



March 30, 2022

ANNUAL REPORT 2020/2021

Office of the Municipal Manager
uMngeni Local Municipality
Corner Somme & Dick Street, Howick, 3290



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CHAPTER 1

Mayor's Foreword and Executive Summary

1.1 MAYOR'S FOREWORD

Dear uMngeni Residents,

As we emerge from the Covid-19 pandemic and the devastating effects that it has had on our families and our economy the uMngeni Municipality reflects on the year that has passed.

An in-depth analysis of this annual report paints a picture of a municipality that is barely scraping by. Coupled with the Auditor General findings and the ongoing section 71 reports on municipal finances one can understand how and why that state of service delivery is the way that it is.

The lack of accountability and consequence management, skewed priorities and a poor handle on expenditure all point to an institution that lacked leadership, vision and a firm hand. This will take time to resolve and to begin to turn the state of the municipality around: but we are more than committed to do so.

Notably, we must ensure that the recommendations of the Auditor General are implemented, that we ensure fiscal restraint when it comes to fruitless expenditure (in the accounting sense and in terms of value for money return) and we must ensure that budgets are used to rebuild and repair our communities.

In line with the State of The Nation address by President Cyril Ramaphosa, as local government we must ensure that the private sector is able to grow and thrive and that we mobilise our resources as local government to create an environment that fosters growth. This means good infrastructure, cutting red tape and being an accessible partner for growth.

Alleviating poverty and inequality must be at the forefront of our plans. Everything that we do must answer the questions (1) will this alleviate poverty (2) will this lead to better service delivery and (3) are we getting the best value for money.

The new administration commits itself to progressively working towards rebuilding the municipality as an institution. Building a capable, caring and efficient municipality is key to our collective future success.

We will make progress together.

Sincerely,

Cllr CJ Pappas
Mayor – uMngeni Municipality

1.2 MUNICIPAL MANAGERS FOREWORD

Without a doubt it is a pleasure and an honour to have this opportunity to present this 2020/21 Annual Report to the people of uMngeni Municipality.

From the onset, it is worth mentioning that the year under review has been the most difficult for the Municipality and our residents, due to the undesired conditions brought about by the Covid-19 pandemic. One cannot over-emphasize the losses that resulted from Covid-19 which include monetary, and socially related losses. One can also not overstate the serious financial sufferings that have been experienced by the Municipality as a result of the pandemic. In this period, our residents and businesses alike, have had to strive for survival and for the Municipality, this obviously culminated into a noticeable drop in revenue collection as it became difficult for Municipal rates and services to be paid by our debtors. This inevitable situation added to the already huge backlog of Municipal service delivery provision which was compounded by increasing debt owed to the Municipality.

Equally, we have to be bold enough to admit that the pursuit of delivering services to our people and ensuring that good focus on core reasons for existence of the Municipality was endeavoured on, continuously contained and maintained by our administration and political leadership during this difficult period in spite of the institutional challenges.

There is understandably high expectations and requests for service delivery from the communities to the Municipality. It is important to highlight that we have managed to construct a remarkable number of roads, community facilities, the Multi-purpose stadium in Mpophomeni (Ward 08), the Multi-Purpose Centre in Ward 11, also in Mpophomeni, and Community Halls in Lions River in Ward 09, eMandleni Hall in Ward 06 and Khanya Village in Ward 07, all the while we have also electrified a number of households in the year under review.

In as much as it has been reported that there has been an improvement of 16% when comparing to previous financial years on the outcome for achievement of Planned Service Delivery Targets as fully captured in the Annual Performance Report, it still remains that the overall performance of 59% is generally not a good performance. The municipality needs to consider a drastic change of approach in its processes as 40% achieved on Basic Service Delivery KPA's is not a respectable representation.

The Covid-19 impact towards the financial and economic status of the municipality is clearly shown by 61% achievement of planned targets. The high rate of unemployment, closure or half operation of most businesses will surely have a direct bearing on financial viability of the municipality.

It is appreciated that the increase in the usage of technology has assisted the possibility of continued IGR engagements with some major key stakeholders of the municipality. Also, under strict compliance of Covid-19 regulations, the municipality was able to hold necessary legislated public engagements for IDP and Budget in order to fulfil consultations processes. Provincial and District forums for both political and administrative structures were convened on virtual platforms.

The municipality, for the greatest part of the financial year, has operated with vacancies in most critical senior positions as the four Heads of Departments only joined the municipality later in the year. The Infrastructure & Technical Services, Community Services, Economic Development & Planning and Finance departments operated with Acting Heads of Departments for the better half of the financial year.

Equally, it is with regret to mention that the municipality could not achieve an improved audit outcome as the opinion remained a qualified audit opinion. The 2019/20 audit was only finalised in April 2021, not leaving enough time to address the issues raised by Auditor General adequately. Amongst issues raised by AG, was the municipality's need to urgently address the UIFW (Unauthorised, Irregular, Fruitless and Wasteful Expenditure). Linked to this is the implementation of Consequence Management processes in order to improve accountability. High electricity losses which are both technical and non-technical in nature. The latter being more urgent community challenges of electricity theft which is pure criminal in nature.

It is also critically imperative that the municipality seriously prioritise the capacity of internal controls and oversight structures in the form of Internal Audit, Audit Committee, MPAC and Oversight committees. These are the very significant structures that will contribute in the improvement of overall performance of the Municipality.

The results of the audited statement of financial performance reflects that the municipality realised a slight 10% on Total Revenue while the Total Expenditure also increased by 8% leaving

a decrease of 9% in the Net Deficit. We therefore need to work very hard to change the current situation. The Annual Ratios as s71 and Municipal Financial Capability Model provides the following outcome:

- Capital Expenditure to Total Expenditure Ratio is 7% which is 3% below the norm
- Repairs and Maintenance as percentage of PPE & Investment is 2 % and 6% less than the norm
- Collection Rate is 92% which is at least 3% below the norm
- Net Debtor days is 136 days more than the norm of 30 days to collect to receive payment for rates and services
- However the cash coverage ratio is 1 month which within the norm
- Electricity distribution losses are sitting at 13% instead of 7% norm

The above results clearly indicate that there is a need for a collective and focussed effort to make sure we improve the status of performance and ultimately render our communities quality service delivery.

This report will reflect some successes, some failures, a host of challenges and hopefully an indication that the uMngeni Municipality is committed to finding sustainable solutions for its towns. Our hope is that we can rely on the continued support and commitment of our residents, businesses, visitors, tourists, farmers and the community and other stakeholders at large.

M Hloba
Municipal Manager

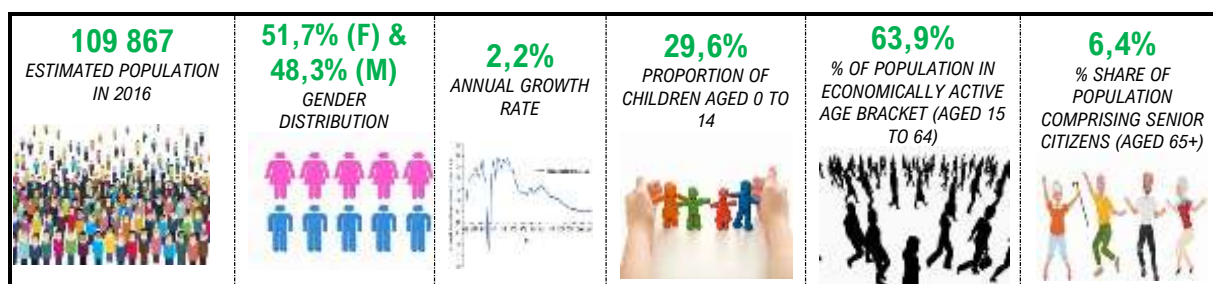
1.3 UMNGENI OVERVIEW

The municipality is a Category B local government organisation and one of seven municipalities that make up the uMgungundlovu District. It is located approximately 30km from Pietermaritzburg, which is the main urban centre of uMgungundlovu District and the Capital City of KwaZulu-Natal. The municipality comprises the former Transitional Local Council areas of Mpophomeni, Howick and Hilton, Worlds View Area, and a substantial amount of farmland.

The population of the municipality has been on the increase since Census 1996 from over 60 000 people to over 100 000 in 2016. The average annual growth rate is approximately 3.58 percent and taking this into consideration, the population of this municipality in the year 2026 is estimated to be 149,199 ceteris paribus.

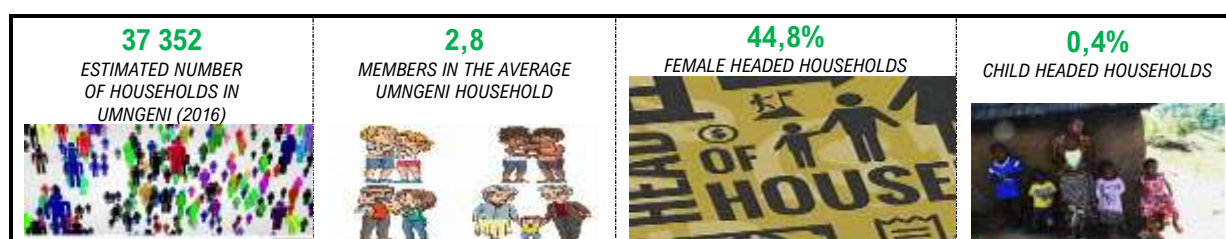
The labour force (those aged 15-64) makes up 67 percent of the population followed by young people (those aged 0-14) making up 24 percent and the elderly comprising the smaller share. The municipal unemployment rate is approximately 23-percentage point of the labour force with the youth unemployment rate sitting at 32 percent. There has been an increase in the number of households within the municipality from 30490 in 2011 to approximately 37352 in 2016, which is upward by 18 percentage points. The average household size has remained the same between 2011 and 2016, with 2.8 people per household recorded that is a change from 4.5 people per households in 1996.

1.3.1 Population



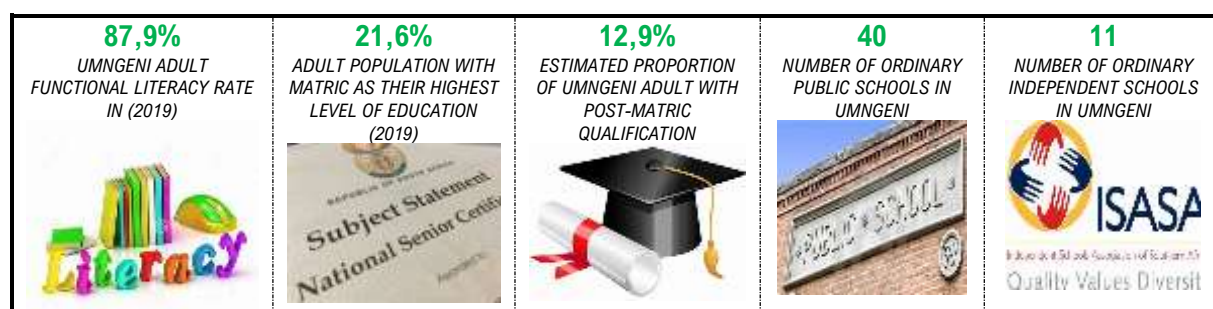
Source: 2016 Community Survey, Stats SA

1.3.2 Housing



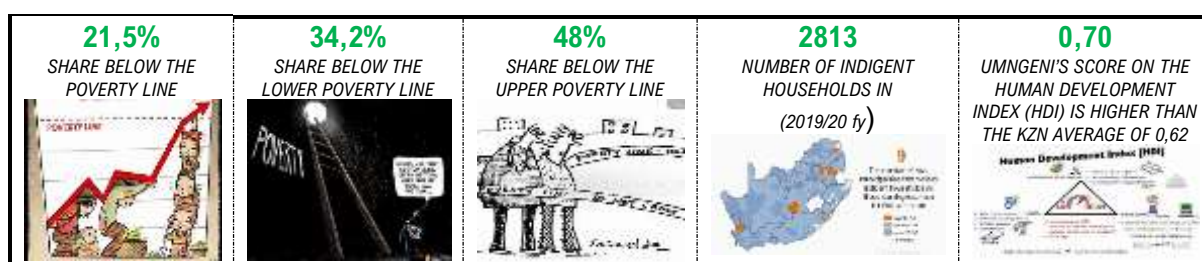
Source: 2016 Community Survey, Stats SA

1.3.3 Education



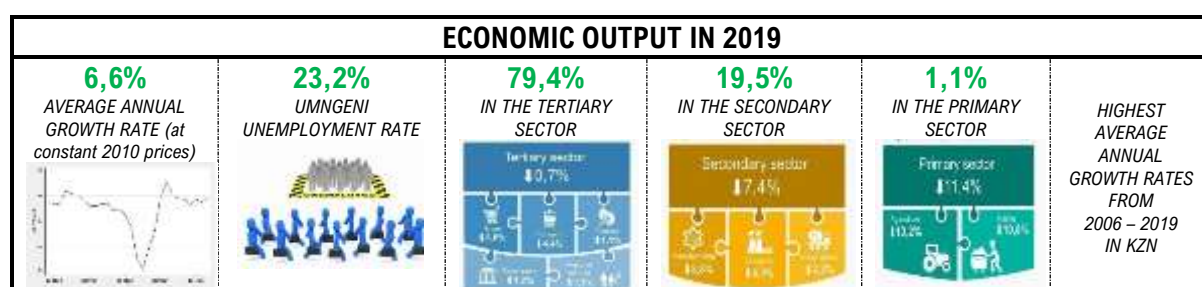
Source: IHS Markit, 2020

1.3.4 Poverty and food security



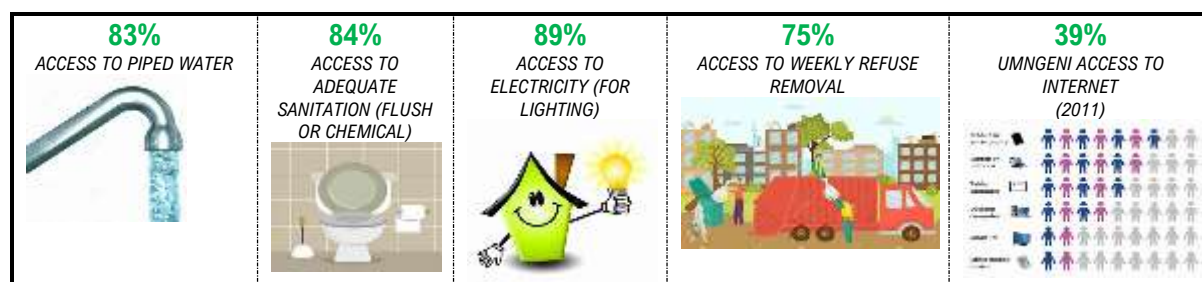
Source: IHS Markit, 2020

1.3.5 Economic Performance



Source: IHS Markit, 2020

1.3.6 Access to Services



Source: 2016 Community Survey, Stats SA

The uMngeni Municipality is working to create an investment-friendly atmosphere and sell the municipality to both domestic and foreign investors. The uMngeni Municipality encompasses a large portion of the Midlands Meander's high-potential tourism and agricultural territory. This creates a

window of opportunities for both the agriculture and tourism sector to expand. Through encouraging job development in tourism, a clean and secure climate, and positioning the region as a tourism destination, the municipality hopes to capitalize on the area's already prosperous tourism industry.

The established towns of Howick and Hilton have well-developed central business districts (CBDs), which are a centralized collection of shopping and industrial operations that serve the municipal area. For the uMngeni Municipality, these towns serve as the exchange and commerce hub.

VISION

“By 2035, uMngeni Municipality as the tourism destination of choice will be the hub of excellence providing quality services whilst ensuring quality of life.”

MISSION

“uMngeni Municipality through people focussed development will improve its skills capacity in order to deliver quality services and ensure inclusive socio-economic growth.”

CHAPTER 2

Governance Structure

2.1 Component A: Governance Structures

2.1.1 Political Governance Structure

The political structure of the Municipality consists of elected councillors headed by Cllr RS Sokhela, Mayor of the Municipality. The composition of the Political Leadership Committee of the Council is summarized as follows:

His Worship the Mayor: Cllr RS Sokhela



Deputy Mayor: Cllr NF Buthelezi

Speaker: Cllr CT Mthlane

Chief Whip: Cllr SM Ndlovu

The Council comprised of 23 councillors, constituted from 12 Ward councillors and 11 proportional representation (PR) Councillors. They were elected as part of the 2016 local government elections and were in office from August 2016 and this Annual Report is the fifth report for the administration. Parties and gender representation in Council are illustrated in Table 1 below.

Table 1: Political Party Demographics

Party	Total Seats	Ward Seats	PR Seats	Gender
African National Congress	13*	8	5	 4 9
Democratic Alliance	10	4	6	 4 6

a) Council Committees

The Municipal Council is organized into a number of council committees that focus on particular issues. Councillors then have the opportunity to devote time to specific topics and develop expertise in them. Committees give recommendations to council, which relieves the council of the burden of having to deal with every detail. Committees do not make final decisions because the majority of decisions require approval by the entire council. The Council may appoint such standing or other committees, as it deems essential to carry out its tasks effectively. Members of a Council committee may include individuals who are not Council members. The attendance of councillors for all Council committees are included in Appendix B of this report. Table 2 below outlines the representatives in the various Council committees and number of meetings that took place.

Table 2: Council Committees

Committee	Purpose of Committee	Members	No. of meetings 2020/2021	No. of meetings 2019/2020
Council	Council has the authority to regulate the local municipality's capacity or right to exert its rights or execute its duties under its own initiative.	Cllr CT Mthlane (Chairperson) Cllr RS Sokhela (Mayor) Cllr NF Buthelezi (Deputy Mayor) Cllr SM Ndlovu (Chief Whip) Cllr GT Dlamini Cllr SD Nkuna Cllr NE Ngcongco Cllr SS Sibiya Cllr SK Pillay Cllr JA Mkhasibe Cllr BA Zuma Cllr QSB Buthelezi Cllr SS Khumalo Cllr PA Passmoor Cllr JE Holmes Cllr JN Lewis Cllr FT Cele Cllr NN Mlotshwa Cllr T Sikhakhane Cllr HM Lake Cllr CRW Millar Cllr S Zondi Cllr S Mnikathi	20	14
Executive	An executive committee is the principal committee of the council of the municipality and as such receives reports from the other committees of the council. The Executive committee considers these reports and disposes of those which the committee is authorised to do in terms of its delegated powers and forwards the remainder of the reports together with its recommendations to the municipal Council for decision.	Cllr RS Sokhela (Chairperson) Cllr NF Buthelezi Cllr GT Dlamini Cllr PA Passmoor Cllr JE Holmes	13	9

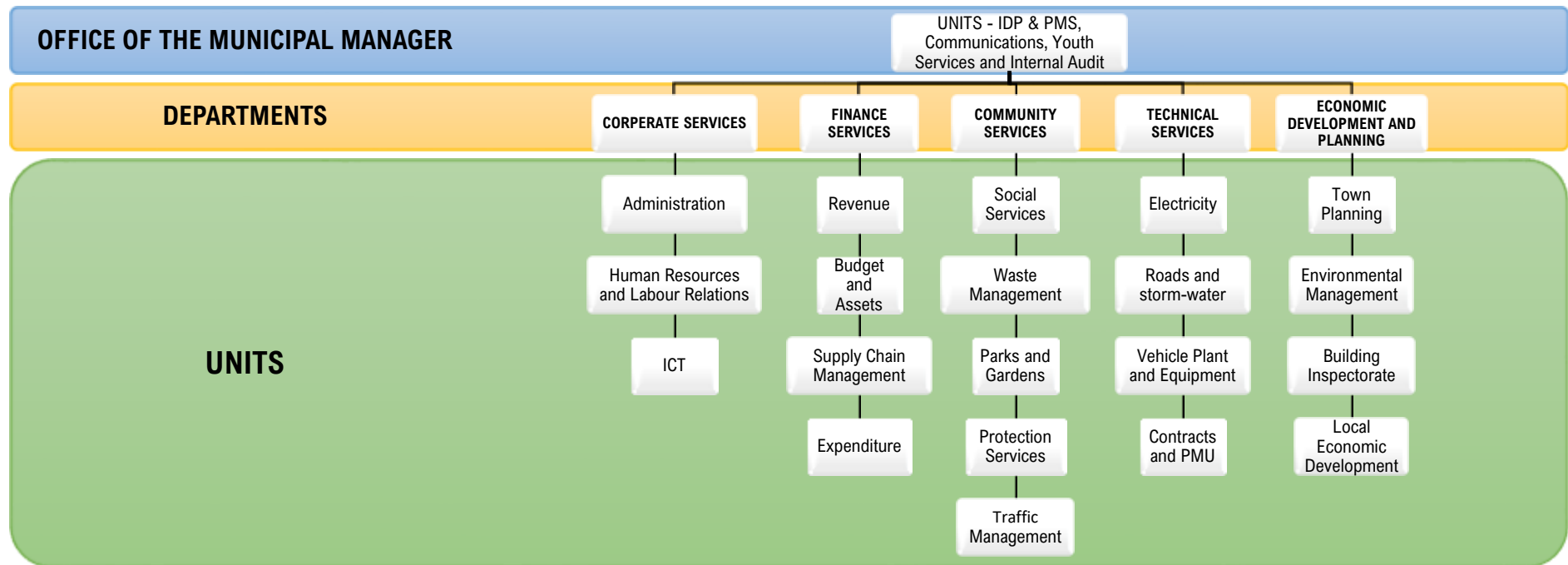
Management	Responsible for corporate administration and human resources matters including skills development.	Cllr GT Dlamini (Chairperson) SM Ndlovu SK Pillay JN Lewis T Sikhakhane	5	3
Finance	The Financial Services Portfolio Committee assists the Executive Committee in fulfilling its responsibilities relating to corporate accounting reporting practices of the Municipality as well as including the quality and integrity of the financial reports.	Cllr RS Sokhela (Chairperson) Cllr NE Ngcongco Cllr JA Mkhasebe Cllr PA Passmoor Cllr JA Holmes	7	4
Economic Development and Planning	The committee is responsible for promoting local economic growth and investment opportunities. Provides a favourable atmosphere for investment while still overseeing land use policy legislation.	Cllr NF Buthelezi - (Chairperson) Cllr NE Ngcongco Cllr QSB Buthelezi Cllr CRW Millar Cllr S Zondi	5	2
Community Services	Considers and makes recommendations to the Executive Committee and Council on all matters pertaining to community services and social services.	Cllr GT Dlamini (Chairperson) Cllr SD Nkuna Cllr SS Sibiya Cllr HM Lake Cllr NN Mlotshwa	6	3
Technical	Considers and makes recommendations to the Executive Committee and Council on all matters pertaining to electricity, engineering, human settlements, transport, waste management.	Cllr NF Buthelezi (Chairperson) Cllr BA Zuma Cllr SS Khumalo Cllr FT Cele Cllr S Mnikathi	6	3

Municipal Public Accounts	The purpose of the Committee is to perform an oversight function on behalf of the Council over the executive functionaries of the Council.	Cllr SM Ndlovu (Chairperson) Cllr SK Pillay Cllr SS Khumalo Cllr JN Lewis Cllr HM Lake Cllr S Mnikathi	7	3
Informal Traders	The sub-committees provide guidance and resource support services to informal economic role players within the area solely with an intention of addressing structural hindrances to growth and development.	Cllr QSB Buthelezi (Chairperson) Cllr SS Khumalo Cllr NN Mlotshwa	4	1
Waste Management Landfill Site	Contribute to a clean, healthy environment and lively economy in the uMngeni area through responsible solid waste management practices that, wherever possible, identify solid wastes as a useful resource.	Cllr BA Zuma (Chairperson) Cllr SS Sibiya Cllr HM Lake	0	0
Audit and Performance Committee	The Committee's mission is to support and guide Council in carrying out its oversight duties for the financial reporting process, the structure of internal supervision over financial reporting, the audit procedure, performance assessment and appraisal, and the Council's framework for monitoring compliance with laws and regulations, as well as the code of ethics. All current members were appointed in the	Ms Nokuthula Sikhakhane – Tshabalala (Chairperson) Mr Mduduzi Madonsela Mrs Nomaphelo Skweyiya Mr Mlungisi Shangase Ms Samukelisiwe Khanyile	5	1

	2020/2021 financial year.			
Local Labour Forum	Section 11.8 of the SALBGC Main Collective Agreement, which directs their formation and structure mandates the formation of such committee. The Local Labour Forums provide the authority and responsibility to discuss employment issues of common interest.	Cllr SD Nkuna Cllr JA Mkhasibe Cllr T Sikhakhane	0	0
Ward Committees	Ward Committees are the vehicles by which the Constitution's notions of participatory democracy and parliamentary democracy, as illustrated in Section 152, become a fact. There are 10 ward committee members per ward inclusive of a ward councillor. Ward councillors are the Chairpersons of the committees.	Ward 1 – Cllr JA Mkhasibe Ward 2 – Cllr JE Holmes Ward 3 – Cllr SS Sibiya Ward 4 – Cllr SD Nkuna Ward 5 – Cllr HM Lake Ward 6 – Cllr CRW Miller Ward 7 – Cllr PA Passmoor Ward 8 – Cllr S Buthelezi Ward 9 – Cllr SM Ndlovu Ward 10 – Cllr SS Khumalo Ward 11 – Cllr CT Mthalane Ward 12 – Cllr BA Zuma	87	83
Executive Committee Appeals	This Committee was established as per Section 51 of the Spatial Planning and Land Use Management Act. The Committee acts as an arbitration authority for those whose interests have been harmed by a judgment made by the Joint Municipal Planning Tribunal.	Cllr RS Sokhela (Chairperson) Cllr NF Buthelezi Cllr GT Dlamini Cllr PA Passmoor Cllr JE Holmes	2	3

2.1.2 Administrative Governance Structure

Ms Thembeke Cibane, the accounting officer since November 2017, leads the municipality's administrative leadership. General Managers selected under Section 56 of the Local Government: Municipal Systems Act No. 32 of 2000 assist the Municipal Manager. The uMngeni Municipality is divided into five departments, each of which is led by a General Manager who directly reports to the Municipal Manager.



a) Senior Administration

Table 3 below details key members of the administration who assisted the Municipality's political administration in carrying out its Constitutional mandate: -

Table 3: Senior Administration

List of Senior Administrative Officials and Functions				
Name of official	Designation	Portfolio Committee	Performance agreement signed Yes/No	No. performance reviews conducted
Ms Thembeke Cibane	Municipal Manager	Executive Committee	Yes	0
Mr S Buthelezi	General Manager: Corporate Services	Management	Yes	0
Mr M Hloba	Chief Financial Officer	Finance	Yes	0
Ms S Dlamini	General Manager: Economic Development and Planning	Economic Development and Planning	Yes	0
Mr V Mboyana	General Manager: Technical Services	Technical	Yes	0
Mr B Mpanza	General Manager: Community Services	Community	Yes	0

b) Administrative Committees

Table 4: MANCO Members

MANCO
Thembeke Cibane (Chairperson)
Mzi Hloba
Sinenhlanhla Dlamini
Sandile Buthelezi
Bongani Mpanza
Vusi Mboyana

Management Committee

The Municipal Management Committee (MANCO) is in charge of ensuring that Council's day-to-day operations are carried out in accordance with the overall functions and strategic goals of Council. MANCO held 10 meetings in the year under review, which was one less than the previous

financial year. The MANCO also held meetings that involved middle management and a wide range of issues are discussed from municipal polices to the preparation of the annual budget, IDP and more.

Table 5: JMPT Members

Joint Municipal Planning Tribunal Members
Mr TG Nkosi (Chairperson - Private)
Mr A Lax (Private)
Mr JA Forbes (Private)
Mr ML Povall (Private)
Mr SG Sithole (Private)
Mr ML Mkhize (Private)
General Manager: Economic Development and Planning (uMngeni LM)
Manager: IDP & PMS (uMngeni LM)
Manager: Town Planning (uMngeni LM)

Joint Municipal Planning Tribunal

To provide for the adoption and amendment of the Municipality's land use scheme and provide for applications for municipal planning approval. This is a Joint Committee also serving the family of six municipalities in the uMgungundlovu District. In the year under review, the committee considered 11 applications from uMngeni Municipality with two appeals received. The appeals are pending final decision by the Municipal Appeals Authority.

2.2 Component B: Intergovernmental Relations (IGR) Intergovernmental Relations

Intergovernmental relations (IGR) refer to the intricate and interdependent relationships that exist between various spheres of government. Intergovernmental relations can also refer to the fiscal and administrative mechanisms by which government entities share revenues and other resources. Intergovernmental relations are thus a collection of official and informal processes, institutional arrangements, and institutions that facilitate bilateral and multilateral cooperation within and between the three spheres of government. It is critical to remember that the effectiveness of intergovernmental interactions is contingent upon the level of participation of the system's main role players, and that the extent of engagement, whether competitive or cooperative, ultimately determines the system's ontological state. As shown in the table below, the municipality was involved in and participated in the following IGR structures.

Table 6: IGR Forums

District & Provincial IGR	No. of meetings 2020/21	No. of meetings 2019/20
Planning And Development Cluster	2	3
Gitoc	4	4
District Communicators Forum	24	24
Municipal Managers' Forum	0	4
Mayors' Forum	0	2
Provincial IDP Alignment Forum	1	1
Munimec	1	4
uMgungundlovu IDP Representative Forum	2	2

The Municipality will prioritize continuous involvement in these forums to guarantee continued alignment among all levels of government in the provision of various services to communities.

2.3 Component C: Public Accountability and Participation

To ensure accountability and governance arrangements are in place, Section 121(2) (c) of the MFMA supports the requirements of Section 18(1) (d) of the MSA: information on matters of governance should be communicated to communities. This should, according to Sections 65(1) (a) of the MFMA and 46 of the MSA be undertaken through the compilation and publication of the Annual Report. The purpose of such an annual report is to promote accountability to communities for decisions taken by the Council and matters relating to administrative structures, throughout a financial year.

2.3.1 Public Meetings

The culture of community participation as per the Local Government: Municipal Systems Act 32 of 2000 brands this important aspect attached to municipalities as the backbone for the benefit of communities. The Act says in part compels municipalities to develop a culture of municipal governance that complements formal representative government with a system of participatory governance, and must for this purpose-

- encourage, and create conditions for the local community to participate in the affairs of the municipality;
- participate in the preparation, implementation and review of its Integrated Development Plan (IDP);
- contribute to building the capacity of the local community to enable it to participate in the affairs of the municipality,
- and for councillors and staff to foster community participation; and use its resources, and annually allocate funds in its budget, as may be appropriate for the purpose of implementing the needs of the communities.

Ward Committees, established in accordance with the municipal policy on Ward Committee Elections and Operations, served as the Council's eyes and ears through Ward Councillors. According to municipal policy, Ward Committees are intended to meet at least once a month, and Ward Councillors, who serve as Ward Committee chairpersons, are expected to organize public meetings at least once a quarter. Ward Councillors had fewer public meetings in the financial year under review than in the previous financial year, owing to Covid-19 limits on public gatherings. Ward Committee meetings were held on a quarterly basis during the financial year. Ward Councillors and their Ward Committees also continued to

communicate community issues to the Speaker's Office and to the Council for implementation. Appendix C outlines the record of ward and public meetings that took place in the 2020/2021 financial year.

c) IDP Participation and Alignment

The municipal IDP was developed with the statutory mandate for municipalities outlined in Chapter 4 of the Municipal Systems Act in mind. This was done to ensure not only a participatory IDP mechanism, but also that it was in line with other government priorities. The agreed upon IDP process was continually communicated to the communities within the municipality through the ward committees and public engagement consultative meetings. On the 17th and 18th of March 2020, the municipality held Izimbizo in all municipal wards to gather input for the review of the 2020/2021 IDP as well as feedback on IDP implementation. On the 5th of December 2019 and the 21st of February 2020, the IDP Representative Forum was also held with sector departments. The forum provided a platform for government departments and agencies to present projects under uMngeni jurisdiction, which were then included in the IDP Review for the 2020/2021 financial year.

The Municipality's IDP Review for the financial year 2020/2021 received a credit rating of 65%, which was a 10 percent decrease from the previous financial year. It should be noted that the KZN benchmark for IDP credibility is 60% and the DCOG National benchmark is 50%. In order to enhance the overall credibility of the uMngeni IDP, the Municipality must ensure that all CoGTA MEC comments on IDP assessments are incorporated into the development of the 5th generation IDP and that key performance areas such as local economic development, financial viability and management are improved, as these were the primary areas of concern that contributed to the 10% decrease.

2.4 Component D: Corporate Governance

2.4.1 Risk Management

Risk Management is a systematic and formalized process of organizing information to support a risk decision within a Risk Management process. Currently, the municipality lacks a risk management professional, which limits our ability to plan and monitor the risk environment efficiently. The KZN Treasury however provided senior and middle management with some capacity training on enterprise risk assessment and risk development strategy on 9th April 2021. The training was designed to equip municipal officials with basic risk management skills.

In risk management, risk identification is a deliberate and systematic effort to identify and document the municipality's key risks. The objective of risk identification is to understand what is at risk within the context of the organization's explicit and implicit objectives and to generate a comprehensive inventory

of risks based on the threats and events that might prevent, degrade, delay or enhance the achievement of the objectives. Table 7 below summarizes the municipality's top five risks as identified in its most recent Risk Register that compiled during the 2020/2021 financial year. The status has not changed from the previous financial year, which is a cause for concern.

Table 7: Top 5 Risks

No	Risk Description	Risk Description	Mitigating action	Status
1	Finance	High electricity losses (financial)	Amend indigent policy to be in line with the national treasury directives Indigent register to be submitted to AGSA for verification Amend Eskom contract to be in line with national treasury norms and directives Review tariffs structure	Not yet commenced
2	Technical Services	High electricity losses (infrastructure)	Appoint a technical team to monitor and audit technical losses Advance metering infrastructure Cost of supply study Approve electricity maintenance strategy and plan Conversion of conventional meters to prepaid	Not yet commenced
3	Finance	Poor debt collection	Consumer education Incentive for payment of debt Terminate all with non-performing attorneys	Not yet commenced
4	Economic Development and Planning	Non-compliance of municipal buildings with National Building Regulations	Budget for renovation to be compliant	Not yet commenced
5	Community Services	Poor disaster management systems and procedures	Review disaster management and business continuity plans Training of staff	Not yet commenced

a) Risk Management Committee

The Risk Management Committee is established to assist Council with its risk governance responsibilities. This would be to formulate, promote and review the risk management objectives, strategy and policy and to monitor the process at all levels of the municipality. The Chairperson of this committee is Ms. N Mhlongo. The committee did not convene any meetings in the 2020/2021 financial year due to internal capacity constraints linked to a vacant position of the Risk Management Officer.

b) Anti-corruption and fraud

The municipality has an Anti-Fraud and Corruption Policy in place that addresses the prevention, detection, and management of fraud and corruption, as well as the fair handling of fraud and corruption-related concerns. It seeks to increase public awareness of fraud and corruption and to promote their prevention in the uMngeni Local Municipality environment, as well as to provide guidelines on how to report suspected fraud and corruption and how that report will be investigated. Table 8 below summarizes the year under review on issues related to corruption and fraud.

Table 8: Corruption and Fraud Cases

No	Case description	2020/2021	2019/2019	Outcome
1	Number of cases received	0	2	100% decrease
2	Number of cases carried forward from prior year	0	7	100% decrease
3	Number of cases completed during that financial year	0	5	100% decrease
4	Cases carried forward from prior year completed	0	6	100% decrease
5	Total cases completed in current year	0	3	100% decrease
6	Number of dismissals and resignations emanating from investigations	0	6 dismissals and 2 resignations	100% decrease
7	Number of arrests	0	3	100% decrease
8	Criminal cases opened	0	3	100% decrease

c) Supply Chain Management

Section 111 of the MFMA, mandates that each municipality to have and implement a supply chain management policy which gives effect to the provisions of the Act. The Act further stipulates that the supply chain management policy of a municipality must be fair, equitable, transparent, competitive and cost-effective. Council adopted the uMngeni Supply Chain Management Policy on the 30th of May 2020 for the 2020/2021 financial year. The functionality of the bid committees are outlined below.

Table 9: Bid Specification Committee

Bid Specification Committee
Nonto Nzuza (Chairperson)
Patrick Ntombela
Don Mtshali (Deceased)
Londiwe Mkhize
Sandile Makhaye
Phakamani Nxele

Bid Specification

The bid specification committee is in charge of compiling and preparing proposals for the municipality's purchase of products and services, as outlined in the Supply Chain Management Policy. The committee held three meetings in the 2020/2021 financial year which was a decrease

of 82 percent from the previous year when 17 meetings were held. The committee provided bid specifications to six bids in the year under review.

Table 10: Bid Evaluation Committee

Bid Evaluation Committee
Delani Madondo (Chairperson)
Bongeka Mntambo
Mbo Zungu
Nomusa Molefe
Thando Mgaga

Bid Evaluation

This committee's responsibility is to review bids in compliance with the requirements outlined in the initial tender specification, as well as to perform such an assessment in accordance with the Supply Chain Management Policy. The committee held three meetings in the 2020/2021

financial year, which was a decrease of 82 percent from the previous year when 17 meetings were held. The committee evaluated six bids in the year under review.

Table 11: Bid Adjudication Committee

Bid Adjudication Committee
Mzi Hloba (Chairperson)
Sinenhlanhla Dlamini
Sandile Buthelezi
Bongani Mpanza
Vusi Mboyana

Bid Adjudication

The bid adjudication committee must consider the study and conclusions of the bid evaluation committee. The bid adjudication committee makes recommendations for final award to the municipal manager for final awarding. The

committee held four meetings in the year under review, which was a decrease of 76 percent from the previous financial year when 17 meetings were held. The committee adjudicated six bids, and the accounting officer approved them without any objections received from the bidders. The awards related to appointment of civil engineering consultants, panel of new electrical works contractors, transportation of hazardous leachate from landfill site, panel of new civil roads contractors, supply and erect vendor shelters, occupational medical practitioners and lastly panel of general building contractors. Bids awarded by the accounting officer in excess of R200,000 are listed in Table 12 below.

Table 12: Tenders Awards

CONTRACT NO.	DEPARTMENT	COMPANY/PANEL AWARDS	AWARD DATE	AMOUNT	CONTRACT END DATE
ULM 008/19/20	Technical & All departments	DLV Project Managers and Engineers (Pty) Ltd	05-Nov-20	10,50%	04-Nov-23
ULM 008/19/20	Technical & All departments	TPA Consulting CC	05-Nov-20	10,50%	04-Nov-23
ULM 008/19/20	Technical & All departments	MAP Africa Consulting Engineers	05-Nov-20	10,50%	04-Nov-23
UMN 02/2020	Technical	Sbusisiwe Contractors CC	13-Nov-20	per BOQ	12-Nov-23
UMN 02/2020	Technical	Rock Powerline Electrical CC	13-Nov-20	per BOQ	12-Nov-23
UMN 02/2020	Technical	ZML Africa Projects CC	13-Nov-20	per BOQ	12-Nov-23
UMN 05/2020	Technical	Trank Trading (Pty) Ltd	05-Nov-20	R 118 632,50 (per 100 000 L cycle)	04-Nov-23
UMN 08/2020	Technical	S4H Civils (Pty) Ltd	16-Nov-20	as per allocation	15-Nov-22
UMN 08/2020	Technical	Mbovu Dynamics	16-Nov-20	as per allocation	15-Nov-22
UMN 08/2020	Technical	Mela Okuhle Trading Enterprise CC	16-Nov-20	as per allocation	15-Nov-22
UMN 08/2020	Technical	Buchule t/a SNA Construction	16-Nov-20	as per allocation	15-Nov-22
UMN 08/2020	Technical	SZS Construction & Plant Hire	16-Nov-20	as per allocation	15-Nov-22
UMN 08/2020	Technical	Lethokuhle Investments CC	16-Nov-20	as per allocation	15-Nov-22
UMN 08/2020	Technical	Daleka Trading Enterprise CC	16-Nov-20	as per allocation	15-Nov-22
UMN 08/2020	Technical	Majiki Construction and Plant Hire	16-Nov-20	as per allocation	15-Nov-22
UMN 08/2020	Technical	Amagents Construction	16-Nov-20	as per allocation	15-Nov-22
UMN 08/2020	Technical	MMG Projects and Trading (Pty) Ltd	16-Nov-20	as per allocation	15-Nov-22

CONTRACT NO.	DEPARTMENT	COMPANY/PANEL AWARDS	AWARD DATE	AMOUNT	CONTRACT END DATE
UMN 08/2020	Technical	Ngelizwe Trading CC	16-Nov-20	as per allocation	15-Nov-22
UMN 09/2020	Technical	Mela Okuhle Trading Enterprise CC	16-Nov-20	as per allocation	15-Nov-22
UMN 09/2020	Technical	Group Ywo Trading Enterprise CC	16-Nov-20	as per allocation	15-Nov-22
UMN 12/2020	Planning & LED	Ndalovision Trading	21-Jun-21	R 409 274.00	once - off construction project
UMN 03/2021	Corporate	TMM Med Health Inc.	21-Jun-21	R 500 per patient	20-Jun-22

d) By-laws and policies

The municipality enforces several bylaws to uphold our communal ideals as well as preserve our customers' wellbeing and safety. There were no new by-laws promulgated however, in Table 13 below is a list of policies adopted by the uMngeni Council in the year under review

Table 13: uMngeni Policies

POLICIES	ADOPTION DATE
Asset Management Policy	28 May 2021
Budget Policy	28 May 2021
Debt Collection and Credit Control Policy	28 May 2021
Indigent Policy	28 May 2021
Rates Policy	28 May 2021
Tariff Policy	28 May 2021
Expenditure Management Policy	28 May 2021
Insurance Policy	28 May 2021
Petty Cash Management Policy	28 May 2021
Supply Chain Management Policy	28 May 2021
Overtime Policy	28 May 2021
Travel Policy	28 May 2021
Leave Policy	28 May 2021
Cellphone Allowance Policy for Municipal Employees	28 May 2021
Policy on in-service Training, Volunteerism, Internship and Learnerships	28 May 2021

POLICIES	ADOPTION DATE
Fleet Management Policy & Procedures	28 May 2021
Immovable Property	28 May 2021
Disposal Policy and Framework	28 May 2021

e) Website

A website can help a municipality in a variety of ways, from providing critical information to accepting online payments. However, making a website that is not readily accessible and interactive is pointless. Residents demand information on the go these days, and since mobile web access is quickly becoming the standard for all websites, they expect it from their municipality as well. Websites, email, bulk SMS, and social media will make it simple for the municipality to communicate with community members and thereby increase public engagement.

The municipality has a website that has been up and running for a number of years, as required by Section 21 (b) of the Municipal Systems Act. It is essential for the municipal website to include official record documents such as the IDP, Budget, SDBIP, Policies, Annual Report and any other document as required by legislated requirements. The table below outlines the publishing status of all legislated documents in the municipal websites for the year under review.

Table 14: Documents Published

MUNICIPAL WEBSITE: CONTENT AND CURRENCY OF MATERIAL FOR 2020/21	
Documents Published on the Municipal Website	
Document Name	Yes / No
Current annual adjustment budget and all budget related documents	Yes
IDP and related documents	Yes
All Current budget Policies	Yes
The previous annual reports 2019/2020	Yes
All current performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act and resulting scorecards.	Yes
All service level agreements 2020/2021	No
All long term borrowings contracts 2020/2021	No
All supply chain management contracts above a prescribed value for 2020/2021	Yes

Any information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2020/2021	Yes
Public Private Partnership agreements referred to in section 120 made in 2020/2021	N/A
All quarterly reports tabled in Council in terms of Section 52 (d) Section 71 during 2020/2021	Yes
Any other information required in terms of Section 75 of the Municipal Finance Management Act.	Yes

f) Public Satisfaction on Municipal Services

The Municipality has not conducted any customer satisfaction surveys due to the limited financial and non-financial resources. The customer satisfaction survey conducted in the Municipality was in 2015 in collaboration with the province of KwaZulu Natal, leveraging Stats SA's expertise and resources.

The survey's goal was to learn how people rate the services delivered by their provincial and local governments in order to evaluate service delivery efficiency, inform improved service delivery, and provide a forum for citizen engagement. The customer satisfaction survey findings were expected to promote greater cooperation between residents and local government institutions while setting a benchmark and goals to monitor progress in the future from a communication standpoint. The new Council has prioritized conducting customer satisfaction surveys, and the more recent results of such surveys will be communicated in future annual reports.

CHAPTER 3

Service Delivery Performance

3.1 Introduction

The uMngeni Local Municipality Annual Performance Report is hereby submitted in terms of Section 45 (b) of the Local Government: Municipal Systems Act (MSA), 32 of 2000. The report covers performance information from 01 July 2020 to 30 June 2021 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the objectives as encapsulated in the Municipality's Integrated Development and Plan (IDP).

The report is a reflection of the actual performance of the Municipality as measured against the performance indicators and targets in its Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for the financial year ending June 2021. The report focusses on service delivery on a service-by-service basis. It considers municipal performance derived from IDP goals, objectives and strategic focus areas translated into the SDBIP and presents data on community needs and resource deployment.

It reports on National Treasury recommended set of indicators to provide a basic set of key comparative data to be amassed from all relevant municipalities. The report also reports on other indicators related to the municipality's strategies not recommended by National Treasury. The service delivery issues are structured, captured and reflected under each priority as contained in the IDP to allow for easy comparisons on achievements against SDBIP.

In order for the Municipality to comply with Section 45 (b) of the MSA, it is generally recommended that the Annual Performance Report (APR) be submitted together with the Annual Financial Statements two months after the end of the financial year.

3.2 Legislative Framework

Section 46 of Municipal Systems Act (MSA), No. 32 of 2000 requires Council to comply with the provisions of the said legislation and to annually prepare a performance report. The format and structure of the report is determined according to the said section of the legislation and other National Treasury guidelines, which have been utilised in the uMngeni 2020/2021 Annual Performance Report (APR).

Section 46 (1) of the MSA stipulates that a municipality must prepare for each financial year an annual report consisting of: -

(a) A performance report reflecting—

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

3.3 Performance Management Processes

Performance management is defined as a strategic approach to management which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators' and targets' efficiency, effectiveness and impact.

The operation of PMS enables implementation of IDP through PMS monitoring, implementation and reporting tools. Implementation of IDP over a single financial year is given effect through a Service Delivery Budget Implementation Plan (SDBIP) and performance agreements of Municipal Manager and S56 Managers. The focus of the SDBIP is both financial and non-financial measurable performance objectives in the form of service delivery targets and other performance indicators.

The SDBIP is essentially a management and implementation tool which sets in-year information, such as quarterly service delivery and monthly budget targets, and links each service delivery output to the budget of the municipality, thus providing credible management information and a detailed plan for how the municipality will provide such services.

Performance planning commences with the development or review of the Integrated Development Plan, at the beginning of the term of council or as part of annual review of IDP. IDP constitutes an important part of PMS and it is important to integrate work done during review of IDP into PMS and ensure that PMS is an extension of IDP.

The 2020/2021 Integrated Development Plan Review was developed and adopted by Council on 30 June 2020. The SDBIP informed by IDP objectives was signed and approved by the Mayor on 14 July 2020. The key performance areas and indicators of performance contained in the SDBIP were cascaded into departmental SDBIP, and further into individual (S56/57 Managers) SDBIP which ensures appropriate alignment between organizational and individual performance.

3.4 Performance Summary

This report contains highlights from the key performance measures included in the 2020/2021 IDP Review. These priority measures constitute the municipal scorecard for 2020/2021 financial year. The results are assessed using traffic light criteria, according to their performance against improvements targets.

The report presents the year-end performance results for 2020/2021. The high level performance of the municipality in the year under review captures the overall performance summary in relation to the 143 key performance indicators which formed part of the 2020/2021 Service Delivery and Budget Implementation Plan (SDBIP) derived from the municipal IDP objectives.

In relation to the 2020/2021 financial year end (30 June 2021) performance results, the final position shows 59% of targets have been achieved, improved by 16% from the 2019/2020 financial year. Targets that were not achieved decreased by 23% to 34% in the year under review.

The best performing Key Performance Areas (KPAs) in the year under review are as follows:

- i) Municipal Transformation and Organisational Development – achieved 53% of the set targets
- ii) Basic Service Delivery – achieved 40% of the set targets
- iii) Local Economic Development – achieved 64% of the set targets
- iv) Good Governance and Public Participation – achieved 70% of the set targets
- v) Financial Viability and Management – achieved 61% of the set targets
- vi) Cross Cutting - achieved 64% of the set targets

A graphical breakdown below of the Municipality's SDBIP for the period 2018/2019 to 2020/2021:

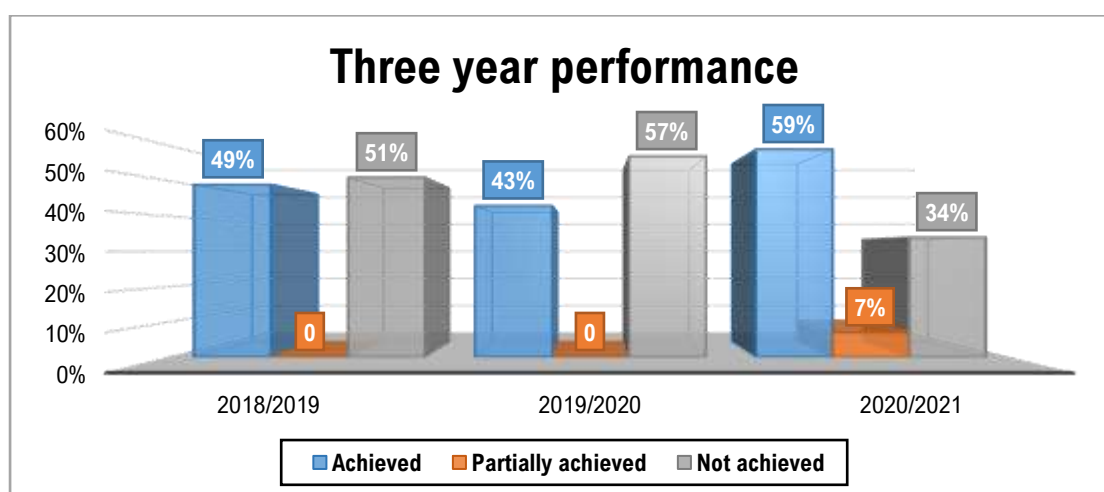


Figure 1: Three Year Performance

3.5 Performance and Supporting Information

The performance management system of the municipality is guided by the national Key Performance Areas (KPA's) as outlined in the Local Government: Municipal Planning and Performance Management Regulations (2001) and these inform the municipal strategic focus areas and ultimately the key performance indicators as reflected in the Service Delivery and Budget Implementation Plan (SDBIP) scorecard for the 2020/2021 financial year. Listed below are the national KPA's:

- i) Municipal Transformation and Organisational Development
- ii) Basic Service Delivery and Infrastructure
- iii) Local Economic Development
- iv) Financial Viability and Management
- v) Good Governance and Public Participation
- vi) Cross Cutting

The table below provides a framework of the uMngeni Local Municipality's goals, objectives and strategic focus areas as contained in the IDP and aligned to the above-mentioned national key performance areas.

Table 15: IDP Goals, Objectives and Strategic Focus Areas

KPA 1 - MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT		
IDP GOAL	OBJECTIVE	STRATEGIC FOCUS AREA
1.1 Human resource development and management	1.1.1 To create a conducive working environment for all employees	1.1.1.1 Strengthening the internal bargaining structure 1.1.1.2 Enhance and maintain good labour relations between employees and employer 1.1.1.3 Implementation of EAP programmes to support the wellbeing of employees
	1.1.2 Promote employment equity	1.1.2.1 Compliance and monitoring of the Employment Equity Plan
	1.1.3 Enhance human resource management	1.1.3.1 Development and implementation of the human resource development strategy 1.1.3.2 Review and implementation of the skills development plan in line with municipal priorities 1.1.3.3 Institutionalise the Batho Pele principles in order to achieve customer satisfaction 1.1.3.4 Enhance youth development services
	1.1.4 Utilisation of information technology for effective service delivery	1.1.4.1 Review and implementation of the IT Governance Framework

		1.1.4.2 Increase stability and availability of ICT services
KPA 2 - BASIC SERVICE DELIVERY AND INFRASTRUCTURE		
IDP GOAL	OBJECTIVE	STRATEGIC FOCUS AREA
1.2 Integrated human settlements and strategic infrastructure	1.2.1 Provision of quality housing	1.2.1.1 Eradicate informal settlements and housing backlogs
	1.2.2 Provision of quality public transport infrastructure including roads and storm-water	1.2.2.1 Development and management of roads and storm-water systems 1.2.2.2 Development and management of public transport infrastructure facilities
	1.2.3 Access to electricity supply	1.2.3.1 Management of electricity supply to all households and businesses
	1.2.4 Solid waste management	1.2.4.1 Development and management of integrated waste management systems
	1.2.5 Management of municipal parks and gardens	1.2.5.1 Develop and maintain sports and recreational facilities 1.2.5.2 Maintenance of all municipal open spaces
KPA 3 – LOCAL ECONOMIC DEVELOPMENT		
IDP GOAL	OBJECTIVE	STRATEGIC FOCUS AREA
1.3 Job creation	1.3.1 Increase employment and entrepreneurial opportunities	1.3.1.1 Promotion of business and industrial investment 1.3.1.2 Forge public-private partnerships for local economic development 1.3.1.3 Support further development of the tourism sector
	1.3.2 Inclusive socio-economic development	1.3.2.1 Support the growth of SMMEs 1.3.2.2 Support emerging farmers whilst promoting diversification in the agricultural sector 1.3.2.3 Promote and support the informal and township economy 1.3.2.4 Facilitation of business expansion and retention 1.3.2.5 Continuous review and implementation of the LED Strategy
KPA 4 – FINANCIAL VIABILITY AND MANAGEMENT		
IDP GOAL	OBJECTIVE	STRATEGIC FOCUS AREA
1.4 Financially sound and sustainable municipality	1.4.1 Compliance with financial legislation and policies	1.4.1.1 Provide for strategic budgeting in line with IDP priorities 1.4.1.2 Develop transparent processes in the procurement of goods and services 1.4.1.3 Obtain a credible audit outcome by the Auditor-General 1.4.1.4 Facilitate support to indigent residents of the municipality

	1.4.2 Increase and enhance revenue collection	1.4.2.1 Develop and implement a revenue enhancement strategy 1.4.2.2 Rates and electricity bills must be accurate in order to ensure timeous payment by residents 1.4.2.3 Collect all debt on debtors timeously 1.4.2.4 Identify and implement diversified revenue streams
	1.4.3 Improve asset management	1.4.3.1 Continuous implementation and monitoring of the asset management policy 1.4.3.2 Compile and frequently review the asset register in line with GRAP 1.4.3.3 Development and implementation of an efficient and effective fleet management system 1.4.3.4 Develop, maintain and upgrade municipal community facilities
KPA 5 – GOOD GOVERNANCE AND PUBLIC PARTICIPATION		
IDP GOAL	OBJECTIVE	STRATEGIC FOCUS AREA
1.5 Good corporate governance	1.5.1 Adherence with all legislative mandates	1.5.1.1 Develop and review a credible and implementable integrated development plan 1.5.1.2 Ensure the functioning of all council committees 1.5.1.3 Provide support to all council oversight committees 1.5.1.4 Review and implement all applicable municipal policies and by-laws
	1.5.2 Promote participatory governance and multi-stakeholder engagements	1.5.2.1 Implementation and monitoring of the municipal communication strategy 1.5.2.2 Ensure participation in all relevant IGR structures 1.5.2.3 Encourage all our social partners to participate in municipal affairs 1.5.2.4 Support and implement applicable national, provincial and district initiative
	1.5.3 Effective organisational performance management system	1.5.3.1 Review and implementation of the Performance Management Framework
KPA 6 – CROSS CUTTING		
IDP GOAL	OBJECTIVE	STRATEGIC FOCUS AREA
1.6 Spatial planning and environmental sustainability	1.6.1 Ensure integrated development and spatial planning	1.6.1.1 Develop and review municipal spatial development framework 1.6.1.2 Identify and develop local settlement plans in both urban and rural areas
	1.6.2 Regulation of land use management	1.6.2.1 Implementation of the municipal SPLUMA By-laws

		1.6.2.2 Provision of support to Tribal Authority on land use management
	1.6.3 Conservation and management of natural resources	1.6.3.1 Protection of wetlands and water courses 1.6.3.2 Protection of biodiversity 1.6.3.3 Develop and comply with a strategic environmental assessment
	1.6.4 Disaster Management	1.6.4.1 Annually review and implement Disaster Management Plan as per legislative provision

3.6 Service Delivery and Budget Implementation Plan Scorecard

The Service Delivery and Budget Implementation Plan (SDBIP) is developed based on six Key Performance Areas (KPA) as set by National Treasury and IDP goals, Objectives and Strategic Focus Areas as set by Council in the approved Integrated Development Plan (IDP). The municipal scorecard Appendix 1 is a reflection of the 6 KPA's and uMngeni's 2020/2021 priority indicators and enables a wider assessment of how the municipality performed in the year under review. The scorecard captures the departmental performance indicators for the year under review and was compiled by Senior Management and formed part of their performance agreements. The SDBIP was prepared and approved by the Mayor on 14 July 2020. At a meeting held on 24 February 2021, Council approved the following adjustments to the SDBIP Scorecard:

Table 16: 2020/21 SDBIP Adjustment

DEPARTMENT	KPIs REMOVED	REASON
Technical Services	Upgrade of Joe Sithole Street	Budget Constrains
	Upgrade of Field Road	Budget Constrains
	Resurfacing of Burns Wick, Russel and Rivers Streets	Budget Constrains
	Upgrade of Emaromeni Road	Budget Constrains
	6th & 10th Street Japan	Budget Constrains
	Upgrade of Fuze Street	Budget Constrains
Economic Development & Planning	Facilitate the Economic Development Summit	This target involves gathering of individuals in one space and SMMEs showcasing their products to potential customers, due to covid-19 regulations it is not possible to plan for such event
	Development of SMME and Cooperatives Policy for approval by Council	No precedent in any other municipality of what an SMME policy should contain or how it is

		different from the approved strategy
DEPARTMENT	KPIs ADDED	REASON
Technical Services	Roads gravelled	Identified as an important target through the reprioritisation process
	Installation of stormwater	Identified as an important target through the reprioritisation process
	Purchasing of Covid Water Tanks Stands	Response to Covid-19 pandemic
	Purchasing of Plant for Landfill Site	Identified as an important target through the reprioritisation process
	Midlands phase 5	Identified as an important target through the reprioritisation process
Community Services	Library books in circulation	

Table 17: SDBIP Budget Adjustments

KPA 1		
KPI	PREVIOUS BUDGET	NEW BUDGET
Implementation of EAP programmes	R274 961 OPEX - 20170619021375	R50 000 OPEX - 20170619021375
% of Workplace Skills Plan budget spent	R389 573 OPEX - 20170619021377	R44 787 OPEX - 20170619021377
KPA 2		
Roads resurfaced	R2 327 130 & R7 000 000 OPEX - 20200720980981 & 20201008025807	R2 327 130 & R4,300,000 OPEX - 20200720980981 & 20201008025807
Squaremeters of potholes fixed	R2 327 130 & R7 000 000 OPEX - 20200720980981 & 20201008025807	R2 327 130 & R4,300,000 OPEX - 20200720980981 & 20201008025807
Construction of Mare Street Walkway	R2 327 130 & R7 000 000 OPEX - 20200720980981 & 20201008025807	R2 327 130 & R4,300,000 OPEX - 20200720980981 & 20201008025807
Construction of roads and storm-water (Ekuthuleni Road)	R856 038 CAPEX	R2 700 000 CAPEX -
Households newly connected to electricity supply	R8 000 000 OPEX - 20180716061810	R5 000 000 OPEX - 20180716061810
KPA 3		
Facilitate the Economic Development Summit	R206 900 OPEX - 20170710031995	R103 450 OPEX - 20190710031995

Facilitation of tourism learnership and internship programmes	R384 000 OPEX - 202007720980997	R0 OPEX - 202007720980997
Development of SMME and Cooperatives Policy for approval by Council	R149 361 OPEX-2010619021930	R99 361 OPEX-2010619021930
KPA 4		
Sitting of Audit Committee	R170700 OPEX - 20170619021468	R368 700 OPEX - 20170619021468
Annual verification and assessment of asset register (audited by AG and noted by Council)	R2 000 000 OPEX - 20170619021661	R1 709 962 OPEX - 20170619021661
Maintenance of municipal buildings	715504 OPEX-	R1 015 505 & R614 901 OPEX- 20200720980968 & 20200720980970
Construction of Khanya Village Community Hall	R 4 566 271	R3 500 000 CAPEX -
KPA 5		
Municipal Newsletter	R600 000 OPEX – 20170619021457	R300 000 OPEX – 20170619021457
IDP Pamphlet	R200 000 OPEX – 20170619021457	R200 000 OPEX – 20170619021457
Service Delivery Booklet	R200 000 OPEX – 20170619021457	R325 000 OPEX – 20170619021457
Printing of Annual Report	R200 000 OPEX – 20170619021457	R325 000 OPEX – 20170619021457
KPA 6		
Disaster Awareness Campaigns	R100 000 OPEX – 20180716061817	R0 OPEX – 20180716061817
Disaster Incidents	R400 000 OPEX – 20180716061817	R346 255 OPEX – 20180716061817

The municipality is required to develop Key Performance Indicators (KPIs) based on projects identified in the IDP and budgeted for in the current financial year. The development of KPIs and the setting of targets follow a SMART principle; i.e. targets must be Specific, Measurable, Attainable, Realistic and Time-bound. Quarterly targets are set to enable monitoring and evaluation of performance on a quarterly basis. Extreme caution is taken during this process to ensure alignment of the SDBIP to the approved IDP and Budget. The Performance Management System (PMS) of uMngeni Municipality is guided by the Municipal Finance Management Act (MFMA) No. 56 of 2003, Municipal Systems Act (MSA) No. 32 of 2000, Municipal Planning and Performance Management Regulations, 2001 and the PMS Framework of uMngeni Municipality as developed by the PMS Manager, approved by Council and reviewed annually.

The performance report is based on measures included within the municipal scorecard and incorporates 143 priority key performance indicators that are financial and non-financial. The targets were agreed upon at various municipal structure levels and formed part of the performance agreements of the S56/57 managers. Some of the priority measures contained at the start of the financial year SDBIP scorecard were either removed, reviewed or adjusted during the mid-year budget adjustments period due to financial constraints or otherwise in order to meet legislative or SMART requirements. Data analysis is conducted for each key performance indicator (KPI) and each KPA using indicators described below:

Analysis indicators:

Achieved - Set target was achieved and relevant POE was submitted

Partially achieved - Set target was achieved at 80% and above with a shortfall of 20% or less

Not achieved - Set target was not achieved or evidence was not submitted or submitted evidence was not authentic.

3.7 Key Performance Area Assessment

A comparative performance analysis for two previous financial years is recorded below per KPA. Please see Appendix A of this report for a detailed breakdown of all key performance indicators and levels of performance.

3.7.1 KPA 1 - Municipal Transformation and Organisational Development

This KPA measures municipal level success in the delivery of organisational design, employment equity and skills development.

Table 18: Municipal Transformation and Organisational Development Performance

	2019/2020	2020/2021	OUTCOME
Total planned KPIs	14	15	N/A
Achieved targets	6 (43%)	8 (53%)	10% improvement
Unachieved targets	8 (57%)	7 (47%)	10% improvement

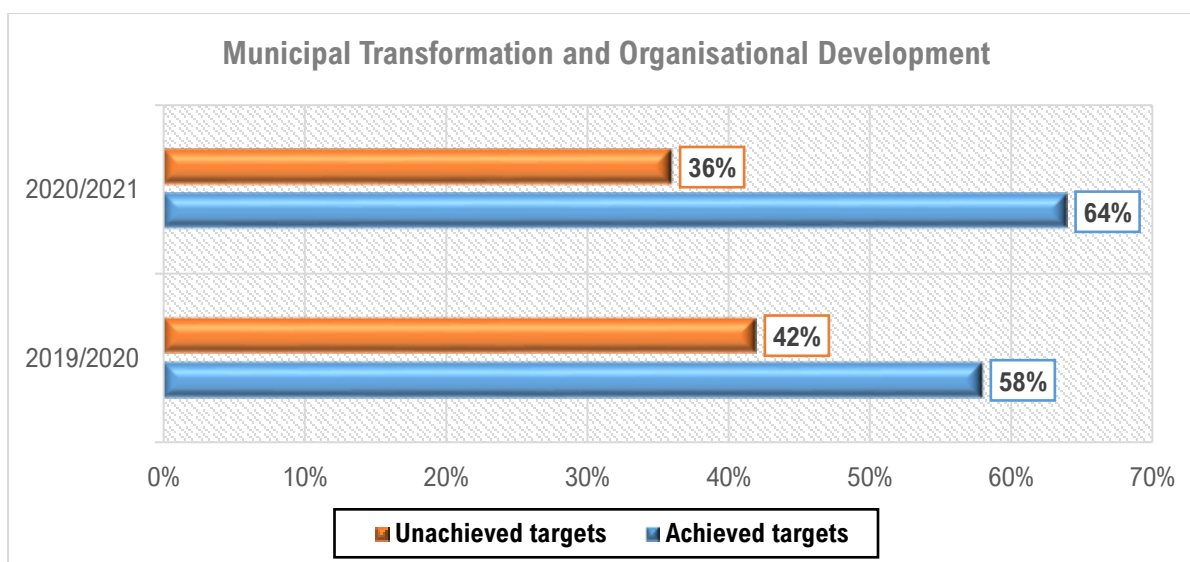


Figure 2: Municipal Transformation and Organisational Development Trend Analysis

Performance Highlight

- i) Review of Service Delivery Charter and Standards
- ii) Financial support offered to youth on tertiary registration fees
- iii) Support of the youth through driving learners and license programme

Challenges

- i) The labour relations component of ensuring regular meetings with the labour union needs to improve as no meetings sat in the year which was similar to the previous year as a result of delays in the election process.
- ii) Upskilling municipal employees also needs to be improved in the current financial year, as only 11% of the budgeted amount was spent in the year under review.

3.7.2 KPA 2 - Basic Service Delivery

This KPA measures municipal level success in the delivery of housing, electricity, solid waste management, roads and recreational facilities. Even though the target of distributing 400 title deeds was not achieved, there were however fifty-two beneficiaries who now have security of tenure.

Table 19: Basic Service Delivery Performance

	2019/2020	2020/2021	OUTCOME
Total planned KPIs	16	20	N/A
Achieved targets	4 (25%)	8 (40%)	15% improvement
Partially achieved targets	N/A	1 (5%)	N/A

Unachieved targets	12 (75%)	11 (55%)	15% improvement
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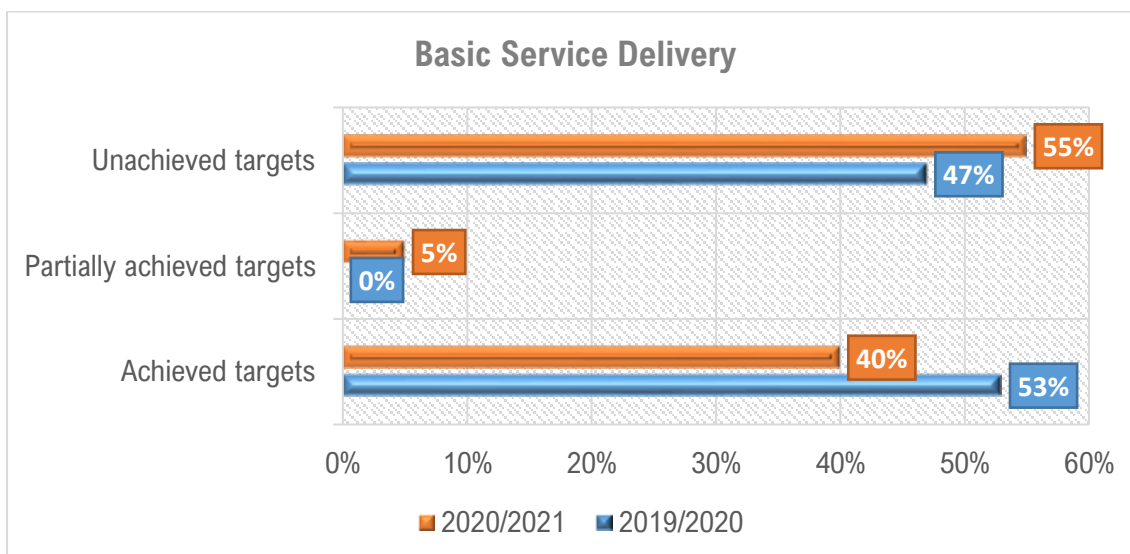


Figure 3: Basic Service Delivery Trend Analysis

Performance Highlight

- i) Issuing of 52 title deeds to social housing beneficiaries thus providing security of tenure
- ii) 6.7km of roads were re-gravelled utilising municipal staff thus exceeding the planned target of 2km
- iii) Completion of the Ekuthuleni Road project
- iv) Installation of storm-water pipes in the CDB to improve drainage system
- v) Support of the youth through driving learners and license programme
- vi) Adoption of the Integrated Waste Management Plan
- vii) Reconstruction of the Mpophomeni Stadium almost complete
- viii) Installation of High Masts in Eshiyabazali
- ix) There were 127 households newly connected to electricity supply

Challenges

- i) The Covid-19 pandemic and the municipal protest actions delayed the completion of some municipal projects in the financial year
- ii) A number of housing beneficiaries have not collected their title deeds

3.7.3 KPA 3 - Local Economic Development

This KPA measures municipal level success on economic growth, poverty alleviation and job creation.

Table 20: Local Economic Development Performance

	2019/2020	2020/2021	OUTCOME
Total planned KPIs	18	14	N/A
Achieved targets	5 (28%)	8 (57%)	29% improvement
Unachieved targets	13 (72%)	6 (43%)	29% improvement

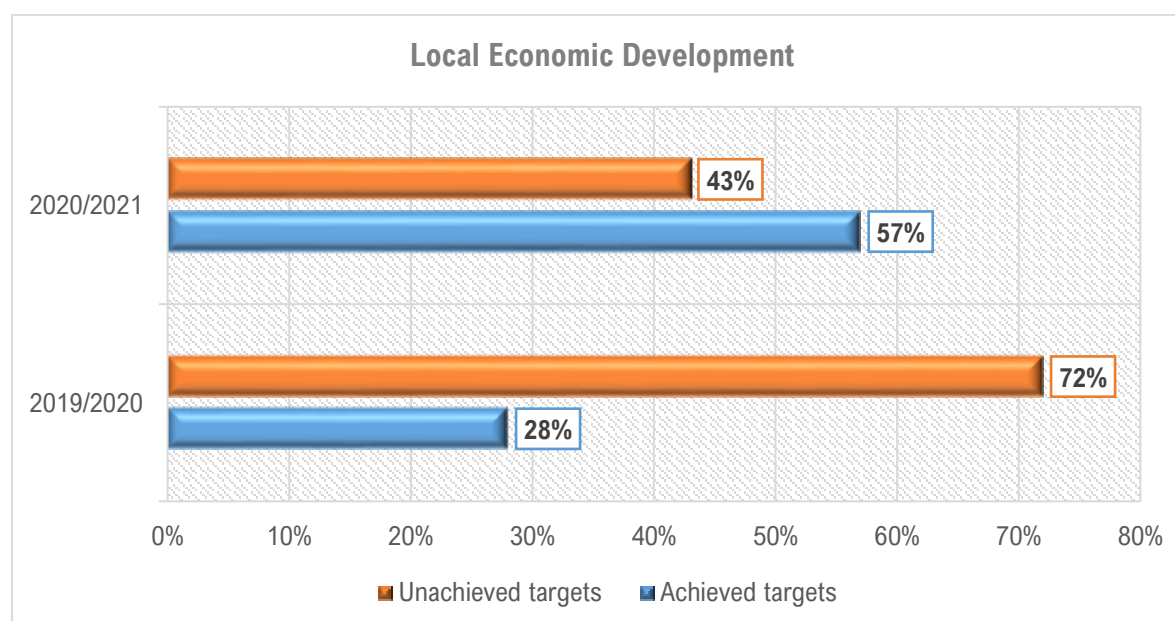


Figure 4: Local Economic Development Trend Analysis

Performance Highlight

- Review of the Agricultural Sector Plan
- Assistance provided to emerging farmers through distribution of farming material
- Support and regulation of the informal economy through the Review of Informal Economy Policy & Informal Economy Bylaws
- The functioning of the Informal Traders Sub-committee

Challenges

- The LED Strategy was not reviewed, which impedes the rapid implementation of a responsive local economic development strategy.
- Delays in the appointment of a service provider to replace the Informal Trading Stalls in the CDB was not achieved due to delays in the appointment

3.7.4 KPA 4 - Financial Viability and Management

This KPA measures municipal level success in financial viability (balancing revenue sources and expenditure responsibilities), grant expenditure and management.

Table 21: Financial Viability and Management Performance

	2019/2020	2020/2021	OUTCOME
Total planned KPIs	42	46	N/A
Achieved targets	19 (45%)	28 (61%)	22% improvement
Partially achieved targets	N/A	5 (11%)	N/A
Unachieved targets	23 (55%)	13 (28%)	22% improvement

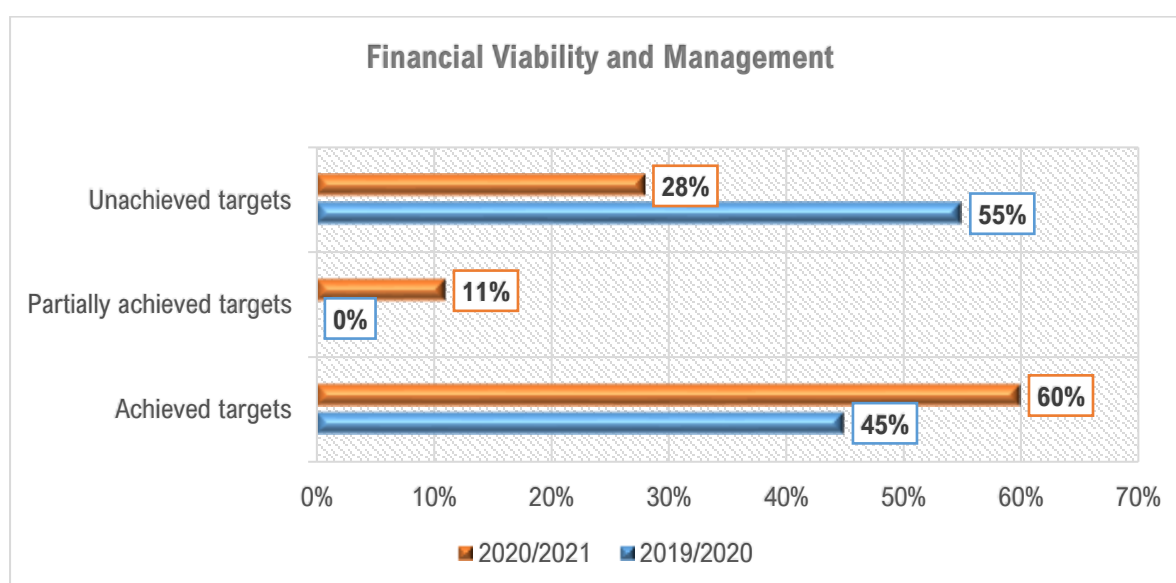


Figure 5: Financial Viability and Management Trend Analysis

Performance Highlight

- iii) The average number of days for payment of creditors was on average 18 days which is within the norm
- iv) Debtors collection rate was 92% which is an improvement of 3% from the previous financial year
- v) Operating budget spent was 93% thus savings were realized as a result of cost-cutting measures.
- vi) MIG expenditure was 100%, an improvement of 21% from the previous financial year
- vii) Functional Audit Committee with five meetings convened in the financial year
- viii) Completion of the construction of the Khanya Village Community Hall – asset management
- ix) Completion of the construction of eMandleni Community Hall – asset management

- x) Completion of the construction of the Lions River Community Hall – asset management
- xi) Completion of the construction of the Multi-Purpose Centre – asset management
- xii) Building of a guard house, toilets, borehole, septic tank and fencing at the Curries Post Cemetery – asset management

Challenges

- i) Due to protest actions in October and delays caused by Covid-19 restrictions, the percentage spent on repairs and maintenance was only 89%
- ii) As a result of the Covid-19 pandemic, some customers were unable to meet their debt obligations.
- iii) Electricity revenue losses that have persisted due to electricity theft and unauthorized connections

3.7.5 KPA 5 - Good Governance and Public Participation

This KPA measures municipal level success in corporate governance, public participation, ward system, integrated development planning, performance management system, traffic management, accountability and transparency.

Table 22: Good Governance and Public Participation Performance

	2019/2020	2020/2021	OUTCOME
Total planned KPIs	36	37	N/A
Achieved targets	19 (53%)	26 (70%)	17% improvement
Partially achieved targets	N/A	2 (5%)	N/A
Unachieved targets	17 (47%)	9 (25%)	17% improvement

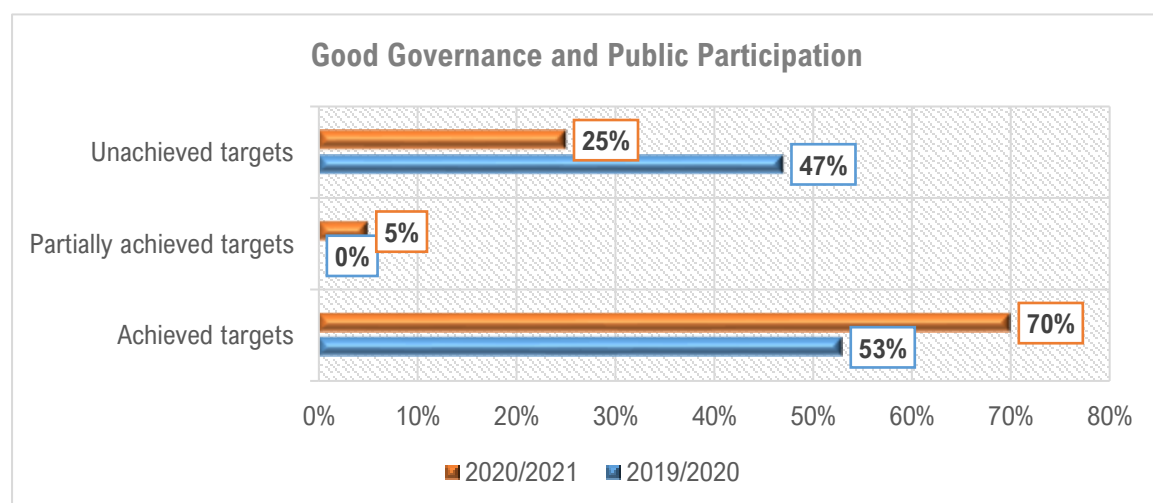


Figure 6: Good Governance and Public Participation Trend Analysis

Performance Highlight

- i) Functionality of Council with 18 meetings having been convened in the financial year
- ii) Functionality of EXCO with 9 meetings having been convened in the financial year
- iii) Functionality of Portfolio Committee meetings with 26 meetings having been convened in the financial year
- iv) All municipal councillors have embraced the use of technology by utilising virtual platforms for all Council meetings
- v) Regular report backs to communities through the municipal newsletter
- vi) The municipality has been responsive to the Covid-19 pandemic limitations on public participation and now also utilises social media platforms for communication
- vii) With strict Covid-19 restrictions the municipality was able to host communities in various wards with four Izimbizo meetings held to present the IDP and Budget

Challenges

- i) The Covid-19 pandemic has had a negative impact on the level of public participation
- ii) The Covid-19 pandemic had a negative impact on the municipality's ability to conduct outreach programmes
- iii) There are delays on the cascading of performance management system to all levels due to the non-functionality of the labour union

3.7.6 KPA 6 - Cross Cutting

This KPA measures municipal level success in urban efficiency, spatial planning, development planning and disaster management.

Table 23: Cross Cutting Performance

	2019/2020	2020/2021	OUTCOME
Total planned KPIs	13	11	N/A
Achieved targets	7 (58%)	7 (64%)	6% improvement
Unachieved targets	5 (42%)	4 (36%)	6% improvement

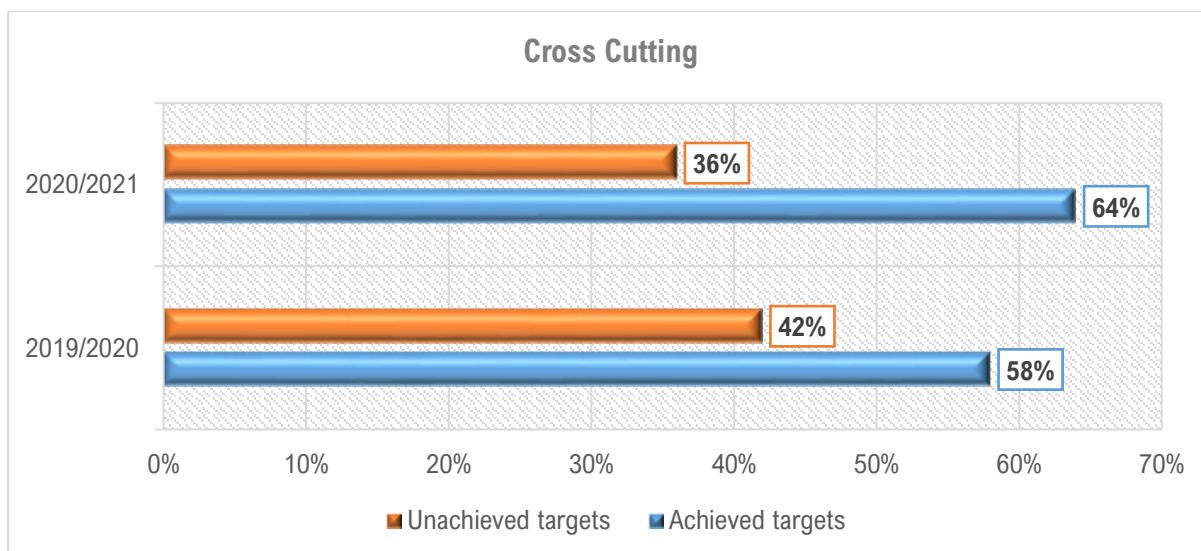


Figure 7: Cross Cutting Trend Analysis

Performance Highlight

- i) The municipal wide land-use scheme was approved Council as per the Spatial Planning and Land Use Management Act (SPLUMA)
- ii) SPLUMA applications were processed within legal timeframes
- iii) A comprehensive land audit on all municipal owned land was conducted

Challenges

- i) Delays in the completion of the Strategic Environmental Assessment (SEA) as a result of capacity constraints

3.8 Assessment of the performance of External Service Provider

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement. It is currently being done by user department levels. The end user department is providing monthly reports to the SCM unit as well. Service providers who fail to perform are reported to SCM and the necessary action is taken including the termination of the contract or cancellation of an order.

Example:

Assessment Key	
Good (G)	The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract
Satisfactory (S)	The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract
Poor (P)	The service has been provided below acceptable standards

Table 24: Service Provider Performance Assessment

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year	Assessment of Service Providers Performance (Current)			Corrective Measures
					Previous	G	S	P	
ULM 008/19/20	DLV Project Managers and Engineers (Pty) Ltd	2020-11-05	Civil Engineering Consultants	R 0	N/A				N/A

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year	Assessment of Service Providers Performance (Current)			Corrective Measures
					Previous	G	S	P	
ULM 008/19/20	TPA Consulting CC	2020-11-05	Civil Engineering Consultants	R 4 713 648,36					N/A
ULM 008/19/20	MAP Africa Consulting Engineers	2020-11-05	Civil Engineering Consultants	R 0	N/A				N/A
UMN 02/2020	Sbusisiwe Contractors CC	2020-11-13	Electrical Works Contractors	R 938 408,63	N/A				N/A
UMN 02/2020	Rock Powerline Electrical CC	2020-11-13	Electrical Works Contractors	R 16 006 525,35					N/A
UMN 02/2020	ZML Africa Projects CC	2020-11-13	Electrical Works Contractors	R 1 903 500,85	N/A				N/A
UMN 05/2020	Trank Trading (Pty) Ltd	2020-11-05	Transportation of Hazardous Leachate from Landfill Site	R 3 818 390,00	N/A				N/A
UMN 08/2020	S4H Civils (Pty) Ltd	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 0	N/A				N/A
UMN 08/2020	Mbovu Dynamics	2020-11-16	Civil Roads Contractors	R 588 421, 68	N/A				N/A

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year	Assessment of Service Providers Performance (Current)			Corrective Measures
					Previous	G	S	P	
			(CIDB) 3CE or Higher) for a Period of Two (2) Years						
UMN 08/2020	Mela Okuhle Trading Enterprise CC	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 0	N/A				N/A
UMN 08/2020	Buchule t/a SNA Construction	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 0	N/A				N/A
UMN 08/2020	SZS Construction & Plant Hire	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 2 208 667,77	N/A				N/A
UMN 08/2020	Lethokuhle Investments CC	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a	R 0	N/A				N/A

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year	Assessment of Service Providers Performance (Current)			Corrective Measures
					Previous	G	S	P	
			Period of Two (2) Years						
UMN 08/2020	Daleka Trading Enterprise CC	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 0					N/A
UMN 08/2020	Majiki Construction and Plant Hire	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 0					N/A
UMN 08/2020	Amagents Construction	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 1 566 409,79	N/A				N/A
UMN 08/2020	MMG Projects and Trading (Pty) Ltd	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 936 964,54	N/A				N/A

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year	Assessment of Service Providers Performance (Current)			Corrective Measures
					Previous	G	S	P	
UMN 08/2020	Ngelizwe Trading CC	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 956 313,08	N/A				N/A
UMN 09/2020	Mela Okuhle Trading Enterprise CC	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 0					N/A
UMN 09/2020	Group Two Trading Enterprise CC	2020-11-16	Civil Roads Contractors (CIDB) 3CE or Higher) for a Period of Two (2) Years	R 0					N/A
UMN 12/2020	Ndalovision Trading	2021-06-21	Supply and Erect Vendor Shelters	R 409 274.00	N/A				N/A
UMN 03/2021	TMM Med Health Inc.	2021-06-21	Medical Practitioners	R 0	N/A				N/A
ULM 001/19/20	Group Two Trading Enterprise	2020-01-03	Construction of Khanya Village Community Hall	R 6 638 858,68					N/A

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year	Assessment of Service Providers Performance (Current)			Corrective Measures
					Previous	G	S	P	
ULM 006/19/20	Majiki Construction and Plant Hire Pty Ltd	2020-01-03	Construction of Emandleni Community Hall	R 6 101 675,00					N/A
ULM 007/19/20	Mela Okuhle Trading Enterprise	2020-02-25	Construction Mpophomeni Multipurpose Hall	R 6 925 259,29					N/A
ULM 01/2020	Mela Okuhle Trading Enterprise	2020-02-24	Mpophomeni Stadium (Rehabilitation of Sportsfield)	R 14 781 737,49	N/A				N/A
Reg 36	Mathonsi Investments t/a Dudula Civils	2020-02-21	Resurfacing Midlands Roads Phase 5	R 3 594 126,06	N/A				N/A
Reg 32	SMM Trading & Projects	2020-06-23	Installation of Stormwater pipes in Howick	R 7 487 068,50	N/A				N/A
ULM 005/19/20	Daleka Trading	2020-01-03	Currys Post Cemetery	R 2 790 726					N/A
ULM 003/19/20	Isiqaloh Progress	2020-01-03	Construction of Ekuthuleni Street	R 3 891 177					N/A

Annexure A

APR Scorecard

Table 25: SDBIP APR Scorecard

ANNUAL PERFORMANCE REPORT									
OBJECTIVE (AS PER IDP)	STRATEGIES (AS PER IDP)	WARD	INDICATORS	CURRENT YEAR		Status (Achieved / Not Achieved	Reasons for Under- achievement and over achievement	Measures taken to improve performance	RESPONSIBILITY
				2020/2021 (TARGET)	2020/2021 (ACTUAL)				
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION									
To create a conduce working environment for all employee	Strengthening internal bargaining structure	N/A	Sitting of Local Labour Forum (LLF) meetings	4	0	Not achieved	Election for new representatives was delayed due to the previous voting process's flaws. Following that, there was a delay in selecting councillors to serve on the forum.	Awaiting selection of councillors to serve on the forum.	GM: CORPORATE SERVICES
	Enhance and maintain good labour relations between employees and employer	N/A	Development of Labour Relations Programmes	4	4	Achieved	N/A	N/A	GM: CORPORATE SERVICES

	Implementation of EAP programmes to support the wellbeing of employees	N/A	Implementation of approved EAP programmes	4	2	Not achieved	The EAP Officer resigned, and the position remained vacant for the first part of the financial year.	Recruitment of a new EAP Officer has been completed. The backlog will be addressed in the new financial year.	GM: CORPORATE SERVICES
Promote employment equity	Compliance and monitoring of the Employment Equity Plan	N/A	Development and submission of Annual Employment Equity Report to Department of Labour as legislated	Jan-21	Jan-21	Achieved	N/A	N/A	GM: CORPORATE SERVICES
Enhance human resource management	Review and implementation of the skills development plan in line with municipal priorities	N/A	% of Workplace Skills Plan budget spent	100%	11%	Not achieved	Planned trainings could not take place due to Covid-19 regulations	Implementation of 2021/2022 WSP will address the gaps	GM: CORPORATE SERVICES
	Institutionalise the Batho Pele Principles in order to achieve	N/A	Review of Service Delivery	Sep-20	Mar-21	Achieved	There was an agreement that the Charter will be done at District level to be uniform for all local	Seeing that there were delays in sitting of the meeting to discuss the charter at	GM: CORPORATE SERVICES

	customer satisfaction		Charter and Standards				municipalities under the district	district level, the municipality decided not to wait any longer	
	Enhance youth development services	All wards	Youth outreach programmes	4	4	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
		All wards	Coordination of skills development programmes (learnerships)	80	66	Not achieved	The programme's coordination is subject to the availability of programme offered by sector departments.	The target must be based on historical trends, and KPI must be excluded from the SDBIP due to the municipality's lack of control.	OFFICE OF THE MUNICIPAL MANAGER
		All wards	Driving learners and license programme	20	30	Achieved	The annual budget allocation allowed for the inclusion of an additional ten people.	N/A	OFFICE OF THE MUNICIPAL MANAGER
		All wards	Youth Database Assessment	Dec-20	Nil	Not achieved	The youth database will be linked to the existing IT system, which must be linked to the municipal website to facilitate youth registration.	The assessment of the youth database will be facilitated once the municipal website has been reconfigured.	OFFICE OF THE MUNICIPAL MANAGER

		All wards	COVID-19 youth awareness campaigns	Sep-20	Nil	Not achieved	COVID-19 restrictions made it difficult to conduct person to person campaigns	COVID-19 awareness activities will be conducted using municipal social media channels and other means of communication.	OFFICE OF THE MUNICIPAL MANAGER
		All wards	Financial support offered to youth on tertiary registration fees	100%	100%	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
Utilisation of information technology for effective service delivery	Review and implementation of the IT Governance Framework	N/A	Review and implementation of the IT Governance Framework (Date of completion of identified programmes)	September 2020 (4 programmes)	1 out of 4 programmes	Not achieved	Internal request was submitted to Finance SCM in quarter 1. Awaiting finalization of SCM processes	Awaiting appointment of Service Provider by SCM	GM: CORPORATE SERVICES
	Increase stability and	N/A	Sitting of ICT steering committee	4	1	Not achieved	The meetings did not quorate and had to be rescheduled	All items to be discussed in the next meeting scheduled to sit in	GM: CORPORATE SERVICES

	availability of ICT services							Q1 of new financial year	
		N/A	Monitor the functioning of ICT office on provision of services to all staff members	4	4	Achieved	N/A	N/A	GM: CORPORATE SERVICES

BASIC SERVICE DELIVERY

Provision of quality housing	Eradicate informal settlements and housing backlogs	All wards	Issuing of title deeds	400	51	Not Achieved	Staff members have been unable to go to communities to issue title documents as a result of the Covid - 19 Pandemic, and individuals are visiting the office less frequently as a result of the fear of contracting Covid 19.	Community members are encouraged to collect from our offices through word-of-mouth and notices distributed at public places such as taxi ranks. Attempts to distribute through Housing Consumer Workshops done.	GM: ECONOMIC DEVELOPMENT AND PLANNING
		All wards	Coordinate Housing Consumer	4	3	Not Achieved	There was a community unrest in quarter 2 which lead to	5 Workshops will be held in the next financial year instead of 4.	GM: ECONOMIC DEVELOPMENT AND PLANNING

			Education Workshops				closure of municipal offices	Adjustments will be made during mid-year	
		5	Land acquisition and development planning approval for rural settlement	Jun-21	Nil	Not Achieved	Need identified for preliminary studies to inform land purchased.	Target moved to the end on the new financial year	GM: ECONOMIC DEVELOPMENT AND PLANNING
		N/A	Sitting of Housing THINK TANK meetings	4	4	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
Provision of quality public transport infrastructure including roads and storm-water	Development and management of roads and storm-water	N/A	Review of roads and storm-water management and maintenance plan for approval by Council	Jun-21	Nil	Not Achieved	The target could not be met due to a lack of internal capacity and insufficient funding to review the plan.	The municipality will seek outside funding for the review, which will be developed by an outside service provider. The target is part of the annual plan for 2021/2022.	GM: TECHNICAL SERVICES

		All wards	Roads resurfaced	8km	Nil	Not Achieved	Following a thorough examination of the roads to be resurfaced, it was determined that the 8 kilometres planned will require capital rather than operational budgeting.	Due to a lack of capital funding, 3km of the 8km target will be completed in the new financial year as part of the road resealing project that is targeted and included in the SDBIP for 2021/2022. Road resealing is a short term solution whilst funds are being sourced.	GM: TECHNICAL SERVICES
		All wards	Squaremeters of potholes fixed	9000m ²	7402m ²	Partially Achieved	Throughout the financial year, protest actions and the numerous closures of municipal offices due to COVID-19 infections disrupted the operational program of pothole repair.	For the new financial year, 20 000m ² of potholes have been projected to address both new targets and backlogs from the previous financial year.	GM: TECHNICAL SERVICES

		All wards	Roads regravelling	2km	8.7km	Achieved	Internal resources were utilised to regravell extra kilometres	N/A	GM: TECHNICAL SERVICES
	2		Installation of stormwater pipes	2km	0,2km	Not Achieved	2 kilometres of storm- water pipes were purchased however only 0,2km of storm- water pipes was installed.	The remaining 1.8 kilometres of stormwater pipes are expected to be used for a variety of road improvements planned for the new financial year. These will be incorporated into the Roads Regravelling project, which is included in the current financial year's SDBIP.	GM: TECHNICAL SERVICES
	5		Construction of Mare Street Walkway	500m	Nil	Not Achieved	Following a thorough evaluation of the project, it was determined that the project necessitates the use of capital budgeting.	Until funds become available, the project will continue to be a top priority in the municipality's integrated development plan.	GM: TECHNICAL SERVICES

			Construction of roads and storm-water (Ekuthuleni Road)	500m	500m	Achieved	N/A	N/A	GM: TECHNICAL SERVICES
		9	KwaHaza Primary School Road resurfacing	1300m	Nil	Not Achieved	The project was not approved by MIG	In the financial year 2021/2022, the road will be regaveled using internal resources.	GM: TECHNICAL SERVICES
		3 & 4	Midlands phase 5 (Construction of roads)	2.1km	2.1km	Achieved	N/A	N/A	GM: TECHNICAL SERVICES
		N/A	% of MIG spent (transfers and subsidies)	100%	100%	Achieved	N/A	N/A	GM: TECHNICAL SERVICES
Access to electricity supply	Management of electricity supply to all households and businesses	All wards	Households newly connected to electricity supply	150	127	Not Achieved	Due to the delay in ESKOM's dependency project, we were unable to complete the remaining connections. ESKOM's project necessitated a network upgrade in order to facilitate the connections.	200 connections have been planned for the 2021/22 financial year, with the project addressing the remaining 23 backlogs.	GM: TECHNICAL SERVICES

		1	Installation of High Mast - Eshiyabazali	1	1	Achieved	N/A	N/A	GM: TECHNICAL SERVICES
Solid waste management	Development and management of an integrated waste management systems	All wards	Refuse removal collection	Weekly	Weekly	Achieved	N/A	N/A	GM: TECHNICAL SERVICES
		N/A	Review Integrated Waste Management Plan (IWMP)	Sep-20	Oct-20	Achieved	N/A	N/A	GM: TECHNICAL SERVICES
Provision of municipal parks and gardens	Develop and maintain sports and recreational facilities	8	Reconstruction of Mpophomeni Stadium	100%	90%	Partially achieved	The service provider has recently been delayed in completing the project without providing any explanation.	The municipality's consultant is engaging the service provider to ascertain the cause of the project's delays.	GM: TECHNICAL SERVICES
	Maintenance of all municipal open spaces	All wards	Maintenance of municipal open spaces	Quarterly	Nil	Not Achieved	The target could not be met due to a lack of staff and resources.	Recruitment processes for 23 general workers and two technicians are currently underway with appointments expected to be concluded by Q2 of	GM: TECHNICAL SERVICES

								the new financial year.	
LOCAL ECONOMIC DEVELOPMENT									
Increase employment and entrepreneurial opportunities	Development and management of business and industrial investment	All wards	Complete business licenses processed within legal timeframes	100%	100%	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
		All wards	Customer satisfaction survey	1	1	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
	Support further development of the tourism sector	N/A	Facilitation of tourism learnerships and internship programmes	1	1	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
		N/A	Monitor functionality of tourism office through data capturing and development	Monthly	Monthly	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING

			of tourism statistics report						
		All wards	Museum outreach programmes	4	0	Not achieved	All Museum Programmes suspended by DAC due to Covid-19 pandemic	Awaiting instruction from DAC to reopen the Museum	GM: COMMUNITY SERVICES
		N/A	Museum Advisory Committee Meetings	4	0	Not achieved	Museum meetings suspended by DAC due to Covid-19 pandemic	Awaiting instruction from DAC to reopen the Museum	GM: COMMUNITY SERVICES
Inclusive local economic development	Support emerging farmers whilst promoting diversification in the agricultural sector	All wards	Assist emerging farmers through distribution of farming material	5	16	Achieved	Department of Agriculture donated the extra material that made it possible to support 11 extra beneficiaries	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
		N/A	Review of Agricultural Sector Plan	Mar-21	Mar-21	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
	Promote and support the informal and	2	Replacement of Informal Trading Stalls (CBD)	10	0	Not achieved	Delays in the appointment of the service provider.	Service provider appointed. Target moved to the Q3	GM: ECONOMIC DEVELOPMENT AND PLANNING

	township economy							and Q4 of the new financial year.	
		11	Mpophomeni Informal Traders Complex Site Development Plan	Dec-20	Mar-21	Achieved	There was a delay in exhausting all processes between the service provider and the municipal building inspectors	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
		N/A	Sitting of Informal Traders Sub-committee Meeting	4	4	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
		N/A	Review of Informal Economy Policy & informal Economy bylaw for approval	Mar-21	Jun-21	Achieved	There were delays in the public participation due to protest and unrest in the municipality.	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
	Facilitation of business expansion and retention	2	Feasibility study and site plan on the SMME	Jun-21	Draft	Not achieved	In the course of the project, a need was identified for a traffic impact assessment which delay the	Feasibility study to be presented to the portfolio committee in Q1 of the	GM: ECONOMIC DEVELOPMENT AND PLANNING

			Incubation Facility				finalisation of the project.	2021/2022 financial year	
	Continuous review and implementation of the LED Strategy	N/A	Development of an LED Strategy	Jun-21	Nil	Not achieved	No responsive tenderer	Target moved to Q4 of the new financial year	GM: ECONOMIC DEVELOPMENT AND PLANNING
GOOD GOVERNANCE AND PUBLIC PARTICIPATION									
Adherence with all legislative mandates	Develop and review a credible and implementable integrated development plan	N/A	Tabling and adoption of a credible IDP review	May-21	May-21	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Tabling of IDP and Budget process plan for approval by Council	Aug-20	Sep-20	Achieved	Unforeseen circumstances on the recalling of the Council speaker prevented the scheduled Council meeting from taking place.	N/A	OFFICE OF THE MUNICIPAL MANAGER
	Ensure the functioning of	N/A	Sitting of COUNCIL meetings	8	18	Achieved	There was a need for the sitting of special Council Meetings to	N/A	OFFICE OF THE MUNICIPAL MANAGER

	all council committees						address issues that needed attention		
		N/A	Sitting of EXCO meetings	8	9	Achieved	There was a need for the sitting of special EXCO Meeting to address issues that needed attention	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Sitting of Portfolio Committee Meetings	30	26	Partially achieved	Some meetings were rescheduled during the financial year.	N/A	OFFICE OF THE MUNICIPAL MANAGER
	Provide support to all council oversight committees	N/A	Provision of secretariat for development of agenda and capturing of minutes for all council committees (Cluster committees, MPAC, EXCO and Council)	100%	100%	Achieved	N/A	N/A	GM: CORPORATE SERVICES

	Review and implement all applicable municipal policies and by-laws	N/A	Review of Anti-Fraud and Corruption Strategy	Sep-20	Nil	Not achieved	Risk Officer Post was still under Review for approval	Risk Officer Post budgeted for in 2021-22 financial year	OFFICE OF THE MUNICIPAL MANAGER
		All wards	Road blocks	96	137	Achieved	Normal road blocks were executed as scheduled, however invitations from other government stakeholders forced more road blocks during the financial year. These invitations are for specific operations that may be carried out by SAPS, for example.	N/A	GM: COMMUNITY SERVICES
		All wards	By-laws enforcement	240	578	Achieved	Over the course of the financial year, there were more complaints that required municipal officials to take action in response to violations of municipal bylaws.	N/A	GM: COMMUNITY SERVICES

		N/A	Speed manual (Pro-laser)	480	497	Achieved	There was a community demand for speeding vehicles on certain routes, necessitating the provision of additional resources in those areas, thus exceeding the planned normal speed camera operations.	N/A	GM: COMMUNITY SERVICES
		N/A	Fire-arm inspection	12	12	Achieved	N/A	N/A	GM: COMMUNITY SERVICES
		N/A	Complaints management	100%	100%	Achieved	N/A	N/A	GM: COMMUNITY SERVICES
		All wards	Buildings plans processed within 90 days (0-90m²)	80%	88.75%	Achieved	Because these types of building plans are mostly alterations and additions or minor works, they have minimal requirements and can be processed quickly.	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING

		All wards	Buildings plans processed within 90 days (over >90 m ²)	80%	70.25%	Partially achieved	Applications over 90m ² are circulated to more sections resulting in delays.	Monthly monitoring of quarterly targets.	GM: ECONOMIC DEVELOPMENT AND PLANNING
Promote participatory governance and multi-stakeholder engagements	Implementation and monitoring of the municipal communication strategy	N/A	Municipal Newsletter	4	4	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	IDP Pamphlet	1	1	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Municipal radio slot	4	5	Achieved	The 5th radio slot was necessitated by the MEC's official launch of MIG-funded projects, which necessitated publicity of such activities.	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Service Delivery Booklet	Apr-21	Nil	Not achieved	The funds on the allocated vote were exhausted	The Service Delivery Booklet for the Council 5 year term will be undertaken in the 2021/2022 financial year	OFFICE OF THE MUNICIPAL MANAGER

		N/A	Municipal calendars	Dec-20	Dec-20	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Printing of Annual Report	Apr-21	Jun-21	Achieved	There was a delay in AG's audit process which led to a delay in the annual report process	N/A	OFFICE OF THE MUNICIPAL MANAGER
	Ensure participation in all relevant IGR structures	N/A	Sitting of District Planning Cluster Meeting	4	2	Not achieved	The Cluster's ability to meet is dependent on the effectiveness of the district sub-cluster meetings, which are sometimes unable to convene.	The importance of municipal officials participating in district IGR structures will be discussed at the MMs Forum.	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Mayor's report on IGR	4	0	Not achieved	With the onset of the pandemic, Mayors were reassigned to take on the Chairperson duties of convening sub-committees that report directly to the District Command Council regarding the ongoing fight against the Covid19 pandemic. This resulted in DCC	Beginning in September 2021, the Mayor will table the quarterly IGR report to Council.	OFFICE OF THE MUNICIPAL MANAGER

							subcommittees reporting directly to DCC, which has a representation of all councillors, about normal activities and progress on the pandemic.		
		N/A	Sitting of IDP representative Forum	2	2	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Sitting of Community Safety Forum	4	3	Not achieved	The meeting in Q1 could not be convened due to the COVID-19 pandemic.	Subsequent meetings were held in other quarters	GM: COMMUNITY SERVICES
	Encourage all our social partners to participate in the municipal affairs	All wards	Training of ward committees	1	0	Not achieved	Due to Covid 19 regulations we were prohibited to do trainings as the number of WC is more than 100, and separating them in groups would be costly	Training has been rescheduled	OFFICE OF THE MUNICIPAL MANAGER

		All wards	IDP & Budget Imbizo	1	4	Achieved	A number of Izimbizo meetings were decided upon due to Covid-19 restrictions that limit the number of people who can gather.	N/A	OFFICE OF THE MUNICIPAL MANAGER
	Support and implement applicable national, provincial and district initiatives	All wards	Ward based golden games	2	4	Achieved	Senior citizens made a request to the mayor during heritage month and was approved under the theme of 'amagugu ethu'.	N/A	OFFICE OF THE MUNICIPAL MANAGER
		All wards	Support programme for people with disabilities	1	2	Achieved	Because of the devastating effects of Covid19, the municipality, through the mayor's office, added a program aimed at providing food relief to alleviate the exacerbated challenges faced by people living with disabilities, as the pandemic brought with it food insecurity challenges.	N/A	OFFICE OF THE MUNICIPAL MANAGER

		All wards	Support for senior citizens	1	1	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
		All wards	Know your rights against GBV campaign	1	1	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
		All wards	Towards Zero Aids related Deaths Campaign	1	0	Not achieved	The event was set to take place on the 01st December 2020 to coincide with world AIDS day but had to be cancelled due to the protest action.	HIV programs and awareness campaigns are planned for the second quarter of the new financial year.	OFFICE OF THE MUNICIPAL MANAGER
		All wards	New patrons attracted to all four libraries	600	319	Not achieved	During quarter 1 Libraries were not in operation at all due to lockdown restrictions. Since opened operating hours have been minimised.	N/A	GM: COMMUNITY SERVICES
		All wards	Library books in circulation	15 000	18562	Achieved	There is no limit to the circulation of books so long as they are available for the public to access. The target is set based on previous trends.	N/A	GM: COMMUNITY SERVICES

		All wards	Outreach programmes coordinated at all four libraries	12	0	Achieved	All Library outreach programmes still suspended by DAC	Once Covid-19 restrictions are lifted, outreach programmes will resume. The KPI	GM: COMMUNITY SERVICES
Effective organisational performance management system	Review and implementation of the Performance Management Framework	N/A	Signing, submission (to Council and stakeholders) and publicizing of Performance Agreements	Aug-20	Sep-20	Achieved	Unforeseen circumstances on the recalling of the Council speaker prevented the scheduled Council meeting from taking place.	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Review PMS Policy and Procedure	May-21	Nil	Not achieved	The policy was reviewed, however it could not be submitted to Council yet as a workshop is needed due to many amendments made during the review process	The policy will be submitted to Council for approval in the 1st quarter of the new financial year	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Submission of Annual Report to Council for adoption	Mar-21	Jun-21	Achieved	A national treasury circular issued in 2020 allowed for the municipalities to adopt their annual reports	N/A	OFFICE OF THE MUNICIPAL MANAGER

							outside of the legislated timeframes.		
FINANCIAL VIABILITY AND MANAGEMENT									
Compliance with financial legislation and policies	Provide for strategic budgeting in line with IDP priorities	N/A	Tabling and adoption of multi-year budget	May-21	May-21	Achieved	N/A	N/A	CHIEF FINANCIAL OFFICER
		N/A	Employee related costs	100%	101%	Achieved	The over expenditure was a actuarial loss of R3 613 000 that the municipality got for employee obligations (GRAP 25)	N/A	CHIEF FINANCIAL OFFICER
		N/A	Remuneration of councillors	100%	95%	Achieved	Councillors did not receive remuneration increase	N/A	CHIEF FINANCIAL OFFICER
		All wards	Percentage on repairs and maintenance spent	100%	89%	Partially achieved	The target could not be met due to protest actions that occurred in October and delays caused by Covid-19 restrictions.	Not provided	CHIEF FINANCIAL OFFICER

		N/A	Creditors paid within 30 days	Within 30 days	18 days (on average)	Achieved	N/A	N/A	CHIEF FINANCIAL OFFICER
		N/A	Operating budget spent	100%	116%	Achieved	The 16% over expenditure is made up of depreciation, actuarial loss and impairment of asset which are all non-cash items.	N/A	CHIEF FINANCIAL OFFICER
	Develop transparent processes in the procurement of goods and services	N/A	Development of annual Procurement Plan with end-user departments (cross-responsibility) for approval by Council	Jun-21	Nil	Not Achieved	Due to departments' late submission of procurement plans, the plan was not tabled in Council.	The plan will be tabled in the new financial year	CHIEF FINANCIAL OFFICER
		N/A	Developmental training for Bid Committee's and SCM Practitioners	1	0	Not achieved	Trainings could not take place due to Covid19 restrictions	Once, the pandemic restrictions have been lifted, bid committee members will be provided with the necessary property trainings. Online	CHIEF FINANCIAL OFFICER

								learning platforms will be explored.	
		N/A	Submission of quarterly SCM report to Council	4	4	Achieved	N/A	N/A	CHIEF FINANCIAL OFFICER
		N/A	Tender awards made within 90 days from the date of tender closing	Within 90 days	Within 90 days	Achieved	N/A	N/A	CHIEF FINANCIAL OFFICER
		N/A	Annual SCM Policy review for approval by Council	May-21	May-21	Achieved	N/A	N/A	CHIEF FINANCIAL OFFICER
		N/A	Submission of departmental Procurement Plans (2021/2022) to Finance Dept. - EDP	Jun-21	Jun-21	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING

		N/A	Submission of departmental Procurement Plans (2021/2022) to Finance Dept. - CorpS	Jun-21	Jun-21	Achieved	N/A	N/A	GM: CORPORATE SERVICES
		N/A	Submission of departmental Procurement Plans (2021/2022) to Finance Dept. - CommS	Jun-21	Jun-21	Achieved	N/A	N/A	GM: COMMUNITY SERVICES
		N/A	Submission of departmental Procurement Plans (2021/2022) to Finance Dept. - TechS	Jun-21	Jun-21	Achieved	N/A	N/A	GM: TECHNICAL SERVICES
		N/A	Submission of departmental Procurement Plans (2021/2022) to	Jun-21	Jun-21	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER

			Finance Dept. - OMM						
Obtain a credible audit outcome from the Auditor General	N/A	Submission of Audited Annual Financial Statement to Council	Jan-21	Apr-21	Achieved	Late submission was due to the delay in the auditing process caused by the lockdown	N/A	CHIEF FINANCIAL OFFICER	
	N/A	Submission of Draft Annual Financial Statements to Council and to AG	Aug-20	Oct-20	Achieved	Late submission was due to the delay in the auditing process caused by the lockdown	N/A	CHIEF FINANCIAL OFFICER	
	N/A	Opinion of the Auditor-General	Clean audit	Qualified	Not achieved	Findings on property, plant and equipment, receivables from non-exchange transactions, receivables from exchange transactions, irregular expenditure, Unauthorised expenditure, Cash flow statement, Statement of comparison of budget and actual amounts and Prior period errors	AG Action Plan to address all AG findings	ALL DEPARTMENTS	

		N/A	Submission of AG Action Plan to MANCO for approval	Sep-20	Nil	Not achieved	There were delays in receiving the management report from AG due to delayed audit process	AG Action Plan to be a standing item at MANCO	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Percentage of AG findings resolved in the 2019/2020 AG Action Plan	100%	70%	Not achieved	Outstanding Items will be implemented in AFS to be finalised in 31 August 2021 post end of financial year.	AG Action Plan to be a standing item at MANCO	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Approval of Internal Audit Plan by Audit Committee	Jul-20	Jul-20	Achieved	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Sitting of Audit Committee	4	6	Achieved	Special Audit Committee meetings was convened	N/A	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Submission of quarterly audit committee reports to Council	4	1	Not achieved	Item was omitted on AC work plan	To include on AC Committee Work Plan	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Review of Risk Management Strategy	Jul-20	Nil	Not achieved	Risk Officer Post was still under Review for approval	Risk Officer Post budgeted for in 2021-22 financial year	OFFICE OF THE MUNICIPAL MANAGER

		N/A	Update of risk register	Jul-20	Oct-20	Achieved	This was due to unavailability of KZN Treasury for workshop.	Risk Register was done by Manager Internal Audit without workshop.	OFFICE OF THE MUNICIPAL MANAGER
		N/A	Sitting of Risk Management Committee	4	0	Not achieved	Risk Officer Post was still under Review for approval	Risk Officer Post budgeted for in 2021-22 financial year	OFFICE OF THE MUNICIPAL MANAGER
	Facilitate support to indigent residents of the Municipality	N/A	Submission of Indigent Register to Council	Sep-20	Nil	Not achieved	The Indigent register was not completed due to Covid-19 as it requires direct contacts with community members.	The municipality has through various media platforms made a call for submission of applications for indigent people with closing date being 30 September 2021. The register will then be tabled at Council in Q2.	CHIEF FINANCIAL OFFICER
Increase and enhance revenue collection	Develop and implement a revenue enhancement strategy	N/A	Review of revenue enhancement strategy for approval by Council	Jun-21	Nil	Not achieved	The strategy review necessitated input from the CFO, who was only appointed five months after the financial year began.	The strategy is still under review by the CFO	CHIEF FINANCIAL OFFICER

		N/A	Measure electricity gains/losses (expenditure against profit/losses)	20%	24% deficit	Not achieved	Loss as a result of electricity theft and illegal connections	In areas identified as problematic, standard meters must be installed, and regular monitoring must be carried out	CHIEF FINANCIAL OFFICER
	Rates and electricity bills must be accurate in order to ensure timeous payment by residents	N/A	Continuous update of rates, electricity and refuse collection accounts	100%	100%	Achieved	N/A	N/A	CHIEF FINANCIAL OFFICER
	Collect all debt on debtors timeously	N/A	Debtors collection rate	95%	92%	Partially achieved	Many households and businesses saw their incomes disrupted as a result of the Covid-19 pandemic.	N/A	CHIEF FINANCIAL OFFICER
	Identify and implement diversified revenue streams	2	Collection of rental income from municipal flats (leased out)	60%	70%	Achieved	There was an improvement on payments by tenants	N/A	CHIEF FINANCIAL OFFICER

Improve asset management	Continuous implementation and monitoring of the asset management policy	N/A	Review of Asset Management Policy	Jan-21	May-21	Achieved	The policy was supposed to be implemented in conjunction with the Budget.	N/A	CHIEF FINANCIAL OFFICER
	Compile and frequently review the asset register in line with GRAP	N/A	Annual verification and assessment of asset register (audited by AG and noted by Council)	Jan-21	Apr-21	Achieved	The late Audit Report by AG resulted in delays	N/A	CHIEF FINANCIAL OFFICER
		N/A	Continuous update of assets register (additions)	Quarterly	Quarterly	Achieved	N/A	N/A	CHIEF FINANCIAL OFFICER
		All wards	Purchasing of Covid Water Tank Stands	20	20	Achieved	The water tanks were donated by COGTA	N/A	GM: TECHNICAL SERVICES
		5	Purchasing of Plant for Landfill Site	1	Nil	Not Achieved	Following consultation with Treasury, it was discovered that the prices for Compactor Trucks are significantly higher than what we had estimated. There is	Compactor truck has been budgeted for purchasing in the 2021/2022 financial year.	GM: TECHNICAL SERVICES

							also a lead time with the manufacturer.		
	Development and implementation of an efficient and effective fleet management system	N/A	Development and submission of quarterly reports to Cluster Committee (Fleet)	6	10	Achieved	The increase in report submissions was caused by an increase in the number of portfolio committee meetings scheduled at the start of the calendar year.	N/A	GM: CORPORATE SERVICES
		N/A	Functionality of Mechanical Workshop	Monthly	Monthly (75%)	Not Achieved	Covid-19 restrictions limited the activities in the mechanical workshop in July and August of 2020, while the activities in June were not reported due to the portfolio committee meeting not convening.	Activities for the month of June will be reported in the new financial year	GM: TECHNICAL SERVICES
	Develop, maintain and upgrade	All wards	Maintenance of municipal buildings	100%	103%	Achieved			GM: CORPORATE SERVICES

	municipal community facilities	7	Construction of Khanya Village Community Hall	100%	100%	Achieved	N/A	N/A	GM: TECHNICAL SERVICES
		6	Construction of eMandleni Community Hall	100%	98%	Partially achieved	The work on site has been completed. Compliance documents are still being compiled by the contractor and the Engineers.	The municipality has scheduled a meeting with the service provider and the municipal Engineers to resolve the impasse.	GM: TECHNICAL SERVICES
		9	Lions River Community Hall	100%	99%	Partially achieved	The work on site has been completed, but the completion certificate has not been issued because the service provider has not submitted the compliance certificates to the Engineer	The municipality has scheduled a meeting with the service provider and the municipal Engineers to resolve the impasse.	GM: TECHNICAL SERVICES
		11	Construction of Multi-Purpose Centre (Hall)	100%	98%	Partially achieved	Connections for electricity and water are outstanding.	Connections will be concluded in Q1 of the new financial year.	GM: TECHNICAL SERVICES

		5	Curries post cemetery project (guard house, toilets, borehole, septic tank and fencing)	100%	100%	Achieved	N/A	N/A	GM: TECHNICAL SERVICES
CROSS CUTTING INTERVENTIONS									
Ensure integrated development and spatial planning	Develop and review the municipal spatial development framework	N/A	Review of Spatial Development Framework (SDF)	May-21	May-21	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
	Identify and develop local settlement plans in both urban and rural areas	5	Land Audit for forward planning	Mar-21	Mar-21	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
Regulations of land use management	Implementation of the municipal SPLUMA BY-LAWS	All wards	SPLUMA applications processed within legal timeframes	100%	100%	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING

		N/A	Development of municipal wide land-use scheme for approval by Council	Sep-20	Sep-20	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
	Provision of support to Tribunal Authority on land use management	8,9,10,11	Coordination of Ingonyama Trust Board and uMngeni Municipal Planning Forum	2	2	Achieved	N/A	N/A	GM: ECONOMIC DEVELOPMENT AND PLANNING
Conservation and management of natural resources	Develop and comply with a strategic environmental assessment	N/A	Develop a desktop SEA (incl wetlands and water courses resource management plan)	Jun-21	Draft	Not achieved	Draft tabled to the portfolio committee. Need established for scientific data to be included in the final adopted document.	Target moved to the next financial year	GM: ECONOMIC DEVELOPMENT AND PLANNING
	Protection of biodiversity	N/A	Biodiversity programmes implemented	4	Nil	Not Achieved	The target could not be met due to a lack of staff and resources.	Recruitment processes for 23 general workers and two technicians currently underway.	GM: TECHNICAL SERVICES

Disaster Management	Annually review and implement disaster management plan as per legislative provisions	N/A	Review Disaster Management Plan	May-21	Nil	Not achieved	The reviewed plan requires that a workshop with stakeholders be convened which was difficult due to COVID19 restrictions.	The municipality will consider procuring gadgets for and train ward committee members whilst in this forum	GM: COMMUNITY SERVICES
		N/A	Disaster Awareness campaigns	12	13	Achieved	The increased from the planned target was necessitated by the need to educate communities about the Covid-19 pandemic new waves.	N/A	GM: COMMUNITY SERVICES
		N/A	Disaster incidents	100%	100%	Achieved	N/A	N/A	GM: COMMUNITY SERVICES
		N/A	Disaster Management Forum meetings	4	3	Not achieved	The meeting in Q1 could not be convened due to the COVID-19 pandemic.	Subsequent meetings in other quarters were convened	GM: COMMUNITY SERVICES

CHAPTER 4

Organisational Development Performance

5.1 Component A: Introduction to the Municipal Workforce

The Corporate Services department is responsible for recruiting, hiring, leave administration, personnel administration, sick leave management, employee welfare, and succession planning. The Corporate Services department is responsible for recruiting, hiring, leave administration, personnel administration, sick leave management, employee welfare, and succession planning. Table 26 below shows the municipality's employee profile for the past two financial years. The vacancy rate has decreased marginally from the previous financial year from 45,3% in 2019/2020 to 44,7% in 2020/2021. In the year under review, there were 176 temporary staff and an additional five interns employed in the various municipal departments.

Table 26: Organisational Employment Figures

uMngeni Organisational Employment Details	2020/2021	2019/2020
Total Employee Positions	518	518
Total Vacant Employee Positions	232	235
Total Vacancy Percentage	44,7%	45,3%
Managerial Positions - S56 & S57	6	6
Vacant Managerial Positions - S56	0	1
Managerial Positions - by organogram	23	22
Vacant Managerial Positions - by organogram	3	2
Community and Social Service Positions	39	39
Vacant Community and Social Service Positions	12	12
Finance and Administration Positions	45	45
Vacant Finance and Administration Positions	0	0
Electricity Positions	1	1
Vacant Electricity Positions	0	0
Environmental Protection Positions	2	2
Vacant Environmental Protection Positions	1	1
Public Safety Positions	46	46
Vacant Public Safety Positions	19	19
Road Transport Positions	41	41
Vacant Road Transport Positions	24	24
Sport and Recreation Positions	1	1
Vacant Sport and Recreation Positions	1	1
Waste Management Positions	94	94

3.9 Component B: Workforce Levels

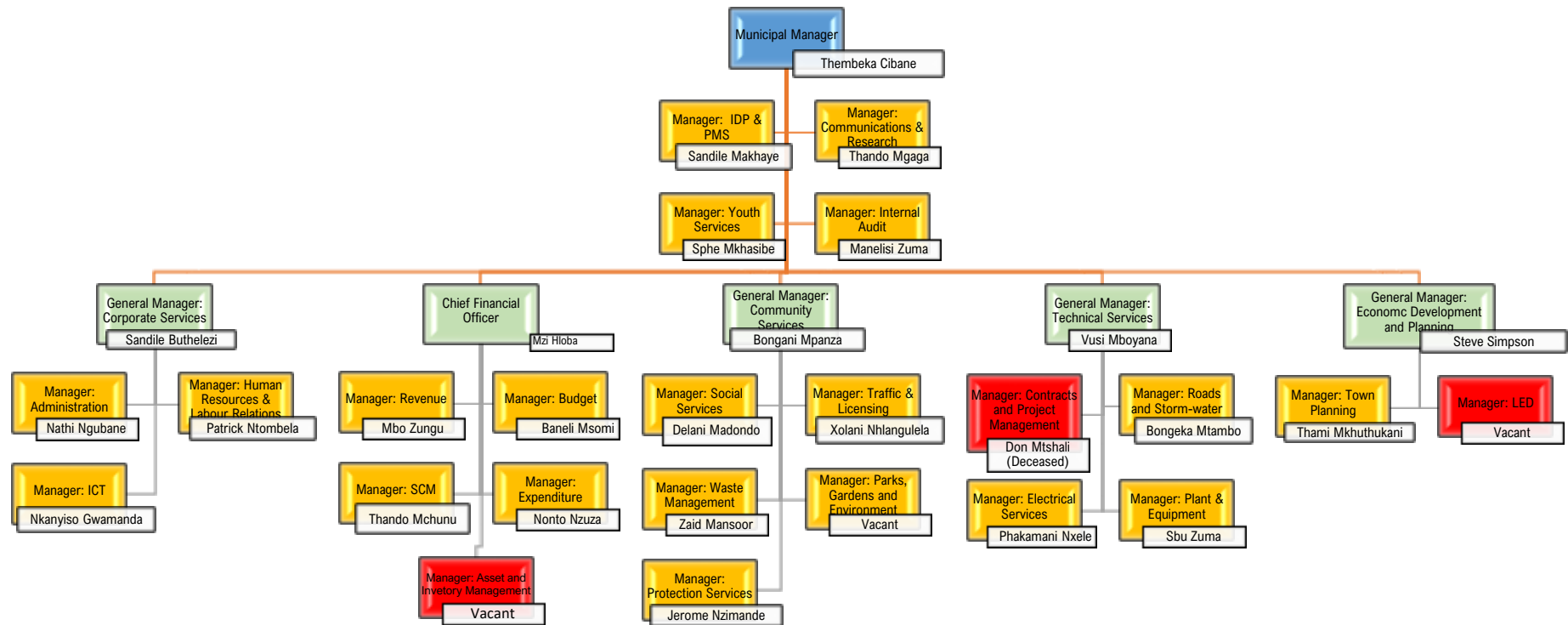


Figure 8: Three Tier Organisational Structure

3.10 Component C: Capacitating the municipal workforce

In response to the need for communities to evolve swiftly, there has been a renewed emphasis placed on ensuring that local workers have the appropriate competence in order to meet the growing needs of the residents. Human resource development is a critical component of human resource management, and the municipality has designed, adopted, and implemented a Human Resources Development Strategy to achieve this goal.

Induction is an effective strategy that should be used in a structured manner to assist new employees, their co-workers, and the organization in adjusting to their new jobs. Induction preparation programs are provided to both newly employed and senior employees to familiarize them with the operations and practices of the municipality, as well as the code of ethics for the workforce, among other things. The Induction Scheme was carried out with a total of four new appointments and twelve existing posts in the Municipality.

The Municipality has implemented the Study Scheme Policy, which was created with the goal of establishing a pool of properly qualified and readily accessible staff within the Municipality, thus strengthening the competitive position of the organisation and improving employee morale. This scheme was further designed to provide workers the ability to gain more credentials and allow them to offer a more competent service to the municipality and at the same time improving their job opportunities within the organisation. Table 27 below indicates the local staff that benefited from the Study Scheme Policy for the 2020/2021 financial year amounting to R42,000.

Table 27: Study Scheme Beneficiaries

Employee Name	Department	Courses	Academic Status
Nonjabulo A Msimang	Community Services	Bachelor of Information Science	In progress
Nobuhle P Sithole	Community Services	Diploma in Safety Management	In progress
Janusha Ramsook	Community Services	Bachelor of Information Science	In progress
Sandile D Makhaye	Office of the MM	PGD Management Sciences (Business Administration)	Completed
Vina D Sewcharran	Community Services	Bachelor of Information Science	In progress
Nancy P Oghpie	Community Services	Bachelor of Information Science Honours	In progress

3.11 Component D: Municipal workforce expenditure

The table below outlines comparative figures for the two previous. The municipal workforce related expenditure increased from R118,903,224 in 2019/2020 to R122,266,349 in the 2020/2021 financial year. This expenditure is inclusive of senior management remuneration for the financial year under review. The expenditure increases are guided through the SALGA Collective Agreement.

Table 28: 2020/2021 Employee Related Cost

Employee related cost	2020/2021	2019/2020
Basic	68,319,497	66,354,628
13th Cheque	5,698,586	4,971,473
Medical aid – company contributions	7,162,341	5,647,926
UIF	528,163	541,535
WCA	689,265	721,563
Leave pay provision change	3,559,614	7,080,737
Defined benefit contributions - medical	-	(9,502)
Pension Fund Contributions	16,826,623	12,588,089
Overtime payments	6,172,657	8,000,197
Defined benefit contributions - Long-service awards	324,907	525,726
Acting Allowances	90,014	304,472
Car Allowance	4,784,092	4,531,767
Housing benefits and allowances	394,339	380,228
Bargaining Council Levies	37,698	35,390
Cellphone Allowance	310,634	303,535
Standby Allowance	669,071	392,088
Total	115,567,501	112,369,852

CHAPTER 5

Financial Performance

5.1 Component A: Statement of Financial Performance

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand		2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods and rendering of services	21	3,647,264	2,908,692
Service charges	22	91,304,866	85,008,403
Rental of facilities and equipment	23	1,277,858	1,097,774
Interest received (trading)	24	2,403,368	1,902,299
Licences and permits	26	3,514,647	2,796,025
Operational revenue	30	347,868	301,901
Discount Received		1,180,239	-
Interest received - investment	31	1,715,464	2,649,715
Actuarial gains	34	-	5,853,000
Total revenue from exchange transactions		105,391,574	102,517,809
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	219,869,420	204,867,536
Property rates - penalties imposed	32	11,974,995	8,095,873
Surcharges and Taxes	28	26,672	41,872
Transfer revenue			
Government grants & subsidies	35	131,140,055	105,577,169
Fines, Penalties and Forfeits	25	2,674,853	907,577
Total revenue from non-exchange transactions		365,685,995	319,490,027
		105,391,574	102,517,809
		365,685,995	319,490,027
Total revenue	20	471,077,569	422,007,836
Expenditure			
Employee related costs	37	(122,266,349)	(118,307,504)
Remuneration of councillors	38	(9,330,037)	(9,323,535)
Depreciation and amortisation	39	(56,928,008)	(56,275,810)
Write-off / Impairment of non-cash generating assets	40	136,317	(9,732,486)
Finance costs	42	(7,139,140)	(6,713,825)
Lease rentals on operating lease	27	(1,420,499)	(1,363,729)
Debt Impairment	43	(73,381,778)	(42,740,655)
Bulk purchases	44	(127,756,605)	(111,520,559)
Contracted services	45	(81,216,883)	(87,378,272)
Transfers and Subsidies	33	(572,950)	(485,500)
Actuarial losses	34	(3,613,000)	-
Materials and supplies	47	(1,688,279)	(1,848,484)
Operational expenditure	46	(35,174,552)	(30,247,269)
Total expenditure		(520,351,763)	(475,937,628)
		-	-
Total revenue		471,077,569	422,007,836
Total expenditure		(520,351,763)	(475,937,628)
Operating surplus/deficit		-	-
Deficit before taxation		(49,274,194)	(53,929,792)
Taxation		-	-
Deficit for the year		(49,274,194)	(53,929,792)

* See Note 2 & 55

3.12 Component B: Spending against Capital Budget

CAPITAL EXPENDITURE FOR 2020/2021					
Department	Original Budget	Actual Expenditure to date	Percentage Spent	Project	Funding Source
Roads	233 687,00	233 687,00	100%	Midlands access roads	Municipal Infrastructure Grant
Roads	2 559 701,00	2 300 773,21	90%	Ekuthuleni Road	Municipal Infrastructure Grant
Electricity	1 052 811,00	913 928,40	87%	Electrification Project	Municipal Infrastructure Grant
Roads	383 500,29	337 805,33	88%	Haza Primary School Road	Municipal Infrastructure Grant
Roads	7 500 000,00	5 576 557,24	74%	Installation of Stormwater (Curries	Transfer from Operational Revenue
Sport & Recreation	14 765 347,00	11 673 794,74	79%	Mpophomeni Stadium	Municipal Infrastructure Grant
Cemetery	382 853,00	520 496,82	136%	Curries Post Cemetery	Municipal Infrastructure Grant
Sport & Recreation	1 445 792,00	1 273 824,86	88%	Regravelling	Transfer from Operational Revenue
Community Halls	893 866,00	893 865,90	100%	Covid Water Tanks Stands (Nottingham)	Municipal Infrastructure Grant
Community Halls	3 105 471,00	3 907 269,89	126%	Khanya Village Community Hall	Municipal Infrastructure Grant
Community Halls	2 596 038,00	2 468 999,68	95%	eMandleni Community Hall	Municipal Infrastructure Grant
Property Services	5 417 531,00	4 238 169,28	78%	Multi-Purpose Centre	Municipal Infrastructure Grant
Executive & Council	297 283,00	297 058,76	100%	Procurement of furniture and office equipment	Transfer from Operational Revenue
Finance	507 047,00	456 576,25	90%	Procurement of furniture and office equipment	Transfer from Operational Revenue
Information Technology	303 390,00	237 412,27	78%	Procurement of furniture and office equipment	Transfer from Operational Revenue
Technical Services	259 654,00	161 110,33	62%	Procurement of furniture and office equipment	Transfer from Operational Revenue
Community Services	419 109,00	310 402,91	74%	Procurement of furniture and office equipment	Transfer from Operational Revenue
Planning & Development	251 534,00	146 794,24	58%	Procurement of furniture and office equipment	Transfer from Operational Revenue
Community Services	160 000,00	151 601,89	95%	Land Acquisition	Transfer from Operational Revenue
Refuse Removal & Landfill site	8 000 000,00	-	0%	Transport assets	Transfer from Operational Revenue
TOTAL	50 534 614,29	36 100 129,00	71%		

3.13 Component C: Cash flow Management and Investment

uMngeni Local Municipality

(Registration number KZN 222)

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 and taxes		212,783,433	178,778,336
Services Charges: Electricity and Waste Management		99,176,964	74,831,316
Government Grants and Subsidies		121,268,919	115,461,000
Interest Received		1,715,464	2,649,715
Traffic Fines		94,633	267,000
Other receipts		9,429,270	6,959,718
Vat Refund		23,978,384	-
		<u>468,447,067</u>	<u>378,947,085</u>
Payments			
Employee costs		(117,421,554)	(112,531,877)
Suppliers		(296,583,816)	(198,380,753)
Finance costs		(7,139,140)	(6,713,825)
Remuneration of Councillors		(9,330,038)	(9,323,535)
		<u>(430,474,548)</u>	<u>(326,949,990)</u>
Total receipts		468,447,067	378,947,085
Total payments		(430,474,548)	(326,949,990)
Net cash flows from operating activities	50	<u>37,972,519</u>	<u>51,997,095</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	<u>(40,882,666)</u>	<u>(43,100,292)</u>
Cash flows from financing activities			
Repayment of annuity loans		(4,886,970)	(3,336,524)
Increase/ (Decrease) Consumer Deposit		(13,392)	2,759,432
Finance lease payments		<u>(1,804,193)</u>	<u>(1,475,859)</u>
Net cash flows from financing activities		<u>(6,704,555)</u>	<u>(2,052,951)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(9,614,702)</u>	<u>6,843,852</u>
Cash and cash equivalents at the beginning of the year		32,099,030	25,255,178
Cash and cash equivalents at the end of the year	3	<u>22,484,328</u>	<u>32,099,030</u>

* See Note 2 & 55

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021			2020		
3. 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 - Primary account - 4063796636	10,024,659	8,487,427	13,048,927	10,867,851	8,870,861	13,247,823
FNB BANK - Call account - 62547030875	25,229	186,925	128,680	25,229	186,925	128,680
FNB BANK - Call account - 62821205425	1,289,673	1,014,808	-	1,289,673	1,014,807	-
FNB BANK - Fixed Deposit - 74372357316	237,466	230,103	215,813	237,466	230,103	215,813
FNB BANK - Security Deposit - 74547419339	2,255,409	2,156,744	1,999,240	2,255,409	2,156,744	1,999,240
ABSA BANK - Call account - 9312757198	759,705	2,699,876	470,310	759,705	2,699,876	470,310
ABSA BANK - Call account - 9244671585	2,202,860	5,209,756	2,342,481	2,202,860	5,209,756	2,342,481
ABSA BANK - Call account - 9154612908	63,408	7,183,726	220,352	63,408	7,183,726	220,352
ABSA BANK - Call account - 9312756980	273,565	687,697	1,689,224	273,565	687,697	1,689,224
INVESTEC BANK - Call account - 1100503504500	1,645,243	1,116,654	347,766	1,645,243	1,116,654	347,766
INVESTEC BANK - Call account - 1100503504450	-	-	2,060,856	-	-	2,060,856
ABSA BANK - Fixed Deposit - 2074952988	203,287	195,797	184,329	203,287	195,796	184,329
RNB BANK - Security Deposit - RU500475658	2,660,596	2,544,085	2,346,305	2,660,596	2,544,085	2,346,305
ABSA BANK - Traffic - 9264784869	401,589	383,432	198,896	-	-	-
Cash on hand	37	2,000	2,000	-	2,000	2,000
Total	22,042,726	32,099,030	25,255,179	22,484,292	32,099,030	25,255,179

The municipality has two bank accounts being FNB account number 74547419339 and Rand Merchant Bank account RU500475658, which are held as security deposits for the Development Bank of South Africa loans in place.

3.14 Component D: Other Financial Matters

RATIO		FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
1. FINANCIAL POSITION						
A. Asset Management/Utilisation						
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP and AR	10% - 20%		7%
					Total Operating Expenditure	520 351 763
					Taxation Expense	
					Total Capital Expenditure	40 882 666
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%		95%
					PPE, Investment Property and Intangible Impairment	1 040 050 923
					PPE at carrying value	1 039 601 970
					Investment at carrying value	57 654 459
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure/Property, Plant and Equipment and Investment Property (Carrying value) × 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-Year Reports	8%		2%
					Total Repairs and Maintenance Expenditure	16 924 343
					PPE at carrying value	1 039 601 970
					Investment Property at Carrying value	57 654 459

RATIO		FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
B. Debtors Management						
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget , In-Year Reports, IDP and AR	95%		92%
					Gross Debtors closing balance	228 235 132
					Gross Debtors opening balance	200 055 326
					Bad debts written Off	-
					Billed Revenue	339 761 639
2	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off/Provision for Bad debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0%
					Consumer Debtors Bad debts written off	-
					Consumer Debtors Current bad debt Provision	73 381 778
3	Net Debtors Days	((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue)) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 days		166 days
					Gross debtors	228 235 132
					Bad debts Provision	73 381 778
					Billed Revenue	339 761 639
C. Liquidity Management						
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In year Reports and AR	1 - 3 Months		1 Month
					Cash and cash equivalents	22 484 328
					Unspent Conditional Grants	2 016 061
					Overdraft	-
					Short Term Investments	11 616 440
					Total Annual Operational Expenditure	520 351 763
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		0,74
					Current Assets	78 200 934
					Current Liabilities	105 590 024

RATIO		FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
D. Liability Management						
1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost(Interest Paid and Redemption) / Total Operating Expenditure x 00	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%		2%
					Interest Paid	7 139 140
					Redemption	2 786 868
					Total Operating Expenditure	520 351 763
					Taxation Expense	-
2	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non current Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		4%
					Total Debt	15 154 225
					Total Operating Revenue	471 077 569
					Operational Conditional Grants	99 957 168
E. Sustainability						
1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank overdraft + Short Term Investment + Long Term Investment - Unspent grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		15%
					Cash and cash Equivalents	18 867 888
					Bank Overdraft	-
					Short Term Investment	11 616 440
					Long Term Investment	-
					Unspent Grants	2 016 061
					Net Assets	1 186 573 996
					Share Premium	-
					Share Capital	-
					Revaluation Reserve	-
					Fair Value Adjustment Reserve	-
					Accumulated Surplus	1 000 585 603

RATIO		FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
2. FINANCIAL PERFORMANCE						
A. Efficiency						
1	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure)/Total Operating Revenue	Statement of Financial Performance, Budget, In-Year reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Asset	= or > 0%		2%
					Total Operating Revenue	471 077 569
					Depreciation - Revalued Portion (<i>Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value</i>)	56 928 008
					Total Operating Expenditure	520 351 763
					Taxation Expense	
2	Net Surplus /Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure/Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	0% - 15%		-65%
					Total Electricity Revenue	100 873 009
					Total Electricity Expenditure	166 311 452
3	Net Surplus /Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%		#DIV/0!
					Total Water Revenue	
					Total Water Expenditure	
4	Net Surplus /Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%		-74%
					Total Refuse Revenue	15 943 196
					Total Refuse Expenditure	27 786 166

5	Net Surplus /Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= or > 0%		#DIV/0!
					Total Sanitation and Water Waste Revenue	
					Total Sanitation and Water Waste Expenditure	

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
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B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	(Number of Electricity Units Purchased and/or Generated - Number of units sold) / Number of Electricity Units Purchased and/or generated) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%		13%
					Number of units purchased and/or generated	91 568 908
					Number of units sold	79 710 467
2	Water Distribution Losses (Percentage)	(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%		#DIV/0!
					Number of kilolitres purchased and/or purified	
					Number of kilolitres sold	

C. Revenue Management

1	Growth in Number of Active Consumer Accounts	(Period under review's number of Active Debtor Accounts - previous period's number of Active Debtor Accounts)/ previous number of Active Debtor Accounts x 100	Debtors System	None		5%
					Number of Active Debtors Accounts (Previous)	31 438
					Number of Active Debtors Accounts (Current)	33 093
2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue)/ previous period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI		12%
					CPI	5%
					Total Revenue (Previous)	419 956 421
					Total Revenue (Current)	471 077 569

RATIO		FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
3	Revenue Growth (%) - Excluding capital grants	(Period under review's Total Revenue Excluding capital grants- previous period's Total Revenue excluding capital grants)/ previous period's Total Revenue excluding capital grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-Year reports and AR	= CPI		12%
					CPI	5%
					Total Revenue Exl.Capital (Previous)	394 472 094
					Total Revenue Exl.Capital (Current)	439 894 682
D. Expenditure Management						
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days		21 days
					Trade Creditors	17 660 997
					Contracted Services	81 216 883
					Repairs and Maintenance	16 924 343
					General expenses	35 174 552
					Bulk Purchases	127 756 605
					Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	40 882 666
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		17%
					Irregular, Fruitless and Wasteful and Unauthorised Expenditure	90 691 120
					Total Operating Expenditure	520 351 763
					Taxation Expense	-
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) /Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%		25%
					Employee/personnel related cost	122 266 349
					Councillors Remuneration	9 330 037
					Total Operating Expenditure	520 351 763
					Taxation Expense	

RATIO		FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%		16%
					Contracted Services	81 216 883
					Total Operating Expenditure	520 351 763
					Taxation Expense	-
E. Grant Dependency						
1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + Borrowings) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-Year reports and AR	None		54%
					Internally generated funds	9 699 779
					Borrowings	12 448 711
					Total Capital Expenditure	40 882 666
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information) Budget, IDP, In-Year reports and AR	None		24%
					Internally generated funds	9 699 779
					Total Capital Expenditure	40 882 666
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	Own Source Revenue (Total revenue - Government grants and Subsidies - Public Contributions and Donations)/ Total Operating Revenue (including agency services) x 100	Statement Financial Performance, Budget, IDP, In-Year reports and AR	None		77%
					Total Revenue	471 077 569
					Government grant and subsidies	131 140 055
					Public contributions and Donations	-
					Capital Grants	31 182 887

RATIO		FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
3. BUDGET IMPLEMENTATION						
1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports and AR	95% - 100%		134%
					Actual Capital Expenditure	40 882 666
					Budget Capital Expenditure	30 499 836
2	Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		115%
					Actual Operating Expenditure	520 351 763
					Budget Operating Expenditure	451 900 489
3	Operating Revenue Budget Implementation Indicator	Actual Operating Revenue / Budget Operating Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		98%
					Actual Operating Revenue	471 077 569
					Budget Operating Revenue	482 400 325
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budget Service Charges and Property Rates Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		101%
					Actual Service Charges and Property Rates Revenue	219 869 420
					Budget Service Charges and Property Rates Revenue	216 690 009

CHAPTER 6

Auditor-General Audit Findings & Audit Action Plan

Report of the auditor- general to the KwaZulu Natal Provincial legislature and the council of uMngeni Municipality

Report on the audit of the annual performance report

Qualified opinion

1. I have audited the financial statements of the uMngeni Municipality set out on pages 152 to 270, 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 of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the uMngeni 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 (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2020 (Act No. 4 of 2020) (Dora).

Basis for qualified opinion

Unauthorised expenditure

3. I was unable to obtain sufficient appropriate audit evidence to support unauthorised expenditure due to differences identified between the budgeted amounts per the expenditure vote and the approved budget by the Council. In addition, there were differences between actual expenditure utilised in the calculation of unauthorised expenditure and the actual expenditure disclosed in the financial statements. I was unable to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to confirm whether any adjustments were necessary to the unauthorised expenditure stated at R268,66 million (2019-20: R182,60 million) as disclosed in note 59 to the financial statements.

Statement of changes in net assets

4. I was unable to obtain sufficient and appropriate audit evidence to confirm adjustments to the opening balance of accumulated surplus due to the status of accounting records. I was unable to confirm the opening balance of accumulated surplus by alternative means. Consequently, I was

unable to determine whether any adjustments were necessary to the opening balance of accumulated surplus stated at R1,05 billion in the statement of changes in net assets and the statement of financial position.

Statement of comparison of budget and actual amounts

5. The presentation of the statement of comparison of budget and actual amounts was not prepared in accordance with the requirements of the SA standards of GRAP 24, *Presentation of budget information in the financial statements*. This was due to multiple errors identified in determining the variances when comparing the actual amounts in the statement of comparison of budget and the underlying statements. In addition, explanations for some material differences were not disclosed in the financial statements. Consequently, the variances between the actual and budgeted amounts as disclosed in the statement of comparison of budget and actual amounts, did not reflect the actual variances incurred by the municipality.

Net cash flows from operating activities

6. During 2020, the municipality did not correctly prepare and disclose the net cash flows from operating activities as required by SA Standards of GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R52 million in the financial statements were necessary.
7. 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

8. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
9. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International*

Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

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

Material impairment – receivables from exchange transactions

12. As disclosed in note 12 to the financial statements, an allowance for debt impairment of R28,97 million (2019-20: R14,73 million) was recognised by the municipality as a result of irrecoverable debts.

Material impairment – receivables from non- exchange transactions

13. As disclosed in note 13 to the financial statements, an allowance for debt impairment of R149,65 million (2019-20: R90,55 million) was recognised by the municipality as a result of irrecoverable debts.

Material losses – electricity

14. As disclosed in note 22 to the financial statements, material electricity losses of R19,69 million (2019-20: R83,05 million) were incurred due to technical losses and illegal connections, which represents 16% of total electricity purchased during the year.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

17. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA, and 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.
18. 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

19. 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.
20. 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

21. In accordance with the Public Audit Act, 2004 (Act. No 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 the selected development priority presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
22. 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.

23. 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 basic service delivery and infrastructure development priority presented on pages 59 to 65 in the municipality's annual performance report for the year ended 30 June 2021.
24. 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.
25. The material finding on the usefulness and reliability of the performance information of the selected development priority is as follows:

Basic service delivery and infrastructure

Refuse removal collection

26. The method of calculation for measuring the planned indicator was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of my work and I was unable to audit the reliability of the achievement of weekly refuse removal collection reported against target weekly refuse removal collection in the annual performance report.

Other matters

27. I draw attention to the matters below.

Achievement of planned targets

28. The annual performance report on pages 30 to 91 sets out information on the achievements of the planned targets for the year. This information should be considered in the context of the material finding on usefulness and reliability of the reported performance information in paragraph 26 of this report.

Adjustment of material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of basic service delivery and infrastructure development priority. As management subsequently corrected only some of the misstatements, I raised a material finding on the usefulness and reliability of the reported performance information. The material finding that was not corrected is reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements

32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, non-current liabilities, expenditure, and disclosures identified by the auditor in the submitted financial statements were subsequently corrected, but the uncorrected misstatements resulted in the financial statements receiving a qualified opinion.

Strategic planning and performance management

33. The performance management system and related controls were inadequate as the described processes of planning, monitoring, measurement and reporting were not conducted and managed as intended, as required by municipal planning and performance management regulation 7(1).

Asset management

34. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Procurement and compliance management

35. 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 Supply Chain Management Regulations (SCM) 17(1)(a) and (c).

Consequence management

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

Expenditure management

38. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending of the approved budget.
39. Reasonable steps were not taken to prevent irregular expenditure amounting to R4,6 million as disclosed in note 61 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was due non-compliance with SCM regulations.

Other information

40. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that have been specifically reported in this auditor's report.
41. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

42. 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 development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

43. 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

44. 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.

45. Management did not implement daily and monthly financial controls to ensure that the financial statements and performance reports are supported by accurate and complete underlying records.

46. Leadership has responded slowly in terms of addressing consequence management as the cases of irregular, unauthorised as well as fruitless and wasteful expenditure reported in the previous years have not been investigated.

Other reports

47. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

48. At the time of this report, the Department of Co-operative Governance and Traditional Affairs was conducting investigations into alleged procurement processes, staff appointment processes and

inappropriate payments made to suppliers. The investigations were in progress and the expected date of the outcome is unknown.

49. At the time of this report, the Special Investigative Unit (SIU) had conducted an investigation on misconduct of the municipal employee, the investigation report was tabled to the Council after year end. The disciplinary processes commenced after year end and the employee has since been suspended. The Council appointed the external service provider to investigate the allegations of misconduct following recommendations contained in the SIU investigation report.

Auditor General

Pietermaritzburg

31 January 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

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

Financial statements

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

AUDIT ACTION PLAN

Auditor General Action Plan on findings of the 2020.21 financial year							
#	Audit finding	Nature Of Audit finding	Occurred in Prior year (Y/N)	Corrective Measure	Responsible person	Status	Target Date
Qualified items:							
	Unauthorised expenditure	I was unable to confirm whether any adjustments were necessary to the unauthorised expenditure stated at R255,91 million (2020: R182,60 million) as disclosed in note 55 to the financial statements.	N	Complete a reconciliation disclosure to address the differences between the MSCOA votes and AFS disclosure prepared in terms of GRAP	CFO/ Manager: Budgets	Incomplete	15 August 2022
	Commitments	The municipality did not accurately account for commitments in accordance with GRAP requirements, consequently this has resulted in differences between the amount disclosed in the financial statements and commitments register – This resulted in overstatement of amount disclosed in AFS.	N	Review the AFS to ensure that the disclosure for commitments that have been approved but that have not been contracted have been excluded	CFO/ Manager: Expenditure	Incomplete	15 August 2022
	Cash flow statement	The municipality did not accurately correct for cash flow statement from operating activities in accordance with the requirements of GRAP 2, Cash flow statements. Commitments disclosed in	Y	Timely and complete submission to Internal Audit for review the AFS to ensure accuracy of disclosure of Cash flow Statement – Operating Activities	CFO/ Manager: Budgets	Incomplete	15 August 2022

		note 48 to the financial statements is overstated by R71,20 million.					
	Statement of changes in net assets	The municipality did not prepare the statement of net assets in accordance with the requirements of GRAP 1, Presentation of financial statements due to differences between the 2 correction of errors amount included in the statement of net assets and the prior period adjustments note to the financial statements. I was not able to determine the full extent of the errors in the correction of errors amount as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to the correction of errors amount as stated in the statement of net assets at R74,26 million in the financial statements was necessary.	Y	Review the correction of error note and journals for current and prior years and adjust to be in accordance with GRAP standards	CFO/ Manager: Budgets	Incomplete	15 August 2022
	Statement of comparison of budget and actual amount	The presentation of the statement of comparison of budget and actual amounts was not prepared in accordance with the requirements of the SA standards of GRAP 24. This was due to multiple errors identified in determining the amounts of variances between the actual and the budgeted amounts. In addition, explanations for some material variances	Y	Complete a reconciliation disclosure to address the differences between the MSCOA votes and AFS disclosure prepared in terms of GRAP Complete explanations for all material variance in all financial reports including s71 reports	CFO/ Manager: Budgets	Incomplete	15 August 2022

		were not disclosed in the financial statements.					
Emphasis of matters:							
	Material impairment – receivables from exchange transactions	As disclosed in note 10 to the financial statements, debt impairment of R28,97 million (2019- 20: R14.7 million) was incurred as a result of irrecoverable debts.	Y	Implement systems to reduce irrecoverable debts and improve debt collection	CFO/ Manager: Revenue	Incomplete	30 June 2022
	Material impairment – receivables from non - exchange transactions	As disclosed in note 11 to the financial statements, debt impairment of R149,65 million (2019- 20: R90,55 million) was incurred as a result of irrecoverable debts.	Y	Implement systems to reduce irrecoverable debts and improve debt collection	CFO/ Manager: Revenue	Incomplete	30 June 2022
	Material losses – electricity	As disclosed in note 20 to the financial statements, material electricity losses of R23,72 million (2020: R83,05 million) were incurred due to technical losses and illegal connections, which represents 16% of total electricity purchased during the year.	Y	Implement systems to reduce electricity losses	CFO/ Manager: Revenue	Incomplete	30 June 2022

Performance Management Systems: Qualified Opinion							
	Weekly refuse removal collection	The method of calculation for measuring the planned indicator was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions.	Y	Review unit of measure during mid-year adjustment and ensure KPI is clearly defined in the technical indicator description.	MM/ Manager: PMS and Manager: Waste	Incomplete	28 February 2022
	Adjustment of material misstatements	Material misstatements reported performance information of basic service delivery and infrastructure.	Y	Ensure quality control on all reported performance information before submission to all relevant Council committees and AG.	MM/ Manager: PMS Manager: Internal Audit	Incomplete	30 June 2022
Compliance with legislation:							
	Annual Financial Statements	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of commitments, unauthorised expenditure, Statement of changes in net assets, statement of comparison of budget and actual amounts and the cash flow statement identified in the submitted financial statements were not adequately	Y	Complete Supporting schedules to be submitted with draft AFSs to Internal Audit for review prior to submission to AG for year-end audit	CFO/ Manager: Budgets	Incomplete	31 July 2022

		corrected, which resulted in the municipality receiving a qualified opinion.					
	Strategic planning and performance management	Performance targets were not set for each of the KPIs for the financial year, as required by section 41(1)(b) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and municipal planning and performance management regulation 12(1).	Y	Ensure that all IDP development priorities and objectives have set measurable performance targets.	MM/ Manager: PMS	Incomplete	30 June 2022
	Asset management	An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.	Y	<p>Establishment of an Asset Management Unit</p> <p>Acquisition of an Asset Management Software/ System that is compliant with MFMA 63(2)(c)</p> <p>Bi-annual physical asset counts to update the Fixed asset register (FAR)</p> <p>Review and correct the amount of depreciation in the FAR</p> <p>Submit complete fixed asset register and relevant trial balance to Internal Audit for review to ensure compliance with MFMA 63(2)(c) prior to submission to AG for audit</p>	CFO/ Manager: Budgets/ Manager Assets	Incomplete	30 June 2022
	Procurement and	Some of the goods and services with a transaction value of below R200 000 were	Y	Ensure that quotations are sourced and attached to all relevant transactions	CFO/ Manager SCM	Incomplete	30 June 2022

	compliance management	procured without obtaining the required price quotations, in contravention of by SCM regulation 17(1)(a) and (c).		and relevant approvals to be obtained and attached where it is impracticable to do so and relevant reports to be recorded on the deviations/ UIFW registers			
	Consequence management	Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) and 32 (2) (b) of the MFMA / municipal budget and reporting regulations 75(1).	Y	Monthly submission of (UIFW) unauthorised, irregular, fruitless and wasteful expenditure to Internal Audit for investigation	MM/ CFO/ Manager Internal Audit/ Manager: SCM	Incomplete	31 January 2022
	Expenditure management	Reasonable steps were not taken to prevent irregular (R4.6m), unauthorised and fruitless and wasteful expenditure amounting (R0.06 million), as disclosed in note 55 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.	Y	Implement systems to prevent UIFW expenditure – SOPs compliant with MFMA	MM/ CFO/ Manager Expenditure/ Manager: SCM	Incomplete	31 January 2022

Appendix A

Councillors, Committee and Council Attendance

July 2020 to June 2021													
Political Party	Cllrs Name	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
COUNCIL COMMITTEE													
ANC PR	RS Sokhela	P	P	P	P	P	P	P	P	P	P	P	P
ANC PR	NF Buthelezi	P	P	P	P	P	P	P	P	P	P	P	P
ANC PR	GT Dlamini	P	P	P	P	P	P	P	P	P	P	P	P
ANC Ward 11	CT Mthlane	P	P	P	P	P	P	P	P	P	P	P	P
ANC Ward 4	SD Nkuna	P	apology	P	P	P	P	P	P	P	apology	P	apology
ANC Ward 9	SM Ndlovu	P	P	P	P	P	P	P	P	P	P	P	P
ANC PR	NE Ngcongco	P	P	P	P	P	P	P	P	P	P	P	P
ANC Ward 3	SS Sibiya	P	P	P	P	P	P	P	P	P	P	P	P
ANC PR	SK Pillay	P	P	P	P	P	P	P	P	P	P	P	P
ANC Ward 1	JA Mkhazibhe	P	P	P	P	P	P	P	P	P	P	P	P
ANC Ward 12	BA Zuma	P	P	P	P	P	P	P	P	P	P	P	P
ANC Ward 8	QSB Buthelezi	P	P	P	P	P	P	P	P	P	P	P	P
ANC Ward 10	SS Khumalo	P	P	P	P	P	P	P	P	P	P	P	P
DA Ward 7	PA Passmoor	P	P	P	P	P	P	P	P	P	P	P	P
DA Ward 2	JE Holmes	P	P	P	P	P	P	P	P	apology	P	P	P
DA PR	JN Lewis	P	P	P	P	P	P	P	P	P	P	P	apology
DA PR	FT Cele	P	P	P	P	P	P	apology	P	P	P	apology	apology
DA PR	NN Mlotshwa	P	P	P	P	P	P	P	P	P	P	P	P
DA PR	T Sikhakhane	P	P	P	P	P	P	P	P	P	P	P	P
DA Ward 5	HM Lake	P	P	P	P	P	P	P	P	apology	P	P	P

July 2020 to June 2021													
Political Party	Cllrs Name	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
DA Ward 6	CRW Millar	P	P	P	P	P	apology	apology	apology	P	P	P	P
DA PR	S Zondi	P	P	P	P	P	P	P	P	P	P	P	P
DA PR	S Mnikathi	P	P	P	P	P	P	P	P	P	P	P	P
EXECUTIVE COMMITTEE													
ANC PR	RS Sokhela	P	P	P	P	P	N/A	P	P	P	P	P	P
ANC PR	NF Buthelezi	P	P	P	P	P	N/A	P	P	P	P	P	P
ANC Ward 11	CT Mthlangane	P	P	P	out	out	N/A	out	out	out	out	out	out
DA Ward 7	PA Passmoor	P	P	P	P	P	N/A	P	P	P	P	P	P
DA Ward 2	JE Holmes	P	P	P	P	P	N/A	P	P	P	P	P	P
ANC PR	GT Dlamini	N/A	N/A	N/A	P	P	N/A	P	P	P	P	P	P
FINANCE PORTFOLIO COMMITTEE													
ANC PR	RS Sokhela	N/A	P	N/A	P	N/A	N/A	P	N/A	P	P	P	P
ANC Ward 11	CT Mthlangane	N/A	P	N/A	P	N/A	N/A	out	N/A	out	out	out	out
ANC Ward 1	JA Mkhlasibe	N/A	P	N/A	P	N/A	N/A	apology	N/A	apology	apology	P	P
DA Ward 7	PA Passmoor	N/A	P	N/A	P	N/A	N/A	P	N/A	P	P	P	P
DA Ward 2	JE Holmes	N/A	P	N/A	apology	N/A	N/A	P	N/A	P	P	P	P
ANC PR	NE Ngcongco		P		P			P		P	P	P	P
MANAGEMENT PORTFOLIO COMMITTEE													
ANC PR	NF Buthelezi (Chair)	N/A	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ANC Ward 9	SM Ndlovu	N/A	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ANC PR	SK Pillay	N/A	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

July 2020 to June 2021													
Political Party	Cllrs Name	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
ANC PR	GT Dlamini (Chair)	N/A	N/A	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
ANC Ward 9	SM Ndlovu	N/A	N/A	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
ANC PR	SK Pillay	N/A	N/A	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
DA PR	JN Lewis	N/A	N/A	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
DA PR	T Sikhakhane	N/A	N/A	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
COMMUNITY PORTFOLIO COMMITTEE													
ANC PR	NF Buthelezi (Chair)	P	P	N/A	P	N/A	N/A	N/A	out	N/A	out	N/A	out
ANC Ward 4	SD Nkuna	Apology	P	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
ANC Ward 3	SS Sibiya	P	P	N/A	P	N/A	N/A	N/A	P	N/A	apology	N/A	P
DA Ward 5	HM Lake	P	P	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
DA PR	NN Mlotshwa	P	P	N/A	apology	N/A	N/A	N/A	P	N/A	P	N/A	P
ANC PR	GT Dlamini (Chair)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	P	N/A	P
ECONOMIC DEVELOPMENT AND PLANNING PORTFOLIO COMMITTEE													
ANC Ward 11	CT Mthlane (Chair)	N/A	P	N/A	P	N/A	N/A	N/A	out	N/A	out		out
ANC Ward 8	QSB Buthelezi	N/A	P	N/A	P	N/A	N/A	N/A	P	N/A	P		P
ANC PR	NE Ngcongco	N/A	P	N/A	P	N/A	N/A	N/A	P	N/A	P		P
DA Ward 6	CRW Millar	N/A	P	N/A	P	N/A	N/A	N/A	P	N/A	P		P
DA PR	S Zondi	N/A	P	N/A	P	N/A	N/A	N/A	P	N/A	P		P
ANC PR	NF Buthelezi (Chair)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	P		P
TECHNICAL PORTFOLIO COMMITTEE													

July 2020 to June 2021													
Political Party	Cllrs Name	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
ANC Ward 11	CT Mthalane (chair)	P	P		P	N/A	N/A	N/A	out		out		out
	BA Zuma	P	P	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
ANC Ward 10	SS Khumalo	P	P	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
DA PR	FT Cele	P	P	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
DA PR	S Mnikathi	P	P	N/A	P	N/A	N/A	N/A	P	N/A	P	N/A	P
ANC PR	NF Buthelezi (Chair)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	P	N/A	P
LANDFILL COMMITTEE													
ANC Ward 12	BA Zuma	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	N/A	N/A	N/A	N/A
ANC Ward 3	SS Sibiya	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	N/A	N/A	N/A	N/A
DA Ward 5	HM Lake	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	N/A	N/A	N/A	N/A
INFORMAL TRADERS COMMITTEE													
ANC Ward 8	QSB Buthelezi (Chair)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	N/A	N/A
ANC Ward 10	SS Khumalo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	N/A	N/A
DA PR	NN Mlotshwa	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	N/A	N/A

Appendix B

Municipal Functions

UMNGENI MUNICIPALITY FUNCTIONS	
Function	Municipal Department
Waste management	Community Services
Electricity provision and distribution	Technical Services Finance Services
Local tourism	Economic Development and Planning
Municipal airports	Community Services
Municipal planning	Economic Development and Planning
Municipal public services	Community Services
Disaster Management	Community Services
Consumer protection	Economic Development and Planning
Trading regulations	Economic Development and Planning
Nature conservation	Economic Development and Planning Community Services
Pollution control	Economic Development and Planning
Public transport	Community Services Technical Services
Property transfers fees	Finance Services
Regional planning and development	Economic Development and Planning
Road traffic regulation	Community Services
Trade	Economic Development and Planning
Urban and rural development	Office of the Municipal Manager Economic Development and Planning
Vehicle licensing	Community Services
Libraries	Community Services
Museums other than national museums	Community Services
Control of public nuisances	Community Services
Facilities for the accommodation, care and burial of animals	Corporate Services
Fencing and fences	Technical Services
Recreation and amenities	Community Services
Local sports facilities	Office of the Municipal Manager
Markets	Economic Development and Planning
Municipal abattoirs	Community Services
Municipal parks and recreation	Community Services
Municipal roads	Technical Services
Pounds	Community Services
Public places	Community Services
Refuse removal, refuse dumps and solid waste disposal	Community Services
Street trading	Economic Development and Planning
Street lighting	Technical Services
Traffic and parking	Community Services

Appendix C

Ward Reporting

Nature and purpose of meeting	Quarter	Dates of Ward Committee Meetings	Number of Committee Members Attending	Dates of Public Meeting	Number of Participating Municipal Councillors	Number of Public Attending (total of all meetings reported.)
Ward 1	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	16/10/2020 27/11/2020	10 9	Nil	1 1	Nil
	Q 3	10/03/2021	8	Nil	1	Nil
	Q 4	29/05/2021 13/06/2021	10 10	09/05/2021	1	171
Ward 2	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	16/10/2020 27/11/2020	10 9	Nil	1	Nil
	Q 3	22/01/2021 31/03/2021	7 8	Nil	1	NIL
	Q 4	28/04/2021 26/05/2021	8 8	Nil	1	Nil
Ward 3	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	19/10/2020 23/11/2020	8 8	29/11/2020	1	89
	Q 3	31/01/2021 18/02/2021	10 9	Nil	1	Nil
	Q 4	11/04/2021 02/05/2021 02/06/2021	10 10 10	03/05/2021	1	66
Ward 4	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	11/10/2020 08/11/2020	10 10	29/10/2020	1 1	130
	Q 3	24/01/2021	10	10/02/2021	1	78

Nature and purpose of meeting	Quarter	Dates of Ward Committee Meetings	Number of Committee Members Attending	Dates of Public Meeting	Number of Participating Municipal Councillors	Number of Public Attending (total of all meetings reported.)
		21/02/2021	10			
		14/03/2021	10			
	Q 4	25/04/2021	8	21/06/2021	1	89
		25/05/2021	10			
		20/06/2021	8			
Ward 5	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	12/10/2020	9	21/11/2020	1	45
		07/12/2020	9			
	Q 3	11/01/2021	6	Nil	1	Nil
		08/02/2021	9			
Ward 6	Q 4	19/04/2021	7	21/06/2021	1	45
		10/05/2021	6			
		14/06/2021	8			
Ward 6	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	15/10/2020	7	Nil	1	Nil
		05/11/2020	7			
	Q 3	04/02/2021	9	Nil	1	Nil
		04/03/2021	9			
Ward 7	Q 4	15/04/2021	5	Nil	1	Nil
		06/05/2021	7			
		03/06/2021	6			
Ward 7	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	10/10/2020	9	22/11/2020	1	90
		02/11/2020	9			
		07/12/2020	9			

Nature and purpose of meeting	Quarter	Dates of Ward Committee Meetings	Number of Committee Members Attending	Dates of Public Meeting	Number of Participating Municipal Councillors	Number of Public Attending (total of all meetings reported.)
	Q 3	Nil	Nil	Nil	Nil	Nil
	Q 4	12/04/2021 03/05/2021 14/06/2021	8 8 7	12/06/2021	Nil	47
Ward 8	Q 1	NIL	Nil	Nil	Nil	Nil
	Q 2	08/10/2020 05/11/2020 13/12/2020	10 10 10	23/11/2020	1	123
	Q 3	10/03/2021	7	Nil	1	Nil
	Q 4	25/04/2021 30/05/2021 27/06/2021	10 10 10	16/04/2021	1	101
Ward 9	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	17/10/2020 21/11/2020	10 10	23/11/2020	1	129
	Q 3	22/01/2021 26/02/2021 26/03/2021	8 8 6	Nil	1	Nil
	Q 4	27/04/2021 26/05/2021 25/06/2021	10 09 08	02/05/2021	1	78
Ward 10	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	16/10/2020 20/11/2020	10 10	22/11/2020	1	101

Nature and purpose of meeting	Quarter	Dates of Ward Committee Meetings	Number of Committee Members Attending	Dates of Public Meeting	Number of Participating Municipal Councillors	Number of Public Attending (total of all meetings reported.)
		18/12/2020	10			
	Q 3	13/01/2021	9	Nil	1	Nil
		17/02/2021	9			
		24/03/2021	7			
	Q 4	07/04/2021	8	24/06/2021	1	54
		12/05/2021	10			
		14/06/2021	8			
Ward 11	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	11/10/2020	10	23/11/2020	1	99
		14/11/2020	10			
	Q 3	30/01/2021	10	31/01/2021	1	77
		28/02/2021	10			
		30/03/2021	08			
	Q 4	30/04/2021	9	03/06/2021	1	53
		31/05/2021	9			
Ward 12		30/06/2021	10			
	Q 1	Nil	Nil	Nil	Nil	Nil
	Q 2	30/10/2020	10	29/11/2020	1	67
		28/11/2020	10			
	Q 3	24/01/2021	10	20/03/2021	1	45
		28/02/2021	10			
		13/03/2021	10			
	Q 4	05/04/2021	10	06/06/2021		32
		02/05/2021	10			
		06/06/2021	10			

Appendix D

Revenue Collection Performance by Source

Fin_Year	Business Key	Item	Item Description	Receipts
2020	20170619023084	Collections	Assets:Current Assets:	- 30 553 772,12
2020	20170619032671	Collections	Assets:Current Assets:	- 10 876 783,14
2020	20170619034632	Collections	Assets:Current Assets:	- 4 543 887,66
2020	20170619032364	Collections	Assets:Current Assets:	- 23 667 809,71
2020	20170619025235	Collections	Assets:Current Assets:	- 6 675 264,70
2020	20170619022245	Collections	Assets:Current Assets:	- 3 527 754,32
2020	20170619023006	Collections	Assets:Current Assets:	- 153 228,44
2020	20170619027575	Collections	Assets:Current Assets:	- 120 193 964,31
2020	20170619029707	Collections	Assets:Current Assets:	- 9 400 983,54
2020	20170619024175	Collections	Assets:Current Assets:	- 3 185 626,92
2020	20170619022781	Collections	Assets:Current Assets:	- 4 358,14
				- 212 783 433,00
Electricity and Waste Management				
2020	2,01706E+13	Collections	Assets:Current Assets:	- 76 598 350,53
2020	20170619021654	Collections	Revenue:Exchange Re	- 13 974 998,85
2020	20170619026766	Collections	Assets:Current Assets:	- 8 603 614,45
				- 99 176 963,83
Interest Revenue				
2020	20170619021647	Short Term Investments and Call Accounts	Revenue:Exchange Re	- 678 021,33
2020	20170619021646	Short Term Investments and Call Accounts	Revenue:Exchange Re	- 1 037 442,78
				- 1 715 464,11

Other Income				
2020	20170619021622	Learners Certificate	Revenue:Non-exchang	- 1 321 712,07
2020	20170619021626	Drivers Licence Application/Duplicate Drive	Revenue:Exchange Re	- 2 152 949,94
2020	20170619021627	Taxi Rank	Revenue:Exchange Re	- 26 608,74
2020	20170619021595	Surcharges	Revenue:Non-exchang	- 3 478,26
2020	20190710032047	Surcharges	Revenue:Non-exchang	- 23 194,41
2020	20171120050358	Market Porters	Revenue:Exchange Re	- 9 217,28
2020	20190710032020	Market Porters	Revenue:Exchange Re	- 4 159,34
2020	20170619024786	Collections	Assets:Current Assets:	- 253 793,77
2020	20170619021528	Overdue Books Fine	Revenue:Non-exchang	- 1 442,83
2020	20190710032011	Community Assets	Revenue:Exchange Re	- 67 123,73
2020	20200309034349	Ancillary Charges	Revenue:Exchange Re	- -
2020	20170619021546	Availability Charges	Revenue:Exchange Re	- 75 060,22
2020	20210801004355	Deemed Interest	Revenue:Exchange Re	- -
2020	20170619021586	Administrative Handling Fees	Revenue:Exchange Re	- 100 390,85
2020	20170619021584	Transaction Handling Fees	Revenue:Exchange Re	- 1 562,69
2020	20170619021570	Incidental Cash Surpluses	Revenue:Exchange Re	- 5 680,90
2020	20170619021596	Facilities	Revenue:Exchange Re	- 9 839,18
2020	20200720981152	Insurance Refund	Revenue:Exchange Re	- 111 441,13
2020	20190710032010	Skills Development Levy Refund	Revenue:Exchange Re	- 118 952,87
2020	20180305025729	Cemetery and Burial	Revenue:Exchange Re	- 157 785,19
2020	20190710032012	Domestic Services	Revenue:Exchange Re	- -
2020	20190710032013	Entrance Fees	Revenue:Exchange Re	- -
2020	20170619021590	Entrance Fees	Revenue:Exchange Re	- 388,35
2020	20210819015712	Objections and Appeals	Revenue:Exchange Re	- -
2020	20190710032014	Parking Fees	Revenue:Exchange Re	- -

Other Income				
2020	20170619021526	Photocopies and Faxes	Revenue:Exchange Re-	6 195,63
2020	20190710032015	Application Fees for Land Usage	Revenue:Exchange Re-	2 073,04
2020	20170619021548	Building Plan Approval	Revenue:Exchange Re-	1 661 912,87
2020	20171120050349	Building Plan Approval	Revenue:Exchange Re-	234 497,60
2020	20170619021530	Building Plan Approval	Revenue:Exchange Re-	208,70
2020	20190710032016	Building Plan Clause Levy	Revenue:Exchange Re-	44 158,63
2020	20170619021592	Clearance Certificates	Revenue:Exchange Re-	700 602,56
2020	20170619021554	Town Planning and Servitudes	Revenue:Exchange Re-	705 184,71
2020	20170619021580	Tender Documents	Revenue:Exchange Re-	120 279,37
2020	20170619021552	Disconnection/Reconnection Fees	Revenue:Exchange Re-	1 455 550,88
2020	20170619021542	Meter Compliance Testing	Revenue:Exchange Re-	2 580,87
2020	20170619021536	Notice Revenues	Revenue:Exchange Re-	52 658,25
		Rental of Facilities	-	1 277 858,00
			-	10 708 542,86
Traffic Fines and Forteits				
2020	20170619021649	Municipal	Revenue:Non-exchang-	94 632,85
Grant Received (Grant Register)				
Grants			-	121 268 919,00
				-
Total Receipts			-	445 747 955,65

Appendix E

Conditional Grants Received: Excluding MIG

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. Government grants and subsidies		
Operating grants		
Equitable share	85,401,000	67,048,000
Expanded Public Works Programme Grant	1,000,000	1,000,000
Nodal Plan and Land Scheme Grant	-	1,125,023
Integrated National Electrification Grant	7,170,560	3,829,440
Library staffing costs	4,071,000	3,942,000
Finance Management Grant	2,029,672	1,440,328
Museum Grant	213,000	202,000
Disaster Management Grant - Covid 19	-	1,460,000
Sport and Recreation Maintenance Grant	-	27,438
MAP Synergistic Partnership	71,936	18,613
	99,957,168	80,092,842

Appendix F

Recommendations of the Municipal Audit Committee

AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2021

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

Composition of the Audit Committee

The Audit Committee of uMngeni Municipality is made up of four members who are not employed by the municipality and thus independent as required by section 166(4) of the Municipal Finance Management Act (MFMA). The Audit Committee members were appointed in terms of a council resolution.

Below are the names and designations of each of the Audit committee members for the 2020.21 financial year:

Name of Member	Designation	Status
Mrs. Nokuthula Shabalala	Former Chairperson	Resigned in August 2021
Mrs. Nomaphelo Titi-Skweyiya	Member	Active
Mrs. Samkelisiwe Khanyile	Member	Active
Mr. Mduduzi Madonsela	Chairperson	Active
Mr. Mlungisi Shangase	Member	Active

Meeting Attendance by the Audit Committee members

The Audit Committee is required to meet at least four times per annum as per its approved Terms of Reference. For the 2020.21 financial year, the following meetings were held:

16 July 2020

28 September 2020 (In Committee meeting)

15 October 2020

20 October 2020

21 January 2021

The attendance for the above meeting was as follows:

Name of Member	Number of meetings attended
Mrs. Nokuthula Shabalala	4
Mrs. Nomaphelo Titi-Skweyiya	5

Mrs. Samkelisiwe Khanyile	3
Mr. Mduduzi Madonsela	5
Mr. Mlungisi Shangase	4

Audit Committee responsibility

The Committee reports that we have adopted appropriate formal Terms of Reference in our charter in line with the requirements of section 166 of the Municipal Finance Management Act, No. 56 of 2003. We further report that we conducted our affairs in compliance with the Audit Committee Charter as adopted by Council.

The committee agrees with the Auditor General that it should improve its oversight role concerning providing consultative guidance and monitoring related to compliance, performance and financial reporting processes and monitoring of the implementation of the audit action plan. This will also include reporting to council at least twice a year as legislated and further advising the MPAC on matters related to governance and performance systems.

The committee further commits to continuously improve its oversight role by ensuring that the committee meets as legislated (minimum four times a year), to review and advice council on matters as stated in section 166 of the Municipal Finance Management Act, No. 56 of 2003.

The effectiveness of internal control

The Committee reviewed various reports from the Internal and External Auditors, on the adequacy and effectiveness of internal control systems. During the year under review, several deficiencies in the system of internal control were reported by the internal auditors and the Auditor-General.

The Committee advised management that it should take all reasonable steps to ensure that internal control weaknesses and deficiencies identified by internal and external auditors are rectified to ensure adequacy and effectiveness of the system of internal controls. Further recommendations were made to management to improve the adequacy and effectiveness.

Internal audit

The Committee approved the 2020.21 risk based 3 year rolling internal together with the internal audit charter as required by section 165 of the Municipal Finance Management Act, No. 56 of 2003. The monitoring of the completion of the internal audit plan was reported at all audit committee meetings for comments and recommendations.

In the 2020.21 financial year, the committee noted a decline in the completion of the internal audit plan in comparison from the prior year. Fifty five percent (55%) completion of the internal in the 2020.21 as compared to seventy percent (70%) in 2019.20 financial year. There are various reasons reported that led to the decline, including national lockdown impact, slow response in provision of information for audit purposes and the non-provision of laptops or computers to interns and non-upgrade of internal auditors laptops (due to budget constraints) which led to numerous downtime while computers were being fixed.

The unit has since reported that the municipality is in the process of procuring the necessary computer equipment.

The quality of in-year management and monthly/quarterly reports submitted in terms of the MFMA

The Audit Committee reviewed the quarterly and monthly financial reports as required by section 72 and 72 of the MFMA in the meetings that were held for the year under review. The Committee confirms that relevant reports were submitted to Treasury as required. The committee made recommendations in terms of improvement of financial status of the municipality.

The municipality further relies on the reviews done by Treasury and Auditor General in terms of the quality thereof.

Evaluation of financial statements

The Audit committee reviewed the Annual Financial Statement of uMngeni Municipality for the 2020.21 financial year prior to submission to the Auditor-General. During the review meeting a number of findings were raised by the Committee together with internal audit for correction prior to submission to the AG. The committee notes that there is room for improvement in terms of timely submission and allowance for adequate time for review and correction prior to submission to the Auditor-General, and believes that this will assist in the improvement of the quality and credibility of submitted annual financial statements.

The Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General. The committee further advises council and management of the municipality to ensure that all the issues that were raised by the Auditor General are comprehensively dealt with as recommended to ensure an improved audit opinion for the 2021.22 financial year audit.

Evaluation of the Performance Management System

The Committee was concerned with the late submissions, and poor performance in some quarters and recommends improvements for the upcoming and future years. The findings on such were thus discussed and action plans to address such findings were developed for implementation by management.

Furthermore, the Committee concurs and accepts the Auditor-General's conclusions on the annual performance report and is of the opinion that the audited annual financial statements and performance report be accepted and read together with the report of the Auditor-General.

Evaluation of Risk Management and Governance

The Committee was concerned with the decline in the risk management and related governance processes. Thus, the Committee agrees with the similar findings raised by the Auditor-General report. Various recommendations have been discussed with management, including the filling of the vacant position of the Risk Management officer in order to improve this critical function.

Other issues

The Committee notes the progress on the external investigation by Special Investigation Unit (SIU) related to covid-19 expenditure, which has resulted in the suspension of a municipal employee due to misconduct. It is further noted that the disciplinary processes are still continuing as recommended by the SIU.

The Committee wishes to express its appreciation to the officials of the municipality and the Auditor-General for their assistance and co-operation.

Chairperson of the Audit Committee

31 July 2021

VOLUME II

Annual Financial Statements

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	uMngeni Municipality is a local municipality with the primary function of providing basic services i.e. electricity, refuse, roads and stormwater facilities to the community with the municipality's jurisdiction
Mayoral committee	
Mayor	Cllr S Sokhela
Councillors	Cllr NF Buthelezi - Deputy Mayor Cllr CT Mthalane - Speaker Cllr PA Passmoor Cllr JA Mkhasebe Cllr SK Pillay Cllr SD Nkuna Cllr JE Holmes Cllr NN Mlotshwa Cllr BA Zuma Cllr FT Cele Cllr CRW Millar Cllr NJ Lewis Cllr SM Ndlovu Cllr SS Khumalo Cllr GT Dlamini Cllr SS Sibiya Cllr NE Ngoongo Cllr QSB Buthelezi Cllr HM Lake Cllr T Sikhakhane Cllr S Mnikathi Cllr S Zondi
Grading of local authority	Three
Chief Finance Officer (CFO)	Mr M Hloba
Accounting Officer	Ms T Cibane
Registered office	Corner of Dicks and Somme Streets Howick 3290
Postal address	P O Box 5 Howick 3290
Bankers	ABSA Bank
Auditors	Office of the Auditor General Registered Auditors

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

Index

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

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Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 13
Accounting Policies	14 - 53

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
SARS	South African Revenue Services
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
COVID-19	Corona Virus Disease
VAT	Value Added Tax

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

The annual financial 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.

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

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

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, she is 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 internally generated funds and Government Grants 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.

The Accounting Officer also certifies that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

Acting Accounting Officer
Mr M Hloba

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

1. Approval of Annual Financial Statements

I am responsible for the preparation of these Annual Financial Statements, which are set on page 5 -108 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors ; loans made to Councillors ; if any , and payments made to Council for the loss office, if any , as disclosed in note 33 of these Annual Financial Statements are within the Upper Limits of the framework envisaged in section 129 of the Constitution, read with the narration of Public Office Bearers Act and the Minister of Provincial and the Local Governments Determination in Accordance with this.

Acting Accounting Officer
Mr M Hloba

uMngeni Local Municipality

(Registration number KZN 222)

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			
Cash and cash equivalents	3	22,484,328	32,099,030
Receivables from exchange transactions	12	13,584,865	23,057,342
Receivables from non-exchange transactions	10&13	37,008,101	74,339,331
VAT receivable	11	5,123,640	2,450,776
		78,200,934	131,946,479
Non-Current Assets			
Investment property	4	57,654,459	58,417,751
Property, plant and equipment	5	1,039,601,970	1,055,020,336
Heritage assets	7	5,398,314	5,398,314
Non-Current Receivables from exchange transactions	9	5,718,319	3,818,217
		1,108,373,062	1,122,654,618
Non-Current Assets		1,108,373,062	1,122,654,618
Current Assets		78,200,934	131,946,479
Total Assets		1,186,573,996	1,254,601,097
Liabilities			
Current Liabilities			
Annuity loans	16	2,786,868	3,940,192
Finance lease obligation	14	1,394,337	1,804,193
Payables from exchange transactions	18	67,096,331	79,775,223
Consumer deposits	19	4,762,774	4,634,120
Employee benefit obligation	8	2,342,000	1,600,000
Unspent conditional grants	15	2,016,061	15,419,483
		80,398,371	107,173,211
Non-Current Liabilities			
Annuity loans	16	9,661,843	13,395,489
Finance lease obligation	14	1,311,177	2,705,514
Employee benefit obligation	8	32,030,000	26,163,000
Provisions	17	62,587,004	56,227,195
		105,590,024	98,491,198
Non-Current Liabilities		105,590,024	98,491,198
Current Liabilities		80,398,371	107,173,211
Total Liabilities		185,988,395	205,664,409
Assets		1,186,573,996	1,254,601,097
Liabilities		(185,988,395)	(205,664,409)
Net Assets		1,000,585,601	1,048,936,688
Accumulated surplus		1,000,585,603	1,048,936,686
Total Net Assets		1,000,585,603	1,048,936,686

* See Note 2 & 55

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand		2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods and rendering of services	21	3,647,264	2,908,692
Service charges	22	91,304,866	85,008,403
Rental of facilities and equipment	23	1,277,858	1,097,774
Interest received (trading)	24	2,403,368	1,902,299
Licences and permits	26	3,514,647	2,796,025
Operational revenue	30	347,868	301,901
Discount Received		1,180,239	-
Interest received - investment	31	1,715,464	2,649,715
Actuarial gains	34	-	5,853,000
Total revenue from exchange transactions		105,391,574	102,517,809
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	219,869,420	204,867,536
Property rates - penalties imposed	32	11,974,995	8,095,873
Surcharges and Taxes	28	26,672	41,872
Transfer revenue			
Government grants & subsidies	35	131,140,055	105,577,169
Fines, Penalties and Forfeits	25	2,674,853	907,577
Total revenue from non-exchange transactions		365,685,995	319,490,027
		105,391,574	102,517,809
		365,685,995	319,490,027
Total revenue	20	471,077,569	422,007,836
Expenditure			
Employee related costs	37	(122,266,349)	(118,307,504)
Remuneration of councillors	38	(9,330,037)	(9,323,535)
Depreciation and amortisation	39	(56,928,008)	(56,275,810)
Write-off / impairment of non-cash generating assets	40	136,317	(9,732,486)
Finance costs	42	(7,139,140)	(6,713,825)
Lease rentals on operating lease	27	(1,420,499)	(1,363,729)
Debt Impairment	43	(73,381,778)	(42,740,655)
Bulk purchases	44	(127,756,605)	(111,520,559)
Contracted services	45	(81,216,883)	(87,378,272)
Transfers and Subsidies	33	(572,950)	(485,500)
Actuarial losses	34	(3,613,000)	-
Materials and supplies	47	(1,688,279)	(1,848,484)
Operational expenditure	46	(35,174,552)	(30,247,269)
Total expenditure		(520,351,763)	(475,937,628)
		-	-
Total revenue		471,077,569	422,007,836
Total expenditure		(520,351,763)	(475,937,628)
Operating surplus/deficit		-	-
Deficit before taxation		(49,274,194)	(53,929,792)
Taxation		-	-
Deficit for the year		(49,274,194)	(53,929,792)

* See Note 2 & 55

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Audited Opening balance as at 1 July 2019	1,276,163,631	1,276,163,631
Adjustments		
Correction of errors effected in 2019/20 restated AFS for prior financial year	(159,228,721)	(159,228,721)
Correction of errors effected in 2020/21 AFS for 2019/20 opening balance adjustments	(14,068,432)	(14,068,432)
Balance at 01 July 2019 as restated*	1,102,866,478	1,102,866,478
Changes in net assets		
Surplus for the year	(53,929,792)	(53,929,792)
Total changes	(53,929,792)	(53,929,792)
Restated* Balance at 01 July 2020	1,048,936,686	1,048,936,686
Changes in net assets		
Movement in Accumulated Surplus	934,442	934,442
Net income (losses) recognised directly in net assets	934,442	934,442
Surplus for the year	(49,274,194)	(49,274,194)
Write off of bank transfer differences	(11,333)	(11,333)
Total changes	(48,351,085)	(48,351,085)
Balance at 30 June 2021	1,000,585,603	1,000,585,603
Note(s)		

* See Note 2 & 55

uMngeni Local Municipality

(Registration number KZN 222)

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 and taxes		212,783,433	178,778,336
Services Charges: Electricity and Waste Management		99,176,964	74,831,316
Government Grants and Subsidies		121,268,919	115,461,000
Interest Received		1,715,464	2,649,715
Traffic Fines		94,633	267,000
Other receipts		9,429,270	6,959,718
Vat Refund		23,978,384	-
		<u>468,447,067</u>	<u>378,947,085</u>
Payments			
Employee costs		(117,421,554)	(112,531,877)
Suppliers		(296,583,816)	(198,380,753)
Finance costs		(7,139,140)	(6,713,825)
Remuneration of Councillors		(9,330,038)	(9,323,535)
		<u>(430,474,548)</u>	<u>(326,949,990)</u>
Total receipts		468,447,067	378,947,085
Total payments		(430,474,548)	(326,949,990)
Net cash flows from operating activities	50	<u>37,972,519</u>	<u>51,997,095</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	<u>(40,882,666)</u>	<u>(43,100,292)</u>
Cash flows from financing activities			
Repayment of annuity loans		(4,886,970)	(3,336,524)
Increase/ (Decrease) Consumer Deposit		(13,392)	2,759,432
Finance lease payments		(1,804,193)	(1,475,859)
Net cash flows from financing activities		<u>(6,704,555)</u>	<u>(2,052,951)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(9,614,702)</u>	<u>6,843,852</u>
Cash and cash equivalents at the beginning of the year		32,099,030	25,255,178
Cash and cash equivalents at the end of the year	3	<u>22,484,328</u>	<u>32,099,030</u>

* See Note 2 & 55

uMngeni Local Municipality

(Registration number KZN 222)

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
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges - Electricity	106,248,886	(3,402,314)	102,846,572	83,432,608	(19,413,964)	60.1
Service Charges - Refuse	7,208,125	947,199	8,155,324	7,872,257	(283,067)	
Rental of facilities and equipment	1,203,063	(173,810)	1,029,253	1,277,858	248,605	60.2
Licences and permits	5,082,401	(1,512,783)	3,569,618	3,514,647	(54,971)	60.4
Miscellaneous other revenue	7,238,511	(2,889,652)	4,348,859	4,021,804	(327,055)	60.5
Interest received - investment	2,199,979	(286,355)	1,913,624	2,895,702	982,078	60.6
Total revenue from exchange transactions	129,180,965	(7,317,715)	121,863,250	103,014,876	(18,848,374)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	216,690,009	-	216,690,009	219,869,420	3,179,411	
Property rates - penalties imposed	11,455,682	-	11,455,682	14,378,363	2,922,681	60.7

Transfer revenue

Government grants & subsidies	111,839,000	20,435,664	132,274,664	131,140,055	(1,134,609)	
Fines, Penalties and Forfeits	123,374	(6,654)	116,720	2,674,853	2,558,133	60.9
Total revenue from non-exchange transactions	340,108,065	20,429,010	360,537,075	368,062,691	7,525,616	

'Total revenue from exchange transactions'	129,180,965	(7,317,715)	121,863,250	103,014,876	(18,848,374)	
'Total revenue from non-exchange transactions'	340,108,065	20,429,010	360,537,075	368,062,691	7,525,616	
Total revenue	469,289,030	13,111,295	482,400,325	471,077,567	(11,322,758)	

Expenditure

Employee Related Costs	(134,398,948)	11,576,075	(122,822,873)	(122,266,349)	556,524	
Remuneration of councillors	(9,922,672)	190,861	(9,731,811)	(9,330,037)	401,774	
Depreciation and amortisation	(35,552,255)	(3,952,745)	(39,505,000)	(56,928,008)	(17,423,008)	60.10
Finance costs	(2,685,713)	(698,773)	(3,384,486)	(7,139,140)	(3,754,654)	60.11
Lease rentals on operating lease	(3,001,137)	-	(3,001,137)	(1,420,499)	1,580,638	60.12
Debt Impairment	(773,823)	(17,110,033)	(17,883,856)	(73,381,778)	(55,497,922)	60.13
Bulk purchases	(120,997,148)	(8,248,961)	(129,246,109)	(127,756,605)	1,489,504	
Contracted Services	(78,520,393)	5,496,217	(73,024,176)	(81,216,883)	(8,192,707)	
Transfers and Subsidies	(3,825,430)	3,213,870	(611,560)	(572,950)	38,610	
Other Materials	(1,176,910)	(596,162)	(1,773,072)	(1,688,279)	84,793	
Actuarial gains/losses	-	-	-	(3,613,000)	(3,613,000)	
General Expenses	(56,565,957)	5,649,548	(50,916,409)	(35,038,235)	15,878,174	
Total expenditure	(447,420,386)	(4,480,103)	(451,900,489)	(520,351,763)	(68,451,274)	
	21,868,644	8,631,192	30,499,836	(49,274,196)	(79,774,032)	
Deficit before taxation	21,868,644	8,631,192	30,499,836	(49,274,196)	(79,774,032)	

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus before taxation	21,868,644	8,631,192	30,499,836	(49,274,196)	(79,774,032)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	21,868,644	8,631,192	30,499,836	(49,274,196)	(79,774,032)	
Reconciliation						

uMngeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Receivables from non-exchange transactions	66,975,010	(6,911,199)	60,063,811	49,557,952	(10,505,859)	60.14
VAT receivable	-	-	-	5,123,640	5,123,640	60.15
Consumer debtors	22,461,337	-	22,461,337	12,646,579	(9,814,758)	60.16
Cash and cash equivalents	21,085,260	(181,516)	20,903,744	22,484,328	1,580,584	
	110,521,607	(7,092,715)	103,428,892	89,812,499	(13,616,393)	

Non-Current Assets

Investment property	13,183,073	(3,735,592)	9,447,481	57,654,459	48,206,978	60.17
Property, plant and equipment	1,308,671,740	21,379,516	1,330,051,256	1,039,601,970	(290,449,286)	
Intangible assets	92,548	(86,433)	6,115	-	(6,115)	
Heritage assets	5,392,616	-	5,392,616	5,398,314	5,698	
Non-Current Receivables from exchange transactions	3,646,369	-	3,646,369	5,718,319	2,071,950	
	1,330,986,346	17,557,491	1,348,543,837	1,108,373,062	(240,170,775)	

Non-Current Assets

Non-Current Assets	110,521,607	(7,092,715)	103,428,892	89,812,499	(13,616,393)	
Current Assets	1,330,986,346	17,557,491	1,348,543,837	1,108,373,062	(240,170,775)	
Total Assets	1,441,507,953	10,464,776	1,451,972,729	1,198,185,561	(253,787,168)	

Liabilities

Current Liabilities

Annuity loans	2,822,261	-	2,822,261	4,181,204	1,358,943	
Payables from exchange transactions	22,795,623	(14,100,749)	8,694,874	63,940,511	55,245,637	60.20
Provisions	79,198,766	(8,570,000)	70,628,766	20,350,280	(50,278,486)	60.21
Consumer deposits	3,135,291	-	3,135,291	4,762,774	1,627,483	60.22
Employee benefit obligation	-	-	-	2,342,000	2,342,000	60.23
Unspent conditional grants	-	-	-	2,016,061	2,016,061	60.24
	107,951,941	(22,670,749)	85,281,192	97,592,830	12,311,638	

Non-Current Liabilities

Annuity loans	15,072,983	-	15,072,983	(10,973,020)	(26,046,003)	60.25
Employee benefit obligation	-	-	-	32,030,000	32,030,000	60.27
Provisions	29,196,000	-	29,196,000	(88,257,195)	(117,453,195)	60.28
	44,268,983	-	44,268,983	(67,200,215)	(111,469,198)	
	107,951,941	(22,670,749)	85,281,192	97,592,830	12,311,638	
	44,268,983	-	44,268,983	(67,200,215)	(111,469,198)	

Total Liabilities

Total Liabilities	152,220,924	(22,670,749)	129,550,175	30,392,615	(99,157,560)	
Assets	1,441,507,953	10,464,776	1,451,972,729	1,198,185,561	(253,787,168)	
Liabilities	(152,220,924)	22,670,749	(129,550,175)	(30,392,615)	99,157,560	
Net Assets	1,289,287,029	33,135,525	1,322,422,554	1,167,792,946	(154,629,608)	

uMngeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,289,287,029	33,135,525	1,322,422,554	1,000,596,939	(321,825,615)	

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property Rates	195,021,008	(6,500,700)	188,520,308	212,783,433	24,263,125
Service Charges	102,111,310	(4,915,428)	97,195,882	99,176,964	1,981,082
Transfers and Subsidies	90,074,616	8,634,388	98,709,004	99,505,369	796,365
Interest income	1,536,409	10,114,545	11,650,954	1,410,740	(10,240,214)
Other revenue	15,505,882	(5,247,937)	10,257,945	33,807,011	23,549,066
Transfers and Subsidies - Capital	21,763,550	-	21,763,550	21,763,550	-
	426,012,775	2,084,868	428,097,643	468,447,067	40,349,424

Payments

Employee costs	(134,398,948)	9,457,599	(124,941,349)	(117,421,554)	7,519,795
Suppliers	(247,201,759)	-	(247,201,759)	(300,895,392)	(53,693,633)
Finance costs	(2,685,713)	(698,773)	(3,384,486)	(2,281,957)	1,102,529
Remuneration of Councillors	(9,731,811)	-	(9,731,811)	(9,330,037)	401,774
Transfers and Grants	(376,560)	-	(376,560)	(572,950)	(196,390)
	(394,394,791)	8,758,826	(385,635,965)	(430,501,890)	(44,865,925)
Total receipts	426,012,775	2,084,868	428,097,643	468,447,067	40,349,424
Total payments	(394,394,791)	8,758,826	(385,635,965)	(430,501,890)	(44,865,925)
Net cash flows from operating activities	31,617,984	10,843,694	42,461,678	37,945,177	(4,516,501)

Cash flows from investing activities

Purchase of property, plant and equipment	(29,024,378)	(21,510,236)	(50,534,614)	(40,855,324)	9,679,290	0
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Cash flows from financing activities

Increase / (decrease) in consumer deposits	(756,000)	756,000	-	-	-
Finance lease Payments	-	-	-	(1,804,193)	(1,804,193)
Remuneration of Councillors	-	-	-	(13,392)	(13,392)
Finance costs	(3,124,354)	-	(3,124,354)	(4,886,970)	(1,762,616)
Net cash flows from financing activities	(3,124,354)	-	(3,124,354)	(6,704,555)	(3,580,201)

Net increase/(decrease) in cash and cash equivalents	(530,748)	(10,666,542)	(11,197,290)	(9,614,702)	1,582,588
Cash and cash equivalents at the beginning of the year	19,253,535	12,847,499	32,101,034	32,099,030	(2,004)
Cash and cash equivalents at the end of the year	18,722,787	2,180,957	20,903,744	22,484,328	1,580,584

Reconciliation

uMngeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

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

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

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, except for the changes set out in note Changes in accounting policy.

STANDARDS APPROVED AND EFFECTIVE FOR 2020/21 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2020/21 financial year:

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- GRAP 17 Property Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 20 Related Party Disclosures
- GRAP 21 Impairment of Non-Cash Generating Assets
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash-Generating Assets
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets
- GRAP 32 Service Concession Arrangements: Grantor
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests of Other Entities
- GRAP 100 Discounted Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 105 Transfer of Functions Between Entities Under Common Control
- GRAP 106 Transfer of Functions Between Entities Not Under common Control
- GRAP 107 Mergers
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- GRAP 110 Living and Non-Living resources

uMngeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

INTERPRETATIONS OF STANDARDS OF GRAP APPROVED AND EFFECTIVE FOR 2020/21 FINANCIAL YEAR

- IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
- IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3 Determining whether an arrangement contains a lease
- IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
- IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies
- IGRAP 6 Loyalty Programmes
- IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 Distributions of Non-cash Assets to Owners
- IGRAP 10 Assets Received from Customers
- IGRAP 13 Operating Leases – Incentives
- IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 Revenue – Barter Transactions Involving Advertising Services
- IGRAP 16 Intangible Assets – Website Costs
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
- IGRAP 18 Recognition and Derecognition of Land
- IGRAP 19 Liabilities to Pay Levies
- IGRAP 20 Accounting for Adjustments to Revenue

AUTHORITATIVE GUIDELINES APPROVED AND EFFECTIVE FOR 2020/21 FINANCIAL YEAR

Guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

uMngeni Local Municipality

(Registration number KZN 222)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Receivables from exchange and non-exchange transactions

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

The impairment for trade and other receivables is calculated on an individual and group portfolio basis, based on historical collection levels and other indicators present at the reporting date that correlate with relevant portfolio.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Allowance for doubtful debts

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

uMngeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the entity is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows:

- Whether the municipality can direct the use of the land's future economic benefits or service potential to provide services to beneficiaries
- Whether the municipality can exchange, dispose of, or transfer the land; and/or
- Whether the municipality can use the land in any other way to generate future economic benefits or service potential

Where the municipality uses the land to provide future economic benefits or service potential while another entity has the right to exchange, dispose of, or transfer the land, the municipality shall assess its ability to exercise the right to exchange, dispose of, or transfer the land to determine if it is able to direct or restrict or deny access to the land.

When a municipality directs the use of the land to provide services to beneficiaries, either itself or through directing another entity to provide specific services, the municipality will conclude that it has the right to direct access to land and to restrict or deny access of others to land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows:

- Whether another entity can direct the use of the land's future economic benefits or service potential to provide services to beneficiaries
- Whether another entity can exchange, dispose of, or transfer the land; and/or
- Whether another entity can use the land in any other way to generate future economic benefits or service potential

An entity may be granted a right to use the land for a period of time. Control of the land will be demonstrated if the entity has substantive rights to the land that enable it to direct access to the land, or to restrict or deny the access of others to land. For the entity to demonstrate control, the right of use needs to be for an unlimited period of time and the entity should have other substantive rights that enable it to direct access to the land, or to restrict or deny the access of others to the land.

In the absence of the municipality demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land.

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied in determining whether the municipality is an agent are as follows:

- a) It does not have the power to determine the significant terms and conditions of the transaction.

For an municipality to be an agent, it must not have the power to determine the significant terms and conditions of the transactions with third parties. This means that it should not have the power to affect the result of the transaction. The result of a transaction is the economic benefits or service potential (or both) that arise from that transaction. The economic benefits or service potential can therefore be quantitative or qualitative.

The quantitative result of a transaction represents the monetary amount of a transaction and could include:

- The amount paid by the third party for a good or a service received, or the amount of any tax, levy or other charge paid
- The amount paid to the third party for goods and services procured, or benefits paid as part of a non-exchange transaction, e.g. a social benefit.

The qualitative result of a transaction could include:

- The quality of a particular good or service received by the third party.
- The administrative efficiency with which a specific transaction or activity should be performed.
- The volume of a good or service provided to the third party

The municipality does not have the power to determine the significant terms and conditions of transactions with third parties if it is not able to decide, for example, the following aspects, but not limited to:

- What goods and services should be provided to, or procured from, third parties; or what taxes, levies or other charges should be levied on, or payments made to, third parties.
- To whom goods and services should be provided, or from whom goods and services should be procured; or on whom taxes, levies or other charges should be levied, or to whom payments should be made. This does not require the identification of specific individual third parties, and could be groups of affected third parties.
- The price to be paid by third parties, or agree on the price to be paid to third parties; or the amount of tax, levies or other charges to be paid by, or the amount of payments to be made to, third parties.
- The quality of the goods and services provided to, or received from, third parties. This may be less relevant to transactions that relate to taxes, levies, charges received by, or payment by or to, third parties

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit

The types of resources that result from transactions with third parties could vary depending on the activities that are to be undertaken in terms of the binding arrangement. The resources that could result from transactions with third parties include:

- Receipts related to specific goods and services provided, or taxes, levies and other charges.
- Disbursements for specific goods and services procured to enable the execution of the transactions with third parties. The goods and services procured could also result in inventory.

The municipality must not have the ability to use all, or substantially all, of the resources that result from the transactions with third parties. Where the municipality retains a portion of the revenue collected as a fee, e.g. a commission, or administration or transaction fee, for the service provided, this fee is usually nominal in relation to the total revenue collected, and as a result, the municipality would not have the ability to use all or substantially all of the resources that result from the transaction.

c) It is not exposed to variability in the results of the transaction:

A municipality is exposed to variability in the results of the transaction when it has exposure to both the positive and negative results associated with that transaction, and these exposures are not limited or fixed. There may be a number of factors that the municipality considers in determining whether it is exposed to the variability in the results of transactions. The municipality's exposure to the variability in the results of a transaction are usually limited if:

- Another party is responsible for fulfilling the rights and obligations established in the binding arrangement. For example, if the provision of a certain good or service is the responsibility of a specific type of entity in legislation, then it is likely that recipients of that good or service will look to that entity for delivery of those goods or services.
- The municipality has limited inventory risk, i.e. the risk of theft, obsolescence or other losses, as well as changes in value.
- The municipality receives a fixed fee or a fixed margin, e.g. commission, or administration or transaction fee, for carrying out the transactions.
- The municipality is not exposed to significant default risk, i.e. the risk of fees, taxes, levies or other charges not being paid by third parties.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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. However, where the municipality charges interest, discounting is not applied.

An impairment loss recognised in prior periods for a statutory receivable are 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.

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

1.5 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.

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Accounting Policies

1.5 Investment property (continued)

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 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.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Land and/or buildings held for strategic purposes is property that, although not currently used as property, plant and equipment, is likely to be used in the production or supply of goods and services or for administrative purposes in future because of certain legislation, policies, decisions or plans adopted by an entity.
- For example, land held by a municipality which is currently vacant, but is adjacent to a growing suburban area. In terms of the municipality's spatial planning, this land could be used to develop housing, or it could be used to expand the current infrastructure network.

The nature OR type of properties classified as held for strategic purposes are as follows:

- Land that has been determined in terms of Council resolutions for future housing projects

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 4).

1.6 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.

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1.6 Property, plant and equipment (continued)

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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	15 - 30 years
Landfill site	Straight-line	02 - 15 years
Plant and machinery	Straight-line	02 - 30 years
Furniture and fixtures	Straight-line	04 - 10 years
Motor vehicles	Straight-line	03 - 15 years
Office equipment	Straight-line	03 years
IT equipment	Straight-line	03 - 05 years
Infrastructure - roads and paving	Straight-line	05 - 80 years
Infrastructure - roads and stormwater	Straight-line	20 - 60 years
Infrastructure - electricity	Straight-line	15 - 50 years

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

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

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

1.7 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.

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.

1.8 Intangible assets

An asset is identifiable if it either:

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

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

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1.8 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	03 - 10 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

Intangible assets are derecognised:

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

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

1.9 Heritage assets

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

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

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Accounting Policies

1.9 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

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Accounting Policies

1.9 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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 the municipality's statement of financial position.

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. 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, the municipality shall estimate cash flows considering all contractual terms 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 municipality 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

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Accounting Policies

1.10 Financial Instruments (continued)

- 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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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 the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

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

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

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 municipality 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 municipality 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;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

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Accounting Policies

1.10 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.

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
Call Deposits and Primary Bank Account	Financial asset measured at amortised cost
Cash on hand	Financial asset measured at amortised cost
VAT receivable	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

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
Annuity loans	Financial liability measured at amortised cost
Trade creditors	Financial liability measured at amortised cost
Payments received in advance	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Staff leave	Financial liability measured at amortised cost
Other creditors	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

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1.11 Statutory receivables (continued)

- If the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the interest rate of 1%.

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

Other charges

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

Impairment losses

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

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

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

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

In estimating the future cash flows, the 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.

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1.11 Statutory receivables (continued)

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

Derecognition

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

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

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

1.12 Tax

Value Added Tax

The Municipality is registered with SARS for VAT on a cash basis in accordance with section 15(2)(a) of the Value Added Tax Act no.81 of 1981.

1.13 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 - lessee

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

1.14 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.

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1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

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

- Cash-generating assets are assets used with the primary objective of generating a commercial return. Commercial return means that the municipality is anticipated to receive revenue from the asset and the positive cash flows are expected to be significantly higher than the cost of the asset.
- Non-cash-generating assets are assets other than cash-generating assets. An entity shall designate an asset as non-cash-generating when its primary objective is not to use the asset to generate a commercial return but to deliver services.
- All administrative assets, for example, vehicles, office equipment and furniture, plant and machinery, computer equipment and administrative land and buildings are held for the purpose of delivering services and therefore do not generate a commercial return.
- Roads and stormwater infrastructure assets do not generate any direct commercial return and is therefore categorised as non-cash generating assets, unless a specific asset has been identified where the municipality has constructed this asset for a primary objective of generating commercial return.
- When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality shall designate the asset as a non-cash-generating asset.

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 the 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.

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1.14 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

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.

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1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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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

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

- Cash-generating assets are assets used with the primary objective of generating a commercial return. Commercial return means that the municipality is anticipated to receive revenue from the asset and the positive cash flows are expected to be significantly higher than the cost of the asset.
- Non-cash-generating assets are assets other than cash-generating assets. An entity shall designate an asset as non-cash-generating when its primary objective is not to use the asset to generate a commercial return but to deliver services.
- All administrative assets, for example, vehicles, office equipment and furniture, plant and machinery, computer equipment and administrative land and buildings are held for the purpose of delivering services and therefore do not generate a commercial return.
- Roads and stormwater infrastructure assets do not generate any direct commercial return and is therefore categorised as non-cash generating assets, unless a specific asset has been identified where the municipality has constructed this asset for a primary objective of generating commercial return.
- When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality shall designate the asset as a non-cash-generating asset

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 the 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, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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.

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

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.

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

Redesignation

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

1.16 Employee benefits

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

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

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

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

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

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1.16 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality 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 municipality 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 municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

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

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

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

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

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

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1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (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 municipality during a reporting period, the municipality 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, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.16 Employee benefits (continued)

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

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

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

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

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

The municipality 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 municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

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

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Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

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1.16 Employee benefits (continued)

Termination benefits

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

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

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

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

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

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

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

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

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

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

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Accounting Policies

1.17 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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1.19 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.

Rendering of services

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

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

Interest, royalties and dividends

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

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

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

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The 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

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

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

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

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.

Fines

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

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

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

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

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Accounting Policies

1.23 Accounting by principals and agents (continued)

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 the 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.

1.24 Comparative figures

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

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Accounting Policies

1.25 Unauthorised expenditure

In accordance with Section 1 of the MFMA, unauthorised expenditure, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes:

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

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

1.26 Fruitless and wasteful expenditure

In accordance with Section 1 of the MFMA, fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised.

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

1.27 Irregular expenditure

In accordance with Section 1 of the MFMA, irregular expenditure, in relation to a municipality, means:

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- (a) Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- (b) Municipal Systems Act, Act 32 of 2000, and its regulations;
- (c) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- (d) The municipality's supply chain management policy, and any by-laws giving effect to that policy

Irregular expenditure that was incurred and identified during the current financial and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which write-off is being awaited at year end must be recorded in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Segment information

A segment is an activity of a municipality:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

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Accounting Policies

1.28 Segment information (continued)

- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

Measurement

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

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

1.29 Budget information

The municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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

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

The 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.

Comparative information is not required.

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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Accounting Policies

1.30 Related parties (continued)

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 municipality's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the municipality's financial statements to understand the effect of related party transactions on its annual financial statements.

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1.32 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

In accordance with GRAP 1, when items of expenses are material, their nature and amount shall be disclosed separately.

The municipality has aligned the disclosure of expenses based on the National Treasury classifications, being:

Bulk Purchases

Bulk purchases of electricity from Eskom, including alternative service providers, where applicable, is disclosed separately on the annual financial statements.

Contracted services

Where service providers are appointed to render complete service to the municipality, irrespective of the procurement process, such expenditure is classified as contracted services. This includes consultants and professional services, contractors as well as outsourced services where a service provider is responsible for the delivery of a complete service to the municipality, such as a contractor appointed to render maintenance services for the municipality.

Materials and supplies

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Accounting Policies

1.32 Expenditure (continued)

Materials and supplies are items that have been by the municipality in the rendering of services, as well as items held for sale or distribution in the ordinary course of operations. This includes consumables, materials and supplies as well as land distributed in the delivery of services to the community.

Operating expenditure

An operating expense is a day-to-day expense such as sales and administration, research and development, accounting expenses, license fees, advertising, office expenses, utilities such as telephone, insurance, property management, travel and vehicle expenses. These are generally goods delivered to the municipality, as opposed to a complete service being rendered to the municipality.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards and interpretations:

- GRAP 18 - Segment Reporting
- IGRAP 20 - Accounting for adjustments for Revenue

GRAP 18 - Segment Reporting

During the year, the municipality implemented an accounting policy with respect to the treatment of Segment Reporting, in order to conform with the benchmark treatment in of GRAP18. This has resulted in additional disclosure to the financial statements, however, no changes is required on the Statement of Financial Performance, Financial Position and Cash Flow Statement.

IGRAP 20 - Accounting for adjustments to revenue

During the year, the municipality changed its accounting policy with respect to the treatment of change in estimates relating to revenue, in order to conform with the benchmark treatment in accordance with IGRAP 20.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2020 is as follows:

Statement of financial position

Statement of Financial Performance

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	37	2,000
Bank balances	10,867,851	8,870,861
Short-term deposits	11,616,440	23,226,169
	22,484,328	32,099,030

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Figures in Rand	2021			2020		
3. 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 - Primary account - 4063796636	10,024,659	8,487,427	13,048,927	10,867,851	8,870,861	13,247,823
FNB BANK - Call account - 62547030875	25,229	186,925	128,680	25,229	186,925	128,680
FNB BANK - Call account - 62821205425	1,289,673	1,014,808	-	1,289,673	1,014,807	-
FNB BANK - Fixed Deposit - 74372357316	237,466	230,103	215,813	237,466	230,103	215,813
FNB BANK - Security Deposit - 74547419339	2,255,409	2,156,744	1,999,240	2,255,409	2,156,744	1,999,240
ABSA BANK - Call account - 9312757198	759,705	2,699,876	470,310	759,705	2,699,876	470,310
ABSA BANK - Call account - 9244671585	2,202,860	5,209,756	2,342,481	2,202,860	5,209,756	2,342,481
ABSA BANK - Call account - 9154612908	63,408	7,183,726	220,352	63,408	7,183,726	220,352
ABSA BANK - Call account - 9312756980	273,565	687,697	1,689,224	273,565	687,697	1,689,224
INVESTEC BANK - Call account - 1100503504500	1,645,243	1,116,654	347,766	1,645,243	1,116,654	347,766
INVESTEC BANK - Call account - 1100503504450	-	-	2,060,856	-	-	2,060,856
ABSA BANK - Fixed Deposit - 2074952988	203,287	195,797	184,329	203,287	195,796	184,329
RNB BANK - Security Deposit - RU500475658	2,660,596	2,544,085	2,346,305	2,660,596	2,544,085	2,346,305
ABSA BANK - Traffic - 9264784869	401,589	383,432	198,896	-	-	-
Cash on hand	37	2,000	2,000	-	2,000	2,000
Total	22,042,726	32,099,030	25,255,179	22,484,292	32,099,030	25,255,179

The municipality has two bank accounts being FNB account number 74547419339 and Rand Merchant Bank account RU500475658, which are held as security deposits for the Development Bank of South Africa loans in place.

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Figures in Rand

4. Investment property

Investment property

2021			2020		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
60,642,840	(2,988,381)	57,654,459	60,642,840	(2,225,089)	58,417,751

Reconciliation of investment property - 2021

Investment property

Opening balance	Impairments	Depreciation	Total
58,417,751	(448,953)	(314,339)	57,654,459

Reconciliation of investment property - 2020

Investment property

Opening balance	Depreciation	Total
58,732,091	(314,340)	58,417,751

Investment property in the process of being constructed or developed

No investment property is currently in the process of being constructed or developed.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
4. Investment property (continued)		
Amounts recognised in surplus or deficit		
Rental revenue from investment property	1,209,118	957,049
From investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	2,299,805	93,500
Repairs and maintenance	165,288	286,129
	2,465,093	379,629

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5. 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	187,208,498	(546,120)	186,662,378	185,329,045	-	185,329,045
Buildings	330,071,271	(102,998,322)	227,072,949	305,509,611	(88,939,612)	216,569,999
Landfill site	69,027,008	(19,456,136)	49,570,872	67,983,008	(16,133,564)	51,849,444
Machinery and equipment	9,160,216	(6,935,249)	2,224,967	8,305,156	(5,978,610)	2,326,546
Furniture and office equipment	5,681,619	(4,464,187)	1,227,432	5,494,211	(3,855,721)	1,638,490
Motor vehicles	6,782,569	(1,850,531)	4,932,038	8,495,634	(2,263,122)	6,232,512
Computer equipment	5,948,010	(3,793,792)	2,154,218	4,766,127	(2,966,888)	1,799,239
Electricity infrastructure	120,957,030	(41,875,831)	79,081,199	119,833,298	(38,058,121)	81,775,177
Roads and stormwater infrastructure	709,944,480	(223,268,563)	486,675,917	700,160,206	(192,660,322)	507,499,884
Total	1,444,790,701	(405,188,731)	1,039,601,970	1,405,876,296	(350,855,960)	1,055,020,336

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Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	185,329,045	1,879,453	-	(546,120)	186,662,378
Buildings	216,569,999	24,561,660	(13,414,840)	(643,870)	227,072,949
Landfill Site	51,849,444	1,044,001	(4,825,199)	1,502,626	49,570,872
Machinery and equipment	2,326,546	855,061	(956,640)	-	2,224,967
Furniture and office equipment	1,638,490	197,408	(608,466)	-	1,227,432
Motor vehicles	6,232,512	465,001	(1,765,475)	-	4,932,038
Computer equipment	1,799,239	1,181,883	(826,904)	-	2,154,218
Electricity Infrastructure	81,775,177	913,926	(3,607,904)	-	79,081,199
Roads and stormwater infrastructure	507,499,884	9,784,273	(30,608,240)	-	486,675,917
	1,055,020,336	40,882,666	(56,613,668)	312,636	1,039,601,970

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	185,329,045	-	-	-	185,329,045
Buildings	215,497,601	19,112,973	(13,169,108)	(4,871,467)	216,569,999
Landfill Site	59,643,999	-	(4,956,374)	(2,838,181)	51,849,444
Machinery and equipment	3,171,005	153,963	(956,488)	(41,934)	2,326,546
Furniture and office equipment	2,198,876	59,845	(616,908)	(3,323)	1,638,490
Motor vehicles	5,783,890	2,378,686	(1,928,735)	(1,329)	6,232,512
Computer equipment	2,277,151	234,347	(700,279)	(11,980)	1,799,239
Electricity infrastructure	84,794,961	554,058	(3,564,788)	(9,054)	81,775,177
Roads and stormwater infrastructure	531,605,655	7,918,236	(30,068,790)	(1,955,217)	507,499,884
	1,090,302,183	30,412,108	(55,961,470)	(9,732,485)	1,055,020,336

Pledged as security

No assets have been pledged as security.

Other information

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)

Roads and stormwater infrastructure

- 1

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5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Buildings	Included within Roads and Stormwater	Included within Electrical	Total
Opening balance	14,713,290	26,954,813	574,894	42,242,997
Additions/capital expenditure	24,561,662	9,784,274	-	34,345,936
Transferred to completed items	(9,092,579)	(7,136,898)	-	(16,229,477)
	30,182,373	29,602,189	574,894	60,359,456

Reconciliation of Work-in-Progress 2020

	Included within Buildings	Included within Roads and Stormwater	Included within Electrical	Total
Opening balance	75,837,133	27,782,200	574,894	104,194,227
Additions/capital expenditure	19,061,163	7,918,236	-	26,979,399
Transferred to completed items	(80,185,006)	(8,745,623)	-	(88,930,629)
	14,713,290	26,954,813	574,894	42,242,997

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

Employee related costs	-	1
Contracted services	-	1
Materials and supplies	-	1
General expenses	-	1
	-	4

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5. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2021

	Preventative Maintenance Total	Corrective Maintenance		
		Planned	Total	Total
Buildings	-	2,527,119	2,527,119	2,527,119
Motor vehicles	-	4,542,605	4,542,605	4,542,605
Electrical	-	6,283,871	6,283,871	6,283,871
Roads and Stormwater	-	5,427,932	5,427,932	5,427,932
Other Equipment	-	3,655,511	3,655,511	3,655,511
	-	22,437,038	22,437,038	22,437,038

Maintenance of property, plant and equipment by condition - 2020

	Preventative Maintenance Total	Corrective Maintenance		
		Planned	Total	Total
Buildings	-	1,760,329	1,760,329	1,760,329
Motor vehicles	-	3,679,534	3,679,534	3,679,534
Electrical	-	5,012,579	5,012,579	5,012,579
Roads and Stormwater	-	10,912,925	10,912,925	10,912,925
Other Equipment	-	19,870	19,870	19,870
	-	21,385,237	21,385,237	21,385,237

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.

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

Carrying value of land included in the carrying value of Property, plant and equipment

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1

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Annual Financial Statements for the year ended 30 June 2021

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6. Intangible assets

Reconciliation of intangible assets - 2021

Computer software

Opening balance	Difference	Total
(2)	2	-

Reconciliation of intangible assets - 2020

Computer software

Opening balance	Other changes, movements	Total
118,962	(118,962)	-

Intangible assets in the process of being constructed or developed

There are no intangible assets that is in the process of being constructed or developed.

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7. Heritage assets

Historical monuments
Area of land historical value
Art collections, antiquities and exhibits
Total

2021			2020		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
4,848,314	-	4,848,314	4,848,314	-	4,848,314
490,000	-	490,000	490,000	-	490,000
60,000	-	60,000	60,000	-	60,000
5,398,314	-	5,398,314	5,398,314	-	5,398,314

Reconciliation of heritage assets 2021

Historical monuments
Area of land historical value
Art collections, antiquities and exhibits

Opening balance	Total
4,848,314	4,848,314
490,000	490,000
60,000	60,000
5,398,314	5,398,314

Reconciliation of heritage assets 2020

Historical monuments
Area of land historical value
Art collections, antiquities and exhibits

Opening balance	Total
4,848,314	4,848,314
490,000	490,000
60,000	60,000
5,398,314	5,398,314

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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7. Heritage assets (continued)

Expenditure incurred to repair and maintain heritage assets

Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance

Contracted services	-	1
Sale of goods/inventory	-	1
General expenses	-	1
	<u>-</u>	<u>3</u>

8. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation - medical aid	(26,843,000)	(21,537,000)
Present value of the defined benefit obligation - long service awards	(7,529,000)	(6,226,000)
	<u>(34,372,000)</u>	<u>(27,763,000)</u>
Non-current liabilities	(32,030,000)	(26,163,000)
Current liabilities	(2,342,000)	(1,600,000)
	<u>(34,372,000)</u>	<u>(27,763,000)</u>

Post Retirement Medical Aid Obligation

The fair value of plan assets includes:

Post Employment Health Care Benefit Liability	26,843,000	21,537,000
Less: Transfer to Current Provisions	(1,297,000)	(1,212,000)
	<u>25,546,000</u>	<u>20,325,000</u>

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2020 by Zaqen Actuaries Pty Ltd, trading as ZAQ Consultants and Actuaries, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service members	174	177
Continuation members	31	30
	<u>205</u>	<u>207</u>

The liability in respect of past service has been estimated to be as:

In-service members	15,405,000	11,256,000
Continuation members	11,438,000	10,281,000
	<u>26,843,000</u>	<u>21,537,000</u>

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Figures in Rand	2021	2020
8. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	680,000	906,000
Interest cost	2,602,000	2,429,000
Actuarial (gains) losses	3,296,000	(5,215,000)
	6,578,000	(1,880,000)

The movement in the defined benefit obligation over the year is as follows:

Opening balance	21,537,000	24,587,000
Current service cost	680,000	906,000
Interest cost	2,602,000	2,429,000
Recognised actuarial (gain)/loss	3,296,000	(5,215,000)
Benefits paid	(1,272,000)	(1,170,000)
	26,843,000	21,537,000

The future service cost for the ensuing year is estimated to be xxx whereas the interest-cost for the next year is estimated to be R xxx. (2020: R 680,000 and R2,602,000 respectively).

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	8.94 %	8.94 %
Expected rate of return on assets	8.05 %	8.05 %
Expected increase in salaries	0.82 %	0.82 %
Expected pension increases	7.05 %	7.05 %
Healthcare cost inflation rate	1.00 %	1.00 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates, particularly the medical aid inflation, would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1	1
Effect on defined benefit obligation	1	1

The history of experienced adjustments are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	26,843,000	21,537,000	24,587,000	1	1

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Figures in Rand	2021	2020
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8. Employee benefit obligations (continued)

Long Service Awards

The fair value of long service awards is represented below:

Provision for long service awards	7,529,000	6,226,000
Less: Transfer of current provisions	(1,045,000)	(388,000)
	6,484,000	5,838,000

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2021 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2021 by Zaqen Actuaries Pty Ltd, trading as ZAQ Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 247 employees were eligible for Long Service Awards. (2020: 247 employees)

The future service cost for the ensuing year is estimated to be R xxx whereas the interest-cost for the next year is estimated to be R xxx (2020: R 489,000 and R 759,000 respectively).

The amount recognised in the Statement of Financial Performance is as follows:

Current service cost	489,000	500,000
Interest cost	759,000	621,000
Actuarial (gain)/loss recognised	317,000	(638,000)
	1,565,000	483,000

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Figures in Rand	2021	2020
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8. Employee benefit obligations (continued)

The movement in the defined benefit obligation in the Statement of Financial Position is as follows:

Opening Balance	6,226,000	6,272,000
Current service cost	489,000	500,000
Interest cost	759,000	621,000
Benefits paid	(262,000)	(529,000)
Actuarial (gain)/loss recognised	317,000	(638,000)
	7,529,000	6,226,000

The principal assumptions used for the purposes of the actuarial valuations

Discount rate	9	8.94 %
Expected rate of salary increase	6	6.25 %

The effect of a 1% movement in the assumed rate of salary inflation is as:

Effect on the aggregate of the current service and interest cost	1	1
Effect on the defined benefit obligation	1	1

The history of experience adjustments on long service awards as follows:

	2021	2020	2019	2018	2017
Long service awards obligation	7,529,000	6,226,000	6,272,000	1	1

9. Non-Current Receivables from exchange transactions

Electricity Deposit to Eskom	5,718,319	3,818,217
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10. Receivables from non-exchange transactions

Consumer debtors - Rates	36,165,494	73,502,602
Consumer debtors - Other (Specified)	842,607	836,729
	37,008,101	74,339,331

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Figures in Rand	2021	2020
10. Receivables from non-exchange transactions (continued)		
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	-	14,316,623
Property rates - Vacant Land	-	7,452,007
Property rates - Other Properties	-	2,164,006
Property rates - Public Service Infrastructure	-	496,505
Property rates - State owned properties	-	1,734,341
Property rates - Rural Residential	-	12,050,435
Property rates - Rural Commercial	-	6,434,925
Property rates - Rural Agricultural	-	6,783,773
Property rates - Business and Commercial	-	8,768,046
Property rates - Industrial	-	7,283,985
Property rates - Residential	-	97,405,582
	-	164,890,228
Financial asset receivables included in receivables from non-exchange transactions above	37,008,101	(90,550,897)
Total receivables from non-exchange transactions	37,008,101	74,339,331
11. VAT receivable		
VAT	5,123,640	2,450,776
12. Current receivables from exchange transactions		
Gross balances		
Electricity	29,892,865	25,349,171
Accrued Income	192,406	100,756
Refuse	8,143,692	7,060,686
Business service levies	784,236	784,236
Sundry debtors	923,959	1,467,260
Housing rental	2,616,893	1,295,169
Prepayments	-	1,727,855
	42,554,051	37,785,133
Less: Allowance for impairment		
Electricity	(19,717,791)	(9,284,899)
Refuse	(6,117,163)	(3,328,239)
Sundry debtors	(1,139,460)	(1,197,845)
Housing rental	(1,994,772)	(916,808)
	(28,969,186)	(14,727,791)
Net balance		
Electricity	10,175,074	16,064,272
Sewerage	192,406	100,756
Refuse	2,026,529	3,732,447
Business service levies	784,236	784,236
Sundry debtors	(215,501)	269,415
Housing rental	622,121	378,361
Prepayment	-	1,727,855
	13,584,865	23,057,342

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Figures in Rand	2021	2020
12. Current receivables from exchange transactions (continued)		
Electricity		
Current (0 - 30 days)	6,302,099	6,220,937
31 - 60 days	1,659,443	2,359,151
61 - 90 days	879,296	755,921
91 - 120 days	592,668	546,331
121 - 365 days	428,720	389,270
> 365 days	20,030,634	15,097,561
	29,892,860	25,349,171
Refuse		
Current (0 - 30 days)	639,518	622,513
31 - 60 days	296,763	302,480
61 - 90 days	198,679	224,217
91 - 120 days	178,270	196,202
121 - 365 days	170,809	183,123
> 365 days	6,659,652	5,532,152
	8,143,691	7,060,687
Sundry debtors		
Current (0 - 30 days)	48,978	55,647
31 - 60 days	18,539	37,193
61 - 90 days	12,938	44,743
91 - 120 days	4,835	33,495
121 - 365 days	7,303	31,324
> 365 days	764,503	1,257,670
	857,096	1,460,072
Housing rental		
Current (0 - 30 days)	117,265	47,742
31 - 60 days	65,248	38,072
61 - 90 days	59,971	34,158
91 - 120 days	60,678	28,606
121 - 365 days	129,339	26,577
> 365 days	2,184,392	1,120,012
	2,616,893	1,295,167
Prepayments		
91 - 120 days	-	1,727,855
Summary of debtors by customer classification		
13. Receivables from non-exchange transactions		
Gross balances		
Traffic Fines	16,853,750	14,316,623
Consumer debtors - Property rates	169,803,810	150,573,436
	186,657,560	164,890,059
Less: Allowance for impairment		
Traffic Fines	(16,011,143)	(13,479,894)
Consumer debtors - Property rates	(133,638,316)	(77,070,834)
	(149,649,459)	(90,550,728)

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13. Receivables from non-exchange transactions (continued)

	2021	2020
Net balance		
Traffic Fines	842,607	836,729
Consumer debtors - Property rates	36,165,494	73,502,602
	37,008,101	74,339,331

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:

Traffic Fines	16,853,750	14,316,623
Property rates - Vacant Land	6,944,369	7,452,007
Property rates - Other properties	2,065,092	2,164,006
Property rates - Public Service Infrastructure	669,846	496,505
Property rates - State Owned Properties	1,947,659	1,734,341
Property rates - Rural Residential	13,334,434	12,050,435
Property rates - Rural Commercial	8,537,597	6,434,925
Property rates - Rural Agricultural	7,073,230	6,783,773
Property rates - Business and Commercial	12,046,052	8,768,046
Property rates - Industrial	9,535,706	7,283,985
Property rates - Residential	107,649,992	97,405,582
	186,657,727	164,890,228

Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:

Traffic Fines	(16,011,143)	(13,479,894)
Property rates - Vacant Land	(4,829,518)	(3,704,651)
Property rates - Other properties	-	(1,137)
Property rates - Public Service Infrastructure	(1,412,294)	(482,938)
Property rates - State Owned Properties	(1,733,953)	(1,166,959)
Property rates - Rural Residential	(7,465,550)	(3,788,909)
Property rates - Rural Commercial	(7,150,868)	(3,202,480)
Property rates - Rural Agricultural	(4,191,715)	(3,933,389)
Property rates - Business and Commercial	(5,784,623)	(2,017,073)
Property rates - Industrial	(8,424,915)	(3,511,577)
Property rates - Residential	(92,644,881)	(55,261,720)
	(149,649,460)	(90,550,727)

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

Traffic Fines	842,607	836,729
Property rates - Vacant Land	2,114,851	3,747,355
Property rates - Other properties	-	2,162,869
Property rates - Public Service Infrastructure	19,405	13,567
Property rates - State Owned Properties	524,032	567,383
Property rates - Rural Residential	5,107,031	8,261,526
Property rates - Rural Commercial	1,386,729	3,232,445
Property rates - Rural Agricultural	2,881,516	2,850,383
Property rates - Business and Commercial	8,326,522	6,750,974
Property rates - Industrial	1,110,791	3,772,408
Property rates - Residential	14,694,617	42,143,861
	37,008,101	74,339,500

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13. Receivables from non-exchange transactions (continued)		
Statutory receivables that are past due but are not impaired and included in receivables from non-exchange transactions:		
Property rates - Vacant Land	5,647,947	5,951,694
Property rates - Other properties	2,282,164	2,151,079
Property rates - Public Service Infrastructure	669,845	480,172
Property rates - State Owned Properties	1,729,273	1,549,902
Property rates - Rural Residential	9,363,877	7,902,131
Property rates - Rural Commercial	7,496,063	5,277,120
Property rates - Rural Agricultural	5,296,289	5,120,212
Property rates - Business and Commercial	8,019,453	5,055,810
Property rates - Industrial	8,251,426	5,932,994
Property rates - Residential	93,138,950	82,740,704
	141,895,287	122,161,818
Property Rates		
Current (0 -30 days)	16,474,680	16,289,909
31 - 60 days	7,202,206	7,555,168
61 - 90 days	4,237,121	4,566,708
91 - 120 days	3,836,583	3,954,718
121 - 365 days	3,725,626	3,533,041
> 365 days	134,327,762	114,674,060
	169,803,978	150,573,604
Electricity		
Current (0 -30 days)	6,302,100	6,220,937
31 - 60 days	1,659,444	2,359,151
61 - 90 days	879,297	755,922
91 - 120 days	592,669	546,331
121 - 365 days	428,721	369,270
> 365 days	20,030,635	15,097,561
	29,892,866	25,349,172
Refuse		
Current (0 -30 days)	639,519	622,513
31 - 60 days	296,761	302,480
61 - 90 days	198,679	224,217
91 - 120 days	178,271	196,202
121 - 365 days	170,809	183,123
> 365 days	6,659,653	5,532,152
	8,143,692	7,060,687
Sundries		
Current (0 -30 days)	48,978	55,647
31 - 60 days	18,539	37,193
61 - 90 days	12,938	44,743
91 - 120 days	4,835	33,495
121 - 365 days	7,303	31,324
> 365 days	831,361	1,257,670
	923,954	1,460,072

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Figures in Rand	2021	2020
13. Receivables from non-exchange transactions (continued)		
Housing rental		
Current (0 -30 days)	117,265	47,742
31 - 60 days	65,248	38,072
61 - 90 days	59,971	34,158
91 - 120 days	60,678	28,606
121 - 365 days	129,339	26,577
> 365 days	2,184,392	1,120,012
	2,616,893	1,295,167

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable.

Determination of transaction amount

The traffic fines receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

The property rates receivable is calculated by applying the Council approved rates and charges against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

Interest or other charges levied/charged

No interest or penalties is levied on traffic fines receivables, in accordance with the Criminal Procedures Act.

Interest is applied on outstanding property rates debt, at an interest rate of 1% per month.

Basis used to assess and test whether a statutory receivable is impaired

The following accounts are specifically excluded from the assessment for impairment:

Receivable accounts with credit balances at reporting date. Receivables accounts where total balance at a reporting date is zero. Receivables accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly.

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired:

A debtor that has been placed under or applied for liquidation or sequestration, Accounts handed over to debt collectors and / or power attorney, All accounts indicated as inactive accounts on the system, when accounts have been formally presented to the CFO for consideration for write off and all accounts with balances outstanding for longer than ninety(90) days as these accounts are considered to be past due.

Discount rate applied to the estimated future cash flows

Due to interest being applied on property rates, the time value of money has been considered, and therefore no discounting of debtors has been effected on future cash flows.

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14. Finance lease obligation		
Minimum lease payments due		
- within one year	1,510,886	2,046,641
- in second to fifth year inclusive	1,389,341	2,878,933
- later than five years	(194,694)	(415,867)
Present value of minimum lease payments	2,705,533	4,509,707
Non-current liabilities	1,311,177	2,705,514
Current liabilities	1,394,337	1,804,193
	2,705,514	4,509,707

It is the municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 4-5 years

Interest rates of 8.5% (2020: 8.5%) linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

15. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	-	329,672
Housing Grant	1,191,837	609,204
Integrated National Electrification Programme	-	2,170,560
Municipal Infrastructure Grant	-	11,413,887
Nodal Plan and Land Scheme Grant	104,051	104,051
Provincial - Cedara College / Khanya Village Road	414,219	414,219
MAP Synergistic Partnership	159,796	231,732
Massification Grant	135,116	135,116
Sports and Recreation Maintenance Grant	11,042	11,042
	2,016,061	15,419,483
Movement during the year		
Balance at the beginning of the year	15,419,483	6,076,235
Receipts during the year	117,736,633	115,461,000
Income recognition during the year	(131,140,054)	(106,117,751)
	2,016,062	15,419,484

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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Figures in Rand	2021	2020
16. Annuity loans		
At amortised cost		
Other financial liability 1	12,448,711	17,335,681
Terms and conditions		
Non-current liabilities		
At amortised cost	9,661,843	13,395,489
Current liabilities		
At amortised cost	2,786,868	3,940,192

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Figures in Rand

2021

2020

17. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Increase / (decrease) in estimate change in discount factor	Interest Cost	Total
Environmental rehabilitation	56,227,195	1,502,626	4,857,183	62,587,004

Reconciliation of provisions - 2020

	Opening Balance	Increase in change in estimate and discount rate	Interest Cost	Total
Environmental rehabilitation	54,366,363	(2,838,180)	4,699,012	56,227,195

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be in 2032 (Curries post landfill) and 2023 (Hilton landfill) respectively. Provision has been made for the net present value of this cost. The payment dates for the total closure and rehabilitation are uncertain. The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified engineer (Geoff Purnell Waste management Specialist) in order to determine the present value to rehabilitate the landfill site at the end of its useful life. Provision is made in terms of the municipality's licensing stipulations for the rehabilitation of landfill sites. The total obligation at year end can be attributed to the following

There is no expected reimbursement (from the manufacturer) in respect of this provision.

Location	Site Extent M2	Estimated Rehabilitation date	Estimated Post Closure Monitoring date	Cost of Rehabilitation 2019-2020	Movement during the year	Cost of Rehabilitation 2020-2021
Curries Post Landfill-Site	23,167	2,032	2,062	44,455,143	6,039,898	50,495,041
Hilton Landfill-Sites	295	2,023	2,053	11,738,186	200,063	11,938,249
	<u>23,462</u>	<u>4,055</u>	<u>4,115</u>	<u>56,193,329</u>	<u>6,239,961</u>	<u>62,433,290</u>
	23,462	4,055	4,115	56,193,329	6,239,961	62,433,290

the principal assumptions used for the purposes of the actuarial valuations were as follows: A retrospective calculation of time value for money, based on the government bond rate for the of the past 5 years was applied from 2016-2017 up to the current year using the longest term available on retail bond fixed term. 2016-2017 Rate 8.25%; 2017-2018 Rate 8.5%; 2018-2019 Rate 8.5%; 2019-2020 Rate 8.5%; 2020-2021 Rate 8.25%.

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18. Payables from exchange transactions		
Accruals	17,660,997	32,839,781
Payments received in advance	22,492,057	21,643,486
Leave accruals	11,648,470	10,638,704
Retention	5,461,411	3,608,378
Accrued expense - DBSA accrued interest	330,471	387,837
Operating lease payables (if immaterial)	-	14,853
Provision - Salary	-	659,215
Unclaimed deposits	9,479,042	9,982,950
Salary creditors	23,883	19
	67,096,331	79,775,223
19. Consumer deposits		
Electricity	2,675,569	2,536,866
Housing rental	2,087,205	2,097,254
	4,762,774	4,634,120
20. Revenue		
Sale of goods	3,647,264	2,908,692
Service charges	91,304,866	85,008,403
Rental of facilities and equipment	1,277,858	1,097,774
Interest received (trading)	2,403,368	1,902,299
Licences and permits	3,514,647	2,796,025
Miscellaneous other revenue	347,868	301,901
Fees earned	1,180,239	-
Interest received - investment	1,715,464	2,649,715
Property rates	219,869,420	204,867,536
Property rates - penalties imposed	11,974,995	8,095,873
Surcharges and Taxes	26,672	41,872
Government grants & subsidies	131,140,055	105,577,169
Fines, Penalties and Forfeits	2,674,853	907,577
	471,077,569	416,154,836
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	3,647,264	2,908,692
Service charges	91,304,866	85,008,403
Rental of facilities and equipment	1,277,858	1,097,774
Interest received (trading)	2,403,368	1,902,299
Licences and permits	3,514,647	2,796,025
Miscellaneous other revenue	347,868	301,901
Fees earned	1,180,239	-
Interest received - investment	1,715,464	2,649,715
	105,391,574	96,664,809

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Figures in Rand	2021	2020
20. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	219,869,420	204,867,536
Property rates - penalties imposed	11,974,995	8,095,873
Surcharges and Taxes	26,672	41,872
Transfer revenue		
Government grants & subsidies	131,140,055	105,577,169
Fines, Penalties and Forfeits	2,674,853	907,577
	365,685,995	319,490,027
21. Sale of goods and rendering of services		
Building plan fees	1,953,338	1,881,069
Tender documents	120,279	97,092
Parking fees	-	18,710
Clearance certificates	702,020	483,236
Entrance fees	388	830
Application fees	2,073	901
Cemetery and burial fees	157,785	216,375
Photocopies and faxes	6,196	7,878
Domestic services	-	9,900
Town planning and servitudes	705,185	192,701
	3,647,264	2,908,692
22. Service charges		
Sale of electricity	83,432,608	77,410,804
Refuse removal	7,872,258	7,597,599
	91,304,866	85,008,403
<p>The Estimated Distribution Loss R 19 685 013 (2020: R 83 049 702) is noted . There were 79 710 467 electricity kilowatts issued , but 91 568 908 kilowatts purchased resulting in a loss of 11 858 441 @ 1,66 c/R that makes an amount of R 19 685 013 (13%) loss.</p> <p>The Municipality is applying its credit control and Debt collection policy in an effort to reduce losses, however the losses are of a technical nature and illegal connections. The municipality is busy investing strategies to further reduce the issues.</p>		
23. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1,277,858	1,097,774
Premises	-	-
Garages and parking	-	-
Facilities and equipment	1,277,858	1,097,774
24. Interest Received		
Heading		
Interest	2,403,368	1,902,299

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Figures in Rand	2021	2020
25. Fines, Penalties and Forfeits		
Overdue Books Fines	1,443	3,577
Municipal Traffic Fines	2,673,410	904,000
	2,674,853	907,577
26. Licences and permits (exchange)		
Learners Certificates	1,321,712	1,119,785
Market Porters	13,376	6,818
Taxi rank permits	26,809	34,174
Drivers Licence Application/Duplicate Drivers Licences	2,152,950	1,635,248
	3,514,647	2,796,025
27. Lease rentals on operating lease		
Motor vehicles		
Contractual amounts	238,857	274,450
Equipment		
Contractual amounts	904,906	818,788
Lease rentals on operating lease - Other		
Contractual amounts	276,736	270,491
	1,420,499	1,363,729
28. Surcharges and Taxes		
Surcharges	26,672	41,872
29. Interest, dividends and Rent on Land		
30. Operational revenue		
Administration handling fees	110,230	55,964
Fees earned	1,180,239	-
Commission received	1,563	11,527
Incidental cash surpluses	5,681	545
Skills development levy refund	118,953	189,795
Insurance refund	111,441	44,070
	1,528,107	301,901
31. Investment revenue		
Interest revenue		
Bank	1,715,464	2,649,715
	1,715,464	2,649,715

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Figures in Rand	2021	2020
32. Property rates		
Rates received		
Residential	131,870,564	123,221,501
Commercial	33,109,973	30,307,772
State	3,309,397	3,214,476
Small holdings and farms	39,682,886	36,902,775
Industrial	8,311,526	7,626,756
Public benefit organisations	476,843	413,263
Public service infrastructure	286,749	292,019
Other properties	2,821,482	2,888,974
	219,869,420	204,867,536
Property rates - penalties imposed	11,974,995	8,095,873
	231,844,415	212,963,409

The amount of revenue forgone / rebates for property rates is R157 618 002 (2019/2020: R 148 031 130)

Valuations

Residential	17,030,470,500	16,801,799,500
Commercial	3,194,734,500	3,102,821,000
State	283,006,000	283,006,000
Municipal	293,915,325	283,935,325
Education	2,246,928,000	2,246,928,000
Place of worship	235,414,000	235,414,000
Agriculture	3,923,466,000	3,911,199,000
Private open space	26,944,000	26,944,000
	27,234,878,325	26,892,046,825

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The current general valuation roll has expired however the municipality requested an extension through the MEC for COGTA and it was granted. Rates are levied on an annual basis with the final date for payment being 30 June 2020 interest at 1% per annum (2020: 1%) and a collection fee of 10% (2020: 10%), is levied on rates outstanding seven months after the due date each financial year.

The new general valuation roll will be implemented on the 01 July 2022.

33. Grants and subsidies paid

Other subsidies

Indigent relief	-	19,000
Grant in Aid	212,950	106,500
SPCA	360,000	360,000
	572,950	485,500
Grants paid to ME's	-	-
Other subsidies	572,950	485,500

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34. Actuarial Loss

Loss on Medical Services

Actuarial Loss for Medical Aid Benefit	3,296,000	-
Actuarial Loss for Long Service Award	317,000	-
	<u>3,613,000</u>	<u>-</u>

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Figures in Rand	2021	2020
35. Government grants and subsidies		
Operating grants		
Equitable share	85,401,000	67,048,000
Expanded Public Works Programme Grant	1,000,000	1,000,000
Nodal Plan and Land Scheme Grant	-	1,125,023
Integrated National Electrification Grant	7,170,560	3,829,440
Library staffing costs	4,071,000	3,942,000
Finance Management Grant	2,029,672	1,440,328
Museum Grant	213,000	202,000
Disaster Management Grant - Covid 19	-	1,460,000
Sport and Recreation Maintenance Grant	-	27,438
MAP Synergistic Partnership	71,936	18,613
	99,957,168	80,092,842
Capital grants		
Municipal Infrastructure Grant	31,182,887	25,484,327
	99,957,168	80,092,842
	31,182,887	25,484,327
	131,140,055	105,577,169
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	45,758,611	38,510,556
Unconditional grants received	85,401,000	67,048,000
	131,159,611	105,558,556
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
The additional funding for Covid-19 allocation received through equitable share for 2020: R12 045 000 was fully spent.		
Disaster Management Grant		
Current-year receipts	-	1,460,000
Conditions met - transferred to revenue	-	(1,460,000)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
Expanded Public Works Program		
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
Finance Management Grant		
Balance unspent at beginning of year	329,672	-
Current-year receipts	1,700,000	1,770,000

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Figures in Rand	2021	2020
35. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(2,029,672)	(1,440,328)
	<u>-</u>	<u>329,672</u>
Conditions still to be met - remain liabilities (see note 15).		
Housing Grant		
Balance unspent at beginning of year	609,204	1,149,787
Current-year receipts	242,000	-
Other	340,633	(540,583)
	<u>1,191,837</u>	<u>609,204</u>
Conditions still to be met - remain liabilities (see note 15).		
The municipality is an implementing agent for this grant, hence revenue is not recognised to the Statement of Financial Performance in terms of GRAP 109, and is accounted as a liability.		
Integrated National Electricity Programme Grant		
Balance unspent at beginning of year	2,170,560	-
Current-year receipts	5,000,000	6,000,000
Conditions met - transferred to revenue	(7,170,560)	(3,829,440)
	<u>-</u>	<u>2,170,560</u>
Conditions still to be met - remain liabilities (see note 15).		
Museum Grant		
Current-year receipts	213,000	202,000
Conditions met - transferred to revenue	(213,000)	(202,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 15).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	11,413,887	2,859,214
Current-year receipts	22,628,000	34,039,000
Conditions met - transferred to revenue	(31,182,887)	(25,484,327)
Other	(2,859,000)	-
	<u>-</u>	<u>11,413,887</u>
Conditions still to be met - remain liabilities (see note 15).		
Massification Grant		
Balance unspent at beginning of year	135,116	135,116
Conditions still to be met - remain liabilities (see note 15).		
MAP Synergistic Partnership (Traditional Council)		
Balance unspent at beginning of year	231,732	250,345

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35. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(71,936)	(18,613)
	<u>159,796</u>	<u>231,732</u>
Conditions still to be met - remain liabilities (see note 15).		
Provincial Library		
Current-year receipts	4,071,000	3,942,000
Conditions met - transferred to revenue	(4,071,000)	(3,942,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 15).		
Sports and Recreation Grant		
Balance unspent at beginning of year	11,042	38,480
Conditions met - transferred to revenue	-	(27,438)
	<u>11,042</u>	<u>11,042</u>
Conditions still to be met - remain liabilities (see note 15).		
Provincial - Cedara College / Khanya Village Road		
Balance unspent at beginning of year	<u>414,219</u>	<u>414,219</u>
Conditions still to be met - remain liabilities (see note 15).		

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36. Additional Note		
37. Employee related costs		
Basic	68,319,497	66,354,628
Bonus - 13th Cheque	5,698,586	4,971,473
Medical aid - company contributions	7,162,341	5,647,926
Unemployment Insurance Fund	528,163	541,535
Workmans Compensation Fund	689,265	721,563
Leave pay provision charge	3,559,614	7,080,737
Defined benefit contributions - medical	-	(9,502)
Pension fund contributions	16,826,623	12,588,089
Overtime payments	6,172,657	8,000,197
Defined benefit contributions - Long-service awards	324,907	525,726
Acting allowances	90,014	304,472
Car allowance	4,784,092	4,531,767
Housing benefits and allowances	394,339	380,228
Bargaining Council Levies	37,698	35,390
Cellphone allowance	310,634	303,535
Standby allowance	669,071	392,088
	115,567,501	112,369,852
Remuneration of Municipal Manager		
Annual Remuneration	1,386,637	1,386,637
Cellphone allowance	24,000	24,000
	1,410,637	1,410,637
Remuneration of Chief Financial Officer		
Annual Remuneration	391,321	385,587
Car Allowance	130,440	259,625
Cellphone allowance	10,500	9,098
Leave encashment	-	37,423
	532,261	691,733
Remuneration of General Manager: Corporate Services		
Annual Remuneration	980,967	986,658
Car Allowance	227,961	222,269
Cellphone allowance	18,000	18,000
	1,226,928	1,226,927
Remuneration of Former General Manager: Planning Services		
Annual Remuneration	124,768	684,074
Car Allowance	-	107,180
Cellphone allowance	-	9,000
Leave encashment	29,807	45,107
	154,575	845,361
Remuneration of General Manager: Community Services		
Annual Remuneration	800,057	986,658
Car Allowance	225,424	222,269

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Figures in Rand	2021	2020
37. Employee related costs (continued)		
Leave encashment	-	45,108
Cellphone allowance	18,000	18,000
	1,043,481	1,272,035
Remuneration of Acting Chief Financial Officer		
Annual Remuneration	297,755	212,721
Car Allowance	99,252	68,218
Leave Encashment	39,234	-
Cellphone allowance	6,986	4,500
	443,227	285,439
Remuneration of General Manager: Planning and Development		
Annual Remuneration	710,969	186,518
Car Allowance	236,990	72,920
Cellphone allowance	18,000	4,500
Leave encashment	-	41,119
	965,959	305,057
Remuneration of General Manager - Technical Services		
Annual Remuneration	391,321	-
Car Allowance	130,440	-
Cellphone Allowance	10,500	-
	532,261	-
Remuneration of Acting General Manager - Technical Services		
Annual Remuneration	271,566	-
Car Allowance	90,522	-
Cellphone Allowance	6,986	-
Leave Encashment	20,447	-
	389,521	-
38. Remuneration of councillors		
Mayor	934,650	934,650
Deputy Mayor	759,478	759,478
Speaker	462,950	760,877
Councillors	7,172,959	6,868,530
	9,330,037	9,323,535

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

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38. Remuneration of councillors (continued)

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

39. Depreciation and amortisation

Property, plant and equipment	56,613,668	55,961,470
Investment property	314,340	314,340
	56,928,008	56,275,810

40. Impairment of cash

41. Impairment of assets

Impairments

Property, plant and equipment	(136,317)	9,732,486
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	(136,317)	9,732,486
	-	-

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

42. Finance costs

Landfill Sites Interest Cost	4,857,183	4,699,012
Non-current borrowings	1,613,308	2,010,010
Trade and other payables	668,649	4,803
	7,139,140	6,713,825

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2020: R -).

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Figures in Rand	2021	2020
43. Debt impairment		
Contributions to debt impairment provision	73,381,778	42,740,655
Reconciliation of Debt Impairment		
Traffic Fines	2,572,900	761,243
Electricity	10,432,893	2,110,437
Rates	56,567,482	38,156,947
Refuse	2,788,924	930,156
Sundry debtors	(58,384)	531,839
Rent	1,077,964	250,033
	73,381,779	42,740,655
44. Bulk purchases		
Electricity - Eskom	127,756,605	111,520,559
Electricity losses		
45. Contracted services		
Outsourced Services		
Administrative and Support Staff	4,650,373	6,034,179
Animal Care	181,913	115,763
Business and Advisory	2,272,964	2,554,298
IT Expenses	4,651,728	3,627,492
Cleaning Services	1,567,431	-
Cleaning and Grass Cutting Services	1,799,453	205,550
Fire Services	145,366	233,372
Hygiene Services	194,573	1,450,851
Hire Charges	2,831,661	3,257,466
Postage and Courier	1,931,068	1,595,395
Connection/Dis-connection	6,235,626	3,453,735
Refuse Removal	-	3,612,000
Security Services	16,676,266	16,582,986
Consultants and Professional Services		
Business and Advisory	6,130,292	2,016,885
Infrastructure and Planning	8,565,888	12,223,171
Laboratory Services	-	130,550
Legal Cost	5,440,876	3,394,074
Contractors		
Catering Services	127,500	122,400
Employee Wellness	-	5,871
Maintenance of Buildings and Facilities	2,527,120	1,663,743
Maintenance of Equipment	20,659	12,055
Maintenance of Unspecified Assets	14,376,564	24,538,568
Pest Control and Fumigation	110,911	-
Prepaid Electricity Vendors	778,651	431,568
Transportation	-	116,300
Presented previously	-	-
Outsourced Services	43,138,422	42,723,087
Consultants and Professional Services	20,137,056	17,764,680
Contractors	17,941,405	26,890,505
	81,216,883	87,378,272

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Figures in Rand	2021	2020
46. General expenses		
Advertising	630,255	742,719
Salga Bargaining Council	1,381,110	1,305,110
Auditors remuneration	2,483,035	2,438,974
Bank charges	921,121	1,031,716
Commission paid	8,753	300,840
Discount allowed	1,036,025	-
Insurance and vehicle tracking	1,331,151	1,449,550
Conferences and seminars	77,804	455,043
Signage expenses	65,120	38,000
Skills development levies	870,498	821,879
Fuel and oil	3,196,254	3,156,852
Printing and stationery	16,002	21,920
Protective clothing	1,106,073	517,864
Subscriptions and membership fees	576,750	287,089
Telephone and fax	968,171	1,000,620
Travel - local	110,482	605,318
Electricity and water utilities	14,596,009	11,062,726
Indigent relief	2,986,943	2,078,614
Motor vehicle licences and registrations	138,935	106,639
Ward committees	1,584,287	1,567,613
Bursaries and learnerships	1,089,774	1,258,183
	35,174,552	30,247,269
47. Materials and supplies		
Consumable stores	1,109,607	1,250,412
Materials and supplies	578,672	598,072
	1,688,279	1,848,484
	1,688,279	1,848,484
	-	-
	-	-
48. Auditors' remuneration		
Fees	2,483,035	2,438,974
49. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		
Operating lease charges		
Motor vehicles		
• Contractual amounts	238,857	274,450
Equipment		
▪ Contractual amounts	904,906	818,788
Lease rentals on operating lease - Other		
▪ Contractual amounts	276,736	270,491
	1,420,499	1,363,729
Impairment on property, plant and equipment	(136,317)	9,732,486
Depreciation on property, plant and equipment	56,613,668	55,961,470
Depreciation on investment property	314,340	314,340
Employee costs	131,596,386	127,631,039

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Figures in Rand	2021	2020
50. Cash generated from operations		
Deficit	(49,274,194)	(53,929,792)
Adjustments for:		
Depreciation and amortisation	56,928,008	56,275,810
Provision for landfill site	(1,502,623)	-
Provision for Landfill Site	2,281,957	-
Traffic Fines	(2,578,777)	-
Income Accrued	(304,724)	-
Interest Accrued	(191,101)	-
Deemed Interest	(1,166,925)	-
Accruals	14,873,051	-
Impairment	(136,317)	9,732,486
Debt impairment	3,490,301	42,740,655
Actuarial Loss	3,613,000	(5,853,000)
Movements in provisions	6,359,809	13,555,012
Movement in tax receivable and payable	-	7,080,737
Annual charge for deferred tax	-	2,909,728
Changes in working capital:		
Non-Current Receivables from exchange transactions	(1,900,102)	(171,849)
Receivables from Non Exchange Transaction	9,485,800	(33,899,881)
Other receivables from non-exchange transactions	37,331,230	3,584,834
Statutory receivables	(34,008)	-
Accrual	(17,155,688)	-
Payables from exchange transactions	(12,678,892)	711,543
VAT	(2,672,864)	(82,436)
Unspent conditional grants	(13,403,422)	9,343,248
Employee Obligations	6,609,000	-
	37,972,519	51,997,095
51. Financial instruments disclosure		
Categories of financial instruments		
2021		
Financial assets		
	At amortised cost	Total
Cash and Cash Equivalents	22,484,328	22,484,328
Trade Receivables from Exchange Transactions	13,584,865	13,584,865
Trade Receivables from Non-Exchange Transactions	37,008,101	37,008,101
Vat Receivables	5,123,640	5,123,640
	78,200,934	78,200,934
Financial liabilities		
	At amortised cost	Total
Finance Lease Liability	2,705,514	2,705,514
Annuity Loans	12,448,711	12,448,711
Unspent Grants	2,016,062	2,016,062
Trade and Other Payables	66,760,759	66,760,759
Consumer Deposits	4,762,774	4,762,774
	88,693,820	88,693,820
2020		

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51. Financial instruments disclosure (continued)

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	23,057,342	23,057,342
Receivables from non-exchange transactions	74,339,500	74,339,500
Cash and cash equivalents	32,099,000	32,099,000
VAT Receivable	2,450,776	2,450,776
	131,946,618	131,946,618

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	79,473,656	79,473,656
Unspent conditional grants	15,419,483	15,419,483
Annuity loans	17,335,681	17,335,681
Consumer deposits	2,473,970	2,473,970
Finance lease liability	4,509,707	4,509,707
	119,212,497	119,212,497

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52. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	5,690,845	34,463,754
Total capital commitments		
Already contracted for but not provided for	5,690,845	34,463,754
Authorised operational expenditure		
Already contracted for but not provided for		
• Contracted services	5,391,324	26,255,937
Total operational commitments		
Already contracted for but not provided for	5,391,324	26,255,937
Total commitments		
Total commitments		
Authorised capital expenditure	5,690,845	34,463,754
Authorised operational expenditure	5,391,324	26,255,937
	11,082,169	60,719,691

This committed expenditure relates to capital and operational expenditure and will be financed by available bank facilities, retained surpluses and existing cash resources.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

53. Contingent Liabilities

Illegal Occupants	-	300,000
Plant Health Product	-	100,000
Contempt Order Application	-	300,000
Labour Disputes	-	200,000
Services Charges Claim	-	483,000
Revocation of Bylaws	-	850,000
Illegal Construction and Structure	-	260,000
Eviction Matter	760,000	-
Planning Matters	170,000	-
Other Matters	1,709,195	-
Pothole Claims	3,415,137	3,402,534
	6,054,332	5,895,534

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54. Related parties

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54. Related parties (continued)

Remuneration of management

Management class: Councillors

2021

Name	Basic salary	Travel allowance	Cellphone allowance	Re-imbursive travel	Total
Mayoral Committee	2,839,899	946,641	307,200	5,501	4,099,241
Councillors	3,394,416	1,131,481	710,400	-	5,236,297
	6,234,315	2,078,122	1,017,600	5,501	9,335,538

2020

Name	Basic salary	Travel allowance	Cellphone allowance	Re-imbursive travel	Total
Mayoral committee members	2,782,217	944,654	307,200	53,142	4,087,213
Councillors	3,394,441	1,131,481	710,400	-	5,236,322
	6,176,658	2,076,135	1,017,600	53,142	9,323,535

Re-imbursive travel is paid based on the kilometers travelled for work purposes, and is therefore not considered to be employee costs. Re-imbursive travel is therefore disclosed as operational expenditure in the Statement of Financial Performance.

Management class: Executive management

2021

Name	Basic salary	Cellphone allowance	Travel allowance	Reimbursive travel	Leave Encashment	Total
Municipal Manager	1,386,637	24,000	-	5,952	-	1,416,589

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54. Related parties (continued)

Chief Financial Officer	391,321	10,500	130,440	-	-	532,261
GM: Community Services	800,057	18,000	225,424	10,877	-	1,054,358
GM: Planning	710,969	18,000	236,990	-	-	965,959
GM: Corporate	1,037,956	18,000	170,971	69,783	-	1,296,710
Acting Chief Financial Officer	297,755	6,986	99,252	-	39,234	443,227
Former GM: Planning	124,767	-	-	-	29,807	154,574
GM: Technical	391,231	10,500	130,440	-	-	532,171
Acting Technical GM Manager	271,566	6,986	90,522	-	20,447	389,521
	5,412,259	112,972	1,084,039	86,612	89,488	6,785,370

2020

Name	Basic salary	Cellphone allowance	Travel allowance	Re-imbursive travel	Total
Municipal Manager	1,352,016	24,000	-	91,310	1,467,326
Chief Financial Officer	423,011	9,000	259,625	-	691,636
GM: Community Services	1,031,766	18,000	222,269	4,070	1,276,105
GM: Planning	729,180	18,000	107,181	-	854,361
GM: Corporate	986,658	18,000	222,269	104,836	1,331,763
Acting Chief Financial Officer	212,722	4,500	68,218	-	285,440
Acting GM: Planning	227,637	4,500	72,920	-	305,057
	4,962,990	96,000	952,482	200,216	6,211,688

Re-imbursive travel is paid based on the kilometers travelled for work purposes, and is therefore not considered to be employee costs. Re-imbursive travel is therefore disclosed as operational expenditure in the Statement of Financial Performance."

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Notes to the Annual Financial Statements

55. Prior Period Adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	32,099,030	-	-	32,099,030
Receivables from exchange transactions	24,308,403	(1,251,061)	-	23,057,342
Receivables from non-exchange transactions	74,339,499	(168)	-	74,339,331
VAT receivable	2,450,776	-	-	2,450,776
	133,197,708	(1,251,229)	-	131,946,479
Non-Current Assets				
Investment property	48,243,894	(44,346,982)	54,520,840	58,417,752
Property, plant and equipment	1,136,543,277	(27,002,100)	(54,520,840)	1,055,020,337
Intangible assets	7,865	(7,865)	-	-
Heritage assets	5,505,911	(107,597)	-	5,398,314
Non-Current Receivables from exchange transactions	3,818,217	-	-	3,818,217
	1,194,119,164	(71,464,544)	-	1,122,654,620
Non-Current Assets	1,194,119,164	(71,464,544)	-	1,122,654,620
Current Assets	133,197,708	(1,251,229)	-	131,946,479
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-
Total Assets	1,327,316,872	(72,715,773)	-	1,254,601,099
Liabilities				
Current Liabilities				
Consumer deposits	2,473,970	-	2,291,563	4,634,120
Employee benefit obligation	1,600,000	-	-	1,600,000
Annuity loans	3,940,192	-	-	3,940,192
Payables from exchange transactions	79,863,116	(484,566)	(2,291,563)	79,775,223
Unspent conditional grants	15,419,484	-	-	15,419,483
Finance lease obligation	1,804,193	-	-	1,804,193
	105,100,955	(484,566)	-	107,173,211
Non-Current Liabilities				
Annuity loans	13,395,489	-	-	13,395,489
Employee benefit obligation	26,163,000	-	-	26,163,000
Provisions	43,468,583	11,764,607	-	55,233,190
Finance lease obligation	2,705,514	-	-	2,705,514
	85,732,586	11,764,607	-	97,497,193
Non-Current Liabilities	85,732,586	11,764,607	-	97,497,193
Current Liabilities	105,100,955	(484,566)	-	107,173,211
Liabilities of disposal groups	-	-	-	-
Total Liabilities	190,833,541	11,280,041	-	204,670,404

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55. Prior Period Adjustments (continued)

Assets	1,327,316,872	(72,715,773)	-	1,254,601,099
Liabilities	(190,833,541)	(11,280,041)	-	(204,670,404)
Net Assets	1,136,483,331	(83,995,814)	-	1,049,930,695
Net Assets				
Accumulated surplus	1,135,844,021	(86,907,335)	-	1,048,936,686

55.1. Cash and cash equivalents

Balance previously reported	204,372,080
Prior period adjustment	251,967
Reclassifying adjustment	(172,525,017)
	32,099,030

Interest on investments was recognised incorrectly in the prior financial year.

55.2 Operating lease asset

Balance previously reported	-
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55. Prior Period Adjustments (continued)

55.3 Property, plant and equipment

Assets were identified during the 2019/2020 asset verification process which were previously included in the fixed register and the audit process. These assets were therefore recognised in the fixed register at fair value, as supporting documents.

Balance Previously reported	-	1,136,543,277
Prior year adjustments	-	(27,002,100)
Reclassification	-	(54,520,840)
	-	<u>1,055,020,337</u>

Land

Land Newly found in asset register for 2018/2019 recognised fair-valued to address the finding raised.

Reclassification from Land to Investment property is as a result of the verification conducted. Decognition of land not municipal land as a result of the verification conducted.

July 2019 - Audited Opening Balances	159,296,943
Land Fair Values adjustment	74,773,310
Reclassification from Land to Investment Property	(54,520,840)
Derecognition of Land	(499,868)
Newly identified taken into the register upon Verification	6,279,500

Restated Opening Balance 1 July 2019 185,329,045

Adjustments for movements 2018/2019

No adjustments on the movements of Land
Total Restatements

-
185,329,045

Total Restatements 1 July 2019

185,329,045

1 July 2020

1 July 2020 - Audited Opening Balance
2018/2019 Adjustments already disclosed
Adjustments for Movements 2019/2020
No adjustments on the movements on land

185,715,655
(386,611)

Total Restatements 1 July 2020

185,329,044

Adjustments for Movements 2019/2020

No adjustments on the movement of Land
Total Restatements 1 July 2020

-
185,329,044
185,329,044

Buildings

Buildings newly identified taken into the register upon Verification conducted in 2020/2021 and Buildings not Municipal Buildings derecognised.
Depreciation adjustments and impairment adjustments were based on the change above and reviews of the population conducted.

1 July 2019 - Audited opening balance	103,432,153
Reclassification of WIP to PPE for alignment / mapping	75,837,133
Newly identified taken into the register upon verification	41,869,712

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55. Prior Period Adjustments (continued)

Derecognition of Buildings	(11,332)
Adjustments for Movements 2018/2019	-
Depreciation adjustment	(5,636,117)
Restated Opening Balance 1 July 2019	215,491,549

1 July 2020 - Audited opening Balances	234,228,770
Adjustment accounted for in 2018/2019	112,065,447
Journal already accounted for as 17/18 adjustments	(50,806,473)
WIP & Leased assets allocation for alignment purposes in AFS disclosure	(75,837,133)
Adjustments for Movements 2019/2020	-
Depreciation adjustment	(3,124,423)
Impairment Adjustment	43,811
Total Restatements 1 July 2019	216,569,999

Landfill Site

Landfill Site cost adjustment based on the provision adjustments made and recognition of land in the correct period. Landfill Site newly identified taken into the register upon due to the Land that was previously impaired and impairment was reversed. Depreciation adjustments and impairment were based on the changes above and review of the population conducted.	-
1 July 2019 - Audited opening Balances	13,326,707
Cost adjustment for Landfill site	33,547,808
Newly identified taken into the register upon verification	9,866,141
Derecognition of Landfill site	(1,833,131)
Depreciation reversal of landfill site	9,326,000
Adjustments for movements 2018/2019	-
Depreciation adjustment	(3,873,400)
Impairment adjustment	(716,126)
	59,643,999

1 July 2020 - Audited Opening Balance	10,822,585
Adjustments already accounted 2018/2019	46,317,292
Journals already accounted for as 2017/2018 adjustments	(14,969,509)
Adjustments for Movements 2019/20	-
Depreciation adjustment	(665,627)
Impairment adjustment	10,344,704
Total Restatements 1 July 2020	51,849,445

Machinery and Equipment

1 July 2019 - Audited Opening Balances	2,175,735
Reclassification of Lease Equipment to Machinery and Equipment	65,598
Newly identified taken into the register upon verification	86,206
Depreciation adjustment for movable assets	1,031,790
Adjustment for Movements 2018/2019	-
Additions adjustment	15,640
Depreciation adjustment	(133,344)
Disposal adjustment	(94,181)
	-
Total Restatements 1 July 2019	3,147,444

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55. Prior Period Adjustments (continued)

1 July 2020 - Audited Opening Balances	1,857,505
Adjustments already accounted for 2018/2019	995,270
Journals already accounted for as 17/18	(75,412)
WIP & leased assets allocation for alignment purposes in AFS disclosure	(65,599)
Adjustments for Movements 2019/2020	-
Depreciation adjustment	(385,300)
Impairment adjustment	83
Total Restatements 1 July 2020	2,326,547

Furniture and Fittings

Furniture and Fittings derecognised due to duplications identified and assets not meeting the definition of assets initially disclosed after the verification conducted 2020/2021.

Depreciation adjustments and impairment adjustments were based on the changes above and reviews of the population conducted.

1 July 2019 - Audited Opening Balances	1,637,000
Movables assets derecognised	(74,051)
Depreciation adjustment for movable assets	727,678
Adjustments for Movements 2018/19	-
Additions adjustment	7,080
Depreciation adjustment	(86,108)
Disposal adjustment	(45,500)
Total Restatements 1 July 2019	2,166,099

1 July 2020 - Audited opening balance	1,333,427
Adjustments already accounted 2018/19	561,576
WIP & leased assets allocation for alignment purposes in AFS Disclosure	(65,617)
Adjustment for movements	-
Total Restatements 1 July 2019	1,829,386

Motor Vehicles

Reclassification for WIP assets conducted for disclosure purposes. Depreciation adjustments and adjustments were based on the changes above and reviews of the population conducted.

1 July 2019 - Audited opening balances	1,716,141
Reclassification of Motor Vehicle (Leased) to Owned Vehicles	3,402,424
Depreciation adjustment for movable assets	994,493
Adjustment for Movement 2018/19	-
Depreciation adjustment	(220,404)
Disposal adjustment	(105,335)
Total Restatements 1 July 2019	5,787,319

1 July 2020 Opening Balance	6,007,153
Adjustments already accounted 2018/2019	4,067,749
WIP & Leased assets allocation for alignment purposes in AFS Disclosure	3,375
WIP & Leased assets allocation for alignment purposes in AFS	(3,402,423)
Adjustments for Movements 2019/20	-
Depreciation adjustments	(443,342)

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55. Prior Period Adjustments (continued)

Total Restatements 1 July 2020	6,232,512
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Motor Vehicles Leased

Reclassification for leased assets conducted for leased assets conducted for mapping and disclosure purposes.

1 July 2019 - Audited opening balance	3,402,424
Reclassification of Motor Vehicles (Leased) to Owned Motor vehicle	(3,402,424)

Total Restatements 1 July	-
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Computer Equipment

Computer Equipment newly identified are assets found on the floor and depreciated asset duplicated upon verification conducted 2020/2021. Depreciation adjustments, impairments & disposal adjustments were based on the changes above and reviews of the population conducted.

1 July 2019 - Audited opening Balance	1,692,586
Movable assets derecognised	(26,715)
Newly identified taken into the register upon verification	64,443
Depreciation adjustment	756,632
Adjustments for movements 2018/19	-
Additions adjustments	(22,720)
Depreciations adjustments	(78,564)
Disposal adjustment	(116,890)
	2,268,772

1 July 2020 - Audited opening balances

Adjustments already accounted 2018/2019	1,479,524
Journals already accounted for as 17/18 adjustments	584,566
WIP & Leased assets allocation for alignment purposes	(109,197)
Adjustments for movements 2019/20	-
Depreciation adjustment	(155,979)
Impairment adjustment	325
	1,799,239

1 July 2020 - Audited opening Balance	-	197,044,123
Adjustments already accounted for 2018/2019	-	(32,185,082)
Journals already accounted for as 17/18 adjustments	-	(86,514,324)
	-	(44,995)
Adjustments for Movements 2019/2020	-	3,475,454
Total Restatements 1 July 2020	-	81,775,176

Roads and Stormwater network

Reclassification for WIP assets conducted for disclosure purposes. Roads and Stormwater newly identified assets were found on floor and derecognition of one road (not municipal road) and street lighting not part of the road network upon verification conducted in 2020/2021.

Depreciation, transfers to PPE adjustments and impairment adjustments were based on the changes and reviews of the population conducted.	-	-
1 July 2019 - Audited opening Balance	-	782,063,318
Reclassification of WIP to PPE alignment / mapping	-	27,855,613

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55. Prior Period Adjustments (continued)

Roads fair valued	-	(361,384,189)
Newly identified assets taken into the register upon verification	-	40,840,425
Derecognition of Street lights	-	(226,209)
Derecognition of road internal roads not Municipal roads	-	(1,087,458)
Depreciation adjustment for roads	-	33,577,750
Adjustments for Movements in 2018/2019	-	-
Additions adjustment	-	14,868,594
Transfers adjustment	-	73,414
Depreciation adjustment	-	(4,969,224)
Impairment adjustment	-	(6,379)
	-	531,605,655
1 July 2020 - Audited opening balance	-	498,054,535
Adjustments already accounted for as 2018/19 adjustments	-	(250,457,663)
Journals already accounted for as 17/18 adjustments	-	288,442,633
Wip & Leased assets allocation for alignment	-	(27,845,613)
Adjustments for Movements 2019/2020	-	-
Depreciation adjustment	-	(690,240)
Impairment adjustment	-	(3,768)
	-	507,499,884

55.4 Intangible assets

Leased software was incorrectly capitalised to the asset register in the previous financial years. The leased software was therefore identified and derecognised accordingly.

55.5 Investment property

Investment property was transferred from Property plant and equipment in 2019-2020 register, the transfer made in 2018-2019 was reversed, a recalculation of depreciation was performed with the adjustments in 2018-2019 posted as prior year error and 2019-2020 adjustment posted to the movements of the year in term of the definition in accordance with GRAP.

55.6 Heritage assets

Heritage Assets

Balance previously reported	-	5,505,911
Prior year adjustments	-	(107,597)
	-	5,398,314

Heritage Assets overstatement correction.

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55. Prior Period Adjustments (continued)

55.7 Payables from exchange transactions

Balance previously reported	57,869,667
Reclassifying adjustments	(2,291,658)
Prior year adjustments	(606,129)
Other	24,803,343
	79,775,223

The municipality reclassified a control account for over and unders on banking from payable from exchange transactions to receivables from exchange transactions, due to the account being a debit balance. Additionally, consumer deposits has been reclassified from trade and other payables to be reported separately on the Statement of Financial Performance, to improve presentation to the users.

The municipality has lost the court case through bargaining council in 2018 and resulted in the municipality incurring cost. The incumbent had been awarded reinstatement and back pay in December 2018.

55.8 Provisions

Balance previously reported	-	43,468,583
Prior Year adjustments	-	11,764,607
	-	55,233,190

The provision is an adjustment relating to the correction of the financial year, the provision was recognised previously.

55.9 Consumer deposits

Balance previously reported	2,342,557
Reclassification adjustment	2,291,563
	4,634,120

Consumer deposits were previously classified under payables from exchange transactions. In order to improve the presentation of the financial statements and alignment to the National Treasury mSCOA reporting, consumer deposits has been reclassified to appear directly on the Statement of Financial Performance.

55.10 Employee benefit obligation

Balance previously reported	1,418,380
Reclassification adjustment	64,962
Other	116,658
	1,600,000

The current and non-current portion of the employee benefit obligation was reclassified in accordance with the actuarial valuation report.

55.11 Annuity loans

Balance previously reported	19,481,801
Reclassification adjustment	(64,962)
	19,416,839

The current and non-current portion of the employee benefit obligation was reclassified in accordance with the actuarial valuation report.

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55. Prior Period Adjustments (continued)

55.12 Accumulated surplus

Audited Opening Balance 1 July 2019	1,276,163,631
Correction of errors effected in 2019/2020	(159,228,721)
Correction of errors effected in 2020/2021 for 2019/2020	(14,068,432)
Restated Deficit	(53,929,792)
	<u>1,048,936,686</u>

The recognition of fair value of newly identified assets were accounted for against accumulated surplus, including land identified during the audit process. Adjustments were further made to cash and bank for the correction of interest received in the prior year, as well as the adjustment to traffic fines.

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55. Prior Period Adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	82,892,162	-	2,116,241	85,008,403
Sale of goods and rendering of services	-	-	2,908,692	2,908,692
Other income / Operational Revenue	3,403,861	-	(3,101,960)	301,901
Service Charges- Penalties	1,902,299	-	-	1,902,299
Rental of facilities and equipment	957,049	-	140,725	1,097,774
Agency services	-	(1,701,157)	1,701,157	-
Licences and permits	2,789,207	-	6,818	2,796,025
Commission Received	55,964	-	(55,964)	-
Actuarial gains	5,853,000	-	-	5,853,000
Investment revenue	2,649,715	-	-	2,649,715
Total revenue from exchange transactions	100,503,257	(1,701,157)	3,715,709	102,517,809
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	204,894,736	-	-	204,867,536
Property rates - penalties and interest	8,095,873	-	-	8,095,873
Transfer revenue				
Government grants & subsidies	105,558,556	-	18,613	105,577,169
Fines, Penalties and Forfeits	904,000	-	3,577	907,577
Surcharges and Taxes	-	-	41,872	41,872
Total revenue from non-exchange transactions	319,453,165	-	64,062	319,490,027
	100,503,257	(1,701,157)	3,715,709	102,517,809
	319,453,165	-	64,062	319,490,027
Total revenue	419,956,422	(1,701,157)	3,779,771	422,007,836
Expenditure				
Employee related costs	(118,903,224)	(436,918)	-	(118,307,504)
Remuneration of councillors	(9,323,535)	-	-	(9,323,535)
Depreciation and amortisation	(80,505,792)	(4,694,174)	(19,535,809)	(56,275,809)
Impairment of cash and non-cash generating assets	-	(9,803,303)	19,535,809	(9,732,486)
Finance costs	(2,014,813)	4,699,012	-	(6,713,825)
Debt impairment	(42,740,655)	-	-	(42,740,655)
Lease rentals on operating lease	-	-	(1,363,729)	(1,363,729)
Collection Cost	(1,721,408)	-	1,721,408	-
Bulk purchases	(111,520,559)	-	-	(111,520,559)
Contracted services	(36,814,035)	-	(50,564,237)	(87,378,272)
Transfers and subsidies	(360,000)	-	(125,500)	(485,500)
Materials and Suppliers	-	-	(1,848,484)	(1,848,484)
Operational expenditure	(83,120,890)	-	52,873,621	(30,247,269)
Total expenditure	(487,024,911)	(18,759,571)	(3,106,373)	(475,937,627)
	-	-	-	-
Total revenue	419,956,422	(1,701,157)	3,779,771	422,007,836
Total expenditure	(487,024,911)	(18,759,571)	(3,106,373)	(475,937,627)

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55. Prior Period Adjustments (continued)

Operating surplus (deficit)	(67,068,489)	(20,460,728)	673,398	(53,929,791)
Surplus (deficit) before taxation	(67,068,489)	(20,460,728)	673,398	(53,929,791)
Taxation	-	-	-	-
Surplus (deficit) for the year	(67,068,489)	(20,460,728)	673,398	(53,929,791)

55.13 Sales of goods

Balance previously reported	2,251,981
Reclassifying adjustments	(2,251,981)
	-

The municipality disclosed sale of goods and rendering of services separately in the prior financial year. In order to ensure alignment to the mSCOA chart, sale of goods and rendering of services were combined.

55.14 Operational revenue

Balance previously reported	3,403,861
Reclassifying adjustments	(3,101,960)
	301,901

The municipality disclosed sale of goods and rendering of services separately in the prior financial year. In order to ensure alignment to the mSCOA chart, sale of goods and rendering of services were combined. Operational revenue was previously included in the rendering of services. This has been reclassified to operational revenue as this relates to Skills Development levy refund, commissions and re-imburements.

55.15 Irregular Expenditure

Balance previously reported in 2019/2020	29,737,698
Adjustments	17,331,786
	47,069,484

The Municipality had understated the figure for Irregular Expenditure by R 17,331,786 in the 2019/2020 AFS, this has been properly adjusted in the disclosure note 57.

55.16 Licences and permits

Balance previously reported	2,789,207
Reclassifying adjustment	6,818
Total	(2,796,025)
	-

Commission received on agency services were reclassified from licences and permits to agency services.

55.17 Depreciation and amortisation

Heading		
Balance previously reported	-	80,505,792
Prior year adjustments	-	(4,694,174)
Reclassification adjustment	-	(19,535,809)
	-	56,275,809

Depreciation adjustments relates to identification of newly identified assets and restatements due to review of useful lives.

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55. Prior Period Adjustments (continued)

55.18 Impairment of non cash generating assets

Balance previously reported	-	-
Prior year adjustment	-	(2,540,717)
Reclassification adjustment	-	19,535,809
	<u>-</u>	<u>16,995,092</u>

The Municipality realigned the disclosure of impairment loss from the below surplus/deficit in line with Grap 1.

55.19 Contracted services

Balance previously reported	(73,453,097)
Prior year adjustment	6,738,931
Other 2	(20,664,106)
	<u>(87,378,272)</u>

Expenditure on INEP grant was recognised in the prior year, however the contract meets the definition of a principal agent relationship, where the municipality is the agent. The amount was therefore derecognised and reallocated directly to the liability in accordance with the accounting treatment for agent transactions in terms of GRAP 109

55.20 Grants and subsidies paid

Balance previously reported	-
Other 1	-
	<u>-</u>

55.21 Write-off of assets

Write-off of assets

Prior Year Adjustments	-	(30,422,205)
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The derecognition of assets was per the asset registers to movable assets, Land and Buildings, Landfill site, Electrical Infrastructure, Roads and Storm water network and intangible assets.

55.22 General Expenses

Balance previously reported	(52,598,527)
Reclassification adjustment	-
Prior period adjustment	(1,757)
	<u>22,353,015</u>
	<u>(30,247,269)</u>

Bank charges were incorrectly recognised in the prior financial year..

55.23 Loss on disposal of assets

Balance previously reported	-
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55.24 Surplus on distribution of non-cash assets to owners

Balance previously reported	-
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56. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

The municipality's activities do not expose it to financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the municipality maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings - DBSA	2,407,103	-	7,585,209	-
Trade and other payables	66,760,759	-	-	-
Finance lease obligation	1,394,337	1,311,177	-	-
Provision for Landfill site rehabilitation	-	-	63,503,138	-
Leave accrual	11,648,470	-	-	-
Employee benefit obligation	2,342,000	32,030,000	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings - DBSA	2,606,859	8,960,069	3,487,770	-
Borrowings - ABSA	1,333,333	1,333,333	-	-
Trade and other payables	79,473,656	-	-	-
Finance lease obligation	1,804,193	2,705,514	-	-
Provision for Landfill site rehabilitation	-	-	57,143,329	-
Leave accrual	10,638,704	-	-	-
Employee benefit obligation	1,600,000	26,163,000	-	-

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56. Risk management (continued)

Credit risk

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

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

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2021	2020
Receivables from exchange transactions	13,584,865	23,057,342
Receivables from non-exchange transactions	37,008,101	74,339,331
Cash and cash equivalents	22,484,328	32,099,030

57. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 1,000,585,603 and that the municipality's total liabilities exceed its assets by R 1,000,585,603.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the sound financial management will remain in force for so long as it takes to maintain the solvency of the municipality.

During the financial year ending 30 June 2021, the world continued to experience a pandemic disease called Covid-19 of which the municipality had to comply with the disaster management preventive measures and procedures as addressed by the President of the Republic of South Africa throughout the year.

When determining going concern, the wide-ranging effects of the virus and the restrictions imposed were taken into account including the possible impact on service delivery, purchasing of goods and services required to enable service delivery. The working capital cycle impact which may severely affect the entity's ability to settle its debts as they become due as well as default on payments on loans and facilities has been further considered.

The revenue collection on fines, penalties, service charges, licenses and permits are a few of the income streams which were affected due to the pandemic. The pandemic has affected all customers of the municipality and there is uncertainty on whether the customers will be able to settle their accounts on time. The effects of the pandemic were factored in the calculations of provision for bad debts as required by GRAP 104, taking into account the impact on the collection levels of outstanding debtors for the year under review.

Management has further considered the impact, should the rate of Covid-19 infections increase in the near future. In response to this, the government of South Africa has increased funding support in terms of grants and equitable share which will be used by the municipality to overcome the negative impact of Covid-19 on the municipal operations. The additional allocations will therefore assist the municipality in maintaining cashflow levels to fund service delivery in future.

Management has further redirected funds to meet service delivery requirements and implemented measures to control expenditure to ensure that there is adequate funds to fund additional operations as the need arises.

Based on the above, the financial statements have been prepared on a going concern as sufficient measures are in place to curb the impact of the pandemic.

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58. Events after the reporting date

During the month of July 2021, an unrest resulting in riots and looting of several businesses and properties within the municipality's jurisdiction occurred. This has resulted in major financial losses to affected businesses and residents of the area, which may result in the reduction of income received by the municipality in the future. The municipality is still in the process of assessing the level of impact on these businesses and residents, and therefore an estimation cannot be finalised at this stage.

The riots further resulted in damage to municipal infrastructure and properties as follows:

-

59. Unauthorised expenditure

Opening balance as previously reported	182,602,407	58,073,097
Opening balance as restated	182,602,407	58,073,097
Add: Expenditure identified - current	86,057,073	124,529,310
Closing balance	268,659,480	182,602,407

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	74,023,004	109,001,435
Cash	12,034,069	15,527,875
	86,057,073	124,529,310

Analysed as follows: non-cash

Employee related cost (Actuarial Loss)	901,302	-
Depreciation and amortisation	28,759,876	67,001,280
Debt impairment	45,263,127	42,000,155
Assets impairment	2,236,459	-
	77,160,764	109,001,435

Analysed as follows: cash

Bulk purchases	-	3,333,330
Contracted services	-	5,467,915
Property, plant and equipment	-	6,726,631
	-	15,527,876

60. Fruitless and wasteful expenditure

Opening balance as previously reported	3,938,488	3,668,899
Fruitless and wasteful	646,535	-
Opening balance as restated	4,585,023	3,668,899
Add: Expenditure identified - current	-	269,589
Closing balance	4,585,023	3,938,488

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60. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Description		
Finance Costs	Interest on late payment - electricity	-	1,372
Finance costs	Interest on late payment for telephones	-	261
Expenditure 4	Interest on water account	-	3,170
Expenditure 5	Spoiled material on site during construction due to nature (Midlands Phase 5)	-	269,589
		-	274,392

61. Irregular expenditure

Opening balance as previously reported	47,069,484	29,498,151
Opening balance as restated	47,069,484	29,498,151
Add: Irregular Expenditure - current	4,634,047	132,993
Add: Irregular Expenditure - prior period	-	14,595,011
Irregular Prior year not condoned identified during audit	-	2,843,329
Closing balance	51,703,531	47,069,484

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61. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

Winning Supplier not selected	188,420	-
Deviations not approved	167,170	-
Motivations for deviations were not reasonable and justifiable	55,600	-
Motivations for deviations were not reasonable and justifiable	175,000	-
Motivations for deviation were not reasonable and justifiable	83,870	-
Non-compliance with Regulation 32	3,963,987	-
Local Content threshold not advertised	-	132,993
	4,634,047	132,993

62. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	<u>(49,274,194)</u>	<u>(53,929,792)</u>
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63. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,381,110	1,305,110
Amount paid - current year	<u>(1,381,110)</u>	<u>(1,305,110)</u>
	<u>-</u>	<u>-</u>

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63. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	2,438,974	1,889,002
Current year subscription / fee	2,315,160	2,438,974
Amount paid - current year	(2,008,136)	(2,438,974)
Amount paid - previous years	(2,438,974)	(1,889,002)
	<u>307,024</u>	<u>-</u>

PAYE and UIF

Current year subscription / fee	18,228,040	17,351,557
Amount paid - current year	(18,228,040)	(17,351,557)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year subscription / fee	18,074,022	18,159,760
Amount paid - current year	(18,074,022)	(18,159,760)
	<u>-</u>	<u>-</u>

VAT

VAT receivable	5,123,640	2,450,776
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councillors that had arrear accounts outstanding for more than 90 days at 30 June 2021:

Supply chain management regulations

Incident

36 (1)(a)(i) in an emergency	2,482,837	12,611,744
36 (1) (a)(ii) available from a single provider only	1,112,301	153,979
36 (1)(v) impractical or impossible to follow the official procurement processes	781,079	-
	<u>4,376,217</u>	<u>12,765,723</u>

64. Deviation from supply chain management regulations

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 and includes a note to the annual financial statements.

Incident

36 (1)(a)(i) in an emergency	2,482,837	12,611,744
36 (1) (a)(ii) available from a single provider only	1,112,301	153,979
36 (1)(v) impractical or impossible to follow the official procurement processes	781,079	-
	<u>4,376,217</u>	<u>12,765,723</u>

65. Budget differences

Material differences between budget and actual amounts

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65. Budget differences (continued)

The excess of actual expenditure over the final budget of 10 %

60.1 Service Charges - The main reason for the variance is the Electricity theft and illegal connection .

60.2 Rental of Facilities and Equipment - There has been a demand for this item after the Covid 19 restriction were eased.

60.3 Interest Received Trading - this is due to the increase on the receivables from exchange transaction outstanding debtors.

60.4 Licences and Permits - There was a high demand for these services under Level 3 Covid 19 Restriction after the country was declared in a state of Disaster.

60.5 Other Revenue - this is the undercollection on the GIS Shared Services.

60.6 Interest on Investments - the Municipality spent all of its Conditional Grants but still have some funds invested upto June 2021 hence there is interest that has been accumulated.

60.7 Property Rates Penalties - this is due to non-payment by ratepayers so the Municipality had no option but to implement what is contained in the Municipal Rates Policy.

60.8 Licences and Permits (Non-exchange) - the undercollection is because the Municipality has been greatly affected by the Covid 19 Cases.

60.9 Fines, Penalties and Forfeits -the Municipality procured tools of trade that has yielded a positive outcome.

60.10 Depreciation and Amortisation - this is a non-cash item

60.11 Finance Costs - the reason for the saving is because the Municipality early settled its Absa Loan at 30 June 2021. Additional text

60.12 Rentals on Operating Lease - The Municipality will reduce the budget for this item in the next financial year

60.13 Debt Impairment - this is a result of increase in trade and other receivables

60.14 Contracted Services - the Municipality reclassified the IT Expenses, Postage and Hire Charges to Contracted Services

60.15 Actuarial gains / losses - in the 2019/2020 financial year the Municipality had a actuarial gain , in the 2020/2021 it budgeted for a gain but actually received a loss.

60.16 General Expenses - the variance is as a result of the above-mentioned reclassification to Contracted Services.

60.17 Property, plant and Equipment - the Municipality corrected prior period errors on its PPE.

66. Segment information

General information

Identification of segments

In accordance with GRAP 18, Segment Reporting, a segment as an activity of the municipality 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. The municipality has identified various activities within the municipality that meets the definition of a segment.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

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66. Segment information (continued)

Aggregated segments

The municipality operates throughout the Umngeni jurisdiction. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the municipality jurisdiction were sufficiently similar to warrant aggregation..

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Segment 1

Segment 2

Segment 3

Segment 4

Segment 5

Segment 6

Segment 7

-

-

-

Goods and/or services

Community Facilities

Disaster Management

Economic Development, Planning and Tourism

Electricity

Public Safety

Refuse Removal, Street Cleaning and EPWP

Roads and Stormwater

-

-

-

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66. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Segment 1 - Community Facilities	Segment 2 - Disaster Management	Segment 3 - Economic Development, Planning and Tourism	Segment 4 - Electricity	Segment 5 - Public Safety	Segment 6 - Refuse Removal, Street Cleaning and EPWP	Segment 7 - Roads and Stormwater	Segment 8	Total
Revenue									
Revenue from non-exchange transactions	4,285,443	3,045,000	26,673	17,440,400	3,995,122	9,069,160	35,482,887	-	73,344,685
Revenue from exchange transactions	241,332	-	2,673,973	83,432,608	2,179,559	7,872,258	-	-	96,399,730
Total segment revenue	4,526,775	3,045,000	2,700,646	100,873,008	6,174,681	16,941,418	35,482,887	-	169,744,415
Revenue from non-exchange transactions									293,663,022
Revenue from exchange transactions									7,670,083
Total revenue reconciling items									301,333,105
Entity's revenue									471,077,520
Expenditure									
Bulk Purchases	-	-	-	(127,756,605)	-	-	-	-	(127,756,605)
Contracted services	(2,152,884)	(1,567,431)	(626,300)	(17,947,380)	(242,602)	(7,843,936)	(6,747,482)	-	(37,128,015)
Employee Costs	(15,257,531)	-	(10,190,552)	-	(9,888,146)	(12,303,673)	(7,314,173)	-	(54,954,075)
Finance Costs	-	-	-	-	-	(4,857,183)	(1,613,308)	-	(6,470,491)
Inventory consumed	(222,471)	(364,560)	(4,398)	-	-	(252,040)	(81,584)	-	(925,053)
Operational cost	(1,372,192)	(483,822)	(495,064)	(9,924,455)	(755,452)	(3,403,930)	(604,674)	-	(17,039,589)
Transfers and subsidies	(212,950)	-	(360,000)	(250,119)	-	-	-	-	(823,069)
Impairment loss	-	-	-	(10,432,893)	(2,572,899)	(2,788,924)	-	-	(15,794,716)
Total segment expenditure	(19,218,028)	(2,415,813)	(11,676,314)	(166,311,452)	(13,459,099)	(31,449,686)	(16,361,221)	-	(260,891,613)
Total segmental surplus/(deficit)									(91,147,200)

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	Segment 1 - Community Facilities	Segment 2 - Disaster Management	Segment 3 - Economic Development, Planning and Tourism	Segment 4 - Electricity	Segment 5 - Public Safety	Segment 6 - Refuse Removal, Street Cleaning and EPWP	Segment 7 - Roads and Stormwater	Segment 8	Total
66. Segment information (continued)									
Contracted services									(34,674,411)
Depreciation and amortisation									(65,954,745)
Employee costs									(70,236,003)
Finance costs									(668,649)
Inventory consumed									(763,225)
Operating leases									(1,420,500)
Operational Cost									(28,015,913)
Remuneration of councillors									(9,330,037)
Impairment loss									(59,875,165)
Total revenue reconciling items									301,333,105
Entity's surplus (deficit) for the period									(60,752,742)
Assets									
Work in Progress	24,561,660	-	-	913,928	-	-	9,784,274	-	35,259,862
	-	-	-	-	-	1,509,000	-	-	1,509,000
General Plant - Acquisitions	1,879,453	-	-	-	-	-	-	-	1,879,453
Other	-	-	-	-	-	-	-	2,207,005	2,207,005
Total segment assets	26,441,113	-	-	913,928	-	1,509,000	9,784,274	2,207,005	40,855,320
Total assets as per Statement of financial Position									40,855,320

Information about geographical areas

The municipality's operations are with in Umgeni District in the Kwazulu Natal Province

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66. Segment information (continued)

The municipality currently does not have revenue and assets allocated on a regional level and is still in the process of implementing systems to address this. The costs incurred to unbundle by regional level at this stage is considered excessive, and therefore has not been disclosed in the annual financial statements.