Workers | 31 | 00 | 00 | 01 | 55 | 00 | 00 | 04 | 91 |
| Clerical and Administrative Workers | 37 | 00 | 00 | 03 | 21 | 00 | 00 | 00 | 61 |
| Skilled and Related Trade Workers | 00 | 00 | 00 | 00 | 43 | 00 | 00 | 00 | 43 |
| Machinery Operators And Drivers | 03 | 00 | 00 | 00 | 48 | 00 | 00 | 00 | 51 |
| Elementary Occupations | 92 | 00 | 00 | 00 | 218 | 00 | 00 | 00 | 310 |
| Total | 210 | 01 | 00 | 11 | 489 | 02 | 02 | 10 | 725 |

2. Employment Equity Profile

The municipality's employment equity profile as presented on the below provides an overview of the municipality's employment equity achievements. The overall objectives of the Employment Equity is to enable the municipality, as an employer to achieve reasonable progress towards employment equity, to assist in eliminating unfair discrimination in the workplace, and to achieve equitable representation of employees from designated groups by means of affirmative action measures

Table 4.2 - Employment Equity Profile

| Category | 2020/21 | | 2019/20 | |
|-----------------------------|------------|----------------------|------------|----------------------|
| | Total | % of total Employees | Total | % of total Employees |
| Black* employees | 699 | 96% | 702 | 90% |
| Women employees | 222 | 30% | 235 | 30% |
| Employees with Disabilities | 03 | 0.4% | 03 | 0.3% |
| Employees over age 51 | 108 | 14% | 143 | 18% |
| Employees between 31 & 50 | 507 | 70% | 517 | 66% |
| Employees under age 30 | 110 | 15% | 118 | 15% |

* African, Coloured, Indian

3. Staff Turnover

The staff turnover of the municipality over the period under review is presented in the table below under the different termination categories:

Table 4.3 - Staff turnover rate

| Category | Numerical Data | | | | | |
|----------------------|----------------|----------|------------|----------|----------|-------------|
| | 2020/21 | | | 2019/20 | | |
| | Male | Female | Total | Male | Female | Total |
| New appointments | 20 | 10 | 30 | 17 | 07 | 24 |
| Resignations | 04 | 01 | 05 | 03 | 01 | 04 |
| Pensioned | 05 | 01 | 06 | 09 | 02 | 11 |
| Dismissed | 02 | 00 | 02 | 00 | 00 | 00 |
| End of Contract | 03 | 01 | 04 | 00 | 00 | 00 |
| Deceased | 12 | 03 | 15 | 03 | 02 | 05 |
| Medical Board | 00 | 00 | 00 | 00 | 00 | 00 |
| Net Movement | -6 | 4 | -2 | 2 | 2 | 4 |
| Turnover Rate | | | 3.4 | | | 2.74 |

Component B: Managing the Municipal Workforce Levels

1. Vacancy Rate by Occupational Category

The table below provides an overview of vacancy rate for the period under review per occupational category in line with the municipality's current organisational structure.

Table 4.4 – Vacancy rate by occupation category

| Designations | Total approved post No. | Vacancies (Total time that vacancies exist using fulltime | Vacancies (as proportion of total posts in each |
|---|-------------------------|---|---|
| Municipal Manager | 1 | 1 | 100% |
| CFO | 1 | 1 | 100% |
| Other S57 Managers (Excl. Finance posts) | 0 | 0 | 0 |
| Other S57 Managers (Finance Posts) | 0 | 0 | 0 |
| Traffic Officials | 61 | 36 | 55% |
| Fire Officials | 55 | 26 | 47% |
| Officials : level 13-15 (Excl. Finance Posts) | 125 | 63 | 50% |
| Officials: level 13-15 (Finance posts) | 29 | 11 | 38% |
| Officials: levels 9-12 (Excl. Finance Posts) | 149 | 95 | 64% |
| Officials: levels 9-12 (Finance posts) | 37 | 17 | 64% |
| Other Officials: level 1-3 | 56 | 20 | 36% |
| Officials: level 4-6 | 150 | 73 | 49% |
| Officials: level 7-8 | 141 | 64 | 45% |
| Average Vacancy Rate | 1147 | 407 | 35% |

2. Sick Leave

During the period under review, employees took sick leave which made up of 8.18% for 2020/21 of the total sick leave days provision. A total number of sick leave days taken is 2674 for 2020/21 at an estimated cost of R 2 509 380.20 Full details are set on the table below:

Table 4.5 - Number of Days and Cost of Sick Leave

| Number of days and Cost of Sick Leave (excluding injuries on duty) | | | | | | |
|--|------------------|--|----------------------------|--------------------------|----------------------------------|----------------------|
| Salary band | Total sick leave | Proportion of sick leave without medical certification | Employees using sick leave | Total employees in post* | *Average sick leave per Employee | Estimated Cost |
| | Day | Day | No. | No. | % | R' 000 |
| Lower skilled | 1545 | 227 | 220 | 413 | 1.42 | R903 059.56 |
| Skilled | 740 | 126 | 98 | 219 | 1.28 | R804 969.56 |
| Highly skilled production | 106 | 11 | 13 | 32 | 1.25 | R151 151.54 |
| Highly skilled supervision | 71 | 17 | 17 | 24 | 1.12 | R124 997.19 |
| Middle management | 205 | 2 | 11 | 33 | 2.35 | R505 252.16 |
| MM and S56 | 8 | 0 | 2 | 4 | 0.76 | R19 950.19 |
| Total /Average | 2674 | 394 | 361 | 725 | 8.18 | R2 509 380.20 |

Component C: Capacitating Municipal Workforce

During the period under review, a number of skills programmes were in place to support the employees and all programmes were aimed at building capacity for acceleration of knowledge and skills within workplace.

The following table provides a comprehensive summary of a number of employees who participated in different skills development programmes and also provides details of associated expenditure.

Table 4.6 - Skills Development Expenditure

| Original Budget and Actual Expenditure on skills development 2020/21 | | | | | | | | | | |
|--|--------|--|-----------------|--------|---|--------|-------------------------|--------|-----------------|--------|
| Details | Gender | Employees as at the beginning of the financial | Learner ships | | Skills programmes & other short courses | | Other forms of training | | Total | |
| Budget Details | | | Original Budaet | Actual | Original Budaet | Actual | Original Budaet | Actual | Original Budaet | Actual |
| Occupational level | | No. | R'000 | | | | | | | |
| MM and S57 | Female | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| | Male | 01 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| Legislators, senior officials and managers | Female | 20 | 100 | 00 | 30 | 10 | 20 | 00 | 150 | 10 |
| | Male | 54 | 100 | 40 | 60 | 18 | 10 | 00 | 170 | 58 |
| Professionals | Female | 17 | 80 | 120 | 20 | 07 | 20 | 00 | 120 | 127 |
| | Male | 25 | 120 | 120 | 50 | 06 | 20 | 00 | 190 | 126 |
| Technicians and associate professionals | Female | 18 | 120 | 00 | 70 | 00 | 20 | 00 | 210 | 00 |
| | Male | 34 | 120 | 00 | 120 | 15 | 20 | 15 | 260 | 30 |
| Clerks | Female | 40 | 240 | 20 | 30 | 06 | 20 | 00 | 290 | 26 |
| | Male | 21 | 200 | 00 | 50 | 03 | 20 | 00 | 270 | 03 |
| Skilled and related trade workers | Female | 00 | 00 | 00 | 00 | 00 | 30 | 00 | 30 | 00 |
| | Male | 43 | 260 | 00 | 30 | 00 | 20 | 00 | 310 | 00 |
| Service and sales workers | Female | 32 | 120 | 40 | 10 | 02 | 30 | 32 | 160 | 74 |

Original Budget and Actual Expenditure on skills development 2020/21

| Details | Gender | Employees as at the beginning of the financial | Learner ships | | Skills programmes & other short courses | | Other forms of training | | Total | |
|--|--------|--|-----------------|------------|---|-----------|-------------------------|------------|-----------------|------------|
| | | | Original Budaet | Actual | Original Budaet | Actual | Original Budaet | Actual | Original Budaet | Actual |
| Occupational level | | No. | R'000 | | | | | | | |
| | Male | 59 | 120 | 00 | 40 | 00 | 20 | 40 | 180 | 40 |
| Plant and machine operators and assemblers | Female | 03 | 50 | 00 | 00 | 00 | 00 | 00 | 50 | 00 |
| | Male | 48 | 280 | 00 | 00 | 00 | 20 | 00 | 300 | 00 |
| Elementary occupations | Female | 92 | 240 | 00 | 40 | 03 | 30 | 00 | 310 | 03 |
| | Male | 218 | 360 | 00 | 50 | 07 | 00 | 15 | 410 | 22 |
| Sub total | Female | 222 | 950 | 180 | 200 | 28 | 170 | 32 | 1 320 | 240 |
| | Male | 503 | 1 560 | 160 | 400 | 49 | 130 | 70 | 2 090 | 279 |
| Total | | 725 | 2 510* | 340 | 600 | 77 | 300 | 102 | 3 410 | 519 |

*Learnership budget are based on the approval of discretionary grants projects that the municipality submitted as declaration of intent to Local Government Sector Education and Training Authority.

Component D: Managing Municipal Workforce Expenditure

Table 4.7 - Workforce Expenditure

| Details | 2020/21 R | 2019/20 R | Year on Year Movement (%) |
|--|--------------|--------------|------------------------------------|
| Original Budget | 379 706 060 | 359 389 670 | 6 |
| Budget Adjustment | (6 553 530) | (25 561 270) | (74) |
| Final Budget | 373 152 530 | 333 828 400 | 12 |
| Actual Outcome | 331 981 726 | 310 602 133 | 7 |
| Unauthorised Expenditure | | | |
| Variance | 41 170 804 | 23 226 267 | 77 |
| Actual Outcome as % of Final Budget | 89% | 93% | (4) |
| Actual Outcome as % of Original Budget | 87% | 86% | (1) |

Other Matters

Table 4.8 - Competency Levels

| No of Sec 57 Managers employed | Total no of Sec 57 Managers' competency assessments completed | Total no of SCM officials employed | Total no of Sec 57 Managers that meet the prescribed competency levels |
|--------------------------------------|---|---------------------------------------|---|
| 01 | 01 | 08 | 01 |
| | | | |

| No of financial officials employed | Total no of finance officials' competency assessments completed | Total no of SCM officials employed | Total no of SCM officials competency assessments completed | Total no of SCM &finance officials that meet the prescribed competency levels |
|--|--|---------------------------------------|--|--|
| 77 | 28 | 08 | 05 | 32 |
| | | | | |
| 89 | 26 | 08 | 05 | 26 |
| | | | | |

Chapter 5: Financial Performance

1. Implementation of mSCOA

mSCOA, being the municipal Standard Chart of Accounts, is part of the broader local government reform process initiated and driven by the National Treasury.

mSCOA is a regulated reform and its regulations came into effect on 1 July 2017. The municipality has in line with the National Treasury guidelines developed an activity plan that guides the implementation process for the mSCOA and continues to ensure seamless implementation of the reform.

There were no mSCOA meetings/trainings that took place during the period under review as the mSCOA has already been implemented by the municipality.

Component A: Statement of Financial Performance

FS204 Metsimaholo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M12 June

| Description | Ref | Budget Year 2020/21 | | | | | | | | |
|---|-----|-------------------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|----------------------|-----------------------|
| | | 2019/20 Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | | | | | | | | | | |
| Revenue By Source | | | | | | | | | | |
| Property rates | | 199 277 | 210 599 | 208 311 | 17 415 | 213 926 | 208 311 | 5 615 | 3% | 208 311 |
| Service charges - electricity revenue | | 298 686 | 314 935 | 313 066 | 28 259 | 310 636 | 313 066 | (2 429) | -1% | 313 066 |
| Service charges - water revenue | | 407 802 | 511 534 | 505 624 | 29 395 | 397 330 | 505 624 | (108 294) | -21% | 505 624 |
| Service charges - sanitation revenue | | 28 185 | 42 370 | 44 410 | 3 014 | 35 829 | 44 410 | (8 581) | -19% | 44 410 |
| Service charges - refuse revenue | | 32 860 | 37 636 | 36 667 | 3 197 | 35 300 | 36 667 | (1 367) | -4% | 36 667 |
| Rental of facilities and equipment | | 5 983 | 6 288 | 6 250 | 490 | 5 916 | 6 250 | (334) | -5% | 6 250 |
| Interest earned - external investments | | 4 491 | 2 500 | 2 500 | 161 | 2 608 | 2 500 | 108 | 4% | 2 500 |
| Interest earned - outstanding debtors | | 45 927 | 38 725 | 38 725 | 4 285 | 39 107 | 38 725 | 382 | 1% | 38 725 |
| Dividends received | | 123 | 100 | 100 | - | 111 | 100 | 11 | 11% | 100 |
| Fines, penalties and forfeits | | 2 508 | 10 420 | 10 420 | 81 | 825 | 10 420 | (9 595) | -92% | 10 420 |
| Licences and permits | | 56 | 211 | 211 | 1 | 10 | 211 | (201) | -95% | 211 |
| Agency services | | | | | | | | | | |
| Transfers and subsidies | | 213 846 | 208 982 | 241 983 | 996 | 235 638 | 241 983 | (6 345) | -3% | 241 983 |
| Other revenue | | 6 671 | 22 231 | 22 721 | 1 829 | 9 853 | 22 721 | (12 868) | -57% | 22 721 |
| Gains | | 41 | - | - | (2 077 674) | 815 | - | 815 | #DIV/0! | - |
| Total Revenue (excluding capital transfers and contributions) | | 1 246 457 | 1 406 532 | 1 430 988 | (1 988 551) | 1 287 904 | 1 430 988 | (143 084) | -10% | 1 430 988 |
| Expenditure By Type | | | | | | | | | | |
| Employee related costs | | 307 824 | 379 706 | 373 155 | 27 209 | 323 192 | 373 155 | (49 964) | -13% | 373 155 |
| Remuneration of councillors | | 19 380 | 21 047 | 21 406 | 1 571 | 19 380 | 21 406 | (2 027) | -9% | 21 406 |
| Debt impairment | | 230 763 | 168 964 | 255 457 | 20 482 | 252 003 | 255 457 | (3 454) | -1% | 255 457 |
| Depreciation & asset impairment | | 46 368 | 87 906 | 45 106 | - | - | 45 106 | (45 106) | -100% | 45 106 |
| Finance charges | | 9 386 | 5 176 | 3 345 | 13 | 2 428 | 3 345 | (917) | -27% | 3 345 |
| Bulk purchases | | 449 402 | 526 826 | 526 826 | 37 420 | 457 841 | 526 826 | (68 984) | -13% | 526 826 |
| Other materials | | 46 453 | 34 007 | 34 593 | 2 521 | 14 827 | 34 593 | (19 766) | -57% | 34 593 |
| Contracted services | | 79 498 | 115 320 | 106 127 | 6 918 | 63 867 | 106 127 | (42 260) | -40% | 106 127 |
| Transfers and subsidies | | 176 | 352 | 592 | 18 | 44 | 592 | (548) | -93% | 592 |
| Other expenditure | | 49 830 | 65 243 | 64 726 | 5 459 | 39 313 | 64 726 | (25 414) | -39% | 64 726 |
| Losses | | 1 016 | - | - | 124 | 124 | - | 124 | #DIV/0! | - |
| Total Expenditure | | 1 240 095 | 1 404 547 | 1 431 334 | 101 735 | 1 173 019 | 1 431 334 | (258 315) | -18% | 1 431 334 |
| Surplus/(Deficit) | | 6 361 | 1 985 | (347) | (2 090 286) | 114 885 | (347) | 115 232 | (0) | (347) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | 35 658 | 90 970 | 69 031 | - | - | 69 031 | (69 031) | (0) | 69 031 |
| (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) | | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies - capital (in-kind - all) | | 6 626 | 25 000 | 49 685 | - | - | 49 685 | (49 685) | (0) | 49 685 |
| Surplus/(Deficit) after capital transfers & contributions | | 48 646 | 117 955 | 118 369 | (2 090 286) | 114 885 | 118 369 | | | 118 369 |
| Taxation | | | | | | | | | | |
| Surplus/(Deficit) after taxation | | 48 646 | 117 955 | 118 369 | (2 090 286) | 114 885 | 118 369 | | | 118 369 |
| Attributable to minorities | | | | | | | | | | |
| Surplus/(Deficit) attributable to municipality | | 48 646 | 117 955 | 118 369 | (2 090 286) | 114 885 | 118 369 | | | 118 369 |
| Share of surplus/ (deficit) of associate | | | | | | | | | | |
| Surplus/ (Deficit) for the year | | 48 646 | 117 955 | 118 369 | (2 090 286) | 114 885 | 118 369 | | | 118 369 |

References

1. Material variances to be explained on Table SC1

Total Revenue (excluding capital transfers and contributions) inclu 1 288 741 1 522 502 1 549 703 (1 988 551) 1 287 904 1 549 703 1 549 703

Component B: Spending Against Capital Budget

FS204 Metsimaholo - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M12 June

| Vote Description | Ref | Budget Year 2020/21 | | | | | | | | |
|---|-----|-------------------------------|--------------------|--------------------|-------------------|------------------|------------------|------------------|----------------------|-----------------------|
| | | 2019/20 Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | 1 | | | | | | | | | |
| Multi-Year expenditure appropriation | 2 | | | | | | | | | |
| Vote 01 - Executive & Council | | — | — | — | — | — | — | — | — | — |
| Vote 02 - Municipal Manager | | 507 | 1 970 | 1 670 | — | 398 | 1 670 | (1 272) | -76% | 1 670 |
| Vote 03 - Corporate Services | | 40 | 4 052 | 4 052 | — | — | 4 052 | (4 052) | -100% | 4 052 |
| Vote 04 - Social Services | | 4 546 | 34 301 | 22 273 | 3 069 | 5 308 | 22 273 | (16 965) | -76% | 22 273 |
| Vote 05 - Technical Services | | 47 377 | 192 960 | 182 408 | 13 468 | 32 690 | 182 408 | (149 718) | -82% | 182 408 |
| Vote 06 - Financial Services | | — | — | — | — | — | — | — | — | — |
| Vote 07 - Local Economic Development And Planning | | — | 4 658 | 4 658 | — | — | 4 658 | (4 658) | -100% | 4 658 |
| Vote 08 - | | — | — | — | — | — | — | — | — | — |
| Vote 09 - | | — | — | — | — | — | — | — | — | — |
| Vote 10 - | | — | — | — | — | — | — | — | — | — |
| Vote 11 - | | — | — | — | — | — | — | — | — | — |
| Vote 12 - | | — | — | — | — | — | — | — | — | — |
| Vote 13 - | | — | — | — | — | — | — | — | — | — |
| Vote 14 - | | — | — | — | — | — | — | — | — | — |
| Vote 15 - Other | | — | — | — | — | — | — | — | — | — |
| Total Capital Multi-year expenditure | 4,7 | 52 469 | 237 942 | 215 061 | 16 536 | 38 395 | 215 061 | (176 666) | -82% | 215 061 |
| Single Year expenditure appropriation | 2 | | | | | | | | | |
| Vote 01 - Executive & Council | | — | — | — | — | — | — | — | — | — |
| Vote 02 - Municipal Manager | | — | 11 | 11 | — | — | 11 | (11) | -100% | 11 |
| Vote 03 - Corporate Services | | — | 200 | 204 | — | — | 204 | (204) | -100% | 204 |
| Vote 04 - Social Services | | — | 7 395 | 11 040 | — | 2 | 11 040 | (11 038) | -100% | 11 040 |
| Vote 05 - Technical Services | | 601 | 5 020 | 9 370 | 4 299 | 4 299 | 9 370 | (5 071) | -54% | 9 370 |
| Vote 06 - Financial Services | | 77 | 1 715 | 1 715 | — | — | 1 715 | (1 715) | -100% | 1 715 |
| Vote 07 - Local Economic Development And Planning | | — | 4 | 4 | — | — | 4 | (4) | -100% | 4 |
| Vote 08 - | | — | — | — | — | — | — | — | — | — |
| Vote 09 - | | — | — | — | — | — | — | — | — | — |
| Vote 10 - | | — | — | — | — | — | — | — | — | — |
| Vote 11 - | | — | — | — | — | — | — | — | — | — |
| Vote 12 - | | — | — | — | — | — | — | — | — | — |
| Vote 13 - | | — | — | — | — | — | — | — | — | — |
| Vote 14 - | | — | — | — | — | — | — | — | — | — |
| Vote 15 - Other | | — | — | — | — | — | — | — | — | — |
| Total Capital single-year expenditure | 4 | 678 | 14 345 | 22 344 | 4 299 | 4 301 | 22 344 | (18 043) | -81% | 22 344 |
| Total Capital Expenditure | | 53 147 | 252 287 | 237 405 | 20 836 | 42 696 | 237 405 | (194 709) | -82% | 237 405 |
| Capital Expenditure - Functional Classification | | | | | | | | | | |
| Governance and administration | | 796 | 9 448 | 9 452 | — | 398 | 9 452 | (9 054) | -96% | 9 452 |
| Executive and council | | — | — | — | — | — | — | — | — | — |
| Finance and administration | | 796 | 9 448 | 9 452 | — | 398 | 9 452 | (9 054) | -96% | 9 452 |
| Internal audit | | — | — | — | — | — | — | — | — | — |
| Community and public safety | | 4 546 | 29 714 | 20 446 | 1 058 | 3 299 | 20 446 | (17 147) | -84% | 20 446 |
| Community and social services | | 49 | 15 852 | 5 415 | 431 | 431 | 5 415 | (4 984) | -92% | 5 415 |
| Sport and recreation | | 4 497 | 5 545 | 7 633 | 627 | 2 866 | 7 633 | (4 784) | -62% | 7 633 |
| Public safety | | — | 8 318 | 7 398 | — | 2 | 7 398 | (7 396) | -100% | 7 398 |
| Housing | | — | — | — | — | — | — | — | — | — |
| Health | | — | — | — | — | — | — | — | — | — |
| Economic and environmental services | | 1 897 | 91 558 | 73 580 | 3 982 | 9 961 | 73 580 | (63 618) | -86% | 73 580 |
| Planning and development | | — | 1 662 | 1 662 | — | — | 1 662 | (1 662) | -100% | 1 662 |
| Road transport | | 1 897 | 89 895 | 71 917 | 3 982 | 9 961 | 71 917 | (61 956) | -86% | 71 917 |
| Environmental protection | | — | — | — | — | — | — | — | — | — |
| Trading services | | 45 908 | 118 567 | 130 928 | 15 796 | 29 038 | 130 928 | (101 890) | -78% | 130 928 |
| Energy sources | | 14 831 | 45 668 | 23 118 | 1 064 | 8 170 | 23 118 | (14 948) | -65% | 23 118 |
| Water management | | 2 992 | 7 183 | 23 898 | 7 513 | 8 193 | 23 898 | (15 705) | -66% | 23 898 |
| Waste water management | | 28 085 | 53 733 | 71 044 | 5 207 | 10 665 | 71 044 | (60 380) | -85% | 71 044 |
| Waste management | | — | 11 982 | 12 868 | 2 011 | 2 011 | 12 868 | (10 857) | -84% | 12 868 |
| Other | | — | 3 000 | 3 000 | — | — | 3 000 | (3 000) | -100% | 3 000 |
| Total Capital Expenditure - Functional Classification | 3 | 53 147 | 252 287 | 237 405 | 20 836 | 42 696 | 237 405 | (194 709) | -82% | 237 405 |
| Funded by: | | | | | | | | | | |
| National Government | | 42 004 | 115 970 | 118 716 | 20 836 | 41 775 | 118 716 | (76 941) | -65% | 118 716 |
| Provincial Government | | — | — | — | — | — | — | — | — | — |
| District Municipality | | — | — | — | — | — | — | — | — | — |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private | | 601 | 3 000 | 3 000 | — | — | 3 000 | (3 000) | -100% | 3 000 |
| Transfers recognised - capital | | 42 605 | 118 970 | 121 716 | 20 836 | 41 775 | 121 716 | (79 941) | -66% | 121 716 |
| Borrowing | 6 | — | 70 972 | 70 972 | — | — | 70 972 | (70 972) | -100% | 70 972 |
| Internally generated funds | | 10 542 | 62 345 | 44 717 | — | 921 | 44 717 | (43 796) | -98% | 44 717 |
| Total Capital Funding | | 53 147 | 252 287 | 237 405 | 20 836 | 42 696 | 237 405 | (194 709) | -82% | 237 405 |

References

- Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
- Include capital component of PPP unitary payment
- Capital expenditure by functional classification must reconcile to the total of multi-year and single year appropriations
- Include expenditure on investment property, intangible and biological assets
- Include finance leases and PPP capital funding component of unitary payment - total borrowing/repayments to reconcile to changes in Table SA17

Component C: Cash flow Management and Investment

FS204 Metsimaholo - Table C7 Monthly Budget Statement - Cash Flow - M12 June

| Description | Ref | Budget Year 2020/21 | | | | | | | | |
|--|-----|-------------------------------|--------------------|--------------------|-------------------|------------------|------------------|------------------|----------------------|-----------------------|
| | | 2019/20 Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Property rates | | - | 181 115 | 151 251 | 17 486 | 187 155 | 151 251 | 35 904 | 24% | 151 251 |
| Service charges | | - | 815 610 | 760 312 | 61 891 | 789 729 | 760 312 | 29 417 | 4% | 760 312 |
| Other revenue | | - | 48 094 | 46 710 | 2 398 | (108 530) | 46 710 | (155 240) | -332% | 46 710 |
| Transfers and Subsidies - Operational | | - | 208 982 | 277 495 | - | 212 857 | 277 495 | (64 638) | -23% | 277 495 |
| Transfers and Subsidies - Capital | | - | 115 970 | 79 112 | - | 20 842 | 79 112 | (58 270) | -74% | 79 112 |
| Interest | | - | 2 500 | 2 500 | 161 | 2 608 | 2 500 | 108 | 4% | 2 500 |
| Dividends | | - | 100 | 100 | - | 111 | 100 | 11 | 11% | 100 |
| Payments | | | | | | | | | | |
| Suppliers and employees | | - | (1 150 965) | (1 097 072) | (107 326) | (1 506 975) | (1 097 072) | 409 903 | -37% | (1 097 072) |
| Finance charges | | - | - | - | - | - | - | - | - | - |
| Transfers and Grants | | - | - | - | - | - | - | - | - | - |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | - | 221 406 | 220 407 | (25 391) | (402 204) | 220 407 | 622 612 | 282% | 220 407 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Proceeds on disposal of PPE | | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current receivables | | 45 | (45) | 45 | - | 45 | 45 | (0) | 0% | 45 |
| Decrease (increase) in non-current investments | | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | |
| Capital assets | | - | (252 287) | (233 313) | (20 836) | (42 696) | (233 313) | (190 617) | 82% | (233 313) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | 45 | (252 332) | (233 268) | (20 836) | (42 651) | (233 268) | (190 617) | 82% | (233 268) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | | - | 52 709 | 52 709 | - | - | 52 709 | (52 709) | -100% | 52 709 |
| Increase (decrease) in consumer deposits | | (1 377) | (6 011) | 5 411 | 5 | (26 905) | (26 077) | (828) | 3% | (26 077) |
| Payments | | | | | | | | | | |
| Repayment of borrowing | | - | - | - | - | - | - | - | - | - |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | (1 377) | 46 698 | 58 120 | 5 | (26 905) | 26 632 | 53 537 | 201% | 26 632 |
| NET INCREASE/ (DECREASE) IN CASH HELD | | (1 331) | 15 772 | 45 259 | (46 221) | (471 760) | 13 771 | | | 13 771 |
| Cash/cash equivalents at beginning: | | 17 517 | 17 797 | 47 402 | | 47 402 | | | | |
| Cash/cash equivalents at month/year end: | | 16 186 | 33 569 | 92 661 | | (424 358) | 13 771 | | | 13 771 |

References

1. Material variances to be explained in Table SC1

Component D: Other Financial Matters

3. Financial Ratios based on Key Performance Indicators

3.1 Revenue Management

3.1.1 Level of Reliance on Government Grants

Purpose: The purpose of this ratio is to determine what percentage of the municipality's revenue is made up of government grants, to determine level of reliance on government funding by the municipality.

| | 2020/21 R'000 | | | 2019/20 |
|----------------------------------|-------------------|---------------|------|---------|
| Formula | Government Grants | Total Revenue | % | % |
| Grants & Subsidies/Total Revenue | 290 517 | 1 369 595 | 21.2 | 18.8 |

Analysis and Interpretation:

The ratio above indicates that the municipality is less reliant on grant revenue, which contributes 21.2% of the total revenue. The ratio has increased due to additional equitable share for funding of COVID19.

3.1.2 Actual Revenue versus Budgeted Revenue

Purpose: The purpose of this ratio seeks to determine deviations between actual and budgeted revenue and to ascertain reasons for the deviations.

| Formula | Actual Revenue 2020/21 | Budgeted Revenue 2020/21 | Variance | Variance | |
|-------------------------|---------------------------|--------------------------------|----------|--------------|--------------|
| Formula | R'000 | | | 2020/21 % | 2019/20 % |
| Variance/Actual Revenue | 1 369 595 | 1 545 611 | 176 016 | 11.4 | 14.7 |

Analysis and Interpretation:

The acceptable standard is that the actual revenue must equal or exceed the approved budget for the financial year. The municipality's actual revenue is less than the budget by 11.4%. The previous financial year, actual revenue was less than budget revenue by 14.7%. Fluctuations are mainly as a result in consumption in water and electricity due to COVID 19, less spending on capital assets from grants (revenue then not reflected, although budget for) amounts to R65.5 million, fines not issued as the system was not in placed and the revenue for sale of land was much lower than anticipated.

3.2 Expenditure Management

3.2.1 Employee Related Costs to Total Operating Expenditure

Purpose: The purpose of this ratio is to indicate Personnel Cost as a percentage of Total Expenditure.

| Formula | 2020/21 | | | 2019/20 |
|---|---------------|-----------------------------|------|---------|
| | Employee Cost | Total Operating Expenditure | % | % |
| Actual Salaries, Wages and Allowances/Total Expenditure | 331 981 726 | 1 254 520 925 | 26.5 | 24.9 |

3.2.2 Remuneration of Councillors

Purpose: The purpose of this ratio is to indicate Remuneration of Councillors as a percentage of Total Expenditure.

| Formula | 2020/21 | | | 2019/20 |
|---|-----------------------------|-------------------|-----|---------|
| | Remuneration of Councillors | Total Expenditure | % | % |
| Actual Remuneration of Councillors/ Total Expenditure | 19 379 735 | 1 254 520 925 | 1.5 | 1.6 |

Analysis and Interpretation:

From the above computations, it is evident that employee related cost remained increase from 24.9% in 2019/2020 to 26.5% in 2020/2021 and on the other hand, remuneration of councillors as a percentage of total expenditure, showed a decrease of 0.1% on a year on year to total expenditure.

3.2.3 Repairs and Maintenance to Total Expenditure

Purpose: The purpose of this ratio is to indicate Repairs and Maintenance as a percentage of Total Expenditure.

| | 2020/21 | 2019/20 |
|--|---------|---------|
|--|---------|---------|

| Formula | Repairs & Maintenance | Total Expenditure | % | % |
|---|-----------------------|-------------------|-----|-----|
| Actual Repairs & Maintenance/ Total Expenditure | 22 341 638 | 1 254 520 925 | 1.8 | 3.8 |

Analysis and Interpretation:

The National Treasury's norm for this ratio is that it should equal at least 10% of total operating expenditure. In this case the expenditure is below 10% for both periods, as the expenditure figure does not include the salaries of the employees responsible for the work performed on repair and maintenance of assets. However, the percentage decrease from 3.8% in 2019/2020 to 1.8% in 2020/2021.

3.3 Liability Management

3.3.1 Acid Test Ratio

Purpose: To test the extent to which the municipality's current assets can cover the short term obligations.

| Formula | 2020/21 | | | 2019/20 |
|--|---|---------------------|--------|---------|
| | Current Assets less Inventory | Current Liabilities | Ratio | Ratio |
| Current Assets less Inventory/Current Liabilities. | 510 067 111 - 1 346 874 = 508 720 237 | 354 451 201 | 1.44:1 | 089:1 |

Analysis and Interpretation:

The norm for this ratio is 1.5:1, in other words, current assets less inventory, must be able to cover the current liabilities 1.5 times.

From the above analysis, the municipality's assets current exceeding liabilities (1.44:1) for the period and although still slightly below the norm, it is an improvement from 2019/2020. The current assets exceed the current liabilities by R 155 615 910.

Chapter 6: Auditor-General's Findings

Component A: Background

In terms of section 20 of the Public Audit Act, 25 of 2004 (PAA), the Auditor-General must in respect of each audit performed in respect of the auditee, in this case Metsimaholo Local Municipality, prepare a report on the audit.

With the above background in mind, this chapter outlines the final Auditor-General's Report in respect of the audit of the financial year under review (i.e 2020/21 financial year).

This chapter further provides an overview of means to deal with the Auditor-General's findings with specific focus on the following:

- a) Matters raised during the year under review year's audit (2020/21); and
- b) Remedial actions taken to address those issues and preventative measures taken.

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Metsimaholo Local Municipality set out on pages ... to ... and xx to xx, which comprise the statement of financial position as at 30 June 2021 ,the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Metsimaholo 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

Property plant and equipment

3. The municipality did not recognise all items of property, plant and equipment in accordance with GRAP 17, Property, plant and equipment, as it did not correctly identify the significant components making up items of property, plant and equipment. The significant components identified could not be reconciled with the initial asset they were part of. In addition, the value of the significant components could not be reliably confirmed. I was unable to determine the impact on the net carrying amount of property, plant and equipment, as it was impracticable to do so. Additionally, the municipality did not correctly classify community assets in accordance with GRAP 17, Property, plant and equipment. Community assets were classified as investment property on the annual financial statements. Consequently, community asset in property, plant and equipment was understated by R1 8 878 222 and investment property overstated by R 18 878 222.
4. The disclosure of work in progress was not in accordance with GRAP 17, Property, plant and equipment. Infrastructure projects that had been completed were incorrectly recognised as work in progress. Consequently, work in progress was overstated by R29 271 762,86 (2020: R23 740 444) in note 4 to the financial statements.

Investment property

5. I was unable to obtain sufficient appropriate audit evidence for transfers of investment property due to the status of the accounting records. In addition, I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for investment property. As

described in note 46 to the financial statements, the restatement was made to rectify a previous year misstatement, but the restatement could not be substantiated by supporting evidence. I was to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R240 181 962 in the financial statements.

Depreciation and amortisation

6. The municipality did not correctly depreciate assets in terms of GRAP 17, Property, plant and equipment. The depreciation was calculated using the incorrect useful lives. Consequently, depreciation and amortisation was overstated by R18 378 703 and property, plant and equipment understated by R18 378 703. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Irregular expenditure

7. The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements, which were not disclosed. I was unable to determine the full extent of the understatement of irregular expenditure stated at R70 724 402 (2020: R57 451 984) in note 54 to the financial statements, as it was impracticable to do so.

Service charges

8. The municipality did not correctly provide for service charges in accordance with GRAP 9, Revenue from exchange transactions. Consumer debtors registered as indigents received subsidies, but did not qualify for indigent status in terms of the municipality's indigent policy. Consequently, service charges and receivables from exchange transactions were overstated by R19 187 908. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Contracted services

9. During 2020, I was unable to obtain sufficient appropriate audit evidence for contracted services and to confirm the expenditure by alternative means. Adequate supporting documentation could not be provided to confirm that the goods and services were actually received and at the correct quantity, quality and price. Consequently, I was unable to determine whether any adjustment was necessary to contracted services, stated at R80 221 153 in note 38 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the contracted services for the current period.

Operating expenditure

10. During 2020, the municipality did not classify transactions in accordance with GRAP 1, Presentation of financial statements, as items relating to assets were incorrectly classified as operating expenditure (inventory consumables). This resulted in inventory consumables being overstated and property, plant and equipment being understated by R101 436. There was also an impact on the surplus for the prior period and on the accumulated surplus.

Additionally, I was unable to obtain sufficient appropriate audit evidence relating to operating expenditure and to confirm the expenditure by alternative means. Adequate supporting documentation could not be provided to confirm that the goods and services were actually received and at the correct quantity, quality and price. Consequently, I was unable to determine whether any further adjustment was necessary to operating expenditure, stated at R92 666 958 in note 39 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.

Context for the opinion

11. 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.
12. 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.
13. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Unauthorised expenditure

15. As disclosed in note 52 to the financial statements, the municipality incurred unauthorised expenditure of R 16 372 664, due to overspending of the budget.

Restatement of corresponding figures

16. As disclosed in note 46 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

17. With reference to note 43 to the financial statements, the municipality is the defendant in various claims. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result was provided for in the financial statements.

Material losses

18. As disclosed in note 37 to the financial statements, material water distribution losses of

R65 888 545 (2020: R48 664 117) and material electricity distribution losses of R48 296 420 (2020: R38 820 966) were incurred by the municipality mainly due to distribution losses, internal use that was not metered and not read, line losses, and supply to informal areas that have not yet been formalised.

Material impairment

19. As disclosed in notes 12 and 14 to the financial statements, consumer debtors and receivables from non-exchange were impaired by RI 811 491 139 (2020: RI 698 988 453).

Other matters

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

Unaudited disclosure notes

21. 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

22. 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

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

24. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

25. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but

is not a guarantee that an audit conducted in accordance with the ISAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

27. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance area (KPA) presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

28. 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.

29. 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.

| KPA | Pages in the annual performance report |
|---|--|
| KPA 1 — basic service delivery and infrastructure development | |

30. 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.

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

KPA 1 — basic service delivery and Infrastructure development

Upgrade the WWTVV

32. The achievement of 40% was reported in the annual performance report against the target 40%. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 0%.

Various Indicators.

33. The planned indicators and targets indicated below were not consistent with the reported achievements referred to below. In addition, the achievement of indicators listed below was reported against the targets listed below in the annual performance report. However, the supporting evidence provided materially differed from the reported achievement.

| No | Indicator descriptions | Planned targets | Reported achievements |
|----|--|---|---|
| 1 | 1.2.3 Number of conventional water meters replaced with prepaid meters in all the identified areas | 1 000 targeted meter installations and replacement of meters by prepaid meters completed by June 2021 | Target not achieved 0% completed |
| 2 | 1.2.4.2 % compliance with the blue drop water quality accreditation system | > 99 % compliance with the blue drop water quality accreditation system | Target not achieved Sasolburg Micro:99,9% Oranjeville Micro:99,9% Denesville Micro:99,9% Sasolburg Chemical:99,9% Oranjeville Chemical:99,9% Deneysville Chemical 99,9% |
| 3 | 1.2.5.2 % compliance with the green drop water quality accreditation system | > 99 % compliance with the green drop water quality accreditation system | Target not achieved - (Micro chemical and physical 87,5% and 0% operation) |

Other matters

34. I draw attention to the matters below.

Achievement of planned targets

35. 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 32 to 33 of this report.

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

Annual financial statements

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 of expenditure and disclosures items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

39. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualified opinion paragraphs.

Revenue management

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

Procurement and contract management

41. 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 by SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
42. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Similar non-compliance was also reported in the prior year. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). This non-compliance was identified in the procurement processes for the brand new 10 000 litre water tanker truck and the construction of roads and stormwater in Refenggotso Ward 03.
43. Sufficient appropriate audit evidence could not be obtained that bid specifications were unbiased and allowed all potential suppliers to offer their goods or services, as required by SCM regulation 27(2)(a). This non-compliance was identified in the procurement processes for the re-advertisement of construction for the upgrading of Oranjeville wastewater treatment plant.
44. Invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2). Similar non-compliance was also reported in

the prior year. This non-compliance was identified in the procurement processes for the readvertisement of construction for the upgrading of Oranjeville wastewater treatment plant.

45. 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.
46. Awards were made to providers who were in the service of other state institutions or whose directors were in the service of other state institutions, in contravention of MFMA 1120) and SCM regulation 44. Similar awards were identified in the previous year and effective steps were not taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
47. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e). Similar non-compliance was also reported in the prior year.

Consequence management

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

Asset management

51. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
52. 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 and/or considered the fair market value of the assets and the economic and community value to be received in exchange for the assets as required by section 14(2)(a) of the ME-MA.

Strategic planning and performance management

53. 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).

Utilisation of conditional grants

54. I was unable to obtain sufficient appropriate audit evidence that the Integrated National Electrification Programme Grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Dora.

Other information

55. 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 KPA presented in the annual performance report that has been specifically reported in this auditor's report.
56. 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.
57. 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.
58. 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

59. 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.
60. The positions of managers reporting directly to the municipal manager have been vacant for a long period. This resulted in various officials acting in these positions, contributing to the instability in the leadership of the municipality.
61. The leadership did not adequately monitor and enforce the implementation of the corrective measures included in the audit action plan to address internal control weaknesses relating to financial and performance reporting as well as supply chain management processes.

62. Management did not implement proper record keeping to ensure that complete and accurate information was available to support financial reporting.
63. Management did not prioritise, develop and apply standard operating procedures to manage and effectively monitor reporting on performance information.
64. Management's lack of a detailed review of the financial statements and the underlying records resulted in material misstatements to the financial statements that were not detected by the municipality's internal processes.
65. Management did not prioritise the review and monitoring of compliance with legislation, which resulted in repeat findings. This was due to a lack of consequence management, as officials were not held accountable for non-compliance.

Auditor-General

Bloemfontein

30 November 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure — Auditor-general's responsibility for the audit

66. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected KPA and on the municipality's compliance with respect to the selected subject matters.

Financial statements

67. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

Communication with those charged with governance

68. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

69. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Component B: Action plan to address issues raised by the Auditor General during the year under review (2020/2021):

Status of Audit Report: Qualified

Table 6.1 Matters raised by the Auditor-General during 2020/2021 audit

| Issues Raised | Remedial Action Taken/To be taken |
|---|--|
| <p>Property, plant and equipment</p> <p>The municipality did not recognise all items of property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. The municipality went into the process of unbundling its asset items. The new unbundled assets could not be traced back to the old assets in the fixed asset register to confirm from which asset they were unbundled. In addition, the value of the individual unbundled assets could not be reliably confirmed. Consequently, I was unable to determine the impact on the net carrying amount of property plant and equipment disclosed in note 4 to the financial statements as it was impracticable to do so. Additionally, the municipality did not correctly classify community assets pertaining to property, plant and equipment in accordance with GRAP 17, <i>Property, plant and equipment</i>. The community assets were classified as investment property on the Annual Financial Statements. Consequently, community asset in property, plant and equipment was understated by R18 878 222, and investment property overstated by R18 878 222. The disclosure of work-in-progress was not in accordance with GRAP 17, <i>Property, plant and equipment</i>. Infrastructure projects which have been finalised as at 30 June 2021 were incorrectly included in the closing balance of work-in-progress as reflected in the reconciliation of work-in-progress in note 4 to the financial statements. Consequently, work-in-progress was overstated by R29 271 762,86 (2020: R 23 740 444).</p> | <p>The working papers for the unbundle of assets will be obtained and submitted to AG.</p> <p>Classification of all assets will be revised and correct to be in line with GRAP and mSCOA, if necessary.</p> <p>Community assets will be revised and take up with the Auditor General since municipality do not agree with all the re-classification</p> <p>Control measures will be put in place to verify all work in progress as well as the work is done before sign off for payment by PMU</p> <p>Work-in-progress will be revisited and adjustments made will be provided if required.</p> <p>Completion certificates and bill of quantities will be obtained to validate the WIP.</p> <p>The disclosure of Work-in-progress completed and transfer to assets that depreciated will be clearly disclosed in note to AFS to avoid any uncertainty as well as to avoid problems with cash flow.</p> |
| <p>Investment property</p> <p>I was unable to obtain sufficient appropriate audit evidence relating to investment property. The municipality wrote-off investment property from the asset register and could not provide the appropriate sufficient supporting documentation for the write-offs. In addition, adequate supporting documentation could not be provided to confirm the restatement made to the investment property opening balance. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R240 181 962 in note 3 to the financial statements. There is also a resultant impact on the prior period error note 46</p> | <p>Duplications were address on Asset register and not wrote off.</p> <p>Property was classified as per GRAP requirements. The result in write off of debtors.</p> <p>Housing section will submit proof (Council resolution) of the allocations of stands to residents.</p> <p>The information of the re-classification will be obtained and submitted to Auditor General</p> |
| <p>Depreciation and amortisation</p> <p>The municipality did not correctly account for depreciation in terms of GRAP 17, Property, plant and equipment. The depreciation was calculated using the incorrect carrying amounts and in some instances the cost prices. Consequently, depreciation and amortisation was overstated by R18 378 703 and property, plant and equipment understated by R18 378 703.</p> | <p>The lifespan of assets was adjusted on the asset register. The corrections will be done with the assistance of the consultant. Working papers for changes will be submitted to Auditor General. It will be also be re-checked again</p> |

| | |
|---|--|
| <p>Service charges</p> <p>The municipality did not correctly provide for service charges in accordance with GRAP 9, <i>Revenue from exchange transactions</i>. Consumer detectors registered as indigents did not qualify for the indigent status but they were awarded subsidies. Consequently, service charges were overstated by R19 559 657 and receivables from exchange transactions was overstated by the same amount.</p> | <p>The whole population will be checked. We will seek links to Department of Home Affairs to also check on Indigents that has deceased.</p> <p>With the assist of Provincial Treasury, we will check other system to assist us with Indigent verification.</p> <p>Data cleansing will also be done to ensure correct billing of services.</p> |
| <p>Contracted services</p> <p>During 2020, I was unable to obtain sufficient appropriate audit evidence relating to contracted services. Adequate supporting documentation could not be provided to confirm that the goods and services were actually received and at the correct quantity, quality and price. I could not confirm contracted services by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contracted services, stated at R79 498 478 in note 37 to the financial statements. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the contracted for the current period.</p> | <p>Invoices received for payments are signed off by the relevant person in the department who has received the goods and/or services rendered and sent to Supply Chain to attached it to the purchase order, purchase request and quotation. The documents are thereafter sent to the creditor section. The signature on the invoice indicates that goods were delivered/ services rendered</p> <p>Not all suppliers have formal delivery notes where end users can sign off upon receipt of goods/services. All user department are requested all the time to sign the invoices from suppliers as an indication/ con formation that goods were received or service was rendered.</p> <p>All documents are now stamped and signed by end user to declare that all services/goods were delivered/rendered.</p> |
| <p>Irregular expenditure</p> <p>The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements, which were not disclosed. I was unable to determine the full extent of the understatement of irregular expenditure as disclosed in note 53 to the financial statements, as it was impracticable to do so.</p> | <p>The whole population of payments (2017/18, 2018/2019, 2019/2020 and 2020/2021) will be revisited to correct the completion and accuracy of the register, thereafter the annual financial statements will be corrected.</p> <p>Outstanding information will be available for Auditor General</p> <p>SCM unit has since developed a spreadsheet to monitor the expenditure on the RFQ between R30K and R200K as a control measure</p> <p>Deviation report are submitted to Council</p> <p>Management will ensure that deviations are in accordance with the correct procurement processes are followed to avoid irregular expenditure and non-compliance with the Municipal Supply Chain Management Regulations.</p> <p>Control implemented over allocation of work to panels.</p> <p>Measures will be put in place to reduce the extent of Irregular expenditure</p> <p>More workshops will be held for all stakeholders.</p> <p>System be implemented to assist SCM. compliance with the relevant laws and regulations and the internal policies of the entity</p> <p>SCM activities be centralised to minimize irregular expenditure</p> <p>A strategy will be developed to reduce the irregular expenditure.</p> |

| | |
|---|---|
| | |
| Emphasis of matters | |
| Unauthorised expenditure | |
| As disclosed in note 52 to the financial statements, the municipality incurred unauthorised expenditure of R 15 837 338, due to overspending of the budget. | The unauthorised expenditure related to depreciation exceeding the budget. It will also be addressed with the re-calculation of the assets , as mentioned above. |
| Restatement of corresponding figures | |
| As disclosed in note 46 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 | Restatement of 30 June 2020 figures was as a result of invoices received late, corrections made on billing, back payment on salaries due to disparities and re-classifying with the implementation of mSCOA Process regarding year end cut-off procedures will be improved Co-operation of all departments to adhere to the financial procedures for any expenses. All departments in May 2022 informed of year end producers |
| Material uncertainty relating to claims against the municipality | |
| With reference to note 43 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were provided for in the financial statements. | |
| Material losses | |
| As disclosed in note 37 to the financial statements, material water distribution losses of R65 888 545 (2020: R48 664 117) and electricity distribution losses of R48 296 420 (2020: R 38 820 966) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft. | Distribution losses are reported on a monthly basis to management. It will also be addressed in the proposed Revenue enhancement strategy. Water meters need to be installed in areas where water is used but no control over. Installation of these water meters are influenced also by cash flow and the budget that is not funded. Electricity meters (pads) must also be replace to resolve the issue of consumers receiving free electricity (pre-paid electricity) Readings of meters must be taken on a monthly basis to have accurate figures. |
| Material impairment | |
| As disclosed in notes 12 and 14 to the financial statements, receivables from non-exchange and consumer debtors were impaired by R1 811 491 139 (2020: R1 698 988 453). | The cumulative provision for impairment is significant. The provision will continue to be augmented for as long as payment levels are below 100%. We need to also improve our cash collection levels per area. Operation Patala was implemented in 2020/2021, without a high success rate. Revenue Enhancement Strategy will be implemented after strategy session. The issue of indigent residents that use more than 6kl of water per month and do not pay for access use of water, must be address. Areas where meters are not installed, must also be address. |

| | | | | |
|--|--|--|---|--|
| Report on the audit of the annual performance report | | | | |
| Auditor General identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of key performance area 1: basic service delivery and infrastructure development. | | | | Engagement with the directorates will be held on a quarterly basis to address performance information and the portfolio of evidence. The PMS Policy will also be submitted to Council for adoption and subsequently implementation. |
| Reported achievements were not consistent with planned and reported indicator and target | | | | |
| No | Planned and Reported indicators per APR and Planning Documents | Planned targets per APR | Reported actual achievement per APR | |
| 1 | 1.2.3 Number of Conventional water meters replaced with prepaid meters in all the identified areas | 1000 targeted meter installations and replacement of meters by prepaid meters completed by June 2021 | Target not achieved- 0% Completed | |
| 2 | 1.2.4.2 % compliance with the blue drop water quality accreditation system | > 99 % compliance with the blue drop water quality accreditation system | Target not achieved Sasolburg Micro 99,9% Oranjeville Micro:99,9% Denesville Micro:99,9% Sasolburg Chemical:99,9% Oranjeville Chemical:99,9% Deneysville Chemical 99.9% | |
| 3 | 1.2.5.2 % .compliance with the green drop quality accreditation system | > 99 % compliance with the green drop water quality accreditation system | Target not achieved- (Micro 33,3%, Chem 33,3% and Physical 87,5% and 0% operation) | |
| The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below: | | | | |
| Indicator description | Reported achievement | Audited value | | |

| | | | |
|--|---|--|--|
| 1.2.5.2 % compliance with the green drop quality accreditation system | Target not achieved- (Micro 33,3%, Chem 33,3% and Physical 87,5% and 0 operation) | Micro 25%, Chem 33,35% and Physical 79,15% and Operation 39,3% | |
| 1.2.4.2 % compliance with the blue drop water quality accreditation system | Target not achieved, (Sasolburg Micro: 99,9%, Oranjeville Micro: 99,9%, Denesville Micro: 99,9% Sasolburg Chemical: 99,9%, OranjevilleChemical:99,9%, Deneysville Chemical:99,9%, | Non Health Aesthetic 99,21% Operational 83,3% Disinfectant 41,83% Microbiological 99,9% Chemical 99,9% | |
| 1.2.5 Upgrade the WWTW | 40,00% | 0 | |

Expenditure management

Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred, as indicated in the basis for qualified opinion paragraphs.

Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R 3 594 516 as disclosed in note 52 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Irregular, fruitless and unauthorised expenditure are addressed above. Non-payment within 30 days are linked to the cash flow and not submitting of invoices in time. Internal controls be put in place as well as workshops held to empower all departments.

The implementation of actions on Budget Funding Plan, such as Budget and Loss committee, will also address the cash flow and spending.

Legal matters must be address in time to avoid cost of the Sherriff.

Procurement and contract management

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 by SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

Sufficient appropriate audit evidence could not be obtained that bid specifications unbiased and allowed all potential suppliers to offer their goods or services, as required by SCM regulation 27(2)(a). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Re-advertisement of Construction for the Upgrading of Oranjeville Waste Water Treatment Plant

Invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Re-advertisement of Construction for the Upgrading of Oranjeville Waste Water Treatment Plant

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

Awards were made to providers who were in the service of other state institutions or whose directors were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).

Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e).

Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report.

Refer also to actions mentioned above under irregular expenditure.

Findings on Procurement and contract management must be issued in time by Auditor General in order for municipality to clear the matters with Auditor General, where possible.

A strategy will be developed to reduce the irregular expenditure

| | |
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| <p>Consequence management</p> <p>Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.</p> <p>Irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.</p> <p>Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.</p> | <p>Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report.</p> <p>Also refer to comments above.</p> <p>Reports are submitted to MPAC.</p> <p>MPAC must consider the reports in order to finalise the UIF&W.</p> |
| <p>Asset management</p> <p>An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.</p> <p>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 and/or considered the fair market value of the assets and the economic and community value to be received in exchange for the assets as required by section 14(2)(a) and 14(2)(b) of the MFMA</p> | <p>The asset champions of each department must improve their control. Internal controls will be compiled as distribute together with the Asset policy. Awareness be done that assets is not only responsibility of Finance. Refer to Workshop by Provincial Treasury.</p> <p>Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report</p> <p>Disposal of assets – refer to above.</p> <p>Housing section allocated stands in line with Council resolutions.</p> |
| <p>Strategic planning and performance management</p> <p>A performance management system was not established, as required by section 38(a) of the Municipal Systems Act.</p> | <p>Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report.</p> |

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| <p>Utilisation of conditional grants</p> <p>I was unable to obtain sufficient appropriate audit evidence that the Integrated National Electrification Programme Grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Division of Revenue Act (Act 4 of 2020)</p> | <p>The information will be submitted by PMU</p> |
| <p>Internal control deficiencies</p> | <p>Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report.</p> |

Matters raised by the Auditor-General during 2019/20 audit

| Issues Raised | Remedial Action Taken/To be taken |
|---|---|
| <p>Property, plant and equipment</p> | |
| <p>I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the municipality did not maintain an adequate asset register and could not provide me with supporting records for disposals. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R1 225 803 747 (2019: R1 223 944 817) in note 4 to the financial statements.</p> <p>The municipality also did not disclose property, plant and equipment in accordance with GRAP 17, <i>Property, plant and equipment</i>. Various movable assets and additions on infrastructure disclosed in the asset register did not physically exist, resulting in property, plant and equipment being overstated by R35 820 335. This has a resultant impact on the surplus for the period and the accumulated surplus. The municipality also incorrectly classified land as buildings, resulting in land being overstated and buildings understated by R12 722 235 on note 4 of the financial statements.</p> | <p>All assets on the asset register will be verified for existence and classification. The asset register will be updated with additional information such as GPS coordinates, erf numbers, location address and length of roads. All available information will be included in the fixed asset register.</p> <p>Classification of all assets will be revised and correct to be in line with GRAP and Mscoa. Additions will correctly be disclosed. Working papers will be available. Problems with classification as per Mscoa will also referred to National Treasury. Community assets will be re-classified</p> <p>PMU to address issues on Refenggotso Sport Stadium</p> <p>Wonderfontein will be address by Technical services</p> <p>Control measures will be put in place to verify all work in progress as well as the work is done before sign off for payment by PMU</p> |

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| <p>The municipality did not correctly classify community assets, resulting in property plant and equipment being overstated and investment property understated by R13 196 552. In addition, infrastructure projects that had been finalised as at 30 June 2020 were incorrectly included in the closing balance of work-in-progress, as reflected in the reconciliation of work-in-progress in note 4 to the financial statements. Consequently, work-in-progress was overstated by R23 740 444 (2019: R123 353 761)</p> | <p>Work-in-progress will be revisited and adjustments made will be provided if required. Completion certificates and bill of quantities will be obtained to validate the WIP.</p> <p>The disclosure of Work-in-progress completed and transfer to assets that depreciated will be clearly disclosed in note to AFS to avoid any uncertainty as well as to avoid problems with cash flow.</p> <p>All departments as per Asset champion will take responsibility of assets in their section.</p> <p>Assistance from engineers will be implemented.</p> |
| <p>Investment property</p> | |
| <p>I was unable to obtain sufficient appropriate audit evidence for investment property as the municipality did not maintain an adequate asset register and could not provide the required supporting documentation. In addition, adequate supporting documentation could not be provided to confirm the restatement made to investment property opening balance. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R444 879 258 (2019: R445 937 342) in note 3 to the financial statements.</p> | <p>Duplications will be investigated and address on Asset register.</p> <p>The asset register will be updated with additional information such as GPS coordinates, and erf numbers</p> <p>A land audit will be done. Property will be classified as per GRAP requirements.</p> |
| <p>Payables from exchange transactions</p> | |
| <p>I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions as the required supporting documents were not provided. I could not confirm payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments was necessary to payables from exchange transactions, stated at R281 446 155 in note 19 to the financial statements. In addition, the municipality did not account for payables in accordance with GRAP1, Presentation of financial</p> | <p>Outstanding information will be submitted to the Auditor General with the 2020/2021 audit.</p> <p>Transactions will be re-check to ensure that transactions are recorded in correct financial year.</p> <p>All departments must follow the procedures and ensure to submit invoices for payment in time.</p> |

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| <p>statements. Payables from exchange transactions were accounted in the incorrect accounting period, resulting in payables from exchange transactions and operating expenditure overstated by R17 644 733. Additionally, there was an impact on the surplus for the period and accumulated surplus.</p> | |
| <p>Irregular expenditure</p> | |
| <p>The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements, which were not disclosed. I was unable to determine the full extent of the understatement of irregular expenditure stated in note 53 to the financial statements, as it was impracticable to do so.</p> | <p>The whole population of payments (2017/18, 2018/2019 and 2019/2020) will be revisited to correct the completion and accuracy of the register, thereafter the annual financial statements will be corrected.</p> <p>Outstanding information will be available for Auditor General</p> <p>SCM unit has since developed a spreadsheet to monitor the expenditure on the RFQ between R30K and R200K as a control measure</p> <p>Deviation report are submitted to Council</p> <p>Management will ensure that deviations are in accordance with the correct procurement processes are followed to avoid irregular expenditure and non-compliance with the Municipal Supply Chain Management Regulations.</p> <p>Control implemented over allocation of work to panels.</p> <p>Measures will be put in place to reduce the extent of Irregular expenditure</p> <p>More workshops will be held for all stakeholders.</p> <p>System be implemented to assist SCM.</p> <p>compliance with the relevant laws and regulations and the internal policies of the entity</p> <p>SCM activities be centralised to minimize irregular expenditure</p> |

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| Operating Expenditure | |
| <p>I was unable to obtain sufficient appropriate audit evidence for operating expenditure. Adequate supporting documentation could not provide to confirm that the goods and services were actually received and at the correct quantity, quality and price. I could not confirm operating expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to operating expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to operating expenditure, stated at R92 293 507 in note38 to the financial statements. In addition, the municipality did not classify transaction in accordance with GRAP1, Presentation of financial statements as items relating to assets were incorrectly classified as operating expenditure (inventory consumables). This resulted in inventory consumables overstated and property, plant and equipment being understated by R10 101 436. This also has an impact on the surplus for the period and on the accumulated surplus.</p> | <p>The expenditure will be checked for reclassification to capital from expenditure and then will be capitalized on FAR</p> <p>Reclassifications be done where applicable with 2020/2021 AFS</p> <p>Expenditure will be check that that departments confirmed that services and or goods were received.</p> <p>Departments informed to confirmed that services and or goods were received.</p> |
| Contracted services | |
| <p>I was unable to obtain sufficient appropriate audit evidence for contracted expenditure. Adequate supporting documentation could not be provided to confirm that the goods and services were actually received and at the correct quantity, quality and price. I could not confirm by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contract service by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contracted services, stated at R79 498 478 in note37</p> | <p>Invoices received for payments are signed off by the relevant person in the department who has received the goods and/or services rendered and sent to Supply Chain to attached it to the purchase order, purchase request and quotation.</p> <p>The documents are thereafter sent to the creditor section. The signature on the invoice indicates that goods were delivered/ services rendered</p> <p>Not all suppliers have formal delivery notes where end users can sign off upon receipt of goods/services. All user department are requested all the time to sign the invoices from suppliers as an indication/ con formation that goods were received or service was rendered.</p> |
| Depreciation and amortisation | |

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| <p>During 2019, the municipality did not correctly provide for depreciation on items of property, plant and equipment in accordance with GRAP 17, <i>Property, plant and equipment</i>. The depreciation was calculated using the incorrect useful lives. Consequently, depreciation and amortisation was understated by R13 727 130 and property, plant and overstated by the same amount. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current years financial statements as also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.</p> | <p>The lifespan of assets was not adjusted on the asset register but adjustments were made to increase the lifespan of the assets as it reflected less than a year on FAR. Recalculations were done that the Auditor General not took into account.</p> <p>It will be also be re-checked again.</p> |
| <p>Service charges</p> | |
| <p>During 2019, I was unable to obtain sufficient appropriate audit evidence for revenue from service charges and to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R693 519 589 in note 22 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current years financial statements as also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.</p> | <p>The whole population will be checked. We will seek links to Department of Home Affairs to also check on Indigents that has deceased.</p> <p>With the assist of Provincial Treasury, we will check other system to assist us with Indigent verification</p> |
| <p>Property rates</p> | |
| <p>During 2019, I was unable to obtain sufficient appropriate audit evidence for property rates and to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates stated at R143 648 432 in note 27 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current year's financial statements as also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.</p> | <p>The whole population will be checked.</p> <p>We will seek links to Department of Home Affairs to also check on Indigents that has deceased.</p> <p>With the assist of Provincial Treasury, we will check other system to assist us with Indigent verification</p> |

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| | |
| Emphasis of matters | |
| Restatement of corresponding figures | |
| As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2020. | <p>Restatement of 30 June 2019 figures was as a result of invoices received late, corrections made on billing and re-classifying with the implementation of mSCOA</p> <p>Process regarding year end cut-off procedures will be improved</p> <p>Co-operation of all departments to adhere to the financial procedures for any expenses.</p> <p>All departments in May 2021 informed of year end producers</p> |
| Material uncertainty relating to claims against the municipality | |
| With reference to note 42 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements. | |
| Material losses | |
| As disclosed in note 36 to the financial statements, material water losses of R35 492 405 (2019: R28 093 100) and electricity losses of R34 572 353 (2019: R15 278 740) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft. | <p>Distribution losses are reported on a monthly basis to management.</p> <p>It will also be addressed in the proposed Revenue enhancement strategy.</p> <p>Water meters need to be installed in areas where water is used but no control over.</p> <p>Electricity meters (pads) must also be replace to resolve the issue of consumers receiving free electricity(pre-paid electricity)</p> |
| Material impairment | |

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| <p>As disclosed in note 11 and 13 to the financial statements, receivables from non-exchange and consumers were impaired by R1 698 988 453 (2019: R1 415 146 023).</p> | <p>The cumulative provision for impairment is significant. The provision will continue to be augmented for as long as payment levels are below 100%.</p> <p>We need to also improve our cash collection levels per area.</p> <p>Operation Patala was implemented in 2020/2021, without a high success rate.</p> <p>Revenue Enhancement Strategy will be implemented after strategy session.</p> |
| <p>Report on the audit of the annual performance report</p> | |
| <p>Auditor General identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of key performance area 1: basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, Auditor General raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for disclaimer of opinion paragraphs.</p> | <p>Engagement with the directorates will be held on a quarterly basis to address performance information and the portfolio of evidence.</p> <p>The PMS Policy will also be submitted to Council for adoption and subsequently implementation.</p> |
| | |

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|--|---|
| Expenditure management | Irregular, fruitless and unauthorised expenditure are addressed above. Non-payment within 30 days are linked to the cash flow and not submitting of invoices in time. Internal controls be put in place as well as workshops held to empower all departments |
| Procurement and contract management | Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report |
| Consequence management | Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report |
| Asset management | <p>The asset champions of each department must improve their control. Internal controls will be compiled as distribute together with the Asset policy. Awareness be done that assets is not only responsibility of Finance. Refer to Workshop by Provincial Treasury.</p> <p>Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report</p> |
| Strategic planning and performance management | Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report. However due to late receiving of audit report, it will be difficult to address all the audit findings as per audit action plan. |
| Conditional grants | Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report. However due to late receiving of audit report, it will be difficult to address all the audit findings as per audit action plan. |
| Internal control deficiencies | Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report. However due to late receiving of audit report, it will be difficult to address all the audit findings as per audit action plan. |

Appendices

Appendix A: Councillors; Committee Allocation and Council Attendance

Table A1: List of Councillors and record of Council Meetings Attendance

| Number of Council Meetings held for the year | | | | | | |
|--|-----------------|-----------|-------------------------------------|---------|-------|-----------|
| Total number of meetings held for the year | | | | | | |
| | | | Ordinary | Special | Total | |
| Details | | | Record of Council Meetings Attended | | | |
| Full Names & Surname | Political Party | Ward / PR | Ordinary | Special | Total | Number of |
| Ms Patricia Malitaba Mokoena | ANC | 1 | 2 | 5 | 7 | 2 |
| Mr Morena Molawa | ANC | 2 | 3 | 6 | 9 | 0 |
| Ms Mathithi Merriam Telane | ANC | 3 | 3 | 6 | 9 | 0 |
| Ms Gabaikitsi Beauty Nnune | ANC | 4 | 3 | 5 | 8 | 1 |
| Mr Sky Simon Kobo | ANC | 5 | 2 | 6 | 8 | 1 |
| Ms Mahadi Nkheloane | ANC | 6 | 2 | 6 | 8 | 1 |
| Ms Portia Mahlaela | ANC | 7 | 3 | 4 | 7 | 2 |
| Mr Jack Nteso | ANC | 8 | 3 | 4 | 7 | 2 |
| Mr Nelson Nhato Dywili | ANC | 9 | 3 | 6 | 9 | 0 |
| Ms Nokuthula Mirriam Mtshali | ANC | 10 | 2 | 4 | 6 | 3 |
| Mr Thabo Kenneth Mabasa | ANC | 11 | 3 | 6 | 9 | 0 |
| Mr Lebohang Makhefu | ANC | 12 | 3 | 5 | 8 | 1 |
| Mr Fikile Mosokweni | ANC | 13 | 3 | 6 | 9 | 0 |
| Mr Francois Jacobus van der Merwe | DA | 14 | 3 | 5 | 8 | 1 |
| Mr Jacobus Johannes Grobbelaar | DA | 15 | 3 | 5 | 8 | 1 |
| Mr Jan Jacobus Barnard | DA | 16 | 3 | 6 | 9 | 0 |
| Mr George Burger | DA | 17 | 2 | 5 | 7 | 2 |
| Ms Ruanda Meyer | DA | 18 | 2 | 6 | 8 | 1 |
| Mr Khomolileng Alexis Mare | ANC | 19 | 3 | 5 | 8 | 1 |
| Mr Lucas Fisher | ANC | 20 | 2 | 5 | 7 | 2 |
| Ms Ntombizodwa Prudence Mokoena | ANC | 21 | 3 | 4 | 7 | 2 |
| Mr April Tibisi Motaung | EFF | PR1 | 3 | 5 | 8 | 1 |
| Ms Selloane Motjeane | EFF | PR2 | 2 | 5 | 7 | 2 |
| Mr Lefa Nhlapo | EFF | PR5 | 2 | 5 | 7 | 2 |
| Ms Modiehi Granny Leotlela | EFF | PR3 | 3 | 5 | 8 | 1 |

| Number of Council Meetings held for the year | | | | | | |
|--|-----------------|-----------|-------------------------------------|---------|-------|-----------|
| Total number of meetings held for the year | | | | | | |
| | | | Ordinary | Special | Total | |
| Details | | | Record of Council Meetings Attended | | | |
| Full Names & Surname | Political Party | Ward / PR | Ordinary | Special | Total | Number of |
| Mr Teleki Taats | EFF | PR4 | 3 | 4 | 7 | 2 |
| Mr Moeketsi Maseko | EFF | PR6 | 3 | 4 | 7 | 2 |
| Ms Leetoane Tsotetsi | EFF | PR7 | 2 | 4 | 6 | 3 |
| Mr Tshepo MacDonald Motlounq | EFF | PR8 | 3 | 5 | 8 | 1 |
| Mr Lois J van Heerden | DA | PR9 | 3 | 6 | 9 | 0 |
| Mr Zisindo Jafta Zwane | Da | PR10 | 3 | 6 | 9 | 0 |
| Mr Phineas Mohapi | DA | PR11 | 3 | 6 | 9 | 0 |
| Mr Michael Thulani Mbana | DA | PR12 | 2 | 3 | 5 | 4 |
| Mr Simpson Morena Matwa | DA | PR13 | 3 | 5 | 8 | 1 |
| Mr Thabiso Mofokeng | DA | PR14 | 3 | 6 | 9 | 0 |
| Ms Lindiwe Tshongwe | SACP | PR15 | 3 | 6 | 9 | 0 |
| Mr Lebohang Samuel Semonyo | SACP | PR16 | 3 | 5 | 8 | 1 |
| Mr Mosiuoa Poho | SACP | PR17 | 3 | 4 | 7 | 2 |
| Mr Theo du Toit | FF | PR18 | 3 | 6 | 9 | 0 |
| Mr Vuyo Lenny Mashia | MCA | PR19 | 3 | 6 | 9 | 0 |
| Mr Mthakathi Jack Malindi | AIC | PR20 | 2 | 6 | 8 | 1 |
| Mr Khodu Bula Mofokeng | 4FSD | PR21 | 2 | 6 | 8 | 1 |

Appendix B: Committees & their respective purposes

Table A2: Name & Purpose of the Committee

| Name of Committee | Purpose of the Committee |
|---|--|
| Portfolio Committee: Corporate Services (s80) | Oversight over Corporate Services departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee. |
| Portfolio Committee: Finance and Audit (s80) | Oversight over Finance departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the |
| Portfolio Committee: Technical Services (s80) | Oversight over Technical Services departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee. |
| Portfolio Committee: Public Safety (s80) | Oversight over Public Safety sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral |
| Portfolio Committee: Cleansing, Parks and Cemeteries (s80) | Oversight over Social Services sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral |
| Portfolio Committee: Urban Planning and Human Settlements (s80) | Oversight over Urban Planning & Human Settlement departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee. |
| Portfolio Committee: LED, Tourism and Agriculture (s80) | Oversight over LED & Tourism departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral |
| Portfolio Committee: Sports, Arts and Culture (s80) | Oversight over Sports, Arts & Culture sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral |
| Audit and Performance Audit Committee (s79) | Roles and responsibilities as outlined in section 166 of the MFMA and the approved charter |
| Oversight Committee (s79) | Roles and responsibilities as outlined in section 129 of the MFMA and the National Treasury guidelines issued in MFMA Circular 32 (18 |

Table A3: Members of Corporate Services Committee and Attendance Records of Committee Meetings

| Corporate Services (s80) | | | |
|--------------------------|-----------------|-----------------------------|------------------|
| Initials & Surname | Political Party | No. of Meetings Attended by | No. of Apologies |
| Cllr M J Malindi (MMC) | AIC | 1 | 0 |
| Cllr A K Mare | ANC | 1 | 0 |
| Cllr N N Dywili | ANC | 1 | 0 |
| Cllr L J van Heerden | DA | 1 | 0 |
| Cllr L J Tsotesi (Ms) | EFF | 0 | 1 |

Table A4: Members of Finance & IDP Committee and Attendance Records of Committee Meetings

| Finance and IDP (s80) | | | |
|-----------------------|-----------------|-----------------------------|------------------|
| Initials & Surname | Political Party | No. of Meetings Attended by | No. of Apologies |
| Cllr L Fisher (MMC) | ANC | 2 | 0 |
| Cllr N N Dywili | ANC | 2 | 0 |
| Cllr P M Barnard | DA | 2 | 0 |
| Cllr T A Motaung | EFF | 1 | 1 |
| Cllr P M Mokoena (Ms) | ANC | 2 | 0 |

Table A5: Members of Technical Services Committee and Attendance Records of Committee Meetings

| Technical Services (s80) | | | |
|--------------------------|-----------------|-----------------------------|------------------|
| Initials & Surname | Political Party | No. of Meetings Attended by | No. of Apologies |
| Cllr M S Poho (MMC) | SACP | 0 | 0 |
| Cllr G B Nnune (Ms) | ANC | 0 | 0 |
| Cllr S J Nteso | ANC | 0 | 0 |
| Cllr J J Grobbelaar | DA | 0 | 0 |
| Cllr S M Motjeane (Ms) | EFF | 0 | 0 |
| Cllr T du Toit | FF+ | 0 | 0 |

Table A6: Members of Public Safety Committee and Attendance Records of Committee Meetings

| Public Safety (s80) | | | |
|-------------------------|-----------------|-----------------------------|------------------|
| Initials & Surname | Political Party | No. of Meetings Attended by | No. of Apologies |
| Cllr K B Mofokeng (MMC) | F4SD | 1 | 0 |
| Cllr P Mahlaela (Ms) | ANC | 1 | 0 |
| Cllr S J Nteso | ANC | 1 | 0 |
| Cllr F J van der Merwe | DA | 1 | 0 |
| Cllr T J Taat | EFF | 1 | 0 |

Table A7: Members of Cleansing, Parks & Cemeteries Committee and Attendance Records of Committee Meetings

| Cleansing, Parks and Cemeteries (s80) | | | |
|---------------------------------------|-----------------|-----------------------------|------------------|
| Initials & Surname | Political Party | No. of Meetings Attended by | No. of Apologies |
| Cllr F Mosokweni (MMC) | ANC | 2 | 0 |
| Cllr M M Telane (Ms) | ANC | 2 | 0 |
| Cllr M Nkheloane (Ms) | ANC | 2 | 0 |
| Cllr P Mohapi | DA | 2 | 0 |
| Cllr M E Maseko | EFF | 2 | 0 |

Table A8: Members of Urban Planning & Human Settlements Committee and Attendance Records of Committee Meetings

| Urban Planning and Human Settlements (s80) | | | |
|--|-----------------|-----------------------------|------------------|
| Initials & Surname | Political Party | No. of Meetings Attended by | No. of Apologies |
| Cllr L S Semonyo (MMC) | SACP | 1 | 0 |
| Cllr A K Mare | ANC | 1 | 0 |
| Cllr G B Nnune (Ms) | ANC | 1 | 0 |
| Cllr R Meyer (Ms) | DA | 1 | 0 |
| Cllr T M Motloutung | EFF | 1 | 0 |

Table A9: Members of LED, Tourism & Agriculture Committee and Attendance Records of Committee Meetings

| LED, Tourism and Agriculture (s80) | | | |
|------------------------------------|-----------------|-----------------------------|------------------|
| Initials & Surname | Political Party | No. of Meetings Attended by | No. of Apologies |
| Cllr N P Mokoena (Ms) (MMC) | ANC | 1 | 0 |
| Cllr P Mahlaela (Ms) | ANC | 1 | 0 |
| Cllr M M Telane (Ms) | ANC | 1 | 0 |
| Cllr T Mofokeng | DA | 1 | 0 |
| Cllr L L Nhlapo | EFF | 1 | 0 |

Table A10: Members of Sports, Arts & Culture Committee and Attendance Records of Committee Meetings

| Sports, Arts and Culture (s80) | | | |
|--------------------------------|-----------------|-----------------------------|------------------|
| Initials & Surname | Political Party | No. of Meetings Attended by | No. of Apologies |
| Cllr N M Mtshali (MMC) | ANC | 1 | 0 |
| Cllr M P Mokoena (Ms) | ANC | 1 | 0 |
| Cllr M Nkheloane (Ms) | ANC | 1 | 0 |
| Cllr G Burger | DA | 1 | 0 |
| Cllr M Leotlela (Ms) | EFF | 1 | 0 |

Table A11: Members of Audit and Performance Audit Committee and Attendance Records of Committee Meetings
Period: 01 July 2020 – 31 March 2021

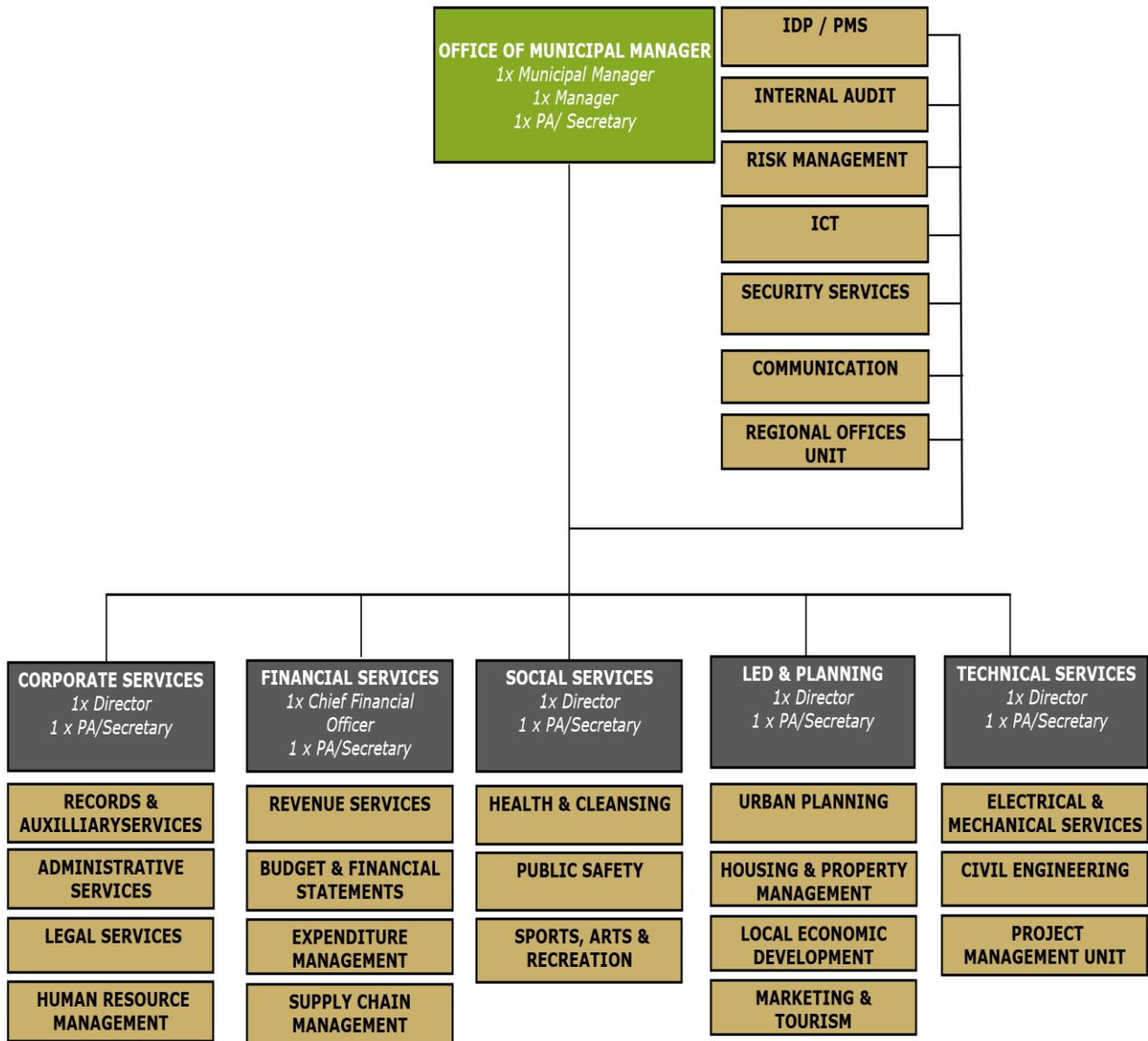
| Audit and Performance Audit Committee (s79) | | |
|---|--|------------------|
| Initials & Surname | No. of Meetings Attended by the Member | No. of Apologies |
| Mr SP Simelane (Chairperson) | 4 | 0 |
| Ms SFS Makhathini | 4 | 0 |
| Mr M Noge | 2 | 2 |

Period: 01 April 2021 – 30 June 2021

| Audit and Performance Audit Committee (s79) | | |
|---|--|------------------|
| Initials & Surname | No. of Meetings Attended by the Member | No. of Apologies |
| Mr Z Fihlani (Chairperson) | 1 | 0 |
| Ms LL Mbambale-Mathobo | 1 | 0 |
| Mr M Noge | 0 | 1 |

Appendix C: Third Tier Administrative Structure

Figure A1 - Third Tier Administrative Structure



Appendix D: Functions of the Municipality

Table A12: Powers and Functions of the Municipality

| Powers & Functions | Reference | Performed (Yes/No) |
|--|-------------------|--------------------|
| Schedule 4 Part B and Schedule 5 Part B Powers and Functions: | | |
| Air pollution | Schedule 4 Part B | No |
| Building regulations | Schedule 4 Part B | Yes |
| Child care facilities | Schedule 4 Part B | No |
| Electricity and gas reticulation | Schedule 4 Part B | Yes |
| Firefighting services | Schedule 4 Part B | Yes |
| Local tourism | Schedule 4 Part B | No |
| Municipal airports | Schedule 4 Part B | No |
| Municipal planning | Schedule 4 Part B | Yes |
| Municipal health services | Schedule 4 Part B | No |
| Municipal public transport | Schedule 4 Part B | No |
| Municipal public works | Schedule 4 Part B | No |
| Pontoons, ferries, jetties, piers and harbours. | Schedule 4 Part B | No |
| Stormwater management systems in built-up areas | Schedule 4 Part B | No |
| Trading regulations | Schedule 4 Part B | Yes |
| Water and sanitation services | Schedule 4 Part B | Yes |
| Beaches and amusement facilities | Schedule 5 Part B | No |
| Billboards and the display of advertisements in public places | Schedule 5 Part B | Yes |
| Cemeteries, funeral parlours and crematoria | Schedule 5 Part B | Yes |
| Cleansing | Schedule 5 Part B | Yes |
| Control of public nuisances | Schedule 5 Part B | Yes |
| Control of undertakings that sell liquor to the public | Schedule 5 Part B | No |
| Facilities for the accommodation, care and burial of animals | Schedule 5 Part B | No |
| Fencing and fences | Schedule 5 Part B | Yes |
| Licensing of dogs | Schedule 5 Part B | No |
| Licensing and control of undertakings that sell food to the public | Schedule 5 Part B | No |
| Local amenities | Schedule 5 Part B | Yes |
| Local sport facilities | Schedule 5 Part B | Yes |
| Markets | Schedule 5 Part B | No |
| Municipal abattoirs | Schedule 5 Part B | No |
| Municipal parks and recreation | Schedule 5 Part B | Yes |
| Municipal roads | Schedule 5 Part B | Yes |

| Powers & Functions | Reference | Performed (Yes/No) |
|--|-------------------|--------------------|
| Schedule 4 Part B and Schedule 5 Part B Powers and Functions: | | |
| Noise pollution | Schedule 5 Part B | No |
| Pounds | Schedule 5 Part B | No |
| Public places | Schedule 5 Part B | Yes |
| Refuse removal, refuse dumps and solid waste disposal | Schedule 5 Part B | Yes |
| Street trading | Schedule 5 Part B | Yes |
| Street lighting | Schedule 5 Part B | Yes |
| Traffic and parking | Schedule 5 Part B | Yes |
| Fiscal Powers and Functions in terms of Section 229 of the Constitution: | | |
| Levying of rates on property and surcharges on fees for services provided by or on behalf of the | | Yes |
| Other powers and function not specified by the Constitution | | |
| Disaster management (*) | | Yes |
| Integrated development planning | | Yes |
| Libraries and museums (other than national libraries and museums) | | No |
| Nature conservation Tourism promotion (at local level only) | | Yes |

Appendix E: Ward Reporting

Table A13: Ward Reporting

| Functionality of Ward Committees | | | | | |
|----------------------------------|--|----------------------------------|---|--|---|
| Ward Name (Number) | Name of Ward Councillor and elected Ward committee members | Committee established (Yes / No) | Number of monthly Committee meetings held during the year | Number of monthly reports submitted to Speakers Office on time | Number of quarterly public ward meetings held during year |
| 1 | Ms. Patricia Malitaba Mokoena | Yes | | | |
| 2 | Mr. Morena Molawa | Yes | | | |
| 3 | Ms. Mathithi Telane | Yes | | | |
| 4 | Ms. Gabaikitsi Beauty Nnune | Yes | | | |
| 5 | Mr. Sky Kobo | Yes | | | |
| 6 | Ms. Mahadi Nkheloane | Yes | | | |
| 7 | Ms. Portia Mahlaela | Yes | | | |
| 8 | Mr. Seatle Jack Nteso | Yes | | | |
| 9 | Mr. Nelson Dywili | Yes | | | |
| 10 | Ms. Nokuthula Mirriam Mtshali | Yes | | | |

Due to COVID 19 regulations no contact meetings were held

| | | | | | |
|----|----------------------------------|-----|---|--|--|
| 11 | Mr. Kenneth Thabo Mabasa | Yes | | | |
| 12 | Mr. Lebohang Andries Makhefu | Yes | | | |
| 13 | Mr. Fikile Mosokweni | Yes | | | |
| 14 | Mr. Francois Jacobus Van der | Yes | | | |
| 15 | Mr. Jacobus Johannes Grobbelaar | Yes | | | |
| 16 | Mr. Jan Jacobus Barnard | Yes | Due to COVID 19 regulations no contact meetings were held | | |
| 17 | Mr. George Burger | Yes | | | |
| 18 | Ms. Raunda Meyer | Yes | | | |
| 19 | Mr. Khomolileng Alexis Mare | Yes | | | |
| 20 | Mr. Lucas Fisher | Yes | | | |
| 21 | Ms. Ntombizodwa Prudence Mokoena | Yes | | | |

Appendix F: Ward Information

Table A14: Ward Information

| First Quarter | | Second Quarter | | Third Quarter | | Fourth Quarter | |
|--|-------|----------------|-------|---------------|-------|----------------|-------|
| Activities | Wards | Activities | Wards | Activities | Wards | Activities | Wards |
| | | | | | | | |
| Due to COVID 19 regulations no ward activities were undertaken | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Appendix G: Recommendations of the Audit Committee

Table A15: Recommendations of the Audit Committee

| Municipal Audit Committee Recommendations | | |
|---|---|--------------------------|
| Date of Meeting | Committee recommendations during 2020/21 | Recommendations adopted? |
| 22 September 2020 | MPAC to fulfil all its responsibilities as required by section 32 of the MFMA as well as other oversight issues | In progress |
| 22 September 2020 12 March 2021 | That all outstanding traffic fines captured manually be transferred to a system | In progress |
| 22 September 2020 12 March 2021 | That all income received from traffic be submitted to finance and fast track the appointment of service provider | In progress |
| All meetings | To appoint the senior managers (sec 56) as a matter of urgency | In progress |
| 22 September 2020 | Management to ensure proper monitoring of the work performed by the consultants | In progress |
| 12 March 2021 | The traffic management system must be secured to prevent revenue loss | In progress |
| 12 March 2021 | That all income received from traffic be submitted to finance and fast track the appointment of service provider | In progress |
| 22 September 2020 | Audit Action Plan - Management should draft a strategic plan to resolve the issues in the audit report as well as operational action to address the issues raised by the AG in the management report. | In progress |
| 22 September 2020 | Appoint the vacant post of compliance officer as a matter of urgency to monitor compliance and implementation of the action plan | In progress |

Appendix H: Long-term contracts and Public Private Partnerships

Table A16: Long-term contracts and Public Private Partnerships

| Name of the supplier / service provider | Description of the Project | Service Level Agreement signed (Yes/No) | Project Start Date | Project Completion Date | Status as at 30 June 2021 |
|---|--|---|--------------------|-------------------------|---------------------------|
| Boitumelo Maubane Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | 22/10/2015 | 22/10/2018 | Ongoing instructions |
| Ransford Mbewe Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | 22/10/2015 | 22/10/2018 | Ongoing instructions |
| Adolff Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | 22/10/2015 | 22/10/2018 | Ongoing instructions |
| Lawrence Melato Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | 25/09/2019 | 25/09/2022 | Ongoing instructions |
| Raphela Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | 25/09/2019 | 25/09/2022 | Ongoing instructions |
| Ponoane Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | 25/09/2019 | 25/09/2022 | Ongoing instructions |
| Katake Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | 25/09/2019 | 25/09/2022 | Ongoing instructions |
| Popela Attorneys | Legal entity that provides supportive legal related services on as when | No | 25/09/2019 | 25/09/2022 | Ongoing instructions |
| Verveen Attorneys | Legal entity that provides supportive legal related services on as when | No | 25/09/2019 | 25/09/2022 | Ongoing instructions |
| Lizel Venter Attorneys | Legal entity that provides supportive legal related services on as when | No | 25/09/2019 | 25/09/2022 | Ongoing instructions |
| | | | | | |
| | | | | | |

Appendix I: Municipal Entity/Service Provider Performance Schedule

Table A17: Municipal Entity/Service Provider Performance Schedule

| Name of the supplier / service provider | Description of the Project | Service Level Agreement signed (Yes/No) | Status as at 30 June 2021 (e.g in progress, completed, etc) | Performance Measurement as at 30 June 2021 (Good/Fair/Poor) |
|---|--|---|---|---|
| Boitumelo Maubane Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | Completed | Good |
| Ransford Mbewe Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | Completed | Good |
| Adolff Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | Completed | Good |
| Lawrence Melato Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | In progress | Good |
| Raphela Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | In progress | Fair |
| Ponoane Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | In progress | Good |
| Katake Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | In progress | Good |
| Popela Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | In progress | Fair |
| Verveen Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | In progress | Good |
| Lizel Venter Attorneys | Legal entity that provides supportive legal related services on as when required for a period of 3 years | No | In progress | Good |
| | | | | |

Appendix J: Disclosure of Financial Interest

Table A18: Disclosure of Financial Interest

| Register of Declaration of Financial Interests as at 30 June 2021 | | | | |
|---|-----------------------|-------------------------|---------------------|-------------------------------|
| Surname | Names | Name of Business & | Address of Business | Association with the Business |
| SEDIANE | MOHLOUOA EPHRAIM | MTN SA | N/A | ORDINARY |
| | | THC | N/A | PREFERENT |
| | | UPRISE AFRICA/MARKET | N/A | ORDINARY |
| ALBERTS | GINO | NONE | N/A | N/A |
| MATHE | MOTSUMI FAIRBRIDGE | MULTICHOICE | N/A | EQUITY SHARES |
| THEKO | MOJELA | NONE | N/A | N/A |

Appendix K: Revenue Collection Performance

Appendix K (i): Revenue Collection Performance By Vote

Table A19: Revenue Collection Performance By Vote

| Revenue Collection Performance by Vote | | | | | | |
|---|---------|-----------------|-----------------|-------------|-------------------|----------------------|
| R' 000 | | | | | | |
| Vote Description | 2019/20 | 2020/21 | | | 2020/21 Variance | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget % | Adjustments Budget % |
| Council Speaker Council | | | | | | |
| Municipal Manager | 2 118 | 2 952 | 2 818 | 999 | | |
| Organisational Development and Corporate Services | 812 | 1 307 | 3 520 | 5 | | |
| Social Services | 58 662 | 93 119 | 85 385 | 4 910 | | |
| Technical and Infrastructure | 852 603 | 1 034 829 | 1 047 496 | 66 054 | | |
| Financial Services | 367 660 | 369 413 | 389 491 | (2 061 752) | | |
| Local development and Urban | 6 885 | 20 882 | 20 992 | 1 233 | | |
| Total Revenue by Vote | | | | | | |

Appendix K (ii): Revenue Collection Performance by Source

Table A20: Revenue Collection Performance By Source

| Revenue Collection Performance by Source | | | | | | |
|---|---------|-----------------|--------------------|-------------|-------------------|----------------------|
| R '000 | | | | | | |
| Description | 2019/20 | 2020/21 | | | 2020/21 Variance | |
| | Actual | Original Budget | Adjustments Budget | Actual | Original Budget % | Adjustments Budget % |
| Property rates | 199 277 | 210 599 | 208 311 | 17 415 | 2.7% | 3% |
| Service Charges - electricity revenue | 298 686 | 314 935 | 313 066 | 28 259 | -0.7% | -1% |
| Service Charges - water revenue | 407 802 | 511 534 | 505 624 | 29 395 | -21% | -21% |
| Service Charges - sanitation revenue | 28 185 | 42 370 | 44 410 | 3 014 | -20.25% | -19% |
| Service Charges - refuse revenue | 32 860 | 37 636 | 36 667 | 3 197 | -3.63% | -4% |
| Service Charges – other | | | | | | |
| Rentals of facilities and equipment | 5 983 | 6 288 | 6 250 | 490 | -5.3% | -5% |
| Interest earned - external investments | 4 491 | 2 500 | 2 500 | 161 | 4.32% | 4% |
| Interest earned - outstanding debtors | 45 927 | 38 725 | 38 725 | 4 285 | 0.98% | 1% |
| Dividends received | 123 | 100 | 100 | – | 11% | 11% |
| Fines | 2 508 | 10 420 | 10 420 | 81 | -92% | -92% |
| Licenses and permits | 56 | 211 | 211 | 1 | -95% | -95% |
| Agency services | | | | | | |
| Transfers recognised - operational | 213 846 | 208 982 | 241 983 | 996 | -3% | -3% |
| Other revenue | 6 671 | 22 231 | 22 721 | 1 829 | -59% | -57% |
| Gains on disposal of PPE | 41 | – | – | (2 077 674) | #DIV/0! | #DIV/0! |
| Total Revenue (excluding capital transfers and | | | | | | |

Appendix L: Conditional Grants Received (Excluding MIG)

Table A21: Conditional Grants Received (Excluding MIG)

| Conditional Grants: excluding MIG | | | | | | |
|-----------------------------------|-----------------|--------------------|--------|-------------------|----------------------|-----------------------------------|
| R' 000 | | | | | | |
| Details | Original Budget | Adjustments Budget | Actual | Variance | | Major conditions applied by donor |
| | | | | Original Budget % | Adjustments Budget % | |
| Department of Energy | | | | | | |
| Department of Water | | | | | | |
| Regional Bulk | | | | | | |
| Financial Management | 2 500 | 2 500 | – | 0% | 0,0% | |
| Equitable Share | 202 505 | 233 729 | – | -1.97% | -1,7% | |
| Total | | | | | | |

Appendix M: Capital Expenditure – New & Upgrade/Renewal Programmes (Including MIG)

Appendix M (i): Capital Expenditure - New Assets Programme

Table A22: Capital Expenditure - New Assets Programme

| FS204 Metsimaholo - Supporting Table SC13b Monthly Budget Statement - capital expenditure on renewal of existing assets by asset class - M12 June | | | | | | | | | | |
|---|-----|-----------------|---------------------|-----------------|----------------|---------------|---------------|--------------|----------------|--------------------|
| Description | Ref | 2019/20 | Budget Year 2020/21 | | | | | | | |
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | | | | | | | | | | |
| Capital expenditure on renewal of existing assets by Asset Class/Sub-class | | | | | | | | | | |
| - | | | | | | | | | | |
| Infrastructure | | 3 543 | 74066 | 56979 | 5 197 | 6 177 | 56979 | 50803 | 89,2% | 56979 |
| Roads Infrastructure | | – | 30000 | 26000 | – | – | 26000 | 26000 | 100,0% | 26000 |
| Roads | | – | 30000 | 26000 | – | – | 26000 | 26000 | 100,0% | 26000 |
| Road Structures | | | | | | | | | | |
| Road Furniture | | | | | | | | | | |

| | | | | | | | | | | |
|------------------------------------|--|-------|-------|-------|-------|-------|-------|-------|---------|-------|
| <i>Capital Spares</i> | | | | | | | | | | |
| Storm water Infrastructure | | - | - | - | - | - | - | - | | - |
| <i>Drainage Collection</i> | | | | | | | | | | |
| <i>Storm water Conveyance</i> | | | | | | | | | | |
| <i>Attenuation</i> | | | | | | | | | | |
| Electrical Infrastructure | | - | 15016 | 5 200 | - | 249 | 5 200 | 4 951 | 95,2% | 5 200 |
| <i>Power Plants</i> | | | | | | | | | | |
| <i>HV Substations</i> | | | | | | | | | | |
| <i>HV Switching Station</i> | | | | | | | | | | |
| <i>HV Transmission Conductors</i> | | | | | | | | | | |
| <i>MV Substations</i> | | | | | | | | | | |
| <i>MV Switching Stations</i> | | | | | | | | | | |
| <i>MV Networks</i> | | - | 3 916 | 1 000 | - | - | 1 000 | 1 000 | 100,0% | 1 000 |
| <i>LV Networks</i> | | | | | | | | | | |
| <i>Capital Spares</i> | | - | 11100 | 4 200 | - | 249 | 4 200 | 3 951 | 94,1% | 4 200 |
| Water Supply Infrastructure | | 673 | 4 000 | 10247 | 1 864 | 1 904 | 10247 | 8 343 | 81,4% | 10247 |
| <i>Dams and Weirs</i> | | | | | | | | | | |
| <i>Boreholes</i> | | | | | | | | | | |
| <i>Reservoirs</i> | | | | | | | | | | |
| <i>Pump Stations</i> | | | | | | | | | | |
| <i>Water Treatment Works</i> | | 49 | 2 000 | 2 000 | - | - | 2 000 | 2 000 | 100,0% | 2 000 |
| <i>Bulk Mains</i> | | | | | | | | | | |
| <i>Distribution</i> | | - | - | 8 247 | 1 864 | 1 864 | 8 247 | 6 383 | 77,4% | 8 247 |
| <i>Distribution Points</i> | | | | | | | | | | |
| <i>PRV Stations</i> | | | | | | | | | | |
| <i>Capital Spares</i> | | 624 | 2 000 | - | - | 40 | - | (40) | #DIV/0! | - |
| Sanitation Infrastructure | | 2 869 | 25050 | 15532 | 3 333 | 4 024 | 15532 | 11509 | 74,1% | 15532 |
| <i>Pump Station</i> | | | | | | | | | | |
| <i>Reticulation</i> | | | | | | | | | | |
| <i>Waste Water Treatment Works</i> | | 2 869 | 25000 | 15532 | 3 333 | 4 024 | 15532 | 11509 | 74,1% | 15532 |
| <i>Outfall Sewers</i> | | | | | | | | | | |
| <i>Toilet Facilities</i> | | | | | | | | | | |

| | | | | | | | | | |
|----------------|--|---|----|---|---|---|---|---|---|
| Capital Spares | | - | 50 | - | - | - | - | - | - |
|----------------|--|---|----|---|---|---|---|---|---|

Appendix N: Capital Programme by Project current year

Table A22: Capital Programme by Project current year

| Capital Programme by Project: 2020/21 | | | | | |
|---------------------------------------|-----------------|-------------------|---------------|------------------------|-----------------------|
| R' 000 | | | | | |
| Capital Project | Original Budget | Adjustment Budget | Actual Budget | Variance (Act - Adj) % | Variance (Act - OB) % |
| Sanitation/Sewerage | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Appendix O: Capital Programme by project by ward current year

Table A24: Capital Programme by project by ward current year

| Project description | Ward | Total Budget | Start Date | Completion Date | Physical Progress % | Comments |
|-------------------------------|------|--------------|------------|-----------------|---------------------|----------|
| MIG Projects - 2020/21 | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

| Project description | Ward | Total Budget | Start Date | Completion Date | Physical Progress % | Comments |
|--------------------------------|------|--------------|------------|-----------------|---------------------|----------|
| DWS Projects - 2020/21 | | | | | | |
| | | | | | | |
| EPWP Projects - 2020/21 | | | | | | |
| | | | | | | |
| DOE Projects - 2020/21 | | | | | | |
| | | | | | | |

Appendix P: Service Connection Backlogs at Schools and Clinics

-None

Appendix Q: Service Backlogs Experienced by the Community where another Sphere of Government is responsible for service provision

-None

Appendix R: Declaration of Loans and Grants made by the municipality

-None

Appendix S: Declaration of returns not made due time under MFMA s71

-All section 71 reports were submitted on time during the period under review.

Appendix T: National and Provincial Outcome for local government

Table A25: National and Provincial Outcome for local government

| National and Provincial Outcomes for Local Government | | |
|--|---|--------------------------------|
| Outcome/Output | Progress to date | Number or Percentage Achieved |
| Output: Improving access to basic services | Access to all -Water -Electricity -Sanitation -Refuse | 95% 85.5% 74.1% 78.1% |
| Output: Implementation of the Community Work Programme | Functional 985/1000 participants | 99% |
| Output: Deepen democracy through a refined Ward Committee model | Functional | - |
| Output: Administrative and financial capability | Fair- Critical posts to be filled. Qualified Audit opinion | - |

VOLUME II – ANNUAL FINANCIAL STATEMENTS



Metsimaholo Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

* See Note

1

The supplementary information presented does not form part of the annual financial statements and is unaudited

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity

FS 204 - Local Municipality.

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (supplying water to the public); and Rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).

Mayoral Committee

Mosokweni FD
Mofokeng KB
Malindi MJ
Fisher L
Semonyo LS
Mokoena NP
Poho MS
Mtshali NM

Executive Mayor

Tshongwe SL

Speaker

Mabasa KT

Councillors

Barnard JJ
Burger GS
Du Toit T
Dywili NN
Grobbelaar JJ
Kobo SS (Chairperson Streetnaming)
Leotlela MG
Mahlaela PM
Makhefu L (Chairperson Ethics)
Mare AK
Maseko ME
Mashia VL (Council Whip)
Matwa SM
Mbana MT
Meyer R
Mofokeng TH
Mohapi P
Mokoena MP
Molawa M (MPAC chairperson)
Motaung TA
Motjeane S
Motloung TM
Nhlapo LL
Nkheloane M
Nnune GB
Nteso SJ
Taats TJ
Telane MM
Tsetetsi L
Van der Merwe FJ
Van Heerden LJ
Zwane ZJ

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

| | |
|--|--|
| Capacity and grading of local authority | Metsimaholo Local Municipality is a grade 9 local authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998 High Capacity FS 204 |
| Accounting Officer | SM Molala Acting FM Mathe |
| Chief Financial Officer (CFO) | Acting K Lepesa (Ms) Acting A Vorster (Ms) |
| Registered office | Civic Centre Fichardt Street Sasolburg 1947 |
| Business address | Civic Centre Fichardt Street Sasolburg 1947 |
| Postal address | PO Box 60 Sasolburg 1947 |
| Bankers | The Standard Bank of South Africa Ltd ABSA Bank Ltd |
| Auditors | Auditor-General of South Africa |
| Attorneys | Katake Attorneys Khumalo Masondo Attorneys Incorporated Lawrence Melato Incorporated Nchupetsang Incorporated Attorneys Ponoane Attorney, Notaries and Conveyancers Popela Maake Incorporated Raphela Inc. Attorneys Verveen Attorneys Lizel Venter Attorneys |
| Legislation governing the municipality's operations | Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Property Rates Act (Act No. 6 2004) Division of Revenue Act (Act No. 1 of 2007) |
| Jurisdiction | Metsimaholo Local Municipality is a local government institution and is located in the Free State Province of South Africa and is one of four municipalities under the jurisdiction of the Fezile Dabi District Municipality. Cities/Towns: Sasolburg, Oranjeville, Deneysville , Viljoensdrift, Zamdela, Refenggotso and Metsimaholo |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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

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| | |
|-------|--|
| ASB | Accounting Standard Board |
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| ME | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| mSCOA | Municipal Standard Chart of Accounts |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

The Accounting Officer is responsible for the preparation of the audited financial statements in terms of section 126(1) of the Municipal Finance Management Act (Act 56 of 2003). The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

I, as the accounting officers acknowledge that I am 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 me to meet these responsibilities, I have set 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.

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

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

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

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

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 31 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021.

Mathe FM
Acting Accounting officer

Sasolburg
Tuesday, 30 November 2021

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 10 | 1,346,874 | 1,205,253 |
| Fruitless and wasteful expenditure recoverable | 7 | 18,451,758 | 18,451,758 |
| Other financial assets | 8 | 2,842,520 | 2,730,475 |
| Receivables from exchange transactions | 11&14 | 330,067,526 | 199,951,055 |
| Receivables from non-exchange transactions | 12&14 | 109,225,670 | 60,818,119 |
| Cash and cash equivalents | 15 | 48,132,763 | 45,738,269 |
| | | 510,067,111 | 328,894,929 |
| Non-Current Assets | | | |
| Investment property | 3 | 240,181,962 | 253,285,309 |
| Property, plant and equipment | 4 | 1,160,910,342 | 1,225,813,747 |
| Intangible assets | 5 | 3,631,696 | 4,555,920 |
| Heritage assets | 6 | 4,427,968 | 4,427,968 |
| Receivables from exchange transactions | 11 | 1,845,746 | 45,118 |
| | | 1,410,997,714 | 1,488,128,062 |
| Total Assets | | 1,921,064,825 | 1,817,022,991 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | 16 | 492,810 | 3,287,522 |
| Payables from exchange transactions | 19 | 300,847,717 | 294,639,997 |
| VAT payable | 20 | 21,576,715 | 8,026,417 |
| Consumer deposits | 21 | 26,905,083 | 25,477,270 |
| Employee benefit obligation | 9 | 4,356,313 | 3,700,083 |
| Unspent conditional grants and receipts | 17 | 272,563 | 31,116,049 |
| | | 354,451,201 | 366,247,338 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 16 | 37,618 | 540,509 |
| Employee benefit obligation | 9 | 57,882,411 | 54,084,377 |
| Provisions | 18 | 86,063,312 | 88,594,962 |
| | | 143,983,341 | 143,219,848 |
| Total Liabilities | | 498,434,542 | 509,467,186 |
| Net Assets | | 1,422,630,283 | 1,307,555,805 |
| Accumulated surplus | | 1,422,630,283 | 1,307,555,805 |
| Total Net Assets | | 1,422,630,283 | 1,307,555,805 |

* See Note 46

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|---|---------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 22 | 797,422,226 | 737,431,393 |
| Rental of facilities and equipment | 23 | 5,915,983 | 5,983,037 |
| Interest received - consumers | | 31,400,438 | 37,983,021 |
| Income legal costs | | 5,234,710 | 3,901,301 |
| Sale of stands | | 1,112,017 | 225,881 |
| Operational revenue | 26 | 3,044,401 | 2,427,156 |
| Interest received - investment | 27 | 3,044,953 | 4,490,865 |
| Gain on investment share price | | 112,045 | - |
| Dividends received | 27 | 110,662 | 123,203 |
| Total revenue from exchange transactions | | 847,397,435 | 792,565,857 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 28 | 214,081,432 | 198,873,440 |
| Licenses and permits (non-exchange) | | 9,970 | 56,315 |
| Interest received -outstanding property rates | | 7,706,285 | 7,944,355 |
| Transfer revenue | | | |
| Government grants and subsidies | 30 | 290,516,621 | 237,140,395 |
| Public contributions and donations | 31 | 5,576,454 | 18,989,933 |
| Fines, penalties and forfeits | 24 | 4,307,207 | 2,507,907 |
| Total revenue from non-exchange transactions | | 522,197,969 | 465,512,345 |
| Total revenue | | 1,369,595,404 | 1,258,078,202 |
| Expenditure | | | |
| Employee related costs | 32 | (331,981,726) | (310,602,133) |
| Remuneration of councillors | 33 | (19,379,735) | (19,379,734) |
| Depreciation and amortisation | 34 | (124,138,783) | (46,367,646) |
| Finance costs | 35 | (758,647) | (10,360,691) |
| Lease rentals on operating lease | 25 | (4,225,404) | (4,053,580) |
| Debt impairment | 36 | (122,628,601) | (230,763,368) |
| Bulk purchases | 37 | (507,585,940) | (449,401,794) |
| Contracted services | 38 | (73,801,653) | (80,221,153) |
| Transfers and subsidies | 29 | (97,715) | (175,615) |
| Loss on disposal of assets and liabilities | | (1,763,580) | - |
| Loss on investment share price | | - | (886,215) |
| Inventories losses/write-downs | | (44,687) | (65,218) |
| Operating expenditure | 39 | (68,114,454) | (92,666,958) |
| Total expenditure | | (1,254,520,925) | (1,244,944,105) |
| Surplus for the year | | 115,074,479 | 13,134,097 |

* See Note 46

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|----------------------|----------------------|
| Opening balance as previously reported | 1,490,992,919 | 1,490,992,919 |
| Adjustments | | |
| Prior year adjustments | (196,571,211) | (196,571,211) |
| Balance at 01 July 2019 as restated* | 1,294,421,708 | 1,294,421,708 |
| Changes in net assets | | |
| Surplus for the year | 13,134,097 | 13,134,097 |
| Total changes | 13,134,097 | 13,134,097 |
| Restated* Balance at 01 July 2020 | 1,307,555,804 | 1,307,555,804 |
| Changes in net assets | | |
| Surplus for the year | 115,074,479 | 115,074,479 |
| Total changes | 115,074,479 | 115,074,479 |
| Balance at 30 June 2021 | 1,422,630,283 | 1,422,630,283 |

* See Note 46

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|---|---------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Property Rates | | 180,149,272 | 162,869,990 |
| Service charges | | 565,132,127 | 549,266,631 |
| Grants | | 259,687,137 | 259,895,466 |
| Interest income | | 3,044,953 | 4,490,865 |
| Dividends received | | 110,662 | 123,203 |
| Other receipts | | 23,427,834 | 11,552,920 |
| VAT Receivable/Payable | | 13,550,298 | 5,145,115 |
| | | <u>1,045,102,283</u> | <u>993,344,190</u> |
| Payments | | | |
| Employee Related costs | | (323,767,814) | (302,699,723) |
| Suppliers paid | | (650,809,333) | (581,901,553) |
| Finance costs | | (18,507) | (379,912) |
| Remuneration of Councillors | | (19,379,735) | (19,379,734) |
| | | <u>(993,975,389)</u> | <u>(904,360,922)</u> |
| Net cash flows from operating activities | 40 | <u>51,126,894</u> | <u>88,983,268</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (45,467,179) | (52,546,403) |
| Purchase of investment property | 3 | - | (1) |
| Proceeds on disposal of Property, Plant and Equipment | 3 | 247,012 | - |
| Net cash flows from investing activities | | <u>(45,220,167)</u> | <u>(52,546,404)</u> |
| Cash flows from financing activities | | | |
| Movement in Long Term Loan | | - | (1,742,712) |
| Finance lease payments | | (3,512,233) | (3,899,955) |
| Net cash flows from financing activities | | <u>(3,512,233)</u> | <u>(5,642,667)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 2,394,494 | 30,794,197 |
| Cash and cash equivalents at the beginning of the year | | 45,738,269 | 14,944,072 |
| Cash and cash equivalents at the end of the year | 15 | <u>48,132,763</u> | <u>45,738,269</u> |

* See Note 46

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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 | | | | | | |
| Sale of goods | 10,000 | (10,000) | - | - | - | |
| Service charges | 906,475,380 | (6,708,710) | 899,766,670 | 797,422,226 | (102,344,444) | 56.1 |
| Rental of facilities and equipment | 6,287,810 | (38,310) | 6,249,500 | 5,915,983 | (333,517) | |
| Interest received - consumers | 30,825,000 | - | 30,825,000 | 31,400,438 | 575,438 | |
| Income legal cost | 4,000,000 | - | 4,000,000 | 5,234,710 | 1,234,710 | |
| Sale of stands | 14,109,260 | - | 14,109,260 | 1,112,017 | (12,997,243) | 56.3 |
| Operational revenue | 3,112,180 | 500,000 | 3,612,180 | 3,044,401 | (567,779) | 56.4 |
| Interest received - investment | 2,500,000 | - | 2,500,000 | 3,044,953 | 544,953 | 56.5 |
| Dividends received | 100,000 | - | 100,000 | 110,662 | 10,662 | 56.6 |
| Total revenue from exchange transactions | 967,419,630 | (6,257,020) | 961,162,610 | 847,285,390 | (113,877,220) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 210,599,090 | (2,288,280) | 208,310,810 | 214,081,432 | 5,770,622 | 56.7 |
| Licenses and Permits (Non-exchange) | 210,930 | - | 210,930 | 9,970 | (200,960) | 56.2 |
| Interest received -outstanding properties | 7,900,000 | - | 7,900,000 | 7,706,285 | (193,715) | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 325,952,000 | 35,747,000 | 361,699,000 | 290,516,621 | (71,182,379) | 56.8 |
| Public contributions and donations | - | - | - | 5,576,454 | 5,576,454 | 56.9 |
| Fines, Penalties and Forfeits | 10,420,100 | - | 10,420,100 | 4,307,207 | (6,112,893) | 56.10 |
| Total revenue from non-exchange transactions | 555,082,120 | 33,458,720 | 588,540,840 | 522,197,969 | (66,342,871) | |
| Total revenue | 1,522,501,750 | 27,201,700 | 1,549,703,450 | 1,369,483,359 | (180,220,091) | |
| Expenditure | | | | | | |
| Employee related cost | (379,696,060) | 6,586,610 | (373,109,450) | (331,981,726) | 41,127,724 | 56.11 |
| Remuneration of councillors | (21,046,860) | (359,560) | (21,406,420) | (19,379,735) | 2,026,685 | 56.12 |
| Depreciation and amortisation | (87,906,350) | 42,800,000 | (45,106,350) | (124,138,783) | (79,032,433) | 56.13 |
| Finance costs | (5,176,390) | (1,169,050) | (6,345,440) | (758,647) | 5,586,793 | 56.15 |
| Lease rentals on operating lease | (8,354,070) | (1,164,450) | (9,518,520) | (4,225,404) | 5,293,116 | 56.16 |
| Debt Impairment | (168,964,430) | (86,492,250) | (255,456,680) | (122,628,601) | 132,828,079 | 56.17 |
| Bulk purchases | (526,825,660) | - | (526,825,660) | (507,585,940) | 19,239,720 | 56.18 |
| Contracted Services | (115,319,920) | 9,935,510 | (105,384,410) | (73,801,653) | 31,582,757 | 56.14 |
| Transfers and Subsidies | (340,000) | (240,000) | (580,000) | (97,715) | 482,285 | 56.19 |
| Operating Expenditure | (90,905,630) | 3,527,290 | (87,378,340) | (68,114,454) | 19,263,886 | 56.14;56.20;56.21 |
| Total expenditure | (1,404,535,370) | (26,575,900) | (1,431,111,270) | (1,252,712,658) | 178,398,612 | |
| Operating surplus | 117,966,380 | 625,800 | 118,592,180 | 116,770,701 | (1,821,479) | |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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 | | | | | | |
| Loss on disposal of assets and liabilities | - | - | - | (1,763,580) | (1,763,580) | |
| Gain on investment share price | - | - | - | 112,045 | 112,045 | |
| Inventories losses/write-downs | - | - | - | (44,687) | (44,687) | |
| | - | - | - | (1,696,222) | (1,696,222) | |
| Surplus for the year | 117,966,380 | 625,800 | 118,592,180 | 115,074,479 | (3,517,701) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 117,966,380 | 625,800 | 118,592,180 | 115,074,479 | (3,517,701) | |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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 Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 2,022,434 | (802,300) | 1,220,134 | 1,346,874 | 126,740 | 56.22 |
| Fruitless and wasteful expenditure recoverable | 18,451,758 | - | 18,451,758 | 18,451,758 | - | |
| Other financial assets | 3,930,357 | (1,199,890) | 2,730,467 | 2,842,520 | 112,053 | |
| Receivables from exchange transactions | 189,309,296 | 63,949,774 | 253,259,070 | 330,067,526 | 76,808,456 | 56.23 |
| Receivables from non-exchange transactions | 140,372,063 | (91,229,113) | 49,142,950 | 109,225,670 | 60,082,720 | 56.23 |
| Cash and cash equivalents | 13,441,091 | 2,649,870 | 16,090,961 | 48,132,763 | 32,041,802 | 56.25 |
| | 367,526,999 | (26,631,659) | 340,895,340 | 510,067,111 | 169,171,771 | |
| Non-Current Assets | | | | | | |
| Investment property | 292,893,837 | 150,979,960 | 443,873,797 | 240,181,962 | (203,691,835) | 56.24 |
| Property, plant and equipment | 1,730,097,373 | (310,142,635) | 1,419,954,738 | 1,160,910,342 | (259,044,396) | 56.24 |
| Intangible assets | (1,813,418) | 4,851,570 | 3,038,152 | 3,631,696 | 593,544 | 56.24 |
| Heritage assets | 560,999 | 3,845,990 | 4,406,989 | 4,427,968 | 20,979 | 56.24 |
| Receivables from exchange transactions | 1,663,807 | (1,663,804) | 3 | 1,845,746 | 1,845,743 | 56.23 |
| | 2,023,402,598 | (152,128,919) | 1,871,273,679 | 1,410,997,714 | (460,275,965) | |
| Total Assets | 2,390,929,597 | (178,760,578) | 2,212,169,019 | 1,921,064,825 | (291,104,194) | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Short term portion - borrowing | 4,374,892 | 727,668 | 5,102,560 | - | (5,102,560) | 56.29 |
| Finance lease obligation | 7,462,810 | 4,991,052 | 12,453,862 | 492,810 | (11,961,052) | 56.30 |
| Payables from exchange transactions | 309,169,226 | (91,008,570) | 218,160,656 | 300,847,717 | 82,687,061 | 56.26 |
| VAT payable | 73,782,266 | 29,169,913 | 102,952,179 | 21,576,715 | (81,375,464) | 56.28 |
| Consumer deposits | 31,487,770 | (5,410,500) | 26,077,270 | 26,905,083 | 827,813 | |
| Employee benefit obligation | 42,680,706 | (38,980,626) | 3,700,080 | 4,356,313 | 656,233 | |
| Unspent conditional grants and receipts | 784,040 | (503,229) | 280,811 | 272,563 | (8,248) | 56.27 |
| | 469,741,710 | (101,014,292) | 368,727,418 | 354,451,201 | (14,276,217) | |
| Non-Current Liabilities | | | | | | |
| Finance lease obligation | 8,817,100 | (10) | 8,817,090 | 37,618 | (8,779,472) | 56.30 |
| Employee benefit obligation | 18,759,000 | 40,725,380 | 59,484,380 | 57,882,411 | (1,601,969) | |
| Provisions | 89,661,553 | 1,458,757 | 91,120,310 | 86,063,312 | (5,056,998) | |
| Borrowing | 47,606,440 | (9) | 47,606,431 | - | (47,606,431) | 56.29 |
| | 164,844,093 | 42,184,118 | 207,028,211 | 143,983,341 | (63,044,870) | |
| Total Liabilities | 634,585,803 | (58,830,174) | 575,755,629 | 498,434,542 | (77,321,087) | |
| Net Assets | 1,756,343,794 | (119,930,404) | 1,636,413,390 | 1,422,630,283 | (213,783,107) | |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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 | | | | | | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 1,756,343,794 | (119,930,404) | 1,636,413,390 | 1,422,630,283 | (213,783,107) | 56.31 |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------------|---|--------------------------------|---|--|----------------------------|----------------------------|-----------------------------|----------------------------|---|--|
| 2021 | | | | | | | | | | | |
| Financial Performance | 210 500 000 906,475,380 | (2 288 280) (6,708,710) | 208 310 810 899,766,670 | - | - | 208 310 810 899,766,670 | 214 081 432 797,422,226 | - | 5 770 622 (102,344,444) | 103 % 89 % | 102 % 88 % |
| Property rates | 2,600,000 | - | 2,600,000 | - | - | 2,600,000 | 3,155,615 | - | 555,615 | 121 % | 121 % |
| Service charges | 209,982,250 | 33,004,880 | 242,987,130 | - | - | 242,987,130 | 241,406,620 | - | (1,580,510) | 99 % | 115 % |
| Investment revenue | | | | | | | | | | | |
| Transfers recognised - operational | 76,875,280 | 451,690 | 77,326,970 | - | - | 77,326,970 | 62,473,786 | - | (14,853,184) | 81 % | 81 % |
| Other own revenue | 1,406,532,000 | 24,459,580 | 1,430,991,580 | - | - | 1,430,991,580 | 1,318,539,679 | - | (112,451,901) | 92 % | 94 % |
| Total revenue (excluding capital transfers and contributions) | | | | | | | | | | | |
| Employee costs | (379,696,060) | 6,586,610 | (373,109,450) | - | - | (373,109,450) | (331,981,726) | - | 41,127,724 | 89 % | 87 % |
| Remuneration of councillors | (21,046,860) | (359,560) | (21,406,420) | - | - | (21,406,420) | (19,379,735) | - | 2,026,685 | 91 % | 92 % |
| Debt impairment | (168,964,430) | (86,492,250) | (255,456,680) | - | - | (255,456,680) | (122,628,601) | - | 132,828,079 | 48 % | 73 % |
| Depreciation and asset impairment | (87,906,350) | 42,800,000 | (45,106,350) | - | - | (45,106,350) | (124,138,783) | - | (79,032,433) | 275 % | 141 % |
| Finance charges | (5,176,390) | (1,169,050) | (6,345,440) | - | - | (6,345,440) | (758,647) | - | 5,586,793 | 12 % | 15 % |
| Materials and bulk purchases | (526,825,660) | - | (526,825,660) | - | - | (526,825,660) | (507,585,940) | - | 19,239,720 | 96 % | 96 % |
| Transfers and grants | (340,000) | (240,000) | (580,000) | - | - | (580,000) | (97,715) | - | 482,285 | 17 % | 29 % |
| Other expenditure | (214,579,620) | 12,298,350 | (202,281,270) | - | - | (202,281,270) | (151,580,508) | - | 50,700,762 | 75 % | 71 % |
| Total expenditure | (1,404,535,370) | (26,575,900) | (1,431,111,270) | - | - | (1,431,111,270) | (1,258,151,655) | - | 172,959,615 | 88 % | 90 % |
| Surplus/(Deficit) | 1,996,630 | (2,116,320) | (119,690) | - | - | (119,690) | 60,388,024 | - | 60,507,714 | (50,454)% | 3,024 % |

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Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|---|--------------------------------|---|--|--------------------|--------------------|-----------------------------|--------------------|---|--|
| Transfers recognised - capital | 115,969,750 | 2,742,120 | 118,711,870 | - | | 118,711,870 | 49,110,001 | | (69,601,869) | 41 % | 42 % |
| Contributions recognised - capital and contributed assets | - | - | - | - | | - | 5,576,454 | | 5,576,454 | DIV/0 % | DIV/0 % |
| Surplus (Deficit) after capital transfers and contributions | 117,966,380 | 625,800 | 118,592,180 | - | | 118,592,180 | 115,074,479 | | (3,517,701) | 97 % | 98 % |
| Surplus/(Deficit) for the year | 117,966,380 | 625,800 | 118,592,180 | - | | 118,592,180 | 115,074,479 | | (3,517,701) | 97 % | 98 % |

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

| Figures in Rand | Note(s) | 2021 | 2020 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

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

1.1 Going concern assumption

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

The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the going concern assumption.

1.2 Materiality

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

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

1.3 Significant judgements and sources of estimation uncertainty

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Loans and receivables

The municipality assesses its 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 loans and receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and poor payment history/default of payments are all considered indicators of impairment.

For loans and receivables 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 loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided.

The write down is included in the operation surplus or deficit.

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.

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 selling price assumption may change, which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates and inflation interest.

Value in use of non-cash-generating asset

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

Metsimaholo Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more 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 post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

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

Allowance for doubtful debts

On trade receivables from exchange and non-exchange, 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 trade receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non-exchange receivables.

Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non-exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

Pre-paid electricity

Pre-paid electricity is only recognised as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Budget Information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements

Water Inventory

The estimation of the Water Inventory in reservoirs is based on actual dip readings, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

1.4 Investment property

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

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

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

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

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

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

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

Cost model

Subsequent to initial measurement Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

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

| Item | Useful life |
|----------------------|-------------|
| Property - land | indefinite |
| Property - buildings | 50 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 separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The measurement and recognition of impairment loss is indicated in accounting policy 1.13 and 1.14.

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 | Indefinite |
| Buildings | Straight-line | 50 years |
| Plant and machinery | Straight-line | 3-15 years |
| Furniture and office equipment | Straight-line | 3-30 years |
| Motor vehicles | Straight-line | 3-20 years |
| IT equipment | Straight-line | 3-10 years |
| Infrastructure | Straight-line | 3-50 years |
| Community | Straight-line | 50 years |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

The depreciation charge for each period is recognised in surplus or deficit.

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual audited financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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Accounting Policies

1.7 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential. The municipality has classified computer software as 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.

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

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

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

Amortisation is provided on a straight-line basis over the expected useful lives of the intangible assets

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Amortisation is provided to write down the intangible assets on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The municipality does not have internally generated Intangible Assets.

The useful lives of intangible assets, have been assessed as follows:

| Item | Depreciation method | Average useful life |
|-------------------|----------------------------|----------------------------|
| Computer software | Straight-line | 5 years |

Intangible assets are derecognised:

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

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

1.8 Heritage assets

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. The municipality has classified a site of historical significance and council regalia as heritage assets.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Heritage assets (continued)

Recognition

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 6 - Heritage assets.

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

Subsequent to initial measurement, classes of heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

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

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

Derecognition

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

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

1.9 Financial instruments

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

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

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;

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Accounting Policies

1.9 Financial instruments (continued)

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

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1.9 Financial instruments (continued)

Classification

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

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

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

| Class | Category |
|--|--|
| Consumer deposits | Financial liability measured at amortised cost |
| Finance lease obligation | Financial liability measured at amortised cost |
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Taxes and transfers payable | Financial liability measured at amortised cost |
| Unspent conditional grants and receipts | Financial liability measured at amortised cost |
| Current portion of long-term liabilities | Financial liability measured at amortised cost |

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality 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, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

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1.9 Financial instruments (continued)

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
combined instrument that is required to be measured at fair value; or
an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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1.9 Financial instruments (continued)

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

1.10 Statutory receivables

Identification

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

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

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Accounting Policies

1.10 Statutory receivables (continued)

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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Accounting Policies

1.10 Statutory receivables (continued)

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

1.11 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. The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease asset or liability

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

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

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

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

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

1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset for distribution if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

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 or current replacement cost.

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Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) 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.

Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the FIFO Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.13 Fruitless and Wasteful expenditure recoverable

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 50 - Fruitless and wasteful expenditure

1.14 Impairment of cash-generating assets

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

Metsimaholo Local Municipality

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

- the current profitability of the unit, as well as management's assessment of the possibility of a unit becoming profitable.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

Value in use

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

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

Metsimaholo Local Municipality

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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

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

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

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

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

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

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

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

- consideration is given to the nature of the asset, whether it is primarily to provide a service to the community, and whether there is any realistic possibility of the asset being used in a commercial and profitable manner.

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Accounting Policies

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

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.

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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.

Metsimaholo Local Municipality

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

After a reversal of an impairment loss is recognised, 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.

Redesignation

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

1.16 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months' consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.17 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

The municipality accounts for VAT on the payment basis.

1.18 Employee benefits

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

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

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

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

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

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

Metsimaholo Local Municipality

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Accounting Policies

1.18 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

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee

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.

Metsimaholo Local Municipality

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Accounting Policies

1.18 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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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 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.

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

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Employee benefits (continued)

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

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 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 has an obligation to provide other long-term service allowance benefits to all of its employees

The municipality's liability is based on an actuarial valuation. The projected Unit Credit Method is used to determine the present value of the obligation.

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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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 deficit.

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

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

Metsimaholo Local Municipality

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Accounting Policies

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.
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The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to leases. Refer to notes on Finance lease obligation and Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements.

The municipality discloses capital commitments (Property Plant and Equipment, Investment properties, Intangible assets and Heritage assets) in the financial statements, as well as future minimum lease payments for each of the following periods if applicable:

- Within one year;
- In second to fifth year inclusive; and
- Later than five years

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Sale of goods

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Rendering of services

Service charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Revenue arising from application of the approved tariff of charges is recognised when the relevant services is rendered by applying the relevant published tariff.

Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line basis over the term of the lease agreement.

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.21 Revenue from exchange transactions (continued)

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, in surplus or deficit, using the effective interest rate methods

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

1.22 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.

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

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

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

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.

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

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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

Property Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

The municipality recognises an asset in respect of property rates (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 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.

Transfers

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.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Fines

Fines constitute both spotfines and summonses.

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. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Services in-kind

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.

Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

*Unspent conditional grants are recognised as a liability when the grant is received.

*When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.

*The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

*Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

1.23 Investment income

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

1.24 Borrowing costs

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.24 Borrowing costs (continued)

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

1.25 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.

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

Metsimaholo Local Municipality

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Accounting Policies

1.26 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of classification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as it is practicable and the prior year comparatives are restated accordingly.

Refer to note 44 - Comparative figures.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 50 - Unauthorised expenditure..

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on fruitless and wasteful expenditure, refer to note 51 - Fruitless and wasteful expenditure..

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 52 - Irregular expenditure.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.30 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.31 Budget information

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budget and actual amount is material.

1.32 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. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

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).

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.32 Related parties (continued)

Related parties included key management personnel, close members of family of key management and councillors. Key management personnel included all heads of departments or members of the municipal council of the municipality. The Council together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control activities of the municipality to manage the resources and the overall achievement of municipal objectives.

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.

1.33 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 does not adjusted the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. Where the non-adjusting event is material and non-disclosure could influence the economic decisions of the users, additional disclosure will be provided.

The municipality has considered the impact of COVID -19 on its operations during the year and its future operations.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.34 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.35 Grants in Aid

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.35 Grants in Aid (continued)

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

Metsimaholo Local Municipality

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|--|--|
| <ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments | 01 April 2099 | Unlikely there will be a material impact |
| <ul style="list-style-type: none">Guideline on the Application of Materiality to Financial Statements | 01 April 2021 | Unlikely there will be a material impact |
| <ul style="list-style-type: none">Guideline on Accounting for Landfill Sites | 01 April 2099 | Unlikely there will be a material impact |

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| <ul style="list-style-type: none">Directive 7 (revised): The Application of Deemed Cost | 01 April 2021 | Unlikely there will be a material impact |
| <ul style="list-style-type: none">IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset | 01 April 2021 | Unlikely there will be a material impact |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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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 |
| Land and buildings | 268,711,328 | (28,529,366) | 240,181,962 | 280,790,828 | (27,505,519) | 253,285,309 |

Reconciliation of investment property - 2021

| | Opening balance | Transfers | Depreciation | Total |
|--------------------|-----------------|--------------|--------------|-------------|
| Land and buildings | 253,285,309 | (12,079,500) | (1,023,847) | 240,181,962 |

Reconciliation of investment property - 2020

| | Opening balance | Transfers | Depreciation | Total |
|--------------------|-----------------|-----------|--------------|-------------|
| Land and buildings | 254,343,393 | 2 | (1,058,086) | 253,285,309 |

Pledged as security

No Investment property was pledged as security:

Rental income generated

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.

During the year, rental income of R5 731 262 (2020: R5 944 313) was generated from investment property (primarily hostels).

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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|-----------------|------|------|
|-----------------|------|------|

3. Investment property (continued)

Maintenance of investment property

The following maintenance costs were incurred:

Corrective Maintenance incurred on

| | | |
|-----------------------------|---|--------|
| Expenditure during the year | - | 10,000 |
|-----------------------------|---|--------|

Maintenance is low due to cash constraints and necessary cost cutting.

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Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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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 and Buildings | 64,335,205 | (29,126,620) | 35,208,585 | 52,763,371 | (20,405,586) | 32,357,785 |
| Leasehold property | 11,017,345 | (5,130,976) | 5,886,369 | 11,432,825 | (4,241,453) | 7,191,372 |
| Plant and machinery | 53,543,892 | (32,108,610) | 21,435,282 | 53,444,441 | (29,931,841) | 23,512,600 |
| Furniture and fixtures | 6,897,510 | (4,929,439) | 1,968,071 | 8,838,595 | (6,170,039) | 2,668,556 |
| Motor vehicles | 21,787,293 | (12,708,145) | 9,079,148 | 21,490,671 | (11,968,854) | 9,521,817 |
| IT equipment | 16,571,956 | (13,064,875) | 3,507,081 | 19,832,770 | (15,185,222) | 4,647,548 |
| Infrastructure | 2,382,597,284 | 1,435,000,455) | 947,596,829 | 2,344,637,064 | 1,348,185,922) | 996,451,142 |
| Community | 183,224,080 | (46,995,103) | 136,228,977 | 178,272,508 | (28,809,581) | 149,462,927 |
| Total | 2,739,974,565 | (1,579,064,223) | 1,160,910,342 | 2,690,712,245 | (1,464,898,498) | 1,225,813,747 |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

| | Opening balance | Additions | Donations | Disposals | Transfers received | Transfers from Investment property | Depreciation | Total |
|------------------------|----------------------|-------------------|------------------|--------------------|-----------------------|---|----------------------|----------------------|
| Land and Buildings | 32,357,785 | - | - | - | - | 11,556,013 | (8,705,213) | 35,208,585 |
| Leased assets | 7,191,372 | - | - | (204,278) | - | - | (1,100,725) | 5,886,369 |
| Plant and machinery | 23,512,600 | 2,149,227 | 202,371 | (204,650) | - | - | (4,224,266) | 21,435,282 |
| Furniture and fixtures | 2,668,556 | 1,399 | - | (153,617) | 4 | - | (548,271) | 1,968,071 |
| Motor vehicles | 9,521,817 | 1,603,358 | - | (600,560) | - | - | (1,445,467) | 9,079,148 |
| IT equipment | 4,647,548 | 350,246 | - | (321,998) | 1 | - | (1,168,716) | 3,507,081 |
| Infrastructure | 996,451,142 | 37,960,225 | - | - | (1,285) | - | (86,813,253) | 947,596,829 |
| Community assets | 149,462,927 | 3,402,724 | 1,548,849 | - | - | - | (18,185,523) | 136,228,977 |
| | 1,225,813,747 | 45,467,179 | 1,751,220 | (1,485,103) | (1,280) | 11,556,013 | (122,191,434) | 1,160,910,342 |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

| | Opening balance | Additions | Donations | WIP Additions | Depreciation | Total |
|------------------------|----------------------|------------------|------------------|-------------------|---------------------|----------------------|
| Land and Buildings | 33,573,220 | - | - | - | (1,215,435) | 32,357,785 |
| Leasehold property | 8,292,096 | - | - | - | (1,100,724) | 7,191,372 |
| Plant and machinery | 23,337,510 | 853,897 | - | - | (678,807) | 23,512,600 |
| Furniture and fixtures | 2,375,235 | 174,239 | - | - | 119,082 | 2,668,556 |
| Motor vehicles | 8,662,260 | - | 601,069 | 4 | 258,484 | 9,521,817 |
| IT equipment | 3,275,114 | 433,895 | - | - | 938,539 | 4,647,548 |
| Infrastructure | 981,843,219 | 1,036,148 | 5,818,717 | 45,551,043 | (37,797,985) | 996,451,142 |
| Community | 150,958,955 | - | 206,218 | 4,497,190 | (6,199,436) | 149,462,927 |
| | 1,212,317,609 | 2,498,179 | 6,626,004 | 50,048,237 | (45,676,282) | 1,225,813,747 |

Pledged as security

None of the above property, plant and equipment have been pledged as security, other than obligations under finance leases that are secured by lessor's charge over the leased assets - refer to note: 16

| | | |
|---|-----------|-----------|
| Transport assets | 5,443,435 | 7,895,610 |
| Office equipment | 442,932 | 581,188 |
| Assets subject to finance leases (net carrying value) | 5,886,366 | 8,650,079 |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

4. Property, plant and equipment (continued)

Compensation received for losses on property, plant and equipment – included in operating surplus

| | | |
|----------------|--------|---|
| Motor vehicles | 49,145 | - |
|----------------|--------|---|

Compensation was received from the municipality's insurers for the loss of Property, Plan and Equipment lost during the year.

Vehicles written off

| | | |
|--------------------------|----------------|----------|
| Historical cost | 415,479 | - |
| Accumulated depreciation | (211,202) | - |
| Payment from Insurance | (49,145) | - |
| | 155,132 | - |

Reconciliation of Work-in-Progress 2021

| | Included within Infrastructure | Included within Community | Total |
|-------------------------------|--------------------------------------|---------------------------------|--------------------|
| Opening balance | 289,780,578 | 5,629,411 | 295,409,989 |
| Additions/capital expenditure | 37,568,086 | 3,388,724 | 40,956,810 |
| | 327,348,664 | 9,018,135 | 336,366,799 |

Reconciliation of Work-in-Progress 2020

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|--------------------------------|--------------------------------------|---------------------------------|---------------------------------|--------------------|
| Opening balance | 358,701,472 | 1,132,221 | 227,500 | 360,061,193 |
| Additions/capital expenditure | 35,284,050 | 4,497,190 | - | 39,781,240 |
| Transferred to completed items | (104,204,944) | - | (227,500) | (104,432,444) |
| | 289,780,578 | 5,629,411 | - | 295,409,989 |

Metsimaholo Local Municipality

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| Figures in Rand | 2021 | 2020 |
|---|-------------------|-------------------|
| 4. Property, plant and equipment (continued) | | |
| 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 | | |
| Electrical Infrastructure -Contracted Services | 203,169 | 2,308,218 |
| Electrical Infrastructure -Inventory | 3,118,571 | 7,499,233 |
| Roads Infrastructure - Inventory | 3,304,167 | 6,772,514 |
| Storm water Inventory | 49,783 | - |
| Sanitation Infrastructure - Contracted Services | 3,192,765 | 2,189,553 |
| Sanitation Infrastructure Inventory | 338,617 | 12,173,249 |
| Water Supply Infrastructure Contracted Services | 536,060 | - |
| Water Supply Infrastructure Inventory | 694,920 | 674,392 |
| Community Assets Inventory | - | 455,000 |
| Furniture and Office Equipment Contracted services | 1,364,734 | 566,609 |
| Furniture and Office Equipment Inventory | 419,511 | 250,857 |
| Furniture and Office Equipment other operational costs | 4,276,927 | 3,115,628 |
| Machinery and Equipment Contracted Services | 24,354 | - |
| Machinery and Equipment Inventory | 32,430 | 5,372,146 |
| Other Assets - Buildings Contracted Services | 98,222 | 194,527 |
| Other Assets Buildings Inventory | 183,612 | 229,342 |
| Transport Assets -Contracted Services | 189,513 | 1,363,578 |
| Transport Assets Inventory | 3,217,854 | 3,211,910 |
| | 21,245,209 | 46,376,756 |

Delayed projects

Gortin Sanitation Phase 4

Contractor went into liquidation and could not complete project. New contractors were brought in to complete the remaining works

Refengkgotso Sports Complex

Project went under investigation due to high expenditure and low output. Delay also due to National Lockdown due to COVID 19 pandemic. Additional scope of work. The contractor experienced cash flow challenges. Contractor was advised to cede some portions of work to sub-contractor.

Refengkgotso WasteWater treatment Plant

Contractor terminated project, however re-negotiation talks are in place to re- start the project

Zamdela Roads ward 08

Additional funding was applied to complete the project. Project was completed however not finalised contractually

Oranjeville Water treatment work

Poor performance by contractor which lead to site suspensions. Contractor terminated the project. A company was appointed through deviation to continue with some parts of the project.

Delayed projects

| | | |
|---|--------------------|--------------------|
| Gortin Sanitation Phase 4 | - | 99,510,610 |
| Refengkgotso Sports Complex | 9,220,057 | 5,109,999 |
| Refengkgotso WasteWater treatment Plant | 82,526,149 | 82,526,149 |
| Oranjeville Water treatment work | 11,918,430 | 6,150,720 |
| | 103,664,636 | 193,297,478 |

Maintenance of property, plant and equipment

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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|-----------------|------|------|
|-----------------|------|------|

4. Property, plant and equipment (continued)

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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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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 | 20,233,605 | (16,601,909) | 3,631,696 | 21,899,467 | (17,343,547) | 4,555,920 |

Reconciliation of intangible assets - 2021

| | Opening balance | Transfers | Amortisation | Total |
|-------------------|--------------------|-----------|--------------|-----------|
| Computer software | 4,555,920 | (722) | (923,502) | 3,631,696 |

Reconciliation of intangible assets - 2020

| | Opening balance | Amortisation | Total |
|-------------------|--------------------|--------------|-----------|
| Computer software | 4,189,199 | 366,721 | 4,555,920 |

Pledged as security

No intangible assets were pledged as security

Repair and maintenance

Intangible assets - expenditure

1,096,429 996,754

Metsimaholo Local Municipality

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6. Heritage assets

Metsimaholo Local Municipality

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6. Heritage assets (continued)

| | 2021 | | 2020 | |
|----------------------|---------------------|---|---------------------|---|
| | Cost / Valuation | Accumulated impairment losses Carrying value | Cost / Valuation | Accumulated impairment losses Carrying value |
| Historical buildings | 561,000 | - | 561,000 | - |
| Recreational parks | 3,866,967 | - | 3,866,967 | - |
| Mayoral chain | 1 | - | 1 | - |
| Total | 4,427,968 | - | 4,427,968 | - |

Reconciliation of heritage assets 2021

| | Opening balance | Transfers received | Total |
|----------------------|--------------------|-----------------------|------------------|
| Historical buildings | 561,000 | - | 561,000 |
| Recreational parks | 3,866,968 | (1) | 3,866,967 |
| Mayoral Chain | 1 | - | 1 |
| | 4,427,969 | (1) | 4,427,968 |

Reconciliation of heritage assets 2020

| | Opening balance | Total |
|----------------------|--------------------|------------------|
| Historical buildings | 561,000 | 561,000 |
| Recreational parks | 3,866,967 | 3,866,967 |
| Mayoral Chain | 1 | 1 |
| | 4,427,968 | 4,427,968 |

Pledged as security

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No heritage assets were pledged as security

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|---|------------------|------------------|
| 7. Fruitless and wasteful expenditure recoverable | | |
| Fruitless and wasteful expenditure recoverable | | |
| Sport stadium | 18,451,758 | 18,451,758 |
| Fruitless expenditure: This amount of R18 451 758 (2020: R18 451 758) relates to expenditure on a sport ground, where the value was paid to the supplier, but the related work was not performed. The amount was paid in 2018, however, the investigation into the transaction was not sufficiently advanced to determine how to classify and disclose it. | | |
| 8. Other financial assets | | |
| Designated at fair value | | |
| Listed shares | 2,829,710 | 2,717,665 |
| At amortised cost | | |
| Investment - ceded | 12,810 | 12,810 |
| Total other financial assets | 2,842,520 | 2,730,475 |
| Current assets | | |
| At fair value | 2,829,710 | 2,717,665 |
| At amortised cost | 12,810 | 12,810 |
| | 2,842,520 | 2,730,475 |
| Financial assets at fair value | | |
| Fair values of financial assets measured or disclosed at fair value | | |
| Sanlam Limited shares Valued with reference to the ruling price of shares (being listed on a public exchange) at year end] | 2,829,710 | 2,717,665 |
| Fair value hierarchy of financial assets at fair value | | |
| Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets. The municipality received shares in Sanlam in a prior year. | | |
| Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates. Listed shares are measured at fair value using quoted market prices. | | |
| The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.. | | |
| Level 1 | | |
| Sanlam Limited Shares | 2,829,710 | 2,717,665 |

Metsimaholo Local Municipality

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8. Other financial assets (continued)

Financial assets at amortised cost

Nominal value of financial assets at amortised cost

| | | |
|--|--------|--------|
| Investment ceded | 12,810 | 12,810 |
| <p>This investment was ceded to FNB as collateral for housing loan of employee. The investment may be held in perpetuity, and is invested in a financial institution with strong credit rating (First National Bank Pty Ltd), therefore this is not considered impaired.</p> | | |

9. Employee benefit obligations

Defined benefit plan

| Reconciliation of employee benefits obligation - 2021 | Opening Balance | Additions | Total | Less current portion | Non current portion |
|---|-------------------|------------------|-------------------|----------------------|---------------------|
| Employee benefit cost medical | 42,321,460 | 4,050,264 | 46,371,724 | (3,200,313) | 43,171,411 |
| Employee benefits long service awards | 15,463,000 | 404,000 | 15,867,000 | (1,156,000) | 14,711,000 |
| | 57,784,460 | 4,454,264 | 62,238,724 | (4,356,313) | 57,882,411 |

| Reconciliation of employee benefits obligation - 2020 | Opening Balance | Additions | Total | Less current portions | Non current portion |
|---|-------------------|------------------|-------------------|-----------------------|---------------------|
| Employee benefit cost medical | 39,122,000 | 3,199,460 | 42,321,460 | (1,951,083) | 40,370,377 |
| Employee benefits long service awards | 15,559,000 | (96,000) | 15,463,000 | (1,749,000) | 13,714,000 |
| | 54,681,000 | 3,103,460 | 57,784,460 | (3,700,083) | 54,084,377 |

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9. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

| | | |
|---|---------------------|---------------------|
| Present value of the defined benefit obligation-wholly unfunded | (57,784,460) | (54,681,000) |
| Current service cost | (2,497,144) | (1,991,000) |
| Interest cost | (5,264,437) | (5,804,000) |
| Benefits paid | 4,052,164 | 4,565,000 |
| Actuarial loss/(gain) | (744,847) | 126,540 |
| | (62,238,724) | (57,784,460) |

Employee benefit obligation - medical : Continued Medical aid membership

Municipal employees contribute to accredited medical schemes

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependents will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2021 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa

The Projected Unit Credit Method has been used to value the liabilities

Accrued liability

| | | |
|----------------------|------------|------------|
| In - service members | 24,119,789 | 18,534,916 |
| Continuation member | 22,251,935 | 23,786,544 |
| All members | | |
| Total liability | 46,371,724 | 4,232,146 |

Liabilities and experience adjustments are made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

History of liabilities and assets

| | | |
|------------------------------------|------------|------------|
| Present value of accrued liability | 46 371 724 | 42,321,460 |
| Plan assets | 0 | 0 |

The experience adjustments for the current period is summarised below. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

| | | |
|----------------------------|-----------|-----------|
| Liabilities: (gain) / loss | 1 710 847 | 1,295,460 |
|----------------------------|-----------|-----------|

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|---|-------------------|-------------------|
| 9. Employee benefit obligations (continued) | | |
| Changes in the present value of the defined benefit obligation are as follows: | | |
| Opening balance | 42,321,460 | 39,122,000 |
| Current service cost | 756,144 | 536,000 |
| Interest cost | 3,886,437 | 3,786,000 |
| Benefits paid | (2,303,164) | (2,418,000) |
| Actuarial loss/(Gains) | 1,710,847 | 1,295,460 |
| | 46,371,724 | 42,321,460 |

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9. Employee benefit obligations (continued)

Best estimate of benefits payments expected in next annual period 2021/2022 (comparatives are for 2020/2021)

| | | |
|-----------------------------|-------------------|-------------------|
| Opening accrued liability | 46,371,724 | 42,321,460 |
| Current service cost | 934,485 | 756,144 |
| Interest cost | 4,100,853 | 3,886,437 |
| Actuarial (gains) losses | - | 1,710,847 |
| Benefits vesting | (3,200,313) | (2,303,164) |
| Total annual expense | 48,206,749 | 46,371,724 |

History of liabilities (R millions)

| | 30/6/2021 | 30/06/2020 | 30/06/2019 | 30/06/2018 | 30/06/2017 |
|-------------------|-----------|------------|------------|------------|------------|
| Accrued liability | 46 371 | 42.321 | 39.122 | 33.994 | 27.294 |

Key financial assumptions

The table summarises the financial assumption used.

| | |
|-----------------------------|---|
| Discount rate: | Yield Curve |
| Consumer price index (CPI) | Difference between nominal and yield curves |
| Medical cost inflation | CPI + 1% |
| Net effective discount rate | Relationship between discount rate and health care inflation rate |

Note: The valuation method calls for a basket of discount rates (matching bonds based on their remaining term to the expected lifespan of each individual); therefore it is not meaningful to indicate a single rate and not practical to indicate all rates used. This approach was used in 2019/20 and 2020/21

| | |
|---|-------------|
| Average retirement age | 63 |
| Proportion assumed married at retirement | 90% |
| Mortality during employment | SA 85-90 |
| Mortality post-retirement PA | 90 ultimate |
| Number of in-service members | 72 |
| Number of continuation members (pensioners) | 50 |

Summarised results of the sensitivity analysis

Sensitivity analysis on the accrued liability (R Millions)

| Assumption | Change | Valuation Assumption |
|---------------------|--------|----------------------|
| Central assumptions | | 46 371 724 |
| Mortality rate | -20% | 49 614 429 |
| | +20% | 43 726 377 |

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|--|-----|-------------------|-------------------|
| 9. Employee benefit obligations (continued) | | | |
| Medical aid inflation | -1% | 41 420 958 | |
| Medical aid inflation | +1% | 52 206 478 | |
| Long service awards | | | |
| Balance at beginning of year | | 15,463,000 | 15,559,000 |
| Current service cost | | 1,741,000 | 1,455,000 |
| Interest cost | | 1,378,000 | 2,018,000 |
| Actuarial (gain)/loss | | (966,000) | (1,422,000) |
| Employer Benefits payments. | | (1,749,000) | (2,147,000) |
| | | 15,867,000 | 15,463,000 |

Metsimaholo Local Municipality

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| 9. Employee benefit obligations (continued) | | |
| Best estimate of benefits payments expected in next annual period 2021/2022(comparative figures 2020/2021) | | |
| Opening balance | 15,867,000 | 15,463,000 |
| Interest cost | 1,400,000 | 1,378,000 |
| Actuarial gains (losses) | - | (966,000) |
| Service cost | 1,697,000 | 1,741,000 |
| Employer Benefits paid | (1,156,000) | (1,749,000) |
| Total actual expense | 17,808,000 | 15,867,000 |

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

| | Total |
|------------------------------|---------|
| Number of eligible employees | 725 |
| Average annual salary | 240 486 |
| Average past service(years) | 9.78 |

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There are two policies in place.

| Completed service (in years) | Long service | Description |
|------------------------------|-------------------------|--|
| | bonuses % annual salary | |
| 5 | 2.0% | $(5/250 + 2\%) \times \text{annual salary}$ |
| 10 | 3.0% | $(10/250 + 3\%) \times \text{annual salary}$ |
| 15 | 4.0% | $(15/250 + 4\%) \times \text{annual salary}$ |
| 20 | 5.0% | $(15/250 + 5\%) \times \text{annual salary}$ |
| 25,30,35,40,45 | 6.0% | $(15/250 + 6\%) \times \text{annual salary}$ |

725 Employees benefit from this policy

Special leave pay

35 of the employees receive an additional six days of annual leave once they reach their five years of service.

Retirement gifts

399 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2021 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa.

The Projected Unit Credit Method has been used to value the liabilities

Metsimaholo Local Municipality

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9. Employee benefit obligations (continued)

Key financial assumptions

The table summarised the financial assumptions used.:

| | |
|-----------------------------|---|
| Discount rate: | Yield Curve |
| Consumer price index (CPI) | Difference between nominal and yield curves |
| Salary inflation | CPI + 1% |
| Net effective discount rate | Yield Curve based |

Note: The valuation method calls for a basket of discount rates (matching bonds based on their remaining term to the expected lifespan of each individual); therefore it is not meaningful to indicate a single rate and not practical to indicate all rates used. This approach was used in 2019/20 and 2020/21.

The salaries used in the valuation include an assumed increase on 1 July 2021 of 4%. The next salary increase was assumed to take place in July 2021

| | |
|-----------------------------|----------|
| Average retirement age | 63 |
| Mortality during employment | SA 85-90 |

Sensitivity analysis on the accrued liability (R Millions)

| Assumption | Change | Valuation Assumption |
|---------------------|--------|----------------------|
| Central assumptions | | 15 867 000 |
| Salary inflation | -1% | 14 916 000 |
| | +1% | 16 848 000 |

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6.18% higher than that shown.

Other assumptions

History of liabilities (R millions):

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|-------------------|--------|--------|--------|--------|--------|
| Accrued Liability | 15,867 | 15,463 | 15,559 | 15,135 | 13,299 |

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| 10. Inventories | | |
| Water (purified water in reservoirs and pipes) | 564,551 | 682,314 |
| Fuel (diesel, petrol) | 311,159 | 94,857 |
| Consumable: Stores and materials | 471,164 | 428,082 |
| | 1,346,874 | 1,205,253 |
| After the inventory count, obsolete and/or lost Inventories was written off and recognised as an expense the financial year. | 124,408 | 41,802 |
| Inventories recognised as an expense during the year | 3,060,082 | 2,600,932 |
| Inventory pledged as security | | |
| During the year no inventory was pledged as security. | | |
| 11. Receivables from exchange transactions | | |
| Prepayments | 6,344,928 | 6,884,225 |
| RD Cheques | 20,199 | 20,199 |
| Control, Clearing and Interface Accounts | 1,379,534 | 6,852,559 |
| Merchandise, job and control | 467,648 | 1,280,388 |
| Other debtors - Computer equipment not delivered | 47,280 | - |
| Electricity | 88,600,318 | 37,508,476 |
| Water | 180,191,883 | 118,414,222 |
| Sewerage | 13,354,358 | 6,889,071 |
| Refuse | 14,848,793 | 8,362,705 |
| Other service charges | 24,812,585 | 13,739,210 |
| Sale of land | 1,845,746 | 45,118 |
| | 331,913,272 | 199,996,173 |
| Non-current assets | 1,845,746 | 45,118 |
| Current assets | 330,067,526 | 199,951,055 |
| | 331,913,272 | 199,996,173 |

Trade and other receivables pledged as security

No receivables from exchange transactions were pledged as security

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Included in Service Debtors is an amount of R29 689 436 (2020: R 22 924 619) in respect of the consumption of metered services not billed as at 30 June 2021.

The municipality receives applications for basic services that it processes. Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

Receivables from government are not subject to impairment either.

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11. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2021, - (2020: R215 103 954) were past due but not impaired.

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

| | | |
|-------------------|-------------|-------------|
| 1 month past due | 18,405,062 | 10,338,743 |
| 2 months past due | 12,340,240 | 6,458,692 |
| 3 months past due | 216,676,957 | 137,637,991 |

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R1 538 586 942 - (2020: R1 402 424 286) were impaired and provided for.

The amount of the provision was (119,814,819) as of 30 June 2021 (2020: 199,863,755).

The ageing of these receivables(gross) is as follows:

| | | |
|------------------|---------------|---------------|
| Current | 109,636,303 | 46,997,937 |
| 30 - 60 Days | 52,661,743 | 29,133,850 |
| 60 - 90 Days | 34,585,508 | 25,099,578 |
| 91 Days and over | 1,665,357,071 | 1,486,151,723 |

Reconciliation of provision for impairment of trade and other receivables

| | | |
|--------------------------------------|------------------------|------------------------|
| Opening balance | (1,402,424,285) | (1,177,022,953) |
| Provision for impairment | (119,814,819) | (199,863,755) |
| Amounts written off as uncollectible | - | 2,586,000 |
| Movement in VAT due to impairment | (16,347,838) | (28,123,577) |
| | (1,538,586,942) | (1,402,424,285) |

12. Receivables from non-exchange transaction

| | | |
|-------------------------|--------------------|-------------------|
| Traffic fines | 309,504 | 390,080 |
| Deposits | 2,673,535 | 2,552,824 |
| Receivables | 1,720,590 | 1,706,632 |
| Sundry receivables RBIG | 10,328,550 | 10,328,550 |
| Rates | 94,193,491 | 45,840,033 |
| | 109,225,670 | 60,818,119 |

Rates, Traffic fines and Government grants and subsidies disclosed under Receivables from Non-exchanges transactions are Statutory Receivables in context of GRAP 108. Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 13 for disclosure notes relating to Statutory receivables.

Receivables from non-exchange transaction pledged as security

The municipality does not hold deposits or other security for its Receivables.

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

None of the financial assets that are fully performing have been renegotiated in the last year.

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12. Receivables from non-exchange transaction (continued)

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transaction

Fair value of receivables from non-exchange transactions

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination

Receivables from non - exchange past due but not impaired

Receivables relating to traffic fines are impaired according to a recoverability rate and, therefore, it is not possible to split the ageing between impaired and unimpaired.

Receivables from non-exchange transactions (Rates), where the debtor has nothing outstanding for more than 2 months past due are not considered to be impaired receivables from government are not subject to impairment either . At 30 June 2021, R94 193 491 - (2020: 45,840,033) were past due but not impaired.

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

| | | |
|-------------------|------------|------------|
| 1 month past due | 5,795,199 | 4,304,997 |
| 2 months past due | 3,808,131 | 2,369,872 |
| 3 months past due | 71,526,120 | 29,383,583 |

Receivables from non -exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of 128 860 165- (2020: 141,416,745) were impaired and provided for.

The amount of the provision decrease was 12,556,580 as of 30 June 2021 (2020: 29,064,386).

The ageing of these property rates (gross) is as follows:

| | | |
|------------------|-------------|-------------|
| Current | 15,628,634 | 13,392,572 |
| 30 - 60 Days | 8,343,225 | 7,977,058 |
| 60 - 90 Days | 6,327,980 | 6,076,650 |
| 91 days and over | 192,753,817 | 160,213,877 |

Reconciliation of allowance for impairment of receivables from non-exchange transactions

| | | |
|--|----------------------|----------------------|
| Opening balance | (155,147,422) | (125,007,765) |
| Allowance for impairment traffic fines | (1,453,588) | (1,838,217) |
| Allowance for impairment rates | 12,556,978 | (29,061,396) |
| Amounts written off as uncollectible Rates | - | 759,956 |
| | (144,044,032) | (155,147,422) |

The municipality does not hold any collateral as security.

Metsimaholo Local Municipality

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|--|--------------------|--------------------|
| 13. Statutory receivables | | |
| Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. | | |
| In accordance with the principles of GRAP 108, statutory receivables of the municipality is classified as follows: | | |
| Statutory receivables balances | | |
| Statutory receivables included in the Statement of Financial Position under Receivables from non-exchange transactions | | |
| Property rates | 94,193,491 | 45,840,033 |
| Traffic Fines | 309,504 | 390,080 |
| Conditional Grant RBIG | 10,328,550 | 10,328,550 |
| | 104,831,545 | 56,558,663 |
| Statutory receivables included in the Statement of Financial Performance | | |
| Property rates | 214,081,432 | 198,873,440 |
| Interest received -outstanding property rates | 7,706,285 | 7,944,355 |
| Traffic Fines | | |
| Fines, penalties and forfeits | 4,307,207 | 2,507,907 |
| | 226,094,924 | 209,325,702 |
| Reconciliation of provision for impairment for statutory receivables | | |
| Provision for impairment included under receivables from non-exchange transactions: | | |
| Property Rates | 128,860,165 | 141,416,745 |
| Traffic Fines | 3,465,816 | 2,012,228 |
| | 132,325,981 | 143,428,973 |
| Statutory receivables past due but not impaired | | |
| Statutory receivables | | |
| Property rates | 94,193,491 | 45,840,033 |
| Traffic fines | 309,503 | 390,080 |
| | 94,502,994 | 46,230,113 |

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13. Statutory receivables (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Sasolburg.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district of Metsimaholo.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette.

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act. Currently at R200 effected after court date on non/default payment / non appearance.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

Discount rate applied to the estimated future cash flows

The discount rate applied for all types of Statutory receivables mentioned above is based on the prime rate plus one percent.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, 94,193,491 (2020: 45,840,033) were past due but not impaired.

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|---|------------------------|------------------------|
| 13. Statutory receivables (continued) | | |
| Statutory receivables impaired | | |
| As of 30 June 2021, Statutory receivables of 132,325,981 (2020: 143,428,973) were impaired and provided for. | | |
| The amount of the provision was (12,556,978) as at 30 June 2021 (2020: 29,061,396) for receivables from Rates and for Fines 1 453 588 at 30 June 2021(2020: 1 838 217). | | |
| The ageing of these Property Rates is as follows: | | |
| 3 to 6 months | 6,327,980 | 6,076,650 |
| Over 6 months | 192,753,817 | 160,213,877 |
| 14. Consumer debtors disclosure | | |
| Gross balances | | |
| Rates | 223,053,656 | 187,256,778 |
| Electricity | 141,296,118 | 101,533,306 |
| Water | 1,394,632,997 | 1,191,555,922 |
| Sewerage | 69,468,169 | 59,938,817 |
| Refuse | 97,818,640 | 87,741,903 |
| Other service charges | 152,821,190 | 141,194,796 |
| Sale of land | 6,203,511 | 5,418,344 |
| | 2,085,294,281 | 1,774,639,866 |
| Less: Allowance for impairment | | |
| Rates | (128,860,165) | (141,416,745) |
| Electricity | (52,695,800) | (64,024,830) |
| Water | (1,214,441,114) | (1,073,141,700) |
| Sewerage | (56,113,811) | (53,049,746) |
| Refuse | (82,969,847) | (79,379,198) |
| Other service charges | (128,008,605) | (127,455,586) |
| Sale of land | (4,357,765) | (5,373,226) |
| | (1,667,447,107) | (1,543,841,031) |
| Net balance | | |
| Rates | 94,193,491 | 45,840,033 |
| Electricity | 88,600,318 | 37,508,476 |
| Water | 180,191,883 | 118,414,222 |
| Sewerage | 13,354,358 | 6,889,071 |
| Refuse | 14,848,793 | 8,362,705 |
| Other service charges | 24,812,585 | 13,739,210 |
| Sale of land | 1,845,746 | 45,118 |
| | 417,847,174 | 230,798,835 |
| Included in above is receivables from exchange transactions | | |
| Electricity | 88,600,318 | 37,508,476 |
| Water | 180,191,884 | 118,414,222 |
| Sewerage | 13,354,358 | 6,889,071 |
| Refuse | 14,848,793 | 8,362,705 |
| Sale of land | 1,845,746 | 45,118 |
| Sundry receivables | 24,812,585 | 13,739,210 |
| | 323,653,683 | 184,958,802 |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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| Figures in Rand | 2021 | 2020 |
|--|--------------------|--------------------|
| 14. Consumer debtors disclosure (continued) | | |
| Included in above is receivables from non-exchange transactions (taxes and transfers) | | |
| Rates | 94,193,491 | 45,840,030 |
| Net balance | 417,847,174 | 230,798,832 |
| Rates | | |
| Current (0 -30 days) | 15,628,634 | 12,989,193 |
| 31 - 60 days | 8,343,225 | 7,977,058 |
| 61 - 90 days | 6,327,980 | 6,076,650 |
| 91 - 120 days | 192,753,817 | 160,213,877 |
| Impairment | (128,860,165) | (141,416,745) |
| | 94,193,491 | 45,840,033 |
| Electricity | | |
| Current (0 -30 days) | 23,661,384 | 8,646,684 |
| 31 - 60 days | 7,516,437 | 5,183,560 |
| 61 - 90 days | 4,859,817 | 3,875,212 |
| 91 - 120 days | 105,258,480 | 83,827,850 |
| Impairment | (52,695,800) | (64,024,830) |
| | 88,600,318 | 37,508,476 |
| Water | | |
| Current (0 -30 days) | 70,838,592 | 32,160,272 |
| 31 - 60 days | 39,653,545 | 19,106,673 |
| 61 - 90 days | 24,840,079 | 17,278,484 |
| 91 - 120 days | 1,259,300,781 | 1,123,010,493 |
| Impairment | (1,214,441,114) | (1,073,141,700) |
| | 180,191,883 | 118,414,222 |
| Sewerage | | |
| Current (0 -30 days) | 3,058,099 | 2,079,868 |
| 31 - 60 days | 1,815,662 | 1,587,956 |
| 61 - 90 days | 1,482,894 | 1,329,397 |
| 91 - 120 days | 63,111,514 | 54,941,596 |
| Impairment | (56,113,811) | (53,049,746) |
| | 13,354,358 | 6,889,071 |
| Refuse | | |
| Current (0 -30 days) | 3,096,968 | 2,482,984 |
| 31 - 60 days | 2,080,679 | 2,005,078 |
| 61 - 90 days | 1,790,427 | 1,781,727 |
| 91 - 120 days | 90,850,566 | 81,472,114 |
| Impairment | (82,969,847) | (79,379,198) |
| | 14,848,793 | 8,362,705 |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|-------------------|-------------------|
| 14. Consumer debtors disclosure (continued) | | |
| Other service charges | | |
| Current (0 -30 days) | 3,473,214 | 1,583,011 |
| 31 - 60 days | 1,595,420 | 1,250,583 |
| 61 - 90 days | 1,612,291 | 834,758 |
| 91 - 120 days | 146,140,265 | 137,526,444 |
| Impairment | (128,008,605) | (127,455,586) |
| | 24,812,585 | 13,739,210 |
| Sale of Land | | |
| Current (0 -30 days) | 5,508,046 | 45,118 |
| 91 - 120 days | 695,465 | 5,373,226 |
| Impairment | (4,357,765) | (5,373,226) |
| | 1,845,746 | 45,118 |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|------------------------|------------------------|
| 14. Consumer debtors disclosure (continued) | | |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 100,896,734 | 29,284,986 |
| 31 - 60 days | 50,779,326 | 26,742,804 |
| 61 - 90 days | 33,018,037 | 23,816,960 |
| 91 - 120 days | 1,694,516,199 | 1,469,105,818 |
| | 1,879,210,296 | 1,548,950,568 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 20,646,591 | 27,920,654 |
| 31 - 60 days | 6,918,342 | 9,682,700 |
| 61 - 90 days | 4,960,942 | 6,641,114 |
| 91 - 120 days | 113,595,746 | 147,635,418 |
| | 146,121,621 | 191,879,886 |
| National and provincial government | | |
| Current (0 -30 days) | 3,721,611 | 2,781,490 |
| 31 - 60 days | 3,307,300 | 685,404 |
| 61 - 90 days | 2,934,510 | 718,154 |
| 91 - 120 days | 49,998,943 | 29,624,364 |
| | 59,962,364 | 33,809,412 |
| Total | | |
| Current (0 -30 days) | 125,264,936 | 59,987,130 |
| 31 - 60 days | 61,004,970 | 37,110,908 |
| 61 - 90 days | 40,913,488 | 31,176,228 |
| 91 - 120 days | 1,858,110,887 | 1,646,365,600 |
| | 2,085,294,281 | 1,774,639,866 |
| Less: Allowance for impairment | | |
| Current (0 -30 days) | 35,969,471 | 19,682,173 |
| 31 - 60 days | 36,804,709 | 22,467,168 |
| 61 - 90 days | 24,765,117 | 22,347,664 |
| 91 - 120 days | 1,569,907,810 | 1,479,344,026 |
| | 1,667,447,107 | 1,543,841,031 |
| Total debtor past due but not impaired | | |
| Current (0 -30 days) | 89,295,465 | 40,304,957 |
| 31 - 60 days | 24,200,261 | 14,643,740 |
| 61 - 90 days | 16,148,371 | 8,828,564 |
| 91 - 120 days | 288,203,077 | 167,021,574 |
| | 417,847,174 | 230,798,835 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (1,543,841,030) | (1,290,138,258) |
| Contributions to allowance | (107,258,239) | (228,925,151) |
| Movement of VAT component due to impairment | (16,347,838) | (28,123,578) |
| Debt impairment written off against allowance | - | 3,345,957 |
| | (1,667,447,107) | (1,543,841,030) |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

15. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|-------------------|-------------------|
| Cash on hand | 5,150 | 5,150 |
| Bank balances | 9,514,634 | 7,672,120 |
| Short-term deposits | 38,612,979 | 38,060,999 |
| | 48,132,763 | 45,738,269 |

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 0.25% to 3.6% (2020: 0.25% to 3.6%)

Funds reserved to support unspent grants:

| | | |
|---|---------|------------|
| Integrated National Electrification Programme Grant | 2,000 | 728 |
| Water Services Infrastructure Grant | - | 13,034,037 |
| Municipal Infrastructure Grant | - | 17,800,469 |
| Sector Education Training Authority Grant | 270,563 | 280,815 |

Cash and cash equivalents pledged as collateral

| | | |
|---|---------|---------|
| Total financial assets pledged as collateral for guarantee: Eskom | 990,000 | 990,000 |
| Total financial assets pledged as collateral for guarantee: Post Office | 80,000 | 80,000 |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | | | | 2021 | | | 2020 |
|---|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|------|
| 15. Cash and cash equivalents (continued) | | | | | | | |
| 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 | |
| Absa Bank Cheque Account 520 0000 038 | 1,461,158 | 1,278,959 | 1,446,695 | 1,459,158 | 1,278,959 | 1,448,695 | |
| ABSA BANK - 520 0000 062 | - | - | - | - | - | (1,105) | |
| Standard Bank - current account (primary bank account) 24 034 786 2 | 8,553,453 | 9,897,516 | 12,200,971 | 8,056,526 | 6,392,056 | 8,464,988 | |
| Standard Bank - Revenue Account - 33 197 836 9 | - | - | - | (1,050) | - | - | |
| Absa Bank - Call Account 907 840 0708 | 73,391 | 55,309 | 255,309 | 73,391 | 55,309 | 255,309 | |
| Absa Bank Invest Tracker - 93 5502 8112 | 8,348,226 | 10,378,238 | - | 8,348,226 | 10,378,238 | - | |
| Standard Bank - Call deposit account 228 505 348 005 | 1,045,403 | 4,809,982 | 9,756 | 1,045,403 | 4,809,982 | 21,474 | |
| Standard Bank - Call deposit account - 228 505 348 007 | 2,036,900 | 4,314,252 | 334,286 | 2,036,900 | 4,314,252 | 382,264 | |
| Nedbank - Call deposit account -788 103 308 000060 | 1,111,692 | 8,058,788 | 927,095 | 1,111,692 | 8,058,788 | 1,461,328 | |
| Nedbank - Call deposit account -788 103 308 000074 | 2,042,918 | 124,519 | 534,233 | 2,042,918 | 124,519 | - | |
| Investec -Call account- 1100- 523923-500 | 16,665,636 | 5,117,888 | 709,205 | 16,665,636 | 5,117,888 | 709,205 | |
| Investec -Call account- 1100- 523923-620 | 4,059,735 | - | - | 4,059,735 | - | - | |
| FNB - Call account - 62772878909 | 3,229,077 | 5,203,128 | 2,196,764 | 3,229,077 | 5,203,128 | 2,196,764 | |
| Total | 48,627,589 | 49,238,579 | 18,614,314 | 48,127,612 | 45,733,119 | 14,938,922 | |

Additional disclosures

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|----------------|------------------|
| 16. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 508,151 | 3,522,621 |
| - in second to fifth year inclusive | 38,254 | 556,574 |
| | 546,405 | 4,079,195 |
| less: future finance charges | (15,977) | (251,164) |
| Present value of minimum lease payments | 530,428 | 3,828,031 |
| Present value of minimum lease payments due | | |
| - within one year | 492,810 | 3,287,519 |
| - in second to fifth year inclusive | 37,618 | 540,512 |
| | 530,428 | 3,828,031 |
| Non-current liabilities | 37,618 | 540,509 |
| Current liabilities | 492,810 | 3,287,522 |
| | 530,428 | 3,828,031 |

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

Finance lease Liability relate to motor vehicles with lease terms not more than 5 years. Finance lease bears interest at 10% (2020: 10%) for motor vehicles. Finance lease liabilities are secured by the motor vehicles leased.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| Unspent conditional grants and receipts | | |
|---|----------------|-------------------|
| Municipal Infrastructure Grant | - | 17,800,469 |
| Integrated National Electrification Programme Grant | 2,000 | 728 |
| Sector Education Training Authority Grant | 270,563 | 280,815 |
| Water Services Infrastructure Grant | - | 13,034,037 |
| | 272,563 | 31,116,049 |

Movement during the year

| | | |
|--------------------------------------|----------------|-------------------|
| Balance at the beginning of the year | 31,116,049 | 8,360,979 |
| Additions during the year | 56,780,136 | 86,144,009 |
| Income recognition during the year | (56,787,622) | (54,076,397) |
| Withheld | (30,836,000) | (8,361,000) |
| Owed by Regional Bulk Infrastructure | - | (951,542) |
| | 272,563 | 31,116,049 |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 30 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

18. Provisions

Reconciliation of provisions - 2021

| | Opening Balance | Utilised during the year | Change in discount factor | Total |
|------------------------------|-----------------|--------------------------|---------------------------|------------|
| Environmental rehabilitation | 88,594,962 | 6,168,569 | (8,700,219) | 86,063,312 |

Reconciliation of provisions - 2020

| | Opening Balance | Utilised during the year | Change in discount factor | Total |
|------------------------------|-----------------|--------------------------|---------------------------|------------|
| Environmental rehabilitation | 84,337,965 | 6,594,185 | (2,337,188) | 88,594,962 |

Provision for landfill closure

The landfill rehabilitation and closure are created for the rehabilitation and closure of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Sasolburg, Oranjeville and Deneysville landfill sites. The valuation for the landfill sites were performed by Masimba Mapfurira (Engineering Consultant)(BSc Hons Civil Engineering) and Nkosinobubelo Ndebele (Environmental Consultant)(MSc Environmental Sciences) from One Pangaea Expertise and Solutions.

Key financial assumptions used in this calculation were as follows:

Assumption

| | |
|------------------------|-------|
| Average long term CPI | 6.03% |
| Net Discount rate | 3.69% |
| Average Long term Bond | 9.94% |

The 2021 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2021. The size of the landfill sites used up until now and estimate remaining useful lives are as follows

| : | Sasolburg landfill | Oranjeville landfill | Deneysville landfill |
|---------------------------------------|-----------------------|------------------------|-----------------------|
| Approximate footprint at 30 June 2021 | 16.87 Ha | 0.87 Ha | 1.43 Ha |
| Remaining useful lives | approximately 2 years | approximately 12 years | approximately 7 years |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|--------------------|--------------------|
| 19. Payables from exchange transactions | | |
| Trade payables | 258,290 | 255,429 |
| Payments received in advanced | 28,329,462 | 27,176,589 |
| Retentions | 20,595,985 | 19,207,309 |
| Other payables Auditor General | 2,336,862 | 31,159 |
| Accrued leave pay | 26,833,694 | 23,560,151 |
| Accrued bonus | 6,822,332 | 6,336,227 |
| Accrued expense | 66,583,125 | 86,183,813 |
| Insurance | 1,664,660 | 1,295,435 |
| Eskom | 56,977,956 | 59,991,766 |
| Rand Water and Department of Water | 72,139,383 | 52,256,872 |
| Control, Clearing and Interface Accounts | 11,471,453 | 12,541,864 |
| Unallocated deposits | 6,834,515 | 5,803,383 |
| | 300,847,717 | 294,639,997 |

Accrued expenses

| | | |
|---|-------------------|-------------------|
| Department of Transport - Government Garage | 16,349,297 | 16,349,297 |
| Compensation Commissioner | 12,197,139 | 10,757,389 |
| Creditors - provision various | 9,525,177 | 17,064,407 |
| Creditors control | 28,507,512 | 32,887,159 |
| Trade Creditor Control | 4,000 | - |
| | 66,583,125 | 77,058,252 |

Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Payments Received in Advance are due to payments received for prepaid electricity. Payments received in advance also include consumer debtors' accounts paid in advance.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did default on any payment of its Creditors. Terms for payment have been re-negotiated by the municipality.

20. VAT payable

| | | |
|-------------|------------|-----------|
| VAT payable | 21,576,715 | 8,026,417 |
|-------------|------------|-----------|

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

21. Consumer deposits

| | | |
|----------------|-------------------|-------------------|
| Electricity | 3,506,732 | 230,550 |
| Water | 21,888,248 | 23,736,617 |
| Other deposits | 1,510,103 | 1,510,103 |
| | 26,905,083 | 25,477,270 |

Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

Metsimaholo Local Municipality

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Figures in Rand 2021 2020

21. Consumer deposits (continued)

No interest accrues on Consumer Deposits.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

22. Service charges

| | | |
|---------------------------------|--------------------|--------------------|
| Sale of electricity | 324,189,009 | 285,810,918 |
| Sale of water | 402,104,343 | 390,575,986 |
| Solid waste | 35,300,221 | 32,859,646 |
| Sewerage and sanitation charges | 35,828,653 | 28,184,843 |
| | 797,422,226 | 737,431,393 |

Forgone income (free portion)

| | | |
|-------------------------|---------------------|---------------------|
| Electricity | (7,432,535) | (5,652,010) |
| Sewerage and sanitation | (12,829,960) | (11,392,835) |
| Solid waste | (15,535,979) | (13,632,362) |
| Water | (16,854,152) | (9,844,934) |
| | (52,652,626) | (40,522,141) |

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to Council's approved tariffs. These service charges revenue are the net amounts after taking into account revenue forgone.

23. Rental of facilities and equipment

Premises

| | | |
|----------|-----------|-----------|
| Premises | 5,731,262 | 5,782,125 |
|----------|-----------|-----------|

Facilities and equipment

| | | |
|----------------------|------------------|------------------|
| Rental of facilities | 184,721 | 200,912 |
| | 5,915,983 | 5,983,037 |

Property leases are classified as contingent rentals due to lease periods which are on a month to month basis. Operating lease payments are therefore not subject to straight-lining (Refer to note 42)

24. Fines, penalties and forfeits

| | | |
|-----------------------------|------------------|------------------|
| Municipal Traffic Fines | 4,231,910 | 2,447,650 |
| Tender Withdrawal Penalties | 75,297 | 60,257 |
| | 4,307,207 | 2,507,907 |

25. Lease rentals on operating lease

Equipment

| | | |
|---------------------|-----------|-----------|
| Contractual amounts | 4,225,404 | 4,053,580 |
|---------------------|-----------|-----------|

The leases are entered in to on month-to-month or ad hoc bases, and, therefore, do not have escalation clauses or commitments.

Metsimaholo Local Municipality

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|--|------------------|------------------|
| 25. Lease rentals on operating lease (continued) | | |
| Operating lease payments are therefore not subject to straight-lining (Refer to note 42) | | |
| 26. Other income | | |
| Cemetery fees | 497,180 | 328,717 |
| Building plan fees | 950,773 | 610,852 |
| Entrance fees | 129,193 | 328,242 |
| Billboards | 424,803 | 434,634 |
| Valuation certificate | 1,435 | (120,277) |
| Private telephone calls | 135,269 | 157,927 |
| Sundry income | 93,634 | 108,624 |
| Fire service | 812,114 | 578,437 |
| | 3,044,401 | 2,427,156 |
| 27. Investment revenue | | |
| Dividend revenue | | |
| Dividends Sanlam Limited | 110,662 | 123,203 |
| Interest revenue | | |
| Interest received - short term investments | 3,044,953 | 4,490,865 |
| | 3,155,615 | 4,614,068 |

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---------------------------|--------------------|--------------------|
| 28. Property rates | | |
| Rates revenue | | |
| Residential | 112,879,764 | 105,737,800 |
| Heavy Industries | 39,846,325 | 34,130,069 |
| State | 201,750 | 2,476,845 |
| Municipal | 4,051,855 | 3,590,591 |
| Small holdings and farms | 23,452,338 | 23,333,943 |
| Light Industries | 67,625,486 | 67,717,396 |
| Less: Income forgone | (33,976,086) | (38,113,204) |
| | 214,081,432 | 198,873,440 |

Valuations

| | | |
|--|-------------------|-------------------|
| 5 year: Tax Holiday | - | 8,590 |
| Churches | 133,535 | 133,535 |
| Heavy/light industries | 1,560,388 | 1,554,038 |
| Small holdings and farms | 1,431,524 | 1,424,774 |
| Public Benefit Organisation/Service Infrastructure | 75,003 | 75,003 |
| Commercial | 2,326,833 | 2,131,933 |
| Municipal | 441,554 | 424,374 |
| Residential | 14,919,635 | 14,853,372 |
| Allocated, unregistered stands | 662,775 | 671,115 |
| | 21,551,247 | 21,276,734 |

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation was implemented on 01 July 2019

Rebates up to R50 000 (2020: R50 000) are granted to residential and state property owners.

Rates are levied on a monthly basis, except farmland that is levied on an annual basis. Interest at prime plus 1% per annum is levied on rates outstanding after due date for payment..

The following properties are exempted from property rates:

- Properties owned by a religious body or organisation and residential property occupied by a minister of religion in full time service of the church
- Road reserves
- Railway reserves.

Tariff structure (cents per Rand)

| | | |
|--------------|-----------|------------|
| Business | 0.0184786 | 0.01744327 |
| Industries | 0.444853 | 0.436130 |
| Residential | 0.0092296 | 0.0087071 |
| Agricultural | 0.0023148 | 0.0021738 |

29. Grants and subsidies paid

Other subsidies

| | | |
|--------|--------|---------|
| Burial | 97,715 | 175,615 |
|--------|--------|---------|

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

| | 2021 | 2020 |
|--|------|------|
|--|------|------|

30. Government grants and subsidies

Operating grants

| | | |
|--|--------------------|--------------------|
| Equitable share | 233,729,000 | 183,063,999 |
| Financial Management Grant | 2,500,000 | 2,235,000 |
| Expanded Public Works Programme Integrated Grant | 1,327,000 | 1,157,000 |
| Sector Education Training Authority Grant | 498,622 | 569,651 |
| Municipal Infrastructure Grant | 3,351,998 | 14,158,484 |
| Disaster Relief Grant | - | 298,000 |
| | 241,406,620 | 201,482,134 |

Capital grants

| | | |
|--|--------------------|--------------------|
| Municipal Infrastructure Grant | 28,270,001 | 19,693,047 |
| Water Services Infrastructure Grants | 11,750,000 | 5,965,963 |
| Integrated Electrification Programme Grant | 9,090,000 | 9,999,251 |
| | 49,110,001 | 35,658,261 |
| | 290,516,621 | 237,140,395 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|--------------------|--------------------|
| Conditional grants received | 56,787,621 | 54,076,396 |
| Unconditional grants received | 233,729,000 | 183,063,999 |
| | 290,516,621 | 237,140,395 |

Equitable Share

In terms of the Constitution of the Republic of South Africa, this grant is used to subsidise the provision of basic services to indigent community members.

A Council Resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate basic water, basic electricity and basic sewer per month to all households. Indigent households are allocated 6kl of water, 50 kWh of electricity additional sewer, refuse, and R50 per month on Rates.

The allocation of equitable share has been reduced by R30 800 000 due to the non-spending of funds on the Intergrated National Electrification Programme Grant, Municipal Infrastructure Grant and Water Service Infrastructure Grant by the municipality as at 30 June 2020, as indicated below.

Municipal Infrastructure Grant

| | | |
|---|--------------|-------------------|
| Balance unspent at beginning of year | 17,800,469 | - |
| Current-year receipts | 31,622,000 | 51,652,000 |
| Conditions met - transferred to revenue | (31,622,000) | (33,851,531) |
| Funds withheld | (17,800,469) | - |
| | - | 17,800,469 |

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. Funds have been withheld.

The implementation of connection of households to the sewer network at Gortin was undertaken. Although the nature of the project is a capital project, the assets are not the property of the municipality. Therefore it is shown as transfer under operating grants.

Financial Management Grant

Metsimaholo Local Municipality

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| Figures in Rand | 2021 | 2020 |
|--|-------------|-------------|
| 30. Government grants and subsidies (continued) | | |
| Current-year receipts | 2,500,000 | 2,235,000 |
| Conditions met - transferred to revenue | (2,500,000) | (2,235,000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 17).

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

This grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

Regional Bulk Infrastructure Grant

| | | |
|--|--------------|--------------|
| Balance due by RBIG at beginning of year | 10,328,550 | 11,280,093 |
| Current-year receipts | - | (4,951,543) |
| Transferred to WSIG | - | 4,000,000 |
| Balance due by RBIG at the end of the year | (10,328,550) | (10,328,550) |
| | - | - |

Balance due by RBIG is included in receivables from non-exchange transactions (see note 12 17).

The municipality received funds from the Regional Bulk Infrastructure for water purification.

The allocation as per Division of Revenue Act was R70 million from which only R4.9 million (2020) was received. As at 30 June 2019 R11.3 million was still due by Regional Bulk Infrastructure Grant.

Disaster Relief Grant

| | | |
|---|---|-----------|
| Current-year receipts | - | (298,000) |
| Conditions met - transferred to revenue | - | 298,000 |
| | - | - |

Conditions still to be met - remain liabilities (see note 17).

Disaster relief grant received to assist with COVID 19 expenditure.

Integrated National Electrification Programme Grant

| | | |
|---|--------------|-------------|
| Balance unspent at beginning of year | 728 | 8,360,979 |
| Current-year receipts | 9,092,000 | 10,000,000 |
| Conditions met - transferred to revenue | (9,090,000) | (9,999,251) |
| Funds withheld | (728) | (8,361,000) |
| | 2,000 | 728 |

Conditions still to be met - remain liabilities (see note 17).

The Integrated Electrification Programme Grant is a conditional grant of which the purpose is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme. The grant was utilised as per intended purpose. Moneys have been withheld.

Sector Education Training Authority Grant

| | | |
|---|-----------|-----------|
| Balance unspent at beginning of year | 280,815 | - |
| Current-year receipts | 489,136 | 850,466 |
| Conditions met - transferred to revenue | (498,622) | (569,651) |
| Funds withheld | (766) | - |

Metsimaholo Local Municipality

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| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

30. Government grants and subsidies (continued)

| | | |
|--|----------------|----------------|
| | 270,563 | 280,815 |
|--|----------------|----------------|

Conditions still to be met - remain liabilities (see note 17).

The municipality received funds from Sector Education Training Authority to promote excellence performance by the human resources division. The funds must be utilised towards training. The agreement for appointment of learners is carried over to 2021/2022 due to the COVID lockdown.

Water Services Infrastructure Grant

| | | |
|---|--------------|-------------------|
| Balance unspent at beginning of year | 13,034,037 | - |
| Current-year receipts | 11,750,000 | 15,000,000 |
| Current year receipts Previously included in RBIG | - | 4,000,000 |
| Conditions met - transferred to revenue | (11,750,000) | (5,965,963) |
| Funds withheld | (13,034,037) | - |
| | - | 13,034,037 |

Conditions still to be met - remain liabilities (see note 17).

This grant has been provided by Department of Water affairs and to try to get water to areas where it was recognised that full services would not become available

Expanded Public Works Programme Integrated Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 1,327,000 | 1,157,000 |
| Conditions met - transferred to revenue | (1,327,000) | (1,157,000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 17).

The Expanded Public Works Programme (EPWP) Grant is a conditional grant of which the purpose is the funding of the department's Extended Public Works Programme. The grant was utilised as per intended purpose. No moneys have been withheld.

Metsimaholo Local Municipality

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| Figures in Rand | 2021 | 2020 |
|--|------------------|-------------------|
| 31. Public contributions and donations | | |
| Public contributions and donations -capital | 1,765,220 | 6,626,005 |
| Public contributions and donations - operating | 3,811,234 | 12,363,928 |
| | 5,576,454 | 18,989,933 |

2021: The following donations were made by SASOL:

- Critical remedial work on Sasolburg operations peripheral roads
- Upgrades of Penny Heyns Swimming Pool
- New Community Park in Irak
- COVID 19 support : sanitizer and petrol

2020: The following donations were made by SASOL:

- Emergency sanitation and stormwater upgrades
- Effluent and portable water leaks repair on MLM reticulation systems(Bongani Mbaso Eco Park)
- Transformer replacement at Welegelegen pump station
- Replacement of ultrasonic level controller at Welgelegen Pumpstation
- Upgrading of Welgelegen pumpstation
- Stormwater Masterplan
- Security upgrades at Baddrift and Amelia pump stations
- Bulk Electricity Supply for Zamdela Sports and Recreation Park
- Community Park in Zlrak and upgrade of community sportsfacility
- Electricity maintenance and capacity building
- Upgrade of Deneysville Community Hall
- Sanitizer

Metsimaholo Local Municipality

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| Figures in Rand | 2021 | 2020 |
|---|--------------------|--------------------|
| 32. Employee related costs | | |
| Basic | 180,014,183 | 165,993,105 |
| Medical aid - company contributions | 22,068,243 | 20,561,946 |
| UIF | 1,352,320 | 1,346,225 |
| Leave pay and bonus provision | 3,759,647 | 4,798,953 |
| Leave pay accrual | 4,088,744 | 2,754,021 |
| Group Insurance | 234,153 | 230,203 |
| Actuarial (gain)/loss | 744,847 | (126,540) |
| Defined contribution plans | 31,004,351 | 28,019,627 |
| Overtime payments | 29,812,589 | 29,205,145 |
| Long-service awards | 2,056,177 | 3,415,352 |
| 13th Cheques | 14,455,361 | 13,530,431 |
| Acting allowances | 3,197,054 | 4,032,526 |
| Car allowance | 22,341,665 | 19,786,097 |
| Housing benefits and allowances | 2,667,549 | 2,543,974 |
| Long service award provision | 1,370,000 | 1,326,000 |
| Cell phone allowance | 1,562,157 | 1,332,894 |
| Standby allowance | 5,763,510 | 5,267,529 |
| Industrial council levy contributions | 85,034 | 80,928 |
| Contribution post retirement | 2,339,417 | 1,904,000 |
| Senior management as below | 3,064,725 | 4,599,717 |
| | 331,981,726 | 310,602,133 |
| Remuneration of Accounting Officer | | |
| Annual Remuneration | 1,488,731 | 1,488,731 |
| Car Allowance | 240,000 | 240,000 |
| Contributions to UIF, Medical and Pension Funds | 1,785 | 1,785 |
| Telephone allowance | 36,000 | 36,000 |
| Acting allowance to directors/managers | - | 658,252 |
| Acting allowance secondment by COGTA | - | 81,077 |
| | 1,766,516 | 2,505,845 |
| Remuneration of Chief Financial Officer | | |
| Acting allowance by Managers | 25,898 | 414,859 |
| Remuneration of Director Technical Service and Infrastructural Services | | |
| Acting allowance by Managers | 129,491 | 407,125 |
| Remuneration of Director Organisational Development and Corporate Services | | |
| Acting allowance by Managers | 391,926 | 414,859 |
| Remuneration of - Director Social Services | | |
| Acting allowance by Managers | 403,859 | 444,652 |
| Remuneration of Director Economic Development | | |
| Acting allowance by Managers | 347,035 | 412,377 |

Metsimaholo Local Municipality

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| Figures in Rand | 2021 | 2020 |
|--|-------------------|-------------------|
| 33. Remuneration of councillors | | |
| Executive Major | 938,250 | 938,250 |
| Council Whip | 714,787 | 714,787 |
| Mayoral Committee Members | 5,718,296 | 5,718,296 |
| Speaker | 759,478 | 759,478 |
| Councillors | 9,163,561 | 9,163,560 |
| Chairpersons Section 79 committees | 2,085,363 | 2,085,363 |
| | 19,379,735 | 19,379,734 |

Metsimaholo Local Municipality

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| Figures in Rand | 2021 | 2020 |
|--|---------|---------|
| 33. Remuneration of councillors (continued) | | |
| In-kind benefits | | |
| The Executive Mayor, Speaker, Council Whip, Section 79 Chairpersons and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. | | |
| The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in Section 219 of the Constitution. | | |
| The Mayor and Speaker have use of a Council - owned vehicle for official duties. The Mayor and Speaker each has a full-time driver. | | |
| The Executive Mayor has two full-time bodyguards. | | |
| Remuneration per councillor | | |
| Executive Mayor | | |
| Tshongwe S L | 938,250 | 938,250 |
| Council Whip | | |
| Mashia VL | 714,787 | 714,787 |
| Mayoral Committee Members | | |
| Semonyo LS | 714,787 | 714,787 |
| Mtshali NM | 714,787 | 714,787 |
| Mofokeng KB | 714,787 | 714,787 |
| Mosokweni F | 714,787 | 714,787 |
| Fisher L | 714,787 | 714,787 |
| Mokoena NP | 714,787 | 714,787 |
| Malindi MJ | 714,787 | 714,787 |
| Poho MS | 714,787 | 714,787 |
| Speaker | | |
| Mabasa KT | 759,479 | 759,478 |
| Chairpersons Section 79 committees | | |
| Molawa M (MPAC chairperson) | 695,121 | 695,121 |
| Kobo SS (Chairperson Street naming) | 695,121 | 695,121 |
| Makhefu L A (Chairperson Ethics) | 695,121 | 695,121 |
| Councillors | | |
| Barnard JJ | 327,270 | 327,270 |
| Burger GS | 327,270 | 327,270 |
| Du Toit T | 327,270 | 327,270 |
| Dywili NN | 327,270 | 327,270 |
| Grobbelaar JJ | 327,270 | 327,270 |
| Leotlela MG | 327,270 | 327,270 |
| Mbana MT | 327,270 | 327,270 |
| Mahlaela PM | 327,270 | 327,270 |
| Mare AK | 327,270 | 327,270 |
| Maseko ME | 327,270 | 327,270 |
| Matwa SM | 327,270 | 327,270 |
| Meyer R | 327,270 | 327,270 |
| Mofokeng TH | 327,270 | 327,270 |
| Mohapi P | 327,270 | 327,270 |
| Mokoena MP | 327,270 | 327,270 |
| Motaung TA | 327,270 | 327,270 |
| Motjeane SM | 327,270 | 327,270 |
| Motlounj TM | 327,270 | 327,270 |
| Nhlapo LL | 327,270 | 327,270 |
| Nkheloane M | 327,270 | 327,270 |
| Nnune GB | 327,270 | 327,270 |
| Nteso SJ | 327,270 | 327,270 |
| Taats TJ | 327,270 | 327,270 |
| Telane MM | 327,270 | 327,270 |
| Tsotetsi J | 327,270 | 327,270 |

Metsimaholo Local Municipality

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| Figures in Rand | 2021 | 2020 | | | |
|--|----------------------------|-----------------------------|----------------------------|----------------------------|---------------------------|
| 33. Remuneration of councillors (continued) | | | | | |
| Van der Merwe FJ | 327,270 | 327,270 | | | |
| Van Heerden | 327,270 | 327,270 | | | |
| Zwane ZJ | 327,270 | 327,270 | | | |
| | 19,379,735 | 19,379,734 | | | |
| 34. Depreciation and amortisation | | | | | |
| Property, plant and equipment | 122,191,434 | 45,676,282 | | | |
| Investment property | 1,023,847 | 1,058,086 | | | |
| Intangible assets | 923,502 | (366,722) | | | |
| | 124,138,783 | 46,367,646 | | | |
| 35. Finance costs | | | | | |
| Non - current borrowings | - | 107,773 | | | |
| Trade and other payables | 3,057,160 | 5,063,650 | | | |
| Finance leases | 214,630 | 552,359 | | | |
| Bank | 18,507 | 379,912 | | | |
| Unwinding of interest on provision | (2,531,650) | 4,256,997 | | | |
| | 758,647 | 10,360,691 | | | |
| 36. Debt impairment | | | | | |
| Contributions to debt impairment - non-exchange | (3,152,223) | 30,899,613 | | | |
| Contributions to debt impairment - exchange | 125,780,824 | 199,863,755 | | | |
| | 122,628,601 | 230,763,368 | | | |
| 37. Bulk purchases | | | | | |
| Electricity - Eskom | 311,989,111 | 270,112,633 | | | |
| Water | 195,596,829 | 179,289,161 | | | |
| | 507,585,940 | 449,401,794 | | | |
| 2021 | Total sales (units) | Less total purchases | (Loss)/gain (units) | % loss on purchases | Rand value of loss |
| Electricity | 183,312,663 | 221,321,973 | (38,009,310) | (17) | 48,296,420 |
| Water | 12,978,359 | 20,637,594 | (7,659,235) | (37) | 65,888,545 |
| | 196,291,022 | 241,959,567 | (45,668,545) | (54) | 114,184,965 |
| 2020 | Total sales (units) | Less total purchases | (Loss)/gain (units) | % loss on purchases | Rand value of loss |
| Electricity | 190,983,489 | 220,622,127 | (29,638,638) | (13) | 38,820,966 |
| Water | 15,092,921 | 20,718,272 | (5,625,351) | (27) | 48,664,117 |
| | 206,076,410 | 241,340,399 | (35,263,989) | - | 87,485,083 |

Unaccounted consumption can be a result of:

- Distributions losses;
- Internal use that is not metered and not read;
- Illegal connections and theft.
- Supply to informal areas that have not yet been formalized.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the

Metsimaholo Local Municipality

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municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from Rand Water

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| Figures in Rand | 2021 | 2020 |
|---|-------------------|-------------------|
| 38. Contracted services | | |
| Outsourced Services | | |
| Administrative and support staff (printing service) | 247,782 | 1,601,398 |
| Catering services | - | 15,500 |
| Cleaning services | 503,882 | 2,733,623 |
| Connection/disconnection | 1,084,798 | 953,240 |
| Traffic fines management | - | 42,485 |
| Transport services | 133,679 | 281,070 |
| Consultants and Professional Services | | |
| Business and advisory | 9,948,806 | 11,544,632 |
| Infrastructure and planning | 636,669 | 208,272 |
| Legal cost | 13,127,502 | 13,481,638 |
| Contractors | | |
| Catering services | 123,768 | 241,260 |
| Gardening Services | 640,550 | 1,453,032 |
| Maintenance of buildings and facilities | 634,282 | 941,234 |
| Maintenance of equipment | 1,772,319 | 3,480,839 |
| Maintenance of unspecified assets | 3,359,044 | 2,383,227 |
| Plants, Flowers and Other Decorations | - | 5,060 |
| Traffic and street lights | - | 62,600 |
| Safeguard and security | 19,659,336 | 20,209,010 |
| Sewerage services | 21,758,141 | 20,203,713 |
| Stage and sound crew | 171,095 | 379,320 |
| | 73,801,653 | 80,221,153 |
| 39. Operating expenditure | | |
| Advertising | 681,274 | 451,120 |
| Auditors remuneration | 10,498,199 | 7,503,082 |
| Bank charges | 734,609 | 807,207 |
| Commission paid | 6,926,659 | 7,991,350 |
| Inventory consumables | 19,320,080 | 46,762,721 |
| Entertainment | 17,054 | 123,655 |
| Hire | 1,900 | 44,575 |
| Insurance | 4,584,993 | 4,281,904 |
| IT expenses | 6,906,455 | 7,864,447 |
| Skills development levies | 2,416,842 | 2,074,925 |
| Postage and courier | 1,912,667 | 1,509,426 |
| Royalties and license fees | 616,444 | 486,443 |
| Subscriptions and membership fees | 4,132,450 | 3,788,097 |
| Telephone | 2,228,544 | 2,235,053 |
| Travel - local | 478,161 | 1,031,017 |
| Uniforms | 3,416,434 | 2,650,810 |
| Workmens' Compensation Fund | 1,439,750 | 1,327,945 |
| Ward committee remuneration | 1,170,000 | 1,122,205 |
| Bursaries | 102,509 | 95,706 |
| Other expenses | 529,430 | 515,270 |
| | 68,114,454 | 92,666,958 |

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| Figures in Rand | 2021 | 2020 |
|---|-------------------|-------------------|
| 40. Cash generated from operations | | |
| Surplus | 115,074,479 | 13,134,097 |
| Correction of PPE opening balance 30 June 2019 | - | 11,627,208 |
| Adjustments for: | | |
| Depreciation and amortisation | 124,138,783 | 46,367,632 |
| (Gain)/loss on disposal of assets and liabilities | - | - |
| (Gain)/loss on inventory count | 44,687 | 65,218 |
| Fair value adjustments - financial assets | (112,045) | 886,215 |
| Finance cost - non-current borrowings | - | 107,773 |
| Finance costs - finance leases | 214,630 | 552,359 |
| Profit on disposal of assets | 1,763,580 | - |
| Debt impairment - Provision for doubtful debts (Exchange Service charges) | 126,796,284 | 199,274,227 |
| Debt impairment - Provision for doubtful debts (Exchange Other) | (1,015,461) | 589,529 |
| Debt impairment - Provision for doubtful debts (Non - exchange - Rates) | (6,715,013) | 29,061,396 |
| Debt impairment - Provision for doubtful debts (Non - exchange - Traffic) | 3,562,789 | 1,838,217 |
| Contribution to Employee Benefit Liabilities - Non-current | 3,053,187 | 4,094,917 |
| Contribution to employee benefit liabilities - current | 656,230 | (864,917) |
| Finance costs - Trade and other payables | 3,057,160 | 5,063,650 |
| (Increase)/decrease in Long term receivables | (1,800,628) | 522,099 |
| Finance cost - Discounting of provision for rehabilitation of landfill site | (2,531,650) | 4,256,997 |
| Assets received as donations | (1,751,220) | (6,626,004) |
| Provision for staff bonus | 486,105 | 718,518 |
| Provision for staff leave | 3,273,543 | 4,080,432 |
| Employee cost - actuarial gains | 744,847 | (126,540) |
| Changes in working capital: | | |
| Inventories | (186,308) | 196,962 |
| (Increase)/decrease Receivables from exchange transactions (Service) | (263,690,537) | (226,147,783) |
| (Increase)/decrease Receivables from exchange transactions (Other) | 7,793,243 | (4,142,409) |
| Trade receivables from non-exchange transactions - Rates | (41,638,445) | (43,947,805) |
| Trade receivables from non-exchange transactions - Fines | (3,616,882) | (1,328,544) |
| Other Financial Assets | - | 23,667 |
| Increase/(Decrease) in VAT | 13,550,298 | 5,145,115 |
| Unspent conditional grants and receipts | (30,843,486) | 22,755,070 |
| Increase/(Decrease) in Trade payables from exchange | (609,089) | 20,429,462 |
| Increase/(Decrease) in Consumer deposits | 1,427,813 | 1,376,510 |
| | 51,126,894 | 88,983,268 |

41. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

| | At fair value | At amortised cost | Total |
|---|------------------|--------------------|--------------------|
| Other financial assets | 2,829,710 | 12,810 | 2,842,520 |
| Receivables from exchange transactions | - | 330,067,526 | 330,067,526 |
| Receivables from non-exchange transactions | - | 109,225,670 | 109,225,670 |
| Cash and cash equivalents | - | 48,132,763 | 48,132,763 |
| Receivables from non-exchange transactions (non- current) | - | 1,845,746 | 1,845,746 |
| Fruitless and wasteful expenditure recoverable | - | 18,451,758 | 18,451,758 |
| | 2,829,710 | 507,736,273 | 510,565,983 |

Financial liabilities

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| Figures in Rand | 2021 | 2020 |
|---|--------------------|--------------------|
| 41. Financial instruments disclosure (continued) | | |
| | At amortised cost | Total |
| Consumer deposits | 26,905,083 | 26,905,083 |
| Employee benefit obligation | 4,356,313 | 4,356,313 |
| Payables from exchange transactions | 300,847,717 | 300,847,717 |
| VAT Payable | 21,576,715 | 21,576,715 |
| Finance lease obligation | 492,810 | 492,810 |
| Unspent conditional grants and receipts | 272,563 | 272,563 |
| | 354,451,201 | 354,451,201 |

2020

Financial assets

| | At fair value | At amortised cost | Total |
|---|------------------|--------------------|--------------------|
| Other financial assets | 2,717,665 | 12,810 | 2,730,475 |
| Receivables from exchange transactions | - | 199,951,055 | 199,951,055 |
| Receivables from non-exchange transactions | - | 60,818,119 | 60,818,119 |
| Cash and cash equivalents | - | 45,738,269 | 45,738,269 |
| Receivables from non-exchange transactions (non- current) | - | 45,118 | 45,118 |
| Fruitless and wasteful expenditure recoverable | - | 18,451,758 | 18,451,758 |
| | 2,717,665 | 325,017,129 | 327,734,794 |

Financial liabilities

| | At amortised cost | Total |
|---|--------------------|--------------------|
| Consumer deposits | 25,477,270 | 25,477,270 |
| Employee benefit obligation | 3,700,083 | 3,700,083 |
| Payables from exchange transactions | 294,639,997 | 294,639,997 |
| VAT Payable | 8,026,417 | 8,026,417 |
| Finance lease obligation | 3,287,522 | 3,287,522 |
| Unspent conditional grants and receipts | 31,116,049 | 31,116,049 |
| | 366,247,338 | 366,247,338 |

Metsimaholo Local Municipality

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| Figures in Rand | 2021 | 2020 |
|--|-------------|------------|
| 42. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 152,192,635 | 96,819,128 |
| Total capital commitments | | |
| Already contracted for but not provided for | 152,192,635 | 96,819,128 |
| Total commitments | | |
| Total commitments | | |
| Authorised capital expenditure | 152,192,635 | 96,819,128 |

This committed expenditure relates to infrastructure assets and will be financed by government grants.

Operating leases - as lessee (expense)

Operating Leases relate to the rental of machinery, vehicles and plant & equipment for construction and waste collection purposes, on an ad hoc basis from a panel of contractors on instances where the municipal-owned plant and machinery have breakdowns or any other reasons where the municipal plant and machinery are not available. The tender is awarded on a rotational basis. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to uncertain lease periods. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be paid for each of the following periods as required by GRAP 13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- construction and waste collection vehicles
- machinery and equipment

Operating leases - as lessor (income)

Operating Leases relate to property leases for municipal houses. The lessee does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to some uncertain lease periods which are on a month to month basis. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- Buildings

Metsimaholo Local Municipality

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| 43. Contingencies | | |
| Ponoane Attorneys | | |
| Thabo Twala / Metsimaholo Local Municipality | - | 100,000 |
| Safcrete Construction/Metsimaholo Municipality | - | 60,000 |
| Liezel Trust / Metsimaholo Local Municipality | - | 300,000 |
| MEC- Fisher group / Metsimaholo Local Municipality | - | 80,000 |
| Mokobe SS / Metsimaholo Local Municipality | - | 85,000 |
| Dreyer /Metsimaholo Municipality | - | 150,000 |
| Lawrence Melato Attorneys | | |
| John Motloun/ Metsimaholo Local Municipality | 154,906 | 154,906 |
| Raphela Incorporated Attorneys and Conveyancers | | |
| Lizelle Trust/Metsimaholo Local Municipality | 171,600,521 | 171,600,521 |
| Katake Attorneys | | |
| Within Africa Construction/ Metsimaholo Local Municipality | 1,665,197 | - |
| | 173,420,624 | 172,530,427 |

Other contingent liabilities

Unlicensed landfill site

The municipality managed three landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community.

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44. Related parties

Relationships

| | |
|--|---|
| Accounting Officers | Refer to accounting officers' report note |
| Councillors | |
| Nthebe MD | Alaska One Enterprise (Pty) Ltd |
| Grobbelaar JJ | In his footprints (Non-profitable Charity organization) |
| Semonyo L S | MATLA Dynamics |
| Tshongwe SL | WHIPHOLD |
| Matwa SM | Life V/A Kasi -private company |
| Mbana MT | Botho Keng PTY LTD |
| Makhefu LA | Financial Penicea PTY LTD |
| Mosokweni F | Sibusiwe Construction |
| Mare AK | Sticker KHF 1 PTY LTD |
| Fisher L (company of spouse) | MONYESEMANE PTY LTD |
| Mtshali NM (company of son -50%) | Gojeni Project - construction |
| | Themba Mtshali construction |
| Zwanje ZJ | Phuthuma Natai |
| Barnard JJ | SOS Signs |
| Meyer R | Eclipz Doggy Parlour |
| | Ingwe Emergency Fire and Risk Consultants |
| Key management | Name |
| SM Molala | Afriscapes CC (Capacity building) |
| Ramovha MM | TL Ramovha trust |
| | Duvhaliswa LTD LTD |
| Mathe FM | Tsebo Kitso Trainings |
| Post-employment benefit plan for employees | Refer to note |
| Members of key management | Refer to note |
| Executive Council Members | Refer to note |

There were no transactions with the above listed entities subject to control by council members

Services rendered to Related Parties

| Councillors 2021 | Name | Rates charges | Services charges | Interest | Sundry charges | Outstanding balances |
|------------------------------|-----------------|---------------|------------------|----------|----------------|----------------------|
| Executive Mayor Proportional | Tsongwe SL | 6,830 | 18,110 | 58 | - | 1,608 |
| Councillor: Proportional | Du Toit T | 8,491 | 41,697 | 138 | - | 4,675 |
| Councillor: Proportional | Leotlela M | 600 | 2,329 | 652 | - | 16,450 |
| Councillor: Proportional | Malindi MJ | 600 | 1,318 | - | - | (4,345) |
| Councillor: Proportional | Maseko ME | 600 | 3,587 | 368 | - | 57,415 |
| Councillor: Proportional | Mashia VL | 1,292 | 11,080 | 291 | - | 49,526 |
| Councillor: Proportional | Matwa SM | 600 | 1,507 | 17 | - | 10,753 |
| Councillor: Proportional | Mbana MT | 600 | - | 66 | - | 1,289 |
| Councillor: Proportional | Mofokeng KB | 600 | 818 | 120 | - | 1,028 |
| Councillor: Proportional | Mofokeng TH | 4,799 | 8,358 | 5 | - | 1,246 |
| Councillor: Proportional | Mohapi P | 4,707 | 11,320 | 407 | - | 23,777 |
| Councillor: Proportional | Motaung TA | 1,661 | 1,022 | 520 | - | 49,450 |
| Councillor: Proportional | Motjeane SM | 3,646 | 22,788 | 576 | - | 156,357 |
| Councillor: Proportional | Motloung TM | 2,815 | 2,189 | - | - | 29,267 |
| Councillor: Proportional | Nhlapo LL | 846 | 3,288 | - | - | (3,579) |
| Councillor: Proportional | Poho MS | 600 | 4,333 | 5 | - | 4,159 |
| Councillor: Proportional | Semonyo LS | 1,754 | 10,329 | - | - | 919 |
| Councillor: Proportional | Taats TJ | 600 | 34,995 | 800 | - | 44,363 |
| Councillor: Proportional | Tsotetsi JL | 1,154 | 3,703 | 448 | - | 82,018 |
| Councillor: Proportional | Van Heerden L J | 7,107 | 11,572 | - | - | 1,302 |
| Councillor: Proportional | Zwane ZJ | 6,553 | 6,260 | - | - | 1,169 |
| Councillor: Ward 1 | Mokoena MP | 600 | 1,619 | - | - | 150 |

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|--|---------------------|--------|----------------|----------------|--------------|---|------------------|
| 44. Related parties (continued) | | | | | | | |
| Councillor: Ward 2 | Molawa JM | 600 | 7,342 | - | 638 | | |
| Councillor: Ward 3 | Telane MM | 600 | 9,312 | - | 110,371 | | |
| Councillor: Ward 4 | Nnune GB | 600 | 3,072 | 51 | 6,516 | | |
| Councillor: Ward 5 | Kobo SS | 600 | 4,230 | - | 22,519 | | |
| Councillor: Ward 6 | Nkheloane M | 600 | 10,049 | 201 | 67,307 | | |
| Councillor: Ward 7 | Mahlaela PM | 1,338 | 248 | - | 13,010 | | |
| Councillor: Ward 8 | Nteso SJ | 1,569 | 4,927 | 1,235 | 117,296 | | |
| Councillor: Ward 9 | Dywili NN | 2,215 | 4,539 | 1 | 6,513 | | |
| Councillor: Ward 10 | Mtshali NM | 2,907 | 15,638 | 608 | 32,601 | | |
| Councillor: Ward 11 | Mabasa KT | 2,815 | 10,682 | 23 | 624 | | |
| Councillor: Ward 12 | Makhefu LA | 1,338 | 177 | - | 28 | | |
| Councillor: Ward 13 | Mosokweni FD | 831 | 13,299 | 17 | 59,893 | | |
| Councillor: Ward 14 | Van der Merwe FJ | 7,107 | 30,206 | - | 3,221 | | |
| Councillor: Ward 15 | Grobbelaar JJ | 7,568 | 6,050 | 2 | 2,502 | | |
| Councillor: Ward 16 | Barnard JJ | 6,553 | 14,340 | - | 1,498 | | |
| Councillor: Ward 17 | Burger GS | 8,307 | 26,666 | 9 | 1,882 | | |
| Councillor: Ward 18 | Meyer R | 14,306 | 16,748 | - | 1,341 | | |
| Councillor: Ward 19 | Mare AK | 1,246 | 695 | - | 183 | | |
| Councillor: Ward 20 | Fisher L | 1,338 | 19,791 | - | 1,551 | | |
| Councillor: Ward 21 | Mokoena NP | 600 | 10,598 | 52 | 26,720 | | |
| Subtotal | | - | 120,093 | 410,831 | 6,670 | - | 1,005,211 |
| | | | 120,093 | 410,831 | 6,670 | | 1,005,211 |

| Councillors 2020 | Name | Rates charges | Services charges | Interest | Sundry charges | Outstanding balances |
|------------------------------|--------------------|----------------------|-------------------------|-----------------|-----------------------|-----------------------------|
| Executive Mayor Proportional | Tsongwe SL | 7,012 | 23,596 | 280 | - | 11,079 |
| Councillor: Proportional | Du Toit T | 8,718 | 57,971 | 945 | - | 15,308 |
| Councillor: Proportional | Leotlela M | 650 | 716 | 776 | - | 23,796 |
| Councillor: Proportional | Malindi MJ | 650 | 1,369 | - | - | 5,340 |
| Councillor: Proportional | Maseko ME | 650 | 4,023 | 376 | - | 52,833 |
| Councillor: Proportional | Mashia VL | 1,219 | 12,479 | 199 | 769 | 101,154 |
| Councillor: Proportional | Matwa SM | 650 | 1,265 | 56 | - | 17,659 |
| Councillor: Proportional | Mofokeng KB | 600 | 977 | 443 | - | 8,236 |
| Councillor: Proportional | Mofokeng TH | 4,928 | 15,635 | 3 | - | 4,775 |
| Councillor: Proportional | Mohapi P | 600 | 333 | 345 | - | 5,797 |
| Councillor: Proportional | Motaung TA | 1,706 | 1,001 | 963 | - | 15,840 |
| Councillor: Proportional | Motjeane SM | 3,743 | 41,061 | 464 | 270 | 128,254 |
| Councillor: Proportional | Motlounq TM | 2,656 | 1,987 | - | 769 | 24,239 |
| Councillor: Proportional | Nhlapo LL | 871 | 2,663 | - | - | 1,142 |
| Councillor: Proportional | Poho MS | 650 | 4,399 | 6 | - | 11,276 |
| Councillor: Proportional | Semonyo LS | 1,800 | 8,371 | 18 | - | 571 |
| Councillor: Proportional | Taats TJ | 650 | 3,882 | 459 | - | 7,964 |
| Councillor: Proportional | Tsotetsi JL | 1,185 | 33,226 | 486 | - | 76,614 |
| Councillor: Proportional | Van Heerden L J | 6,704 | 15,270 | - | - | 1,112 |
| Councillor: Proportional | Zwane ZJ | 6,728 | 6,434 | 7 | - | 1,426 |
| Councillor: Ward 1 | Mokoena MP | 650 | 927 | 589 | - | 8,787 |
| Councillor: Ward 2 | Molawa JM | 650 | 6,657 | - | - | 553 |
| Councillor: Ward 3 | Telane MM | 650 | 25,034 | - | - | 102,446 |
| Councillor: Ward 4 | Nnune GB | 650 | 5,172 | 6 | - | 3,391 |
| Councillor: Ward 5 | Kobo SS | 650 | 3,912 | - | - | 29,794 |
| Councillor: Ward 6 | Nkheloane M | 650 | 8,273 | 120 | - | 56,444 |
| Councillor: Ward 7 | Mahlaela PM | 1,374 | 5,531 | - | 270 | 11,411 |
| Councillor: Ward 8 | Nteso SJ | 1,480 | 6,239 | 1,320 | - | 109,478 |
| Councillor: Ward 9 | Dywili NN | 2,274 | 7,025 | 356 | 270 | 29,745 |
| Councillor: Ward 10 | Mtshali NM | 5,728 | 8,751 | 2,640 | 540 | 84,455 |

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|--|------------------|--------|----------------|----------------|---------------|--------------|------------------|
| 44. Related parties (continued) | | | | | | | |
| Councillor: Ward 11 | Mabasa KT | 1,421 | 6,300 | - | - | (3,675) | |
| Councillor: Ward 12 | Makhefu LA | 1,262 | 642 | - | - | 196 | |
| Councillor: Ward 13 | Mosokweni FD | 853 | 5,273 | 260 | - | 63,678 | |
| Councillor: Ward 14 | Van der Merwe FJ | 7,297 | 36,233 | - | - | 2,781 | |
| Councillor: Ward 15 | Grobbelaar JJ | 7,770 | 5,729 | 11 | - | (234) | |
| Councillor: Ward 16 | Barnard JJ | 6,728 | 16,468 | - | - | 1,740 | |
| Councillor: Ward 17 | Burger GS | 7,836 | 12,196 | - | - | 11 | |
| Councillor: Ward 18 | Meyer R | 13,496 | 12,471 | - | - | 2,274 | |
| Councillor: Ward 19 | Mare AK | 1,279 | 716 | - | - | (558) | |
| Councillor: Ward 20 | Fisher L | 1,863 | 9,844 | 79 | - | 1,259 | |
| Councillor: Ward 21 | Mokoena NP | 650 | 13,057 | 1 | - | 55,448 | |
| Subtotal | | - | 117,581 | 433,108 | 11,208 | 2,888 | 1,073,839 |
| | | | 117,581 | 433,108 | 11,208 | 2,888 | 1,073,839 |

| Section 57 personnel 2021 | | | | | | | |
|------------------------------------|-----------|---------------|-----------------|------------------|----------------|---------------------|---------------|
| | Name | Rates Charges | Service Charges | Interest charges | Sundry charges | Outstanding Balance | |
| Acting Municipal Manager | Mathe M | 4,384 | 6,963 | - | - | (2,349) | |
| Acting Director Social Services | Alberts G | 10,337 | 17,746 | 1,081 | (84) | 20,457 | |
| Acting Director Technical Services | Ramovha | 4,849 | 35,026 | 519 | 1,208 | 20,977 | |
| Acting Director LED | Theko M | 12,645 | 22,693 | 61 | (101) | 4,565 | |
| Subtotal | | - | 32,215 | 82,428 | 1,661 | 1,023 | 43,650 |
| | | | 32,215 | 82,428 | 1,661 | 1,023 | 43,650 |

| Section 57 personnel 2020 | | | | | | | |
|---|------------|---------------|-----------------|------------------|----------------|---------------------|---------------|
| | Name | Rates Charges | Service Charges | Interest Charges | Sundry charges | Outstanding balance | |
| Acting Municipal Manager | Mathe M | 8,272 | 11,341 | 2 | 270 | 2,704 | |
| Acting Municipal Manager and Director Social Services | Mokoena SJ | 18,024 | 55,583 | 2 | 396 | 9,028 | |
| Acting Director Corporate Services | Molotsi B | 10,274 | 11,116 | 2,583 | 3,930 | 45,577 | |
| Acting Director Corporate Services | Moholi KA | 3,519 | 7,869 | 3 | - | 696 | |
| Acting Director Social Services | Alberts G | 9,752 | 44,242 | - | 126 | 2,019 | |
| Acting Director LED | Theko M | 15,760 | 19,944 | 2,583 | 3,929 | 11,673 | |
| Subtotal | | - | 65,601 | 150,095 | 5,173 | 8,651 | 71,697 |
| | | | 65,601 | 150,095 | 5,173 | 8,651 | 71,697 |

| 2021: Revenue of family of key management personnel and councillors that are employed at the municipality | | | | | | |
|--|-------------|---------------|--------------------|--------------|------------------|------------------|
| | Name | Family member | Family member | Relationship | Remuneration | Total |
| Organisation Development and Corporate Services | E Sediane | SS Sediane | Human Resources | Wife | 570,054 | 570,054 |
| Social services | MD Moshodi | DB Moshodi | Parks Finance | Wife | 210,431 | 210,431 |
| Councillor | PM Mahlaela | RM Mahlaela | Technical services | Daughter | 282,870 | 282,870 |
| Councillor | MJ Malindi | MM Nhlapo | Office of speaker | Sister | 383,204 | 383,204 |
| Subtotal | | | | | - | - |
| | | | | | 1,446,559 | 1,446,559 |
| | | | | | 1,446,559 | 1,446,559 |

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44. Related parties (continued)
2020: Revenue of family of key management personnel and councillors that are employed at the municipality

| | Name | Family member | Family member | Relationship | Remuneration | Total |
|---|-------------|---------------|--------------------|--------------|------------------|------------------|
| Organisation Development and Corporate Services | E Sediane | SS Sediane | Human Resources | Wife | 906,268 | 906,268 |
| Social services | MD Moshodi | DB Moshodi | Parks Finance | Wife | 235,727 | 235,727 |
| Councillor | NN Dywili | N Dywili | Parks | Wife | 376,512 | 376,512 |
| Councillor | PM Mahlaela | RM Mahlaela | Technical services | Daughter | 141,143 | 141,143 |
| Subtotal | - | - | - | - | 1,659,650 | 1,659,650 |
| | | | | | 1,659,650 | 1,659,650 |

Remuneration of management

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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44. Related parties (continued)

Management class: Councillors

2021

| Name | Basic salary | Other benefits received | Total |
|------------------------------------|-------------------|-------------------------|-------------------|
| Mayoral committee members | 4,321,801 | 1,396,495 | 5,718,296 |
| Mayor | 673,987 | 264,263 | 938,250 |
| Council Whip | 673,987 | 40,800 | 714,787 |
| Speaker | 539,909 | 219,569 | 759,478 |
| Chairpersons Section 79 committees | 1,832,843 | 252,520 | 2,085,363 |
| Other Councillors | 6,787,181 | 2,376,380 | 9,163,561 |
| | 14,829,708 | 4,550,027 | 19,379,735 |

2020

| Name | Basic salary | Other benefits received | Total |
|------------------------------------|-------------------|-------------------------|-------------------|
| Mayoral committee members | 5,391,896 | 326,400 | 5,718,296 |
| Mayor | 897,450 | 40,800 | 938,250 |
| Council Whip | 673,987 | 40,800 | 714,787 |
| Speaker | 718,678 | 40,800 | 759,478 |
| Chairpersons Section 79 committees | 1,962,963 | 122,400 | 2,085,363 |
| Other Councillors | 8,021,160 | 1,142,400 | 9,163,560 |
| | 17,666,134 | 1,713,600 | 19,379,734 |

Refer to note "Remuneration of councillors"

Management class: Section 57 personnel - Refer to Note 30

Metsimaholo Local Municipality

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44. Related parties (continued)

The municipality was placed under administration in terms of Section 139(1) (b) of the Constitution of the Republic of South Africa, 1996 from 20 February 2020 till 8 June 2021.. Mr T Manele was appointed by COGTA as the Administrator of the municipality. Mr FM Mathe was seconded as acting Municipal Manager, Ms K Lepesa as acting Chief Financial officer and Mr L Ntoyi as acting Director Technical Services,

Metsimaholo Local Municipality

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45. Change in estimate

Property, plant and equipment

The useful life of 1 635 assets, included in Property, Plant and Equipment have been reassessed and the remaining useful lives of these assets were extended. The effect of this revision has decreased the depreciation charges for the current and future periods by R3 774 217.70

The useful lives of landfill-site assets, included in Property, Plant and Equipment have been re-assessed and the remaining useful lives of these assets were extended for 1 year on the Sasolburg site, decreased with 4 years on the Oranjeville site and increase with 3 years on the Deneysville site as at 30 June 2021. The effect of this revision has decreased the depreciation charge for the current (2021) year by R 765,108 and increased the depreciation charge for future periods with the same amount.

| Remaining Useful Life as at 30 June 2021 | 2020 assessment | 2021 assessment | Increase/ (Decrease) |
|--|--------------------|--------------------|-------------------------|
| Sasolburg landfill | 1 | 2 | 1 |
| Oranjeville landfill | 16 | 12 | (4) |
| Deneysville landfill | 4 | 7 | 3 |
| | | | |
| Depreciation expense for 2021 | 2020 assessment | 2021 assessment | Increase/ (Decrease) |
| Sasolburg landfill | 2,023,003 | 1,348,669 | (674,334) |
| Oranjeville landfill | 16,202 | 21,187 | 4,985 |
| Deneysville landfill | 255,358 | 159,599 | (95,759) |
| | 2,294,562 | 1,529,454 | (765,108) |
| | | | |
| Depreciation expense for future period | 2020 assessment | 2021 assessment | Increase/ (Decrease) |
| Sasolburg landfill | 2,023,003 | 2,697,337 | 674,334 |
| Oranjeville landfill | 259,226 | 254,241 | (4,985) |
| Deneysville landfill | 1,021,432 | 1,117,191 | 95,759 |
| | 3,303,660 | 4,068,769 | 765,108 |
| | | | |
| Carrying value 30 June | 5,598,223 | 5,598,223 | - |

46. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 | | | |
|--|-------------|-------------------------------|----------------------------|--------------------------|-----------------|
| 46. Prior-year adjustments (continued) | | | | | |
| 2019 | | | | | |
| | Note | As previously reported | Correction of error | Restated | |
| Inventories | | 1,467,433 | - | 1,467,433 | |
| Fruitless and wasteful expenditure recoverable | | 18,451,758 | - | 18,451,758 | |
| Other financial assets | | 3,640,357 | - | 3,640,357 | |
| Receivables from exchange transactions | | 169,524,819 | (200) | 169,524,619 | |
| Receivables from non-exchange transactions | | 46,441,383 | - | 46,441,383 | |
| Cash and cash equivalents | | 13,877,193 | 1,066,879 | 14,944,072 | |
| Investment property | | 445,937,342 | (191,593,950) | 254,343,392 | |
| Property, plant and equipment | | 1,223,944,817 | - | 1,223,944,817 | |
| Intangible assets | | 4,189,199 | - | 4,189,199 | |
| Heritage assets | | 4,427,969 | - | 4,427,969 | |
| Receivables from exchange transactions | | 567,217 | - | 567,217 | |
| Short term portion - long term loan | | (1,634,939) | - | (1,634,939) | |
| Finance lease obligation | | (3,347,599) | - | (3,347,599) | |
| Payables from exchange transactions | | (255,279,180) | (9,068,756) | (264,347,936) | |
| VAT payable | | (5,906,118) | 3,024,816 | (2,881,302) | |
| Consumer deposits | | (24,100,760) | - | (24,100,760) | |
| Employee benefit obligation | | (4,565,000) | - | (4,565,000) | |
| Unspent conditional grants and receipts | | (8,360,979) | - | (8,360,979) | |
| Finance lease obligation | | (3,828,028) | - | (3,828,028) | |
| Employee benefit obligation | | (50,116,000) | - | (50,116,000) | |
| Provisions | | (84,337,965) | - | (84,337,965) | |
| Accumulated surplus | | (1,490,992,919) | 196,571,211 | (1,294,421,708) | |
| | | - | - | - | |
| 2020 | | | | | |
| | Note | As previously reported | Correction of error | Re-classification | Restated |
| Inventories | | 1,183,309 | 21,944 | - | 1,205,253 |
| Fruitless and wasteful expenditure recoverable | | 18,451,758 | - | - | 18,451,758 |
| Other financial assets | | 2,730,475 | - | - | 2,730,475 |
| Receivables from exchange transactions | | 230,022,645 | (30,071,590) | - | 199,951,055 |
| Receivables from non exchange transactions | | 57,221,498 | (403,379) | 4,000,000 | 60,818,119 |
| Cash and cash equivalents | | 44,671,390 | 1,066,879 | - | 45,738,269 |
| Investment property | | 444,879,258 | (191,593,950) | - | 253,285,308 |
| Property, plant and equipment | | 1,225,813,747 | - | - | 1,225,813,747 |
| Intangible assets | | 4,555,920 | - | - | 4,555,920 |
| Heritage assets | | 4,427,968 | - | - | 4,427,968 |
| Receivables from exchange transactions | | 45,118 | - | - | 45,118 |
| Finance lease obligation | | (3,287,522) | - | - | (3,287,522) |
| Payables from exchange transactions | | (281,446,155) | (13,193,842) | - | (294,639,997) |
| VAT payable | | (11,092,173) | 3,065,756 | - | (8,026,417) |
| Consumer deposits | | (25,477,270) | - | - | (25,477,270) |
| Employee benefit obligation (current) | | (3,700,083) | - | - | (3,700,083) |
| Unspent conditional grants and receipts | | (27,116,049) | - | (4,000,000) | (31,116,049) |
| Finance lease obligation | | (540,509) | - | - | (540,509) |
| Employee benefit obligation (non-current) | | (54,084,377) | - | - | (54,084,377) |
| Provisions | | (87,620,304) | (974,659) | - | (88,594,963) |
| Accumulated surplus | | (1,539,638,644) | 232,082,841 | - | (1,307,555,803) |
| | | - | - | - | - |

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Statement of financial performance

Metsimaholo Local Municipality

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|---|------|------------------------|---------------------|-------------------|-------------------|
| 46. Prior-year adjustments (continued) | | | | | |
| 2020 | | | | | |
| | Note | As previously reported | Correction of error | Re-classification | Restated |
| Service charges | | 767,532,947 | (30,101,554) | - | 737,431,393 |
| Rental of facilities and equipment | | 5,983,037 | - | - | 5,983,037 |
| Interest received - consumers | | 37,983,021 | - | - | 37,983,021 |
| Income legal costs | | 3,901,301 | - | - | 3,901,301 |
| Sale of stands | | 225,881 | - | - | 225,881 |
| Operational revenue | | 2,544,036 | (116,880) | - | 2,427,156 |
| Interest received - investment | | 4,490,865 | - | - | 4,490,865 |
| Dividends received | | 123,203 | - | - | 123,203 |
| Property rates | | 199,276,819 | (403,379) | - | 198,873,440 |
| Licenses and permits (non-exchange) | | 56,315 | - | - | 56,315 |
| Interest received -outstanding property rates | | 7,944,355 | - | - | 7,944,355 |
| Government grants and subsidies | | 237,140,395 | - | - | 237,140,395 |
| Public contributions and donations | | 18,989,933 | - | - | 18,989,933 |
| Fines, penalties and forfeits | | 2,507,907 | - | - | 2,507,907 |
| Employee related costs | | (307,824,153) | (2,870,505) | 92,526 | (310,602,132) |
| Remuneration of councillors | | (19,379,734) | - | - | (19,379,734) |
| Depreciation and amortisation | | (46,367,646) | - | - | (46,367,646) |
| Finance costs | | (9,386,032) | (974,659) | - | (10,360,691) |
| Lease rentals on operating lease | | (3,989,115) | (64,466) | - | (4,053,581) |
| Debt impairment | | (230,763,368) | - | - | (230,763,368) |
| Bulk purchases | | (449,401,794) | - | - | (449,401,794) |
| Contracted services | | (79,498,478) | (722,675) | - | (80,221,153) |
| Transfers and subsidies | | (175,615) | - | - | (175,615) |
| Loss on investment share price | | (886,215) | - | - | (886,215) |
| Inventories losses/write-downs | | (88,633) | 23,416 | - | (65,217) |
| Operating expenditure | | (92,293,507) | (280,926) | (92,526) | (92,666,959) |
| Surplus for the year | | 48,645,725 | (35,511,628) | - | 13,134,097 |

Errors

The following prior period errors adjustments occurred:

Error 1

Leave was paid out to staff. Due to COVID did not took leave and requested that excess leave were paid out. Correction of overtime, standby. In certain cases back pay was paid out to due disparity in post levels.

Statement of Financial Position

| | | |
|---|---|-------------|
| Increase/(decrease) Trade payables | - | 4,353,391 |
| Increase/(decrease) Accumulated Surplus | - | (1,332,879) |

Statement of Financial Performance

| | | |
|---|---|-------------|
| (Increase)/decrease Employee related cost | - | (3,020,512) |
| | - | - |

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46. Prior-year adjustments (continued)

Error 2

Claim cost of administrative team from GOGTA. The municipality was placed under administration and COGTA is responsible for expenses from the administrative team.

Statement of Financial Position

| | | |
|--|---|-----------|
| (Increase)/decrease Receivables from exchange transactions | - | (152,770) |
|--|---|-----------|

Statement of Financial Performance

| | | |
|--|---|---------|
| (Increase)/decrease Employee related costs | - | 150,007 |
| (Increase)/decrease Operating expenditure | - | 2,763 |
| | - | - |

Error 3

Correction of interim water and electricity readings on consumer accounts. The consumption was allocated to the correct year. The readings of July 2020 was also corrected as provision was made in June 2020.

Statement of Financial Position

| | | |
|--|---|------------|
| (Increase)/decrease Receivables from exchange transactions | - | 30,101,554 |
|--|---|------------|

Statement of Financial Performance

| | | |
|---|---|--------------|
| Increase/(decrease) Service charges - electricity | - | (12,875,399) |
| Increase/(decrease) Service charges - water | - | (17,226,155) |
| | - | - |

Distribution losses on water electricity also changed. The restatement for water is 27% (20%) and electricity is 13% (12%)

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46. Prior-year adjustments (continued)

Error 4

Correction of VAT on payments made and corrections on inventories. VAT was reviewed and the municipality received back money from SARS for years prior 2019/2020.

Statement of Financial Position

| | | |
|---|---|-------------|
| Increase/(decrease) VAT | - | (3,066,011) |
| (Increase)/decrease Inventories | - | (21,944) |
| Increase/(decrease) Accumulated surplus | - | 3,024,816 |

Statement of Financial Performance

| | | |
|--|---|--------|
| (Increase)/decrease Inventory losses and write downs | - | 23,416 |
| (Increase)/ decrease Operating expenditure | - | 39,723 |
| | - | - |

Error 5

Invoices received after year end for payment. The invoices related to work/ services that was performed in prior years.

Statement of Financial Position

| | | |
|---|---|-----------|
| Increase/(decrease) Trade payables from exchange transactions | - | 1,791,945 |
| Increase/(decrease) VAT | - | 16 |
| Increase/(decrease) Accumulated surplus | - | (681,407) |

Statement of Financial Performance

| | | |
|--|---|-----------|
| (Increase)/ decrease Operating expenditure | - | (168,146) |
| (Increase)/ decrease Operating lease | - | (64,466) |
| (Increase)/ decrease Operating expenditure (inventory) | - | (155,267) |
| (Increase)/ decrease Contracted Services | - | (722,675) |
| | - | - |

Error 6

Deposits on bank reconciliations allocated was corrected

Statement of Financial Position

| | | |
|--|---|-------------|
| (Increase)/decrease Cash and cash equivalents | - | (1,066,879) |
| Increase/(decrease) Accumulated surplus | - | 1,066,879 |

Error 7

Correction of property rates and other income. The reconciliations were reviewed and corrections were done. Reallocation of sundry income was done.

Statement of Financial Position

| | | |
|--|---|---------|
| (Increase)/decrease receivables from exchange transactions | - | 122,806 |
| Increase/(decrease) VAT | - | 255 |
| (Increase)/decrease receivables from non exchange transactions | - | 403,379 |
| Increase/(decrease) Trade payables from exchange transactions | - | (5,980) |
| Increase/(decrease) Accumulated surplus | - | (200) |

Statement of Financial Performance

| | | |
|-------------------------------------|---|-----------|
| Increase/ (decrease) Property Rates | - | (403,379) |
| Increase/ (decrease) other income | - | (116,881) |
| | - | - |

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|-----------------|------|------|

46. Prior-year adjustments (continued)

Error 8

Provision for court order for payment to prior employee. A settlement was made with lawyers of employee that was missed and won his case in Court against the municipality.

Statement of Financial Position

| | | |
|---|---|-------------|
| Increase/(decrease) Trade payables | - | 7,054,487 |
| Increase/(decrease) Accumulated surplus | - | (7,054,487) |
| | | <hr/> |
| | - | - |
| | | <hr/> |

Error 9

Correction of asset register. Duplicated items on Investment Property were removed from the asset register. The consultant review the Asset register and made the corrections.

Statement of Financial Position

| | | |
|---|---|---------------|
| (Increase)/decrease Investment Property | - | 191,593,950 |
| Increase/(decrease) Accumulated surplus | - | (191,593,950) |
| | | <hr/> |
| | - | - |
| | | <hr/> |

Error 10

Correction on land fill site. The consultant address the valuation of the landfill sites.

Statement of Financial Position

| | | |
|---|---|-----------|
| Increase/(decrease) Provisions Landfill site | - | 974,659 |
| Statement of Financial Performance | | |
| (Increase)/decrease in interest paid in non current provision | - | (974,659) |
| | | <hr/> |
| | - | - |
| | | <hr/> |

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46. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

Reclassify entertainment of Municipal Manager and Directors from employee related cost to operating expenditure

Statement of Performance

| | | |
|---|---|----------|
| (Increase)/decrease Employee related cost | - | 92,526 |
| (Increase)/decrease Operating expenditure | - | (92,526) |
| | - | - |

Budget re-classification of entertainment of directors from employee related cost to operating expenditure, R10 000.

Reclassification 2

Re-classification Payables -Water account of Department of Water from Accuals to Rand Water and Department of water, Note 19

Payables from exchange transactions

| | | |
|--|---|--------------|
| Increase/(decrease) Accrued expenses | - | (36,217,184) |
| Increase/(decrease) Rand Water and Department of Water | - | 36,217,184 |
| | - | - |

Reclassification 3

Revenue received for RBIG was reclassified to WSIG. National Treasury withheld funds incorrectly.

Statement of Position

| | | |
|--|---|-------------|
| Increase/(decrease) Unspent Grants | - | 4,000,000 |
| (Increase)/ decrease Receivables from non-exchange | - | (4,000,000) |

Statement of Performance

| | | |
|--------------------------|---|-------------|
| Increase/(decrease) WSIG | - | 4,000,000 |
| Increase/(decrease) RBIG | - | (4,000,000) |
| | - | - |

47. Comparative figures

Certain comparative figures have been restated, refer to note 46 - Prior-year adjustments for the detail.

48. 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.

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48. Risk management (continued)

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 |
|---|---------------------|--------------------------|--------------------------|--------------|
| Consumer deposits | 26,905,083 | - | - | - |
| Finance lease obligation | 492,810 | 37,618 | - | - |
| Payables from exchange transactions | 300,847,717 | - | - | - |
| Unspent conditional grants and receipts | 272,563 | - | - | - |
| | 328,518,173 | 37,618 | - | - |

| At 30 June 2020 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---------------------|--------------------------|--------------------------|--------------|
| Consumer deposits | 25,477,270 | - | - | - |
| Finance lease obligation | 3,287,522 | 540,509 | - | - |
| Payables from exchange transactions | 294,639,997 | - | - | - |
| Unspent conditional grants and receipts | 31,116,049 | - | - | - |
| | 354,520,838 | 540,509 | - | - |

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, taking past payment behavior in to account.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument | 2021 | 2020 |
|--|-------------|-------------|
| Cash and cash equivalents | 48,132,763 | 45,738,269 |
| Receivables from exchange transactions | 330,067,526 | 199,951,055 |
| Receivables from non-exchange transactions | 109,225,670 | 60,818,119 |
| Receivables from exchange transactions (non-current) | 1,845,746 | 45,118 |
| Fruitless and waste full expenditure recoverable | 18,451,758 | 18,451,758 |
| Other financial assets | 2,842,520 | 2,730,475 |

There has been no change, since the previous financial year, to the municipality's exposure to credit risk or the manner in which it manages and measures the risk.

Market risk

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48. Risk management (continued)

Interest rate risk

The municipality invests funds in short term investments; as such, there is some cash flow risk. The municipality's borrowings are in fixed rate instruments. During 2021 and 2020, the municipality's borrowings were denominated in the Rand.

The entity's policy is to minimise interest rate cash flow risk exposure on longterm financing. Longer term borrowings are therefore usually at fixed rates.

At year end, the financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Finance lease obligations

The municipality's interest rate risk arises from finance leases. Finance leases issued at fixed rates expose the municipality to fair value interest rate risk. Entity policy is to maintain the majority of its borrowing and finance leases in fixed rate instruments.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income on the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks on the manner which it manages and measures the risk.

Fair value interest rate risk

The municipality is exposed to fair value risk as it regularly invests capital in fixed deposit accounts. This risk is managed by investing the funds for less than a year (depending on cash flow requirements), thus allowing the interest rate to be updated regularly throughout the year.

Assuming all such investments at year end were invested for a year, the effect of a 1% change in interest rate (applicable for the entire year) would be: R386 130 (2020: R380 609).

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality at fair value of R.2 829 710 (2020: R2 717 665). The impact of a 10% change in price would be R282 971. (R2020: R271 767).

This investment consists of equity in one listed entity (Sanlam Ltd), and the municipality does not actively trade in equity instruments or conduct any hedging activities.

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

49. Going concern

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

Management considered the following matters in relation to the Going Concern position of Metsimaholo Local Municipality:

(i) On 31 May 2021 Council adopted the 2021/22 to 2023/24 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF), fund the elementary operations of the Municipality to support the ongoing delivery of municipal services to residents, reflected that the Budget was cash-backed over the three-year period.

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49. Going concern (continued)

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

(v) We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R1 422 630 283 and that the municipality's current assets exceed its current liabilities by R155 615 910, 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.

(vi) A cost containment program is in place and it is regarded by Council as a high priority in order to contain cost and improve service delivery.

(vii) Metsimaholo Local Municipality is a grade 9 municipality it is in public interest that the municipality remains solvent and continue as an ongoing concern.

Municipality Entity Funding

The municipality receives funding from the Government as Grants and Transfers as per the DoRA. There is no intention from Treasury to stop the distribution of Equitable share to Metsimaholo Local Municipality. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

Grants received in 2021/2022 financial year:

| | |
|--|----------------------|
| Equitable Share | R214 398 000 |
| Financial Management Grant | R 2 650 000 |
| Municipal Infrastructure Grant | R 47 085 000 |
| Integrated National Electrification Programme | R 30 400 000 |
| Water Infrastructure Grant | R 17 000 000 |
| Regional Bulg Infrastructure Grant | R 40 000 000 |
| Expanded Public Works Programme Integrated Grant | R 1 622 000 |
| Total | R 353 155 000 |

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

The COVID-19 pandemic continues to have a devastating impact on the macro economy and a significant component of the institutions which operate therein. The municipality has not been immune to the impact of the pandemic. The impact and duration of the COVID-19 pandemic in the Province and Metsimaholo's jurisdiction is uncertain at the date of this submission. Management of the municipality is however of the opinion that regardless of the possible effect of the COVID-19 pandemic, the municipality will continue to operate for the foreseeable future, which is usually regarded as at least the next 12 months from the reporting date, however not limited to this timeframe

50. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

Metsimaholo Local Municipality

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51. COVID 19 -EXPENDITURE

Background information

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID- 19 outbreak as a global pandemic on 11th March 2020.

Covid-19 in South Africa

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th 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.

Thus, there will not be any prior year information regarding expenditure in lieu of Covid-19.

The table below indicates the total Covid-19 response expenditure (excluding VAT) for the period ending 30 June 2021:

COVID-19 Expenditure

Operating Expenditure

| | | |
|---|------------------|------------------|
| Operating expenditure: Inventory | 688,102 | 1,357,918 |
| Operating expenditure: Inventory | 146,878 | - |
| Operating expenditure: Inventory - food parcels | - | 326,800 |
| Operating expenditure: Advertisement | - | 25,500 |
| Operating expenditure: Protective clothing | 1,466,575 | 532,871 |
| Contracted Services: Loudhauling | 24,150 | 220,500 |
| Employee related cost: COVID 19 Allowance | 1,500 | 640,500 |
| Employee related cost: Overtime | - | 1,164,296 |
| Operating expenditure: Inventory fuel | 688,311 | - |
| Capital Expenditure | | |
| Transport assets | 1,603,359 | - |
| Infrastructure assets | 2,695,744 | - |
| | 7,314,619 | 4,268,385 |

The table below indicates the Funding sources for the total Covid-19 response expenditure (excluding VAT):

Funding sources of COVID-19 expenditure

| | | |
|--------------------------------|------------------|------------------|
| Own Revenue | 884,567 | 3,941,585 |
| Public contributions | 919,911 | 28,800 |
| Disaster Management Grant | - | 298,000 |
| Municipal Infrastructure Grant | 1,211,038 | - |
| Water Infrastructure Grant | 4,299,103 | - |
| | 7,314,619 | 4,268,385 |

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52. Unauthorised expenditure

| | | |
|--|--------------------|-------------------|
| Opening balance as previously reported | 96,945,336 | 96,945,336 |
| Opening balance as restated | 96,945,336 | 96,945,336 |
| Add: Expenditure identified - current | 16,372,664 | - |
| Closing balance | 113,318,000 | 96,945,336 |

The overspending of R16 372 664 under the Local Economic Development vote for the 2020/2021 financial year was due to depreciation of R27 888 298 compare to the budget of R2 060 730. Further detail on depreciation is disclosed in Note 3,4,5 and 6

Non -cash

| | | |
|----------------------------|-------------------|----------|
| Depreciation | 25,827,568 | - |
| Loss on disposal of Assets | 535,325 | - |
| | 26,362,893 | - |

53. Fruitless and wasteful expenditure

| | | |
|--|-------------------|-------------------|
| Opening balance as previously reported | 35,389,451 | 28,191,960 |
| Opening balance as restated | 35,389,451 | 28,191,960 |
| Add: Expenditure identified - current | 3,594,516 | 5,421,143 |
| Add: Expenditure identified - prior period | - | 1,776,348 |
| Closing balance | 38,983,967 | 35,389,451 |

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53. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Analysis of expenditure

| | | |
|--|------------------|------------------|
| Sheriff Sasolburg - payment of interest | 147,766 | 384,150 |
| ESKOM - interest paid on the late payments of electricity accounts | 22,113 | 269 |
| Free State Provincial Government - late payment of license fees | 51,798 | 383 |
| Department of Water - interest on late payment | 2,649,796 | 2,559,329 |
| SARS: Penalty & Interest charged VAT 201 Rand Water | - | 10,603 |
| Safcrete -interest paid | - | 332,453 |
| Compensation Commissioner -interest | - | 84,022 |
| Auqa: Cost and interest paid to lawyers | - | 194,667 |
| Lizelle trust Interest 17/18 | - | 845,880 |
| Lizelle trust Interest 18/19 | - | 930,468 |
| Lizelle trust Interest 19/20 | - | 1,855,267 |
| Lizelle trust Interest 20/21 | 219,361 | - |
| Sheriff Pretoria - payment of interest | 174,657 | - |
| Sheriff Bloemfontein - payment of interest | 54,107 | - |
| Payment of acting allowance | 5,690 | - |
| Auditor General -payment of interest | 63,187 | - |
| Kramer Wiehmann -payment of cost | 155,411 | - |
| MI Greyer- Cost and interest paid to lawyers | 50,630 | - |
| | 3,594,516 | 7,197,491 |

Disciplinary steps taken/criminal proceedings

The Sport stadium, Metsimaholo, R21 647 458.92 is disclosed Fruitless and Wasteful expenditure. The matter is under investigation and a report will be submitted to Council.

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54. Irregular expenditure

| | | |
|---|--------------------|--------------------|
| Opening balance as previously reported | 409,999,134 | 352,547,150 |
| Opening balance as restated | 409,999,134 | 352,547,150 |
| Add: Irregular Expenditure - current | 60,940,397 | 37,444,981 |
| Add: Irregular Expenditure - prior period | 9,784,005 | 20,007,003 |
| Closing balance | 480,723,536 | 409,999,134 |

Analysis of expenditure awaiting investigation

| | | |
|--|-------------------|-------------------|
| Not submitting the minimum quotations for acquiring goods and services | 758,264 | 618,241 |
| Other (lowest quotation not selected, not on CSD, etc) | 5,684,805 | 2,528,559 |
| Contract / SLA expired i.e. exceeds three years, no valid approval for extension | 18,280,969 | 16,114,747 |
| Work performed without authorised order being issued/procedures followed | 1,117,970 | 6,232,358 |
| Regulation 32 Non- compliance (no cost/benefit analysis performed) | - | 1,643,171 |
| Not regarded/complied as deviations | 31,539,681 | 10,307,905 |
| Identified as per audit 2019 | 9,784,005 | 20,007,003 |
| Non -compliance of SCM regulations | 1,826,350 | - |
| Member served on Bid Evaluation Committee as well as Bid Adjuration Committee | 1,732,358 | - |
| | 70,724,402 | 57,451,984 |

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 4,108,741 | 3,721,289 |
| Amount paid - current year | (4,108,741) | (3,721,289) |
| | - | - |

Distribution losses

Bulk electricity and water losses in terms of Section 125(2)(d)(i) of MFMA. Refer to note 37

Audit fees

| | | |
|---------------------------------|------------------|---------------|
| Opening balance | 31,159 | 402,877 |
| Current year subscription / fee | 11,997,935 | 8,628,546 |
| Interest charged | 63,187 | 52,450 |
| Amount paid - current year | (8,155,599) | (9,000,264) |
| Debt forgiven (interest waived) | - | (52,450) |
| | 3,936,682 | 31,159 |

PAYE and UIF

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 4,325,178 | 3,938,347 |
| Current year subscription / fee | 57,176,750 | 49,650,601 |
| Amount paid - current year | (56,689,873) | (49,263,770) |
| | 4,812,055 | 4,325,178 |

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55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 3,409,934 | - |
| Current year subscription / fee | 82,720,323 | 75,964,649 |
| Amount paid - current year | (83,005,608) | (72,554,715) |
| | 3,124,649 | 3,409,934 |

VAT

| | | |
|-------------|------------|-----------|
| VAT payable | 21,576,715 | 8,026,417 |
|-------------|------------|-----------|

VAT output payables and VAT input receivables are shown in note 20.

All VAT returns have been submitted by the due date throughout the year.

55. 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 more than 90 days | Total |
|--|--|----------------|
| Dywilli N N (Acc no 562734) | 9,152 | 9,152 |
| Kobo S S (Acc no 526816, 830352 and 872353) | 21,203 | 21,203 |
| Leotlele P R (Acc no 536637 and 592959) | 25,717 | 25,717 |
| Mahlaela P M (Acc no 108353) | 12,095 | 12,095 |
| Malindi M J (Acc no 536489) | 1,005 | 1,005 |
| Matwa S M (Acc no 566022,612908 and 872070) | 10,132 | 10,132 |
| Maseko M (Acc no 109049 ,590648) | 56,119 | 56,119 |
| Mofokeng TH (Acc no 537002) | 611 | 611 |
| Mokoena N (Acc no 565105 ,611209, 830981 and 791179) | 22,401 | 22,401 |
| Mosokweni F (Acc no 108066 and 830353) | 56,869 | 56,869 |
| Motloung TM (Acc no 100348) | 27,984 | 27,984 |
| Motaung T A (Acc no 574795) | 13,024 | 13,024 |
| Motjeane S (Acc no 106180) | 149,762 | 149,762 |
| Mtshali N M (Acc no 103466 and 562315) | 28,972 | 28,972 |
| Nkheloane M (Acc no 108037 and 592910) | 56,320 | 56,320 |
| Nnune J G (Acc no 512468) | 5,441 | 5,441 |
| Nteso SJ (Acc no 103104) | 115,169 | 115,169 |
| Poho M S (Acc no 589204) | 3,141 | 3,141 |
| Taats T (Acc no 553229) | 16,278 | 16,278 |
| Telane M M (Acc no 512521 and 872358) | 106,909 | 106,909 |
| Tsotetsi L J (Acc no 511192) | 79,487 | 79,487 |
| | 817,791 | 817,791 |
| 30 June 2020 | Outstanding more than 90 days | Total |
| Dywilli N N (Acc no 562734) | 27,256 | 27,256 |
| Kobo S S (Acc no 830352 and 872353) | 28,520 | 28,520 |
| Leotlele P R (Acc no 536637 and 592959) | 23,354 | 23,354 |
| Mahlaela P M (Acc no 108353) | 10,678 | 10,678 |
| Malindi M J (Acc no 595729) | 5,340 | 5,340 |
| Matwa S M (Acc no 59327 and 872070) | 17,659 | 17,659 |
| Maseko M (Acc no 109049 ,590648) | 51,841 | 51,841 |
| Mokoena N (Acc no 565105 , 594135 and 791179) | 54,524 | 54,524 |
| Motlhale S (Acc no 12921) | 21,938 | 21,938 |
| Mokoena P M (Acc no 568419) | 8,171 | 8,171 |
| Mosokweni F (Acc no 830353) | 62,227 | 62,227 |
| Motaung T A (Acc no 537934) | 14,992 | 14,992 |
| Motjeane S (Acc no 106180) | 117,975 | 117,975 |
| Mtshali N M (Acc no 103466) | 40,024 | 40,024 |
| Nkheloane M (Acc no 108037,575013 and 592910) | 54,372 | 54,372 |
| Nnune J G (Acc no 512468) | 2,073 | 2,073 |
| Poho M S (Acc no 589204) | 10,341 | 10,341 |
| Taats T (Acc no 553229) | 7,459 | 7,459 |
| Telane M M (Acc no 512521) | 100,591 | 100,591 |
| Tshongwe S L (Acc no 575987) | 3,169 | 3,169 |
| Tsotetsi L J (Acc no 511192) | 74,876 | 74,876 |
| | 737,380 | 737,380 |

55. Additional disclosure in terms of Municipal Finance Management Act (continued)**Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed in note 56 have been condoned.

56. 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 annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. 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.

Summary of deviations

| | | |
|-------------------------|-------------------|------------------|
| Emergency | 6,131,077 | 2,798,479 |
| Other | - | 216,518 |
| Exceptional/unpractical | 4,269,241 | 417,346 |
| Sole suppliers | 912,637 | 407,583 |
| COVID 19 emergency | 675,744 | 1,988,857 |
| | 11,988,699 | 5,828,783 |

57. Segment information**General information****Transitional provisions**

GRAP 18 Segment Reporting became effective on 1 April 2020 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to present comparative segment information on initial adoption of GRAP 18.

The municipality is taking advantage of the transitional provisions by not presenting comparative segment information.

The municipality intends to fully apply the requirements of GRAP 18 by 30 June 2022.

57. Segment information (continued)**Aggregated segments****Segmental Statement of Financial Performance: GFS Classification**

| 2021 Segment | Actual income | Actual expenditure | Surplus / (deficit) |
|-------------------------------------|----------------------|---------------------------|----------------------------|
| Governance and administration | - | - | - |
| Executive and Council | - | (50,217,367) | (50,217,367) |
| Finance and Administration | 193,334,305 | (216,459,731) | (23,125,426) |
| Internal Audit | - | (2,815,834) | (2,815,834) |
| Community and public safety | - | - | - |
| Community and Social Services | 1,538,400 | (5,405,545) | (3,867,145) |
| Sport and Recreation | 5,245,160 | (33,383,204) | (28,138,044) |
| Public Safety | 5,196,844 | (47,344,521) | (42,147,677) |
| Housing | 233,144,178 | 5,706,648 | 238,850,826 |
| Economic and environmental services | - | - | - |
| Planning and Development | 3,071,769 | (15,355,150) | (12,283,381) |
| Road Transport | 14,534,869 | (53,500,905) | (38,966,036) |
| Trading services | - | - | - |
| Energy Sources | 344,183,870 | (348,807,935) | (4,624,065) |
| Water Management | 449,956,089 | (390,113,094) | 59,842,995 |
| Waste Water Management | 63,031,740 | (50,019,392) | 13,012,348 |
| Waste Management | 56,687,053 | (44,598,834) | 12,088,219 |
| Other | - | (2,534,937) | (2,534,937) |
| | 1,369,924,277 | (1,254,849,801) | 115,074,476 |

Segmental Statement of Financial Performance: Municipal Department Classification

| 2021 | Department | Actual Income | Actual Expenditure | Surplus / (deficit) |
|-------------|---|----------------------|---------------------------|----------------------------|
| Vote 1 | Executive & Council | - | (43,022,581) | (43,022,581) |
| Vote 2 | Municipal Manager | 2,160,750 | (61,772,755) | (59,612,005) |
| Vote 3 | Corporate Services | 2,187,880 | (44,033,901) | (41,846,021) |
| Vote 4 | Social Services | 68,667,458 | (130,686,672) | (62,019,214) |
| Vote 5 | Technical Services | 871,706,569 | (856,165,239) | 15,541,330 |
| Vote 6 | Financial services | 417,279,064 | (68,291,362) | 348,987,702 |
| Vote 7 | Local Economic development and Planning | 7,922,559 | (50,877,294) | (42,954,735) |
| | | 1,369,924,280 | (1,254,849,804) | 115,074,476 |

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

The mandate of the municipality is to provide basic services to the community over which it governs. In order to execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective.

The following activities represent significant activities according to mandate service objectives:

- Energy sources - Electricity generation and distribution
- Waste management - Solid waste and waste water management
- Water - Water provision and treatment
- Road transport - Road infrastructure provision and maintenance
- No administrative charges to tradibg services are reflected

The following individually insignificant segments, with similar economic characteristics, have been aggregated for reporting purposes.

- Governance and administration
- Community and public safety
- Economic and environmental services
- Other

The municipality operates within the following geographical areas:

- Deneysville;
- Metsimaholo;
- Oranjeville;
- Refengkgotso;
- Sasolburg;
- Viljoensdrift and
- Zamdela.

The municipality does however not monitor segments geographically.

The municipality monitors the following business units operating results separately for the purpose of making decisions about resource allocation and performance assessment.

2021

| Housing | Road Transport | Energy Sources | Waste Management | Waste Water Management | Water Management | Other | Total |
|---------|-------------------|-------------------|---------------------|---------------------------|---------------------|-------|-------|
|---------|-------------------|-------------------|---------------------|---------------------------|---------------------|-------|-------|

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| | Housing | Road Transport | Energy Sources | Waste Management | Waste Water Management | Water Management | Other | Eliminations | Total |
|---|--------------------|-------------------|--------------------|-------------------|------------------------|--------------------|--------------------|--------------|----------------------|
| 57. Segment information (continued) | | | | | | | | | |
| Revenue | | | | | | | | | |
| Revenue from non-exchange transactions | - | - | - | - | - | - | - | 1 | - |
| Property rates | 219,706,632 | - | - | - | - | - | (5,625,200) | - | 214,081,432 |
| Fines, penalties and forfeits | - | - | - | - | - | - | 4,307,207 | - | 4,307,207 |
| Licenses and permits (non-exchange) | - | - | - | - | - | - | 9,970 | - | 9,970 |
| Transfer and subsidies | - | 14,533,041 | 16,565,190 | 19,170,914 | 25,854,280 | 26,575,123 | 193,394,527 | - | 296,093,075 |
| Interest received -outstanding property rates | 7,706,285 | - | - | - | - | - | - | - | 7,706,285 |
| Revenue from exchange transactions | - | - | - | - | - | - | - | 1 | - |
| Service Charges | - | - | 324,189,009 | 35,300,221 | 35,828,653 | 402,104,343 | - | - | 797,422,226 |
| Sales of goods and rendering of services | - | 1,828 | - | - | 6,504 | - | 9,236,589 | - | 9,244,921 |
| Rental of facilities and equipment | 5,731,262 | - | - | - | - | - | 184,721 | - | 5,915,983 |
| Interest and dividends | - | - | 3,429,671 | 2,111,758 | 1,342,303 | 21,276,623 | 6,395,698 | - | 34,556,053 |
| Operational Revenue | - | - | - | - | - | - | 146,207 | - | 146,207 |
| Gains on other Operations | - | - | - | - | - | - | 193,911 | - | 193,911 |
| Gains on disposal of PPE | - | - | - | 104,160 | - | - | 142,850 | - | 247,010 |
| Total segment revenue | 233,144,179 | 14,534,869 | 344,183,870 | 56,687,053 | 63,031,740 | 449,956,089 | 208,386,480 | 2 | 1,369,924,280 |
| Entity's revenue | | | | | | | | | 1,369,924,280 |

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| | Housing | Road Transport | Energy Sources | Waste Management | Waste Water Management | Water Management | Other | Eliminations | Total |
|--|--------------------|--------------------|--------------------|-------------------|------------------------|--------------------|--------------------|--------------|----------------------|
| 57. Segment information (continued) | | | | | | | | | |
| Expenditure | | | | | | | | | |
| Employee related cost | 6,051,840 | 20,318,888 | 19,225,369 | 32,849,817 | 12,124,875 | 19,030,124 | 222,380,818 | - | 331,981,731 |
| Remuneration of councillors | - | - | - | - | - | - | 19,379,735 | - | 19,379,735 |
| Depreciation and Amortisation | 16,960 | 27,979,717 | 12,272,115 | 2,661,819 | 9,605,617 | 38,678,560 | 32,924,001 | - | 124,138,789 |
| Debt impairment | (12,248,804) | - | (8,291,567) | 3,594,692 | 3,058,819 | 127,110,706 | 9,531,307 | - | 122,755,153 |
| Finance costs and interest paid | - | 31,671 | 38,348 | (2,487,956) | 7,493 | 2,654,791 | 514,300 | - | 758,647 |
| Bulk purchases | - | - | 311,989,111 | - | - | 195,596,829 | - | - | 507,585,940 |
| Contracted Services | 2,914 | 35,923 | 379,139 | 437,634 | 23,022,946 | 998,893 | 48,924,200 | - | 73,801,649 |
| Inventory consumed | 60,831 | 3,967,787 | 4,002,001 | 3,396,177 | 1,144,562 | 2,422,390 | 4,326,332 | - | 19,320,080 |
| Transfers and subsidies | - | - | - | - | - | - | 97,715 | - | 97,715 |
| Lease rentals on operating lease | - | 560,989 | - | 2,305,429 | 6,200 | 519,337 | 833,449 | - | 4,225,404 |
| Operating expenditure | 404,812 | 595,495 | 8,688,659 | 1,765,042 | 1,037,160 | 3,090,786 | 33,212,422 | - | 48,794,376 |
| Loss on disposal of Property, Plant and Equipment | 4,800 | 10,437 | 504,761 | 76,182 | 11,721 | 10,679 | 1,392,008 | - | 2,010,588 |
| Total segment expenditure | (5,706,647) | 53,500,907 | 348,807,936 | 44,598,836 | 50,019,393 | 390,113,095 | 373,516,287 | - | 1,254,849,807 |
| Total segmental surplus/(deficit) | | | | | | | | | 115,074,473 |
| Assets | | | | | | | | | |
| Inventories | - | - | - | - | - | 564,551 | 782,323 | - | 1,346,874 |
| Receivables from exchange transactions | - | - | 88,600,318 | 14,848,793 | 13,354,358 | 180,191,883 | 33,024,893 | - | 330,020,245 |
| Statutory receivables from non-exchange transactions | 94,193,491 | - | - | - | - | - | - | - | 94,193,491 |
| Property Plant and Equipment | 65,694 | 243,427,824 | 223,504,903 | 10,161,396 | 228,566,720 | 264,038,240 | 191,145,567 | - | 1,160,910,344 |
| Total segment assets | 94,259,185 | 243,427,824 | 312,105,221 | 25,010,189 | 241,921,078 | 444,794,674 | 224,952,783 | - | 1,586,470,954 |

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| | Housing | Road Transport | Energy Sources | Waste Management | Waste Water Management | Water Management | Other | Eliminations | Total |
|---|---------|----------------|-------------------|-------------------|------------------------|-------------------|--------------------|--------------|----------------------|
| 57. Segment information (continued) | | | | | | | | | |
| Fruitless and wasteful expenditure | | | | | | | | | 18,451,758 |
| Receivables from non- exchange transactions | | | | | | | | | 15,079,458 |
| Other financial assets | | | | | | | | | 2,842,520 |
| Cash and cash equivalents | | | | | | | | | 48,132,763 |
| Non current: Receivables from exchange | | | | | | | | | 1,845,746 |
| Investment Properties | | | | | | | | | 240,181,961 |
| Intangible assets | | | | | | | | | 3,631,697 |
| Heritage Assets | | | | | | | | | 4,427,968 |
| Total assets as per Statement of financial Position | | | | | | | | | 1,921,064,825 |
| Liabilities | | | | | | | | | |
| Payables from exchange transactions | - | - | 56,977,956 | - | - | 72,139,383 | 171,730,378 | - | 300,847,717 |
| Consumer deposits | - | - | 3,506,732 | - | - | 21,888,248 | 1,510,103 | - | 26,905,083 |
| Non-current provisions | - | - | - | 86,063,312 | - | - | - | - | 86,063,312 |
| Total segment liabilities | - | - | 60,484,688 | 86,063,312 | - | 94,027,631 | 173,240,481 | - | 413,816,112 |
| Current: Finance lease obligation | | | | | | | | | 492,810 |
| VAT Payable | | | | | | | | | 21,576,714 |
| Current: Employee Benefit Obligation | | | | | | | | | 4,356,313 |
| Unspent condition grants and receipts | | | | | | | | | 272,563 |
| Non- Current: Finance lease obligation | | | | | | | | | 37,618 |
| Non- Current: Employee Benefit Obligation | | | | | | | | | 57,882,411 |
| Total liabilities as per Statement of financial Position | | | | | | | | | 498,434,541 |

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58. Budget differences

Material differences between budget and actual amounts

Statement of financial performance:

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58. Budget differences (continued)

1. Service charges:

- Electricity sales for schools, churches and for holiday resorts were affected due to restrictions of lockdown (COVID 19) with a collection percentage of 51.18%. Connection of new fees, reconnection of electricity and electricity sales for water pumps were also affected as the collection amount is less than the budgeted amounts.

Water restrictions contributed to lower revenue on water as well as certain areas that used water without being billed. Meter readings not taken due to lock down of COVID 19. Collection of water industrials and connection/reconnection were affected as the collections amount is less than the budgeted amounts.

Collection from sewerage and refuse services were higher than the budget

2. Licenses and permits - The money collected on licenses and street trading was less than the budgeted amount due to difficult economic challenges and COVID-19 affecting most of traders for operations.

3. Other income – Selling of stands were lower than anticipated in the budget. Entrance fees were lower due to the close of the resorts from end of March 2020 and rental of halls due to the COVID-19 lockdown

4. Collection from approval of building plans were lower than anticipated in the budget.

5. Interest received - Interest received on investments and dividends on external investments were higher than the budget.

6. Dividends on the Sanlam Pty Ltd shares were higher than anticipated.

7. Property Rates – Rates on vacant land was less than the budget. The new valuation was implemented from 1 July 2019 and classified between categories.

8. Government grants and subsidies - less than the budget due to the R30 800 000 from MIG and WSIG that was withheld and receiving less money the Equitable share. The spending on projects financed by MIG and WSIG were not completed. Not all the grants were paid over.

9. Public contributions and donations - the budget did not anticipate the extent of the donations received as these are inherently difficult to predict.

10. Fines revenue was significantly lower than the budget, as the municipality was unable to issue cameras based on fines during the year. No system was implemented for the collection of fines. Court fines and penalties for tender withdrawals were lower than the budgeted amount.

11. Employee costs were lower than budgeted as many key management positions and general vacancies were not filled during the year. Directors were not appointed in the financial year.

12. The councilors' remuneration actual expenditure was lower than the budgeted amount. No increase for councilors was implemented.

13. Depreciation - a number of significant assets were brought in during the asset verification exercise. The life span of assets was reduced.

14. Spending on MIG COVID-19 expenditure was lower, as the whole allocation was not fully spent on protective clothing and sanitizers.

15. Finance cost - the actual was higher than the budgeted amount. The interest on late payments of service providers and other legal interests.

16. Lease rental on operating lease – the actual amount was lower than the budgeted amount. Control over expenditure and the lockdown due to COVID-19 result in lower expenditure.

17. Non-payment by debtors lead to a higher impairment budget. However, the impairment calculation impaired indigent debtors at 100%. The calculation of debt impairment was lower than anticipated.

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58. Budget differences (continued)

18. Water purchased were lower than the budgeted amount by 84.76% and electricity purchases were higher than the budgeted amount by 100.26%. A national lockdown was enforced from end of March 2020. It result in businesses and industries either scale down or closed for a period or permanent. This resulted in a lower demand for water supply. The growth in supply of electricity also did not realized.

19. Transfers and subsidies were lower than the budgeted amount due to bursaries that were paid during the year and 94.06% for pauper burial costs.

20. Due to cost containment measures, the spending on contracted services was lower than budgeted at 81.63%. The cash flow as well as the lockdown also contribute to lower expenditure.

21. Spending on bursaries for employees was lower than the budgeted amount at 34.16%.

Statement of Financial Position

22. The Stores sections was not fully in operation as problems were experienced with the fuel pumps and security systems not in place.

23. The collection rate was lower than anticipated due to COVID 19 and the implementation of Operation Patala that was not successful. The method of calculation of impairment of consumer debtors result in lower impairment.

24. Corrections were done on all categories in the fixed asset register.

25. The spending of grants were slow and due to cash constrains other capital projects were not implemented.

26. Payables from exchange transactions increase due to arrangement with Eskom. Provision is also made for Compensation Commissioner as no assessment is received since 2016.

27. Unspent grants was not anticipated. Grant spending on capital projects were slow.

28. The budget figures as per budget are different classified and therefor create problems to budget accurate for VAT.

29. There was budget to take up external loans for borrowing to finance capital projects but was no implemented.

30. No new finance leases were taken up as Council requested to stop the process.

31. Accumulated decrease as back pay on employee benefits were done as well as late submission of invoices for services/goods delivered.

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59. Accounting by principals and agents

Details of the arrangements are as follows: Details of the arrangements are as follows:

| Municipal as agent | Other Party in agreement | Purpose of arrangement | Description of Arrangement | Significant Terms and Conditions of Arrangement |
|--------------------|--------------------------|----------------------------|--|--|
| Principal | Utilities World | Prepaid electricity vendor | Metismaholo Local requires a prepayment vending and management system. | The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during reporting period. |
| Principal | Easy pay | Municipal account payment | That the Municipality's accounts for services owed by customers be paid at various | Funds shall be transferred daily in a consolidated total via ACM transfer to the Municipality's |
| | | | Collectors and Easy will accept payments on the Municipality's behalf and pay over to the Municipality at a collection cost. | nominated bank account No changes during the reporting period. |

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

No assets or liabilities of Metsimaholo Municipality are under the custodianship of Utilities or Easy pay.

Fee paid

Fees paid as compensation to the agent

Commission paid

| | | |
|---|------------------|------------------|
| Utilities world -prepaid electricity vendor | 5,865,978 | 6,971,943 |
| Easy pay - Municipal account payment | 1,060,680 | 1,019,406 |
| | 6,926,658 | 7,991,349 |

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

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|-----------------|------|------|
|-----------------|------|------|

59. Accounting by principals and agents (continued)

There are no resource or cost implications for the municipality if the arrangements are terminated.

Metsimaholo Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2021

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | Quarterly Expenditure | | | | | Grants and Subsidies delayed / withheld | | | | | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|---|--|--------------------|--------|-------|--------|-----------------------|------|-------|--------|-------|---|------|-----|--------|------|---------------------------------------|--|--------------------------|
| | | Sept | Dec | March | June | 0 | Sept | Dec | March | June | 0 | Sept | Dec | March | June | | | |
| SETA | LGSETA | - | - | 88 | 129 | 273 | - | - | - | - | 499 | - | - | 1 | - | - | | Yes |
| | | - | 2,500 | - | - | - | - | 200 | 1,707 | 319 | 274 | - | - | - | - | - | | Yes |
| Local Government Financial Management Grant | National Treasury | - | 332 | 597 | 398 | - | - | 393 | 369 | 445 | 120 | - | - | - | - | - | | Yes |
| Expanded Public Works Programme Integrated Grant for Municipalities | National Treasury | - | 11,750 | - | - | - | - | 795 | - | - | 10,955 | - | - | 13,034 | - | - | | Yes |
| Water Services National | National Treasury | - | 14,801 | - | 16,821 | - | - | 3,785 | 5,920 | 1,779 | 20,138 | - | - | 17,801 | - | - | Slow spending in | Yes |
| Infrastructure Grant | Treasury | - | - | 5,000 | 4,092 | - | - | 448 | 4,175 | - | 4,467 | - | - | - | - | - | 2019/202. Only R9million unspent but R13m withheld | Yes |
| Municipal Infrastructure Grant | National Treasury | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | Slow spending in 2019/2020 | Yes |
| Integrated National Electrification Programme Grant(INEG) | National Treasury | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | Yes |
| Regional Bulk Infrastructure Grant | National Treasury | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | Yes |
| | | - | 29,383 | 5,685 | 21,440 | 273 | - | 5,621 | 12,171 | 2,543 | 36,453 | - | - | 30,836 | - | - | | |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.