

MKHONDO LOCAL MUNICIPALITY

2020/2021



DRAFT ANNUAL REPORT 2020/2021

MKHONDO 303MP

2020/2021

This Annual Report is drafted in terms of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

MKHONDO LOCAL MUNICIPAL

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CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: EXECUTIVE MAYOR’S FOREWORD

1.1 EXECUTIVE MAYOR’S FOREWORD



The year 2020/21 has been a long year, knowing that we had massive task ahead and therefore we reflect the progress of projects that have been completed and those which are still in progress.

Due to the National Disaster Management Act caused by COVID19 pandemic which discouraged gatherings, our municipality was unable to conduct public participation meetings.

This reflective mirror also give us the opportunity to ensure that whether you are in rural villages this municipality is busy constructing dignified sanitation in, we have upgraded a gravel road to paving block in Group 10 Ward 07 and Thembalabasha

Ward 14, construction of Waste Water Treatment Works eThandukukhanya which is in progress, and construction of outfall Sewer Line. We have also rehabilitated Mandla Magudulela stadium ward 12, rehabilitated bus and taxi route at Brand Street, ward 7.

We also managed to complete a Bulk Water Pipeline System at Dr Pols. This is to mention a few projects established in 2019/20 financial year.

The current budget was drafted as per the Municipal Standard Chart of Accountant (mSCOA) directives which encompasses all seven segments and approved by the Council.

The following projects are in progress for 2021/22 Financial Year: Construction of Driefontein Sanitation Infrastructure, Rehabilitation of Bus and Taxi routes at Phola Park ward 16, Drilling and equipping of Bore Holes in Rural Villages and to improve on Dignified Sanitation in Rural Villages.

All Mkhondo residents deserve and should be provided with a standardised level of service delivery. The current vision and mission status are still maintained and will direct all current and future planning of the municipality. We will continue to serve our community inclusively throughout Mkhondo Municipality.

Due to the COVID -19 pandemic the Municipality was forced to use other measures of communicating which are the municipal website, social media platforms and community radio stations to disseminate information and interacting with the community on the

matters concerning the well-being of our residents as stipulated by the National Disaster Management Act .

Executive Mayor

Councillor, Vusi Motha

COMPONENT B: EXECUTIVE SUMMARY

1.2 MUNICIPAL MANAGER'S FOREWORD

MUNICIPAL MANAGER'S OVERVIEW



As the Accounting Officer of the Mkhondo Local Municipality, I confirm that the 2021- 2022 Annual report has been compiled in line with the Local Government Municipal Systems Act 32 of 2000, the Local Government Municipal Finance Management Act 56 of 2003.

The review process provides an opportunity to reflect on the lessons learnt during the previous financial years since the adoption of the 4th generation IDP, and to improve on the way that we as the Mkhondo Local Municipality annual report in order to ensure maximum impact and delivery of services to the community.

This Annual Report serves as a record of and accounting mechanism to communities on the institution's achievements and challenges, as well as the mitigation and remedial measures implemented to address the latter. While it reflects that progress has been made in service delivery, there are undeniably challenges; this review underpinned by changes in the circumstances upon which the Municipality operates, changes and updates in respect of the Municipal statistical information and changes in the Municipal financial position. In order to ensure that council remains committed in achieving its pre-determined objectives, the following are priority focus:

1. Curbing the trends on the audited and reported Unauthorized, irregular, fruitless and wasteful expenditure.
2. Stabilizing the financial position of the Municipality.
3. Prompt delivery of services and maintenance of the Municipal infrastructure.
4. Realigning internal business processes around financial and non-financial records management.
5. Upholding higher standards and practices of performance management and stringent enforcement of consequences management.
6. The Improvement of the Audit opinion.

The future lies ahead, change of mind set, attitudes and working together will make Mkhondo Local Municipality the incredible Municipality we all aspire and want our future generations to inherit from us.

Finally, I would like to thank the Executive Mayor, Council, Management team and the entire municipal staff for their valued contributions and unreserved efforts which has made us succeed as a Municipality. I can therefore say Mkhondo Local Municipality will be a champion of sustainable growth with the aim of building better communities.

MR M KUNENE

MUNICIPAL MANAGER

1.3 VISION, MISSION AND CORE VALUES

VISION

A model municipality of excellence

MISSION

Committed to deliver quality and sustainable services that will enhance economically viable and better life for our community.

MUNICIPAL CORE VALUES

Excellence

Honesty

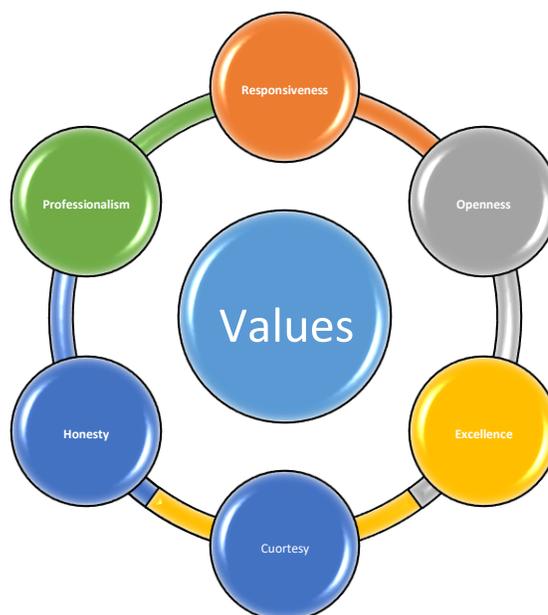
Openness

Responsiveness

Professionalism

Courtesy

Mkhondo Local Municipality's activities are underpinned by the following core values:



1.4 MKHONDO DEMOGRAPHICS

1.4.1 HISTORY OF MKHONDO LOCAL MUNICIPALITY

Mkhondo Local Municipality is Located in the south-eastern corner of Mpumalanga and the Municipality is bordered by Chief Albert Luthuli Municipality towards the North, Msukaligwa Municipality towards the North western, and The Kingdom of Swaziland towards the east, uPongolo Local Municipality and eDumbe Municipality towards the South (KwaZulu Natal Province) and Dr Pixely Ka Isaka Seme Municipality towards the South Western. The municipality is located on the N2 (National Road) where the R543 (Volksrust-Swaziland) and R33 (VryheidAmsterdam) intersect. N2 bisects the municipality, which links with the N17 from Ermelo. The

N2/N17 is a prominent link between Gauteng Province, Swaziland and KwaZulu Natal (Richard's Bay and further to Durban). The N2/N17 is recognized as strategic roads and freight corridors.

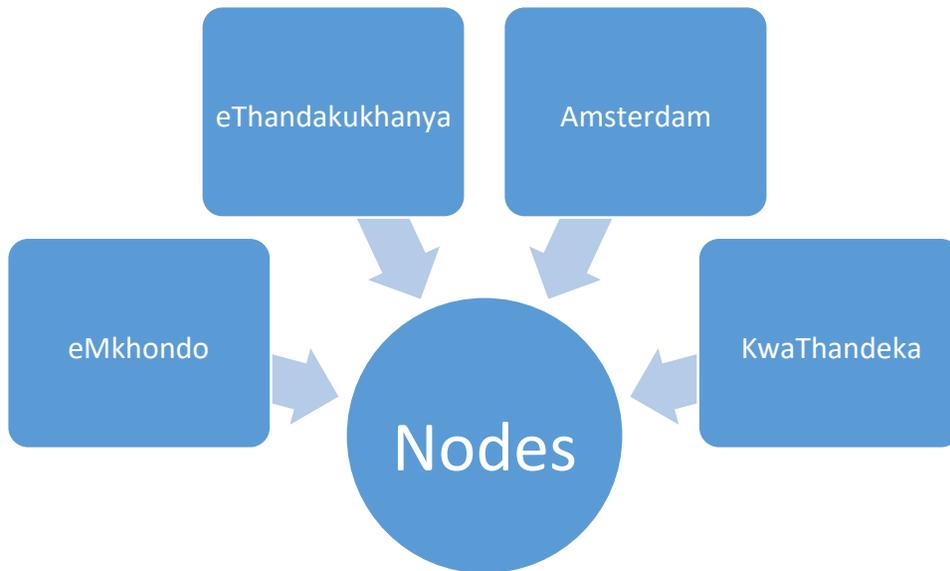
The Municipality is made up of nineteen (19) wards covering 4 868 square kilometers central from Maputo, Swaziland, Durban, Nelspruit, Johannesburg and Pretoria (within ±300km radius).

The municipality is demarcated as MP303 in terms of the Municipal Demarcation Board. It falls within Gert Sibande District Municipality which is one of the three District Municipalities in Mpumalanga Province; the other District Municipalities are namely Nkangala District Municipality and Ehlanzeni District Municipality. Ehlanzeni District Municipality has the most population in Mpumalanga Province (1 754 931 people) followed by Nkangala District Municipality by 1 445 624 people and Gert Sibande District Municipality by 1 135 409 people (*Statssa, 2016*).

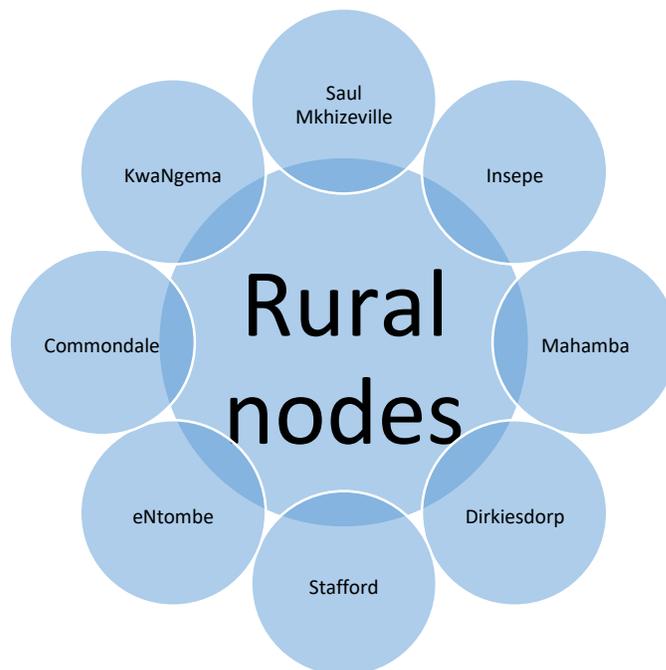
The Mkhondo Local Municipality falls within the 25 km radius identified for the KZN/MP transboundary development initiative, which includes amongst others Mpumalanga Province local municipalities (Mkhondo Local Municipality and Pixley Ka Isaka Seme Local Municipality) and Kwa Zulu Natal Province Local Municipalities (eDumbe Local Municipality, Uphongolo Local Municipality, Emadlangeni Local Municipality and Newcastle Local Municipality).

1.4.2 NODAL POINTS

Mkhondo Local Municipality includes the following urban nodes:



The Municipality includes the following rural nodes/settlements:



The Municipality comprises of forestry plantations and much of its economy originates from this source. Mondi, Sappi, TWK and Komati Land Forests are the major companies that lead the forestry industry in the municipality. Mkhondo Local Municipality is known for wood processing,

furniture, manufacturing, and coal briquettes manufacturing. A number of timbers producing companies are located within the municipality, including Mpact, Tafibra and PG Bison and Normandien which are national businesses. Large-scale agriculture is limited in the municipality due to the extensive use of land for forestry.

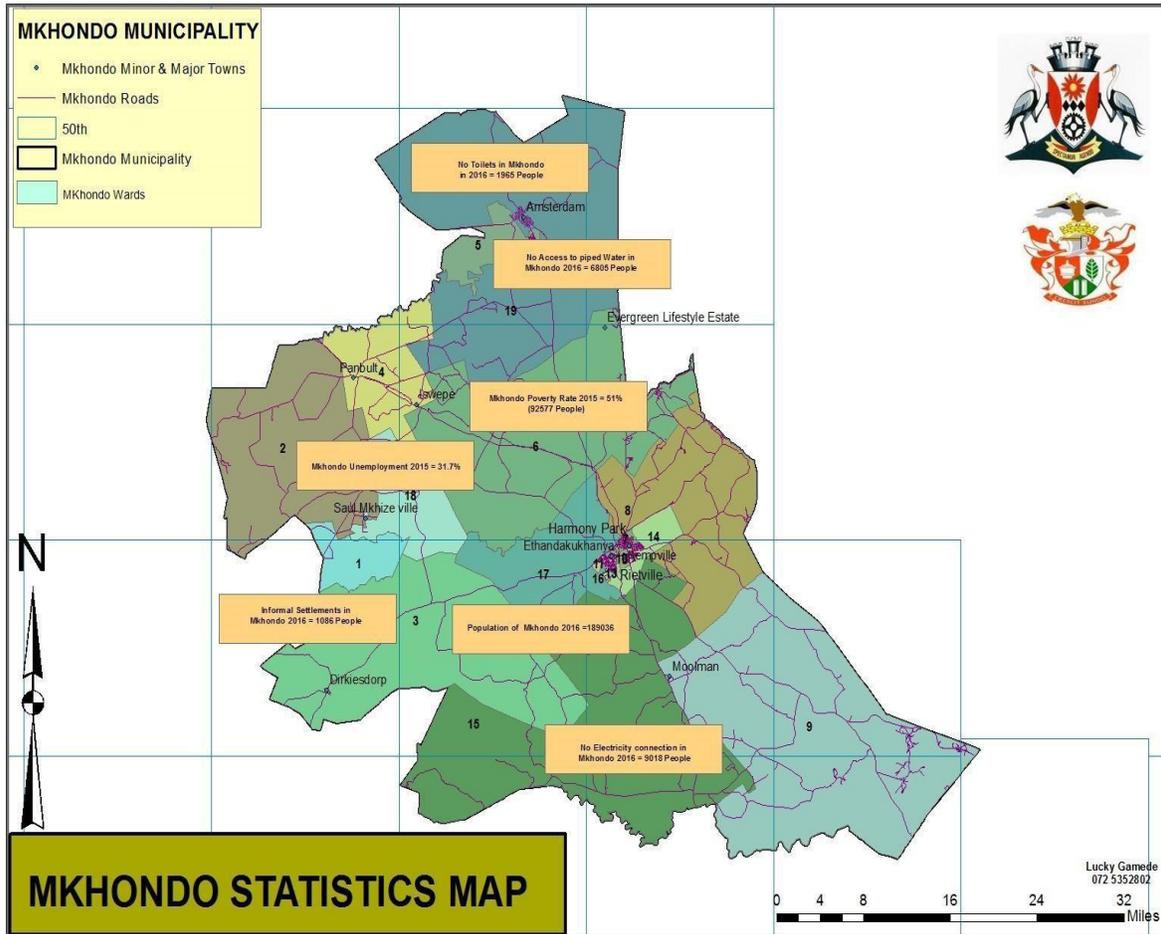
Forestry, mining and subsistence farming are the main economic factors within the municipality. There are two major mining companies within Mkhondo Local Municipality (Jindal and Kangra Coal Pty (Ltd)). Mkhondo Local Municipality ranks low in terms of tourism statistics compared to other local municipalities in Mpumalanga. However, there is a lot of tourism potential within the municipality, with the South African Heritage sites which lie within the municipality namely the Entombe Battlefield, Rooikraal, Confidence, Kalkoenvlakte and the Heyshope Dam. The Heyshope Dam is located east of the municipality (Saul Mkhizeville/KwaNgema Area). It is the only other main tourist fascination in the municipality despite the numerous guest houses and 'bed & break- fasts' within the municipality. The Jabulani Agrivillage has great tourism potential with proposal of a Resort near the Jabulani Agri-village dam.

1.4.3 DEMOGRAPHICS ANALYSIS

Mkhondo Local Municipality's population has increased from 171 982 in 2011 to 189 036 in 2016. The population growth rate between 2011 and 2016 is 2.0% annually. The number of people residing in 'urban' Mkhondo and 'rural' Mkhondo has remained the same between 2011 and 2016, with 96 693 people in urban areas and 96343 in rural areas. Mkhondo Local Municipality is mostly dominated by African black people, followed by coloured people, indian or Asian and white people from 1996 to 2016. It is noteworthy that in 2016 most of the immigrants in Mkhondo were recorded as from Swaziland (1823 people) followed by Zimbabwe (120 people); Mozambique (116 people) and Lesotho (45 people). The emigrants to neighbouring countries in 2016 are mostly to Swaziland (111) followed by Mozambique (30).

According to Stats SA (2016) the number of persons between the ages of 0 to 21 years, without parents has decreased from 7112 in 2011 to 4602 in 2016. The number of people with 'no schooling' has declined from 2001 to 2011, while those with matric has increased. According to the Final MLM Draft SDF (2016) the settlements with the lowest education level are Ngema Tribal Trust, Mkhondo Non-urban, Saul Mkhizeville and KwaNgema. These are the settlements that are located in close proximity to traditional areas or informal settlements with the highest education levels are eMkhondo, Insepe and Amsterdam (UP Enterprise, 2016).

1.4.4 MKHONDO STATISTICAL MAP:



1.4.5 POPULATION DISTRIBUTION

According to Stats SA (2016) the population of Mpumalanga Province as a whole has increased. The population of Gert Sibande District Municipality has increased from 1 043 194 in 2011 to 1 135 409 in 2016 and that of Mkhondo Local Municipality has also increased (from 171 982 in 2011 to 189 036 in 2016). It is evident that the Gert Sibande District recorded an increase in population of 92 216 people between 2011 and 2016. It is noteworthy that Mkhondo Local Municipality grew at an annual rate of 2.0 % during the 2011 to 2016 period. This shows that the Gert Sibande District is ever-growing in population, between 2001 and 2011, there was an increase of +152 496 people. The Govan Mbeki Local Municipality had the most increase in the number of people between 2011 and 2016.

Mkhondo Local Municipality Population Distribution

	2011	2016
Population	171 982	189 036
Number of House Hold	37 433	45 595
Households living in RDP House	11 733	
Households in Shacks within Informal Settlements	642	508

Population 2001 vs 2011 vs 2016

Description	Census 2001	Census 2011	Community Survey 2016
Mkhondo Local Municipality	143 077	171,982	189 036

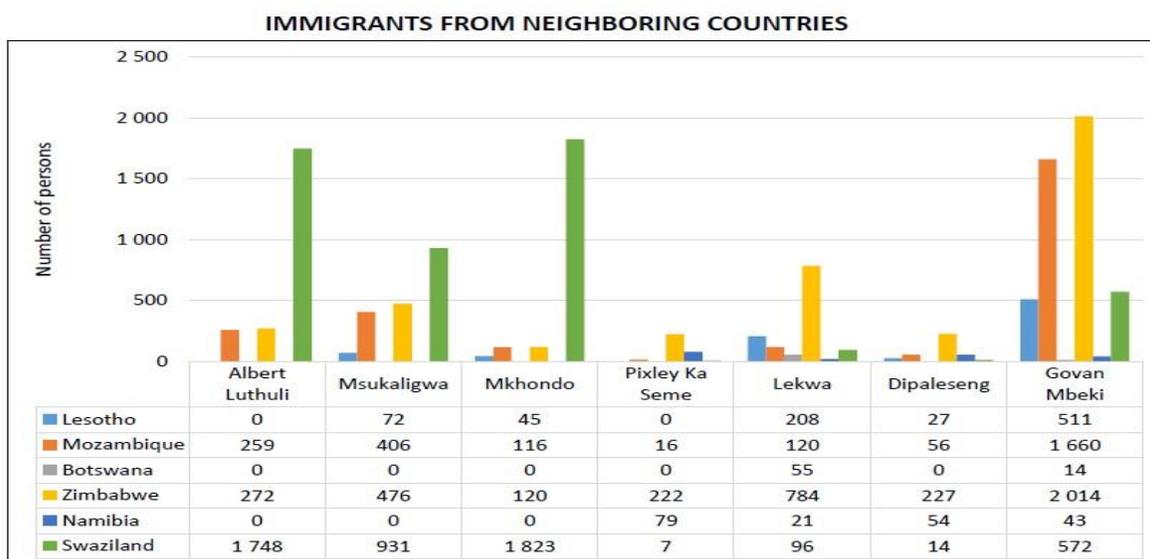
Sources: STATS SA Community Profile (2001, 2011 and 2016)

Mkhondo Local Municipality Population per Ward:

Ward Number	Villages/Town	Census 1996	Census 2001	Census 2011
Ward 1	Saul Mkhizeville (Mkhize Village, New Stand)	6 345	4 754	10 133
Ward 2	Saul Mkhizeville (Mabilisa, Masihambisane)	11 824	8 088	16 446
Ward 3	Dirkiesdorp/KwaNgema South	7 878	15 925	13 006
Ward 4	Insepe	6 090	10 343	5 862
Ward 5	KwaThandeka, Winnie Mandela	6 032	9 501	12 188
Ward 6	Rustplaas	6 003	9 759	8 277
Ward 7	eMkhondo Town	6 853	12 303	6 083
Ward 8	Maphepheni/Ajax	8 690	12 262	9 096
Ward 9	Moolman/Sulphur Springs	8 431	14 475	14 030
Ward 10	Thandakukhanya (Kempville, Retiefville &	4 189	4 754	6 752
Ward 11	Thandakukhanya (Eziphunzini, Marabastad, Magad	4 362	2 849	12 321
Ward 12	eni, Sbetha) Thandakukhanya (Long homes, Mafred, Sbetha,	5 660	4 699	6 384
Ward 13	Richardsbay) Thandakukhanya (Sbetha, Part Eziphunzini, Part Mangosuthu, Zone 5, Part of Phosa village)	4 468	4 634	7 451
Ward 14	Harmony Park (Mangosuthu)	3 009	10 997	9 395
Ward 15	ENtombe	10 411	17 544	8 454
Ward 16	Mangosuthu/Phola Park			5 700
Ward 17	Ezinkonjaneni/Phoswa Village			6 884

Ward 18	Saul Mkhizeville (Esibovini, Masihambisane east)			3 404
Ward 19	Amsterdam, Thokozani			10 120
Total (Mkhondo Local Municipality)		106 248	142 884	171 982
DC30: Gert Sibande District Municipality			900 010	1 043

Sources: STATS SA **194 Immigrants from neighboring countries:**



According to Stats SA (2016) most of the immigrants in Mkhondo are from Swaziland (1823 people) followed by Zimbabwe (120 people); Mozambique (116 people) and Lesotho (45 people).

1.4.6 AGE AND SEX STRUCTURE

It is noteworthy that there are more women (52%) than men (48 %) in Mkhondo. There is a decline in a number of people aged 14 years and younger

Age and Sex Structure 2011 vs 2016

AGE	2016		2011	
	Male	Female	Male	Female
0 – 4	11 703	11 616	10 949	10 737
5 – 9	10 297	10 423	10 423	10 657
10 – 14	10 476	10 956	10 113	10 043
15 – 19	10 424	10 845	9 980	9 946
20 – 24	9 311	9 641	8 452	9 006

25 – 29	8 706	9 829	7 192	7 371
30 – 34	6 059	6 943	5 145	5 406
35 – 39	4 952	5 411	4 562	5 079
40 – 44	4 156	4 687	3 822	4 350
45 – 49	3 742	4 449	3 093	4 180
	2016		2011	
50 – 54	2 775	3 566	2 449	3 343
55 – 59	2 390	3 048	2 060	2 768
60 – 64	2 208	1 990	1 512	2 064
65 – 69	1 205	1 847	905	1 552
70 – 74	791	1 511	741	1 368
75 – 79	479	1 089	362	743
80 – 84	126	444	273	665
85+	378	562	232	439
Total	90 178	98 858	82 265	89 717

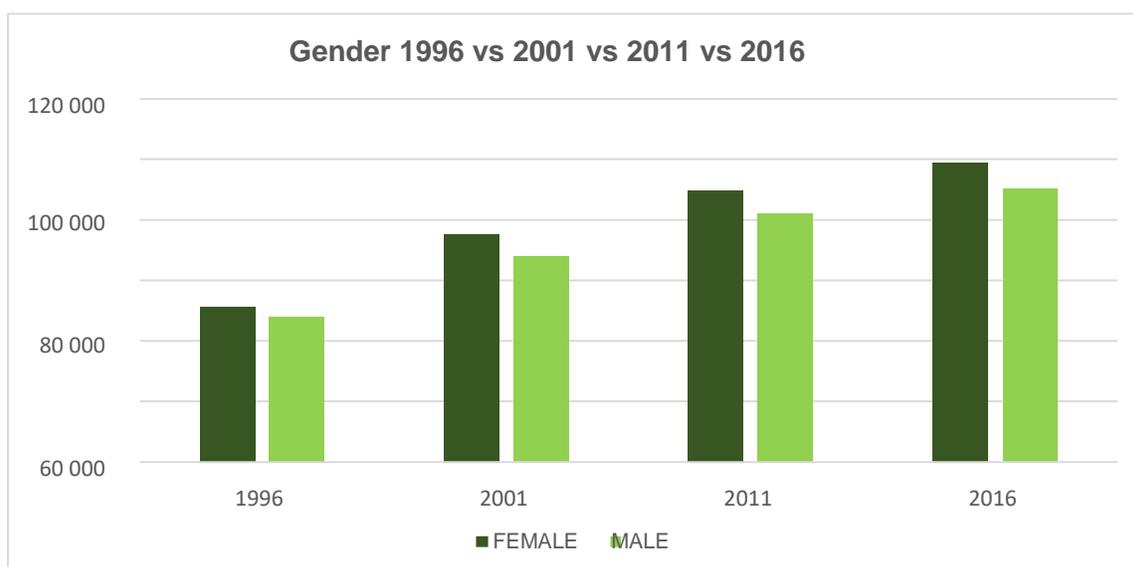
Sources: STATS SA 2016

Gender 1996 vs 2001 vs 2011 vs 2016

GENDER	1996	2001	2011	2016
FEMALE	51 167	75 163	89 717	98 858
MALE	47 800	67 912	82 265	90 178
TOTAL	98 967	143 075	171 982	189 036

Sources: STATS SA 2016

Gender statistics



The census that was conducted by the Stats SA in 2011 revealed that Mkhondo is constituted by more than 1 755 persons with disabilities. This figure poses direct challenges to the Municipality and government.

Disability

DISABILITY	1996	2001	2011
MALE	48%	47%	48%
FEMALE	52%	53%	52%

Sources: STATS SA 2011

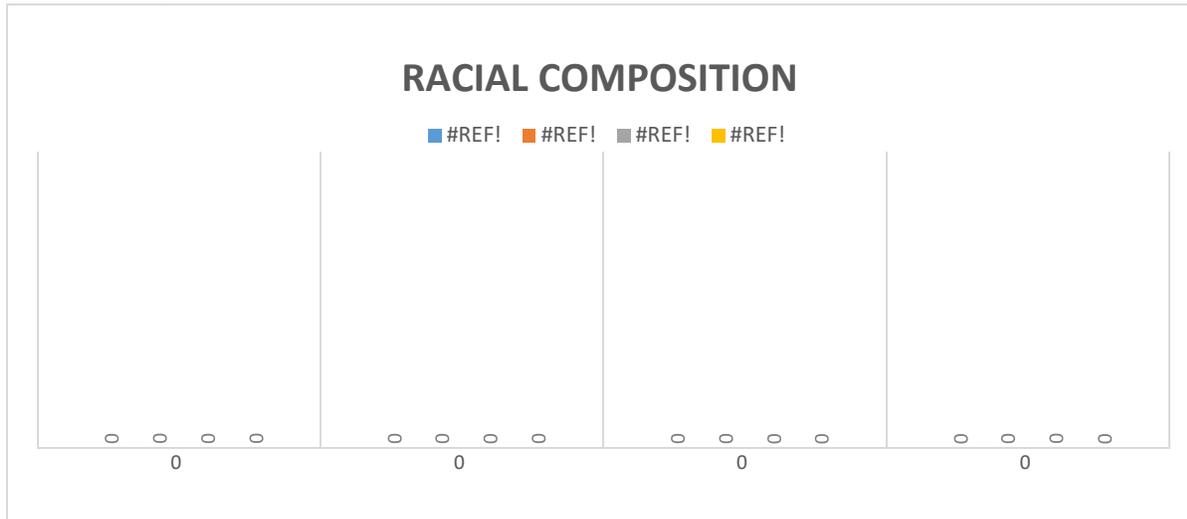
Table 1: Sex ratio (Males per 100 females)

	1996	2001	2007	2011	2016
NO. OF MALES PER 100 FEMALES	94	90	86	92	91

1.4.7 RACIAL COMPOSITION

The population in Mkhondo Local Municipality is predominantly Black African. The Indian/Asian and White racial groups have seen a decline from 2011 to 2016 (Stats SA, 2016). In areas such as Amsterdam, there has been a shift in racial composition, with the white population declining from 37,4% of population in 2001 to 7,4% in 2011 and the black population increasing from 60,1% in 2001 to 90,4 % in 2011. In eMkhondo there has been an increase in the Indian/Asian racial group between 2001 and 2011 (UP Enterprise, 2016; MLM SDF Final Draft, 2016).

Racial composition 1996 vs 2001 vs 2011 vs 2011 vs 2016:



1.4.8 SOCIO ECONOMIC STATUS

The purpose of this sub-section is to provide an assessment of the economic activities within the leading economic sectors in order to determine the sectors in Mkhondo Local Municipality economy that have a comparative advantage. Table 1 illustrates the leading sectors.

Average annual economic growth rate for Mkhondo at 3.3% over the period 1996 to 2016 - forecasted average annual GDP growth for Mkhondo for 2016-2021 more or less 2.0% per annum in line with national and provincial growth expectations. Importantly, industries/sectors; trade, community services, manufacturing, finance, mining and even transport. Contribution to the Mpumalanga economy is more or less 2.6%; it is 10th largest economy in the province – 10% share of the Gert Sibande economy and dominant in agriculture. The size of the economy in 2016 was estimated at almost R8 billion in current prices. Tourism expenditure in the area as a % of the local GDP at 3.5% which is relatively low - tourism spending is more than R300 million per annual.

Municipal area	% contribution to Mpumalanga economy	Average annual economic growth	Average annual economic growth	Average annual economic growth
	2016	1996-2016	2011-2016	2016-2021
Mkhondo	2.6%	3.3%	2.2%	2.0%

Sector Contribution	GDP	Employment by Industry
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Agriculture:	10.2%	6.5%
Mining	11.9%	9.1%
Manufacturing	12.9%	8%
Utilities	4.5%	4.3%
Construction	3.1%	9.5%
Trade	21.2%	22.1%
Transport	8.7%	4.7%
Finance:	10.8%	13.0%
Community Services	16.8%	16.9%
Private Household	5.9%	5.9%

1.4.9 EDUCATION INDICATORS

According to the 2016 CS of Stats SA, the population in Mkhondo aged 20+ and completed grade 12, increased from 33 673 in 2011 to 43 024 (increase of 9 351) in 2016 – an increase of 27.8% in the relevant period. Mkhondo's grade 12 pass rate improved from 66.1% in 2016 to 76.7% in 2017. The area achieved an admission rate to university/degree studies of 29.8% in 2017. The challenge is to accommodate the educated young people in the area - inadequate economic opportunities – matric not a “ticket” for a job in the labour market. Provision of adequate educational, recreational infrastructure and skills development activities to meet the needs of the community

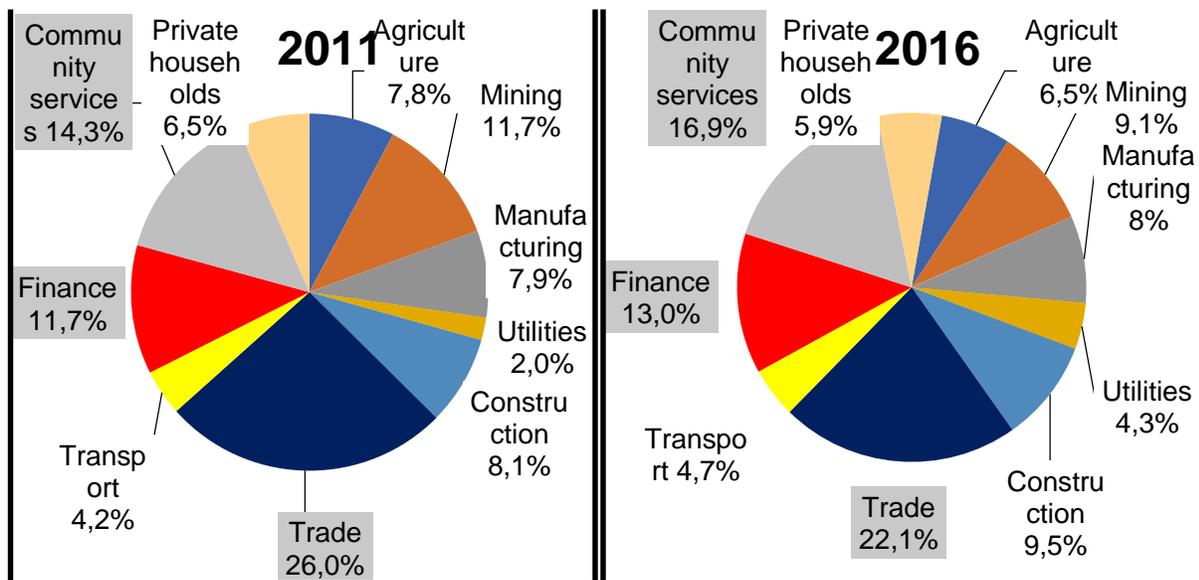
1.4.10 UNEMPLOYMENT

The unemployment rate of Mkhondo decreased from 35.9% in 2011 to 31.5% in 2016. Mkhondo's unemployment rate was the 8th highest among all the municipal areas of Mpumalanga. The unemployment rate for females is 37.9% and that of males is 26.3%.

Youth unemployment rate according to the Census figures 44.6% - there is a notable challenge of a very high unemployment rate of females.

The largest employing industries in Mkhondo are trade, community services and finance – they account for more than 50% of the total employment. Heavy reliance on the trade industry for employment creates an environment where you will also find many informal sector people.

1.4.11 EMPLOYMENT INDUSTRY



1.4.12 POVERTY ASPECTS

The share of population in Mkhondo below the so-called lower-bound poverty line (of Stats SA) deteriorated from 53.7% in 2011 to 56.6% in 2016. In 2016, Mkhondo’s share of population below the lower-bound poverty line was the second highest (unfavourable) among the municipal areas. The number of people below the lower bound poverty line was high at 104 395 in 2016.

According to the 2016 CS of Stats SA, the so-called poverty headcount (multi-dimensional) of Mkhondo improved however, from 15.8% in 2011 to 11.9% in 2016 but was the highest in the Province – the so-called poverty intensity increased from 41.5% to 43.7% in the same period. High poverty level is one of the big challenges in Mkhondo. Improved Human Development Index (HDI) from 0.48 in 2011 to 0.53 in 2016. Poverty drivers according to the 2016 CS of Stats SA are unemployment and other factors such as the low level of education.

POVERTY ASPECTS	POVERTY (LOWER BOUND)	RATE	POVERTY HEADCOUNT	HUMAN DEVELOPMENT INDEX
2011	53.7%		15.8%	0.48
2016	56.6%		11.9%	0.53
Poverty numbers	104	5		

1.4.13 BASICS SERVICES AND BACKLOGS

In general, good improvement with household services in Mkhondo between 2011 and 2016 according to the CS of Stats SA - concern about quality & waste water services. Number of households increased from 37 433 in 2011 to 45 595 in 2016 – an increase of more than 8 000

households – household size declining from 4.6 to 4.1 in the same period. Number of informal dwellings improved from 1 150 in 2011 to 1 086 in 2016 – 2.4% of the households living in informal dwellings. The number of households without access to piped water is 6 805 or 15% of households in 2016. Number of households without access to flush/chemical toilets are 53.3% – 24 283 households without these toilets. Households with no connection to electricity is – 9 018 or 19.8% of households.

-BASIC SERVICES								
Year	Piped water backlog		Number & trend in flush/chemical toilet backlog		No electricity numbers and trends		Informal dwelling numbers and trends	
	Number of households without access	Share of total households	Number of households without flush/chemical toilets	Share of total households	Number of households not connected	Share of total households	Number of households	Share of total households
2011	8039	21.6%	20 812	55.6%	12 315	32.9%	1 150	3.1%
2016	6805	14.9%	24 283	53.3%	9 018	19.8%	1 086	2.4%

1.5 ORGANISATIONAL DEVELOPMENT PERFORMANCE OVERVIEW

The municipal organization structure provides for 769 permanent positions. At financial year end 486 positions were filled with a staff turnover of 5%. All new appointments are made taking into consideration the implementation of the Employment Equity Act 55, 1998 and according to the demographic profile of the municipality; African employees constitute 96.71%, Coloured 1.44%, Asian 0.41% and White employees are at 1.44 % of the total workforce at the end of the financial year. Male employees constitute 60.70% whilst female employees are at 39.30 %.

The Municipal Manager is the head of the organisation supported by General Managers. The organisational structure provides for five General Managers, each responsible for a service delivery area. One Senior Manager supports the Municipal Manager on internal audit whilst the General Manager: Financial Services is supported by four Senior Managers to perform the financial functions as per the Municipal Systems Act (MSA) and Municipal Finance Management Act (MFMA). The General Manager: Technical Services is further supported by the Senior Manager: Project Management to implement MIG projects.

CHAPTER 2 – GOVERNANCE
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE

Section 151 (3) of The Constitution of the Republic of South Africa states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

Mkhondo Local Municipality is a category B municipality situated in the Gert Sibande District Municipality of the Mpumalanga Province. The political structure of Mkhondo Local Municipality is comprised of a municipal council consisting of 38 Councillors of which 19 are ward councillors and 19 proportional representation councillors chaired by the Speaker. The municipality has an executive mayoral system consisting of an Executive Mayor and three mayoral committee members.

The Municipal Manager is the administrative head and acts as a link between the politicians and the administration. The Municipal Manager is supported by the following section 56 Managers appointed in terms of the Municipal Structures Act:

- ✓ General Manager Planning and Development
- ✓ General Manager Technical Services
- ✓ General Manager Community Services
- ✓ General Manager Financial Services
- ✓ General Manager Corporate Services

The position of Speaker is full-time, and takes responsibility for the running of council meetings. The Speaker is the chairperson of the council.

The Office of the Chief-Whip is established to create synergy and to maintain discipline among councillors from various political parties. The Role of the Chief-Whip of council covers both the political and administrative domains of council with emphasis on the political aspect. The Chief Whip deals with the well-being and to monitor effectiveness whippy committees.

The Council meetings are governed in accordance to the approved rules of order. Council has an executive mayoral system with Section 79 and 80 Committees. Those committees provide general oversight and monitor the activities in the municipality over both the administrative and executive arms of the municipality.

The section 79 Committees are chaired by none executive councillors who are not members of the mayoral committee. Section 80 committees assist and report to the Executive Mayor. The Executive Mayor has appointed the mayoral committee members as chairpersons for each of the committees.

The Municipality has established an Audit Committee. The Audit Committee meets a minimum of four times per year and is an independent advisory body that advises council, political

officebearers, the accounting officer and the management of the municipality on matters relating to good governance and internal controls in particular, namely; internal audit, risk management, accounting policies and adequate reliable and accurate financial reporting and information, performance management, effective governance. The Division of Revenue Act and provides comments to the Municipal Public Accounts Committee (MPAC) and Council on the Annual Report.

MPAC is a section 79 oversight committee which comprises of non-executive councilors, with the specific purpose of providing oversight over the executive functionaries of Council to ensure good financial governance in the municipality. MPAC also makes comments and recommendations on the Annual Report separately to Council.

Fulltime Councilors

SPEAKER

Cllr. G.T. Nkosi

EXECUTIVE MAYOR

Cllr. V.M. Motha

CHIEF WHIP

Cllr. M.L. Yende

MEMBERS OF MAYORAL COMMITTEE:

Cllr S.D. Thwala ----- MMC Planning and Development Services

Cllr Z.J. Mnisi ----- MMC Finance and Technical Services

Cllr. T.E. Khumalo ----- MMC Corporate Services

Cllr. F.C. Mthethwa--- MMC Community Services

2.2 POLITICAL DECISION-TAKING

Council is chaired by the Speaker. Policy decisions and resolution are taken by the Council per recommendation from the Executive Mayor.

The Executive Mayor and Members mayoral committee members are required to execute council resolutions and to resolve on matters delegated to the Executive Mayor by Council.

Council has appointed two section 80 committees chaired by members of the mayoral committee to assist the Executive Mayor. Section 79 (oversight) committees, chaired by non-executive councilors, have also been established to monitor the functioning of the municipality on a quarterly basis and to report to Council directly.

A municipal public accounts committee has also been established to monitor the financial activities of the executives and to make appropriate recommendations to the Council through the mayoral committee.

2.3 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The administration is led by the Municipal Manager, who is appointed in terms of section 54A of the Municipal Systems Act. The Municipal Manager is employed on a contract basis, which includes an annual performance agreement with performance objectives and targets and procedures for evaluating performance. Together with the General Managers who are employed in terms of section 56 of the Municipal Systems Act he leads the administration by amongst others implementing council resolutions, advising council and its Committees, lead the IDP and Budget planning and implementation processes.

There are functions that are delegated by council to the Municipal Manager, who in turn subdelegated certain functions to the General Managers. Under their leadership, municipal officials attend community consultative meetings, report in management meetings on plans and progress in addressing community issues.

TOP ADMINISTRATIVE STRUCTURE

MUNICIPAL MANAGER – Mr. M Kunene (Administrative Head & Accounting Officer)

GM Financial Services: Mr. B.A. Maseko

GM Corporate Services: Mr. M.S. Thabede

GM Community Services: Mr. V.P. Khumalo

GM Planning & Dev: Mr. T.L. Motloun

GM Technical Services: Ms Z.O. Lugongolo

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

The purpose of intergovernmental relations are to achieve the constitutional mandate for local government by mobilizing resources and strategic partnerships which will ensure co-operation

and coordination by all stakeholders (National, Provincial and Local) to ensure service deliver to the residents of the municipality to ensure a better quality life to all.

NATIONAL INTERGOVERNMENTAL STRUCTURES

National Treasury

The National Treasury co-ordinates the development of the local government fiscal framework applicable to municipalities within the context of the Division of Revenue Act. It manages the development of the Local Government Equitable Share formula and ensures compliance with the MFMA to modernize local government budgeting and financial management processes and practices. Provide assistances to improve financial governance and to maximize municipal capacity to deliver services through efficiency, effectiveness and sustainability, and by dealing with corruption. They set-up the accountability cycle by ensuring proper linkages between IDPs, Budgets, SDBIPs, In-Year reports, Annual Financial Statements, Annual reports, Oversight reports and Audit reports.

Department of Co-operative Governance and Traditional Affairs, (CoGTA)-Develops various policies, guidelines to enable sustainable development to eradicate poverty and develops a service-orientated culture that promotes the active participation of the wider community. Community inputs are essential to improve on integrated development planning and service delivery. Linked to this is the establishment of performance management which is a crucial mechanism to achieve this.

South African Local Government Association (SALGA)-Is the national representative body of local government and has a constitutionally defined mandate. It responds to challenges facing organized local government and addresses past weaknesses

PROVINCIAL INTERGOVERNMENTAL STRUCTURES

Office of the Premier-The Office of the Premier focuses on co-operative and good governance through the provision of advice and information, co-ordination, monitoring and support to local government.

Provincial Treasury-The functions of provincial treasuries are to promote co-operative government among role-players and assist National Treasury in implementing the MFMA, monitor municipal budgets and outcomes, analyze in-year reports and take intervention measures to assist municipalities that breach the MFMA. Provincial Treasury has established various units to assist and monitor the municipalities. These units specialize in, amongst other things, revenue enhancement, assets, accounting standards, and in-year reporting. Through the Munimec meetings and Technical Munimec meetings, various municipal issues in the province are discussed to formulate solutions and plans to improve governance and service delivery. These meetings were conducted quarterly during the financial year.

COGTA MPUMALANGA assists and provides guidance to build clean, effective, efficient, and responsive and accountability local government. It strengthens partnerships between local government and communities and ensure municipalities meet their mandate to provide basic

services. Its core mandate is to support and monitor municipalities in the execution of their core mandate.

DISTRICT INTERGOVERNMENTAL STRUCTURES

The Gert Sibande District municipality has a supporting role to play in the planning and coordinating of activities within its boundaries to ensure the provision of services in the district. It is therefore imperative that the capital allocations from the district are based on community needs. These projects are implemented by the district municipality and transferred to the municipality on completion.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Overview of public accountability and participation

The following is done by the municipality to ensure widespread and conducive stakeholder participation and accountability:

- Both the print and electronic media such as the newspapers, community radio, and municipal bills are utilized to inform communities and stakeholders on Council's activities.
- All messages/information are conveyed in a language/s understood by the general community.
- The correct venues and times for public meetings are well communicated. Furthermore, the municipality ensures that meetings are held at such times that all stakeholders can attend.
- Adequate time is allowed to community, representatives of organizations, business to report back to their relevant forums and make inputs.
- Council meetings are open to the public and residents are invited to attend. Important documents such as IDP, Budget, and Valuation roll are available at all public libraries within the municipal area.
- Ward committee and ward community monthly meetings are convened and serve as a platform for interaction, engagement and sharing of information.
- Various fora on local, district and provincial level.
- Mayoral outreach programmes were held during the year in areas determined by the mayoral committee in consultation with the designated Ward Councilors.

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

WARD COMMITTEES

The role of ward committees is to enhance participatory local governance and development within the Municipality. There has been a widely observed commitment in Mkhondo to participatory governance within both government and civil society, which has been given legal standing and encouragement through the Municipality's key performance areas such as *Putting People First* and giving feedback to communities and stakeholders. All nineteen (19) Ward Committees have been the focus of considerable attention by government as well as civil society, with substantial investment already made in an attempt to ensure that these structures have the necessary capacity and resources required for them to fulfil their envisaged roles as the "voice" of communities.

These Ward Committees provided a channel for public participation and communication for the community and also served as a link between the community and Council. The Municipality has an intensive community consultation process that is done at a ward level in line with the community based planning approach. This process stimulates participatory governance by affording community members a fair opportunity to deliberate on issues affecting them in their respective wards. Furthermore, this approach was implemented to inevitably include the local community in decision-making, planning and generally allowing them to play an active part in their own development. To facilitate this community consultation process, 19 Ward Committees consist of 10 members and are chaired by respective Ward Councilors. The Ward Councilor ensures that the interests of all members of community in the ward are presented in Council.

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP PUBLIC PARTICIPATION

INTEGRATED DEVELOPMENT PLAN

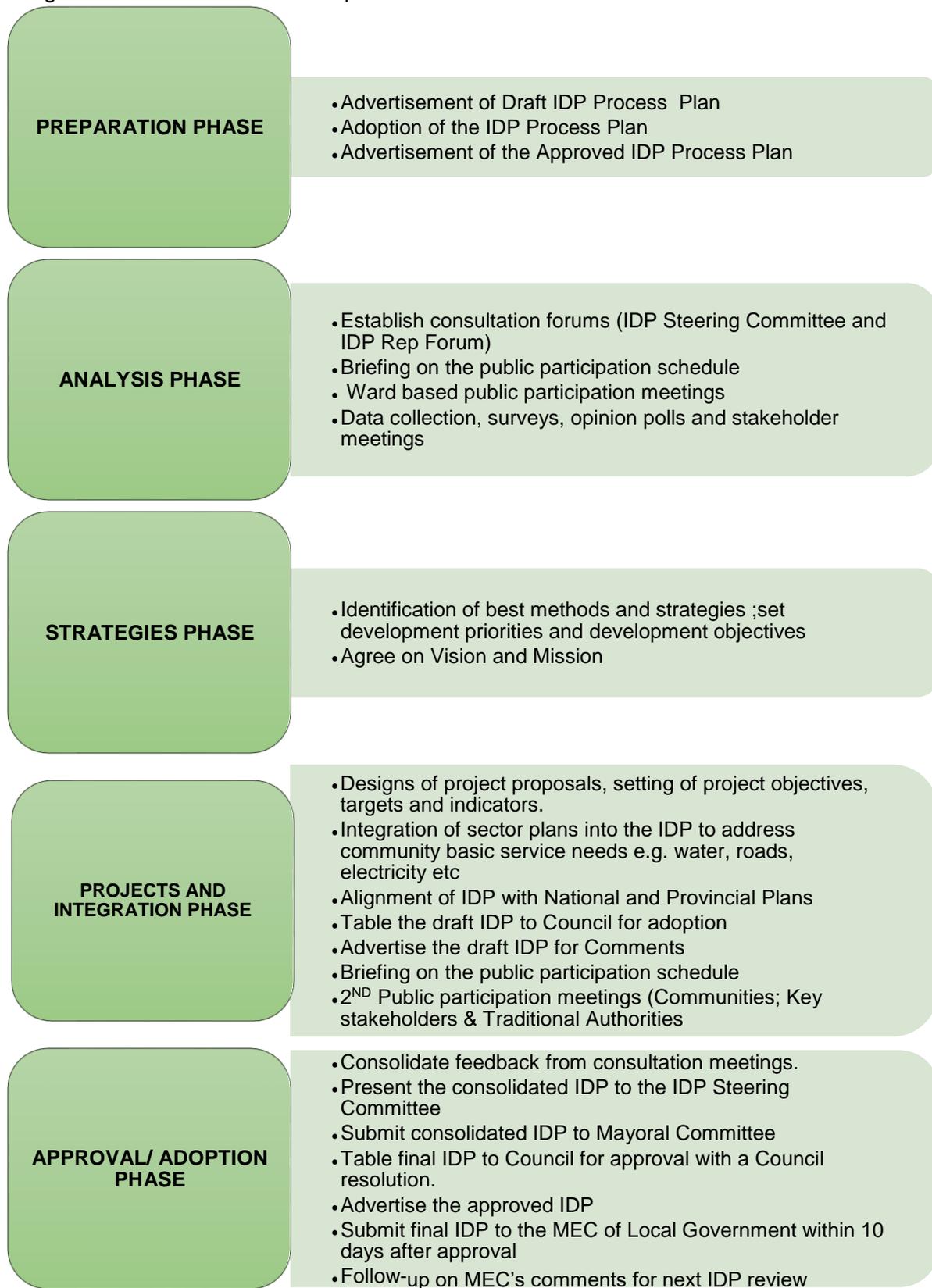
An Integrated Development Plan is a single, inclusive and strategic plan which guides and informs all planning, budgeting and development of the municipality. It is adopted by the Municipal Council and must be submitted to the Member of Executive Council (MEC) of Local Government in the Province for comments. It has to be harmonised, aligned and coordinated with all other municipal plans, strategies and frameworks, as well as National and Provincial strategic, departmental and sector plans, frameworks and strategies.

It enables the Municipality's leadership and management to make informed decisions towards ensuring efficient and effective service delivery. It must be adopted by each Municipal Council, within a prescribed period after it is elected, in terms of the Municipal Systems Act, No. 32 of 2000(as amended).

The main objective of an Integrated Development Plan (IDP) is to ensure the sustainable, equitable and inclusive development of a municipal area and to ensure a decent quality of life for all those who live in it. The aforementioned objective links to the following:

- a) The alleviation and eradication of poverty and of all lingering spatial, social, and economical legacies of apartheid;
- b) The identification and removal of all obstacles to development;
- c) The pursuit of sustainable and optimal use of resources; and the establishment of sustenance of efficient, effective and caring administrative services.

The figure below demonstrates the phases of the IDP:



2.6 ALIGNMENT OF IDP, BUDGET & SDBIP

IDP PARTICIPATION AND ALIGNMENT CRITERIA	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers?	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames to AG?	Yes
* <i>Section 26 Municipal Systems Act 2000</i>	

COMPONENT D: CORPORATE GOVERNANCE

Overview of corporate governance

The Municipality has implemented a system of corporate governance that encourages the effective, efficient and economic use of resources towards better service delivery and ensures accountability and responsibility for the stewardship of those resources. This governance framework supports sound financial decision making, ensuring affordable services to the community, guide the funding and financing priorities and facilitate performance monitoring and review. During the year under review the following key governance responsibilities were functional:

- ✓ Internal audit function which operates in terms of an approved internal audit plan.
- ✓ Audit committee which operates in accordance with approved terms of reference.
- ✓ A Risk assessment was conducted which include a risk management strategy and monitoring of key risks according to a risk register.
- ✓ Approved fraud prevention plan.
- ✓ Performance management system.
- ✓ An approved system of delegations to maximize administrative and operational efficiency and to provide for adequate checks and balances as required in terms of sections 59 to 65 of the Municipal Systems Act, 32 of 2000.

2.7 RISK MANAGEMENT

Risk Management is a tool which increases the Council's prospects of success through minimizing negative outcomes and optimizing opportunities.

This support is provided through:

- Risk Identification which is a deliberate and systematic effort to identify and document the Council's key risks. Risk Management unit should ensure that the council adopts a rigorous and ongoing process of risk identification.
- Risk assessment is a systematic process to quantify or qualify the level of risk associated with specific threat or event.
- Risk Response that is concerned with developing strategies to reduce or eliminate the threats and events that creates risks.
- Communicating and reporting relevant, timely, accurate and complete risk information should be disseminated in the Council and responsibilities and actions should be communicated.
- Risk Monitoring on a regular basis to confirm the proper functioning of the entire risk management systems.

The Strategic Risk Identification/Risk Assessment workshop for the 2020/21 FY took place on 02 May 2020 and the Operational Risk Identification/Risk Assessment workshop took place in the month of July 2020. The Risk Management and Fraud Prevention Committee is in place and its chaired by an external chairperson, the committee met four times in the 2020/21 FY as per approved Risk Management Committee Charter and the Risk Management and Fraud Prevention Implementation Plan. The 2020/21 approved Risk Implementation Plan had

19 activities planned for the year and all activities planned were achieved, which is an improvement from the previous financial year.

The Risk Profile of the institution for the 2020/21 FY was characterised by inadequate revenue collection which in turn affected cash flow of the institution. Furthermore, Covid 19 pandemic also contributed to the reduced revenue collection. Mkhondo Municipality will need to improve on its revenue collection and general financial management in the 2021/22 FY, these the two most high risk areas the institution is facing.

2.8 ANTI CORRUPTION AND FRAUD

The Risk Management unit is also tasked with the providing Anti-Corruption and Fraud Prevention awareness programs; the municipality held its annual awareness (anti-corruption and fraud prevention) workshops on 23 March 2021 which was well attended by municipal officials. Furthermore the municipality has an approved Fraud Prevention Strategy in place and the municipality on an annual basis conducts fraud and corruption risks assessments which are monitored on a quarterly basis by our risk management unit. The municipal Council has also appointed a Financial Misconduct Board which aimed at investigating allegations of fraud and corruption speedily and effectively. The municipality has zero-tolerance for corruption and fraud. The Risk Management Unit has also appointed an Ethics and Compliance Officer, who will ensure that ethics related matters are attended to and also ensure that compliance to legislations, Acts and also internal policies are adhered to by all municipal officials and Councillors. This above mentioned controls indicate the willingness of the municipality to fight the scourge of corruption and fraud at the municipality.

2.9 SUPPLY CHAIN MANAGEMENT

In terms of Section 7 of the SCM Policy the municipality must establish a Supply Chain Management Unit (SCMU) to implement its Supply Chain Management Policy.

The SCMU must operate under the direct supervision of the Chief Financial Officer and may be delegated to an official reporting to the CFO, in terms of Section 82 of the MFMA, viz, the Senior Manager: Supply Chain Management.

The structure of the SCMU was amended and approved and requires a review in order to address the current shortcomings in the section. The new extended organogram will cover the implementation of centralised procurement (in Demand and Acquisition Management) and Contract and Bid Management which will focus on supervision and of contracts and Bid Administration. The recommended amendments will also allow for improved procurement planning and contract administration. The following disciplines are covered by the proposed organogram within Supply Chain Management:

- Demand, Tender, Contract administration and supplier performance
- Demand Planning and Specifications Development
- Procurement of Goods & Services
- Secretariat services for Bid Committees

ACQUISITION MANAGEMENT

The municipality's system of acquisition management must ensure:

That goods and services are procured in accordance with authorized processes only; that expenditure on goods and services is incurred in terms of an approved budget in terms of Section 15 of the MFMA; that the threshold values for different procurement processes are complied with; that bid documentation, evaluation and adjudication criteria and general conditions of a contract are in accordance with any applicable legislation; and that any Treasury guidelines on acquisition management are properly taken into account.

Goods and service are procured in accordance with authorized processes and approved delegations. Expenditure that has been incurred was budgeted for in the approved budget of Council. The bid documentation that is utilized is in accordance with the guidelines issued by National and Provincial Treasury, the general conditions of contract and applicable legislation such as the Construction Industry Development Board Act (Act 38 of 2000) and we are continuously improving the documents in order to improve access and ease of use.

Achievements

- The competitive bidding process and bid committee structures are functioning.
- Members of the bid committees are required to complete the attendance register and declare to undertake the following:
 - That all information, documentation and decisions regarding any matter before the committee is confidential and undertakes not to make known anything in this regard;
 - To treat all service providers and potential service providers equitably and will not purposefully favour or prejudice anybody; and
 - To make known details of any private or business interest he or she or any close family member, partner or associate may have in any proposed procurement or disposal of, or in any award or contract that they will immediately withdraw from participating in any matter whatsoever.
- SCM Officials and other officials of the municipality have also been exposed to training opportunities with specialised SCM Training by the Provincial Treasury and SCM Manager. The focus on training and development of officials will be improved for the next financial year.
- Successful implementation of the Central Supplier Database (CSD as introduced by National Treasury.
- Successful implementation of the e-Tender advertisement portal as introduced by National Treasury

The awards processed by bid committees and SCM:

Annexure A shows all the awarded tenders for 2020/21 FY made through competitive bidding process by the Municipality.

Deviations from the SCM Policy

Section 36 of Council's Supply Chain Management Regulations allows the Accounting Officer to dispense with the official procurement processes.

Challenges

- Non-compliance and adherence of SCM policy and Regulations by the end-user Departments,
- None submission of procurement plans on time by end-user Departments which in turn defeats proper functioning of Demand and Acquisitions section,
- Proper contract Management as the Unit was not formally established previously

CONCLUSION

Mkhondo Local Municipality has been implementing the Supply Chain Management Regulations through the Supply Chain Management Policy. Any shortcomings or inadequacies in the implementation of the Supply Chain Management Policy are constantly addressed. De-Centralised Procurement and Contract administration has been identified as areas of particular concern and will be addressed on an ongoing basis. Demand Management will once again be another focus area and progress will also be reported regularly.

Projects and procurement are being planned with cognisance of the requirements of the Supply Chain Management legislative framework to ensure that the process of the municipality are fair, equitable, transparent, competitive and cost-effective and comply with the prescripts of the Municipal Finance Management Act in order to give effect to Section 217 of the Constitution.

2.10 WEBSITES

The website of the municipality is fully functional. All employees as well as the public have access to the website. A full-time webmaster has been appointed to maintain and update the website. The table below shows the status quo of the website:

Documents published on the Municipality's / Entity's Website	Yes/No
Current annual and adjustments budgets and all budget related documents	Yes
All current budget related policies	Yes
The previous annual report (Year - 1)	Yes
The annual report (Year 0) published /to be published	No
All current performance agreements required in terms of section 57 (1)(b) of the Municipal System Act (year 0) and resulting scorecards	Yes
All service delivery agreements (Year 0)	No
All supply chain management contracts above a prescribed value (give value) for Year 0	No
An information statement containing a list of assets over a prescribed	Yes

value that have been disposed of in terms of section 14 (2) or 4) during year 1	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in Year 0	No
All quarterly reports tabled in the Council in terms of section 52 (d) during Year 0	Yes



ANNUAL PERFORMANCE REPORT 2020/2021

MKHONDO 303MP

COMPONENT A: BASIC SERVICES`

ANNUAL PERFORMANCE REPORT 2020/21 BACKGROUND

Section 46 of the Municipal Systems Act, stipulates that the municipality must prepare for each financial year a performance report, reflecting the performance of the municipality during that financial year and a comparison of performance against the targets set as well as measures taken to improve performance. The annual performance report reflects the overall performance for the financial year 2020/21. The performance is based on the revised Integrated Development Plan (IDP) and revised Service Delivery and Budget Implementation Plan (SDBIP) for the year under review. One need to mentioned that, 2020/21 has been a challenging year but with that sad, in history of the Institution the Performance unit got an Unqualified Audit Opinion.

COMPARATIVE INFORMATION

As part of the mid-year performance assessment, the Municipality made significant changes to the IDP and SDBIP. These changes were undertaken in conformity with relevant laws and regulations. The need for these changes emanated from the audit conclusions issued by the Auditor General of South Africa (AGSA) during its 2020/21 annual performance audit. The Municipality was therefore compelled to effect these changes as required by section 106 of the Municipal Finance Management Act (MFMA), where it is required to resolve all significant findings raised by the AGSA within 60 days. Comparative information as required by Municipal Systems Act (MSA) section 46 was prepared and presented by the table below.

OVERVIEW OF SERVICE DELIVERY ACHIEVEMENTS

During the 2020/21 FY, the institution has 106 KPI as presented by the table below. We manage to achieve 89.6% while in 2019/20 we had 81%. One cannot take away the negative impact done by the pandemic which affected mostly the Good governance. Basic Services where hampered but we image very strong to render service even in during the trying times. We were able to continue supply water to households which amount to 6849 mega litres clean drinking water as per the RDP standard.

The Municipality provides access to electricity to more than 84% households, during the 2020/21 FY we completed the 1526 households connection to the grid, more than 1840 electric faults was recorded and the team was able to resolve all the reported issues on time. With the limited resources the Municipality embark on the upgrade of the Phillip Greyling substation which we aim to curb the load shedding which is implemented by the municipality. We envisage that a bright Mkhondo in the near future.

The proportion of households with access to basic sanitation is 82%, which is more than 8393 households. Structures of dignified sanitation were installed during the year under review. The Municipality has a road network of approximately 986km, of which 81% are gravel roads, mostly located in the rural areas. A total of 327.25 km of gravel roads were maintained, and an area of approximately 18795 m² of tarred roads was repaired during the year under review.

Revised targets

The following indicators has been revised.

NO	Name of KPI	Annual Target 2020/2021	Revised KPI	Reason
LED 01	Number of hectars (ha) replanted	400	250	The Municipality had an agreement (Sale Agreement) with Normadien to cut and replant the pine compartments which is included in the 400 hectars FY. As of now Normadien hasn't planted which results in decreasing the Annual target to 250 hectars
BSD 37	% Construction of Driefontein Sanitation infrastructure	Excavations of foundations and earthworks complete	Appointment of a consultant, Design, Tender advert and appoint contractor	Budget allocated to Covid-19 projects and other fast moving projects. The indicator will be implemented 2021/22 financial year.
BSD 38	Rehabilitation of Mandla Magudulela Stadium	Outdoor gym and irrigation system complete	Appointment of a consultant, Design, Tender advert and appoint contractor	Budget allocated to Covid-19 projects and other fast moving projects. The indicator will be implemented 2021/22 financial year.
BSD 39	Rehabilitation of Bus and Taxi route Thandukukhanya (Phola park)	Rehabilitation of 1km and 0.5km kerbs complete	Appointment of a consultant, Design, Tender advert and appoint contractor	Budget allocated to Covid-19 projects and other fast moving projects. The indicator will be implemented 2021/22 financial year.

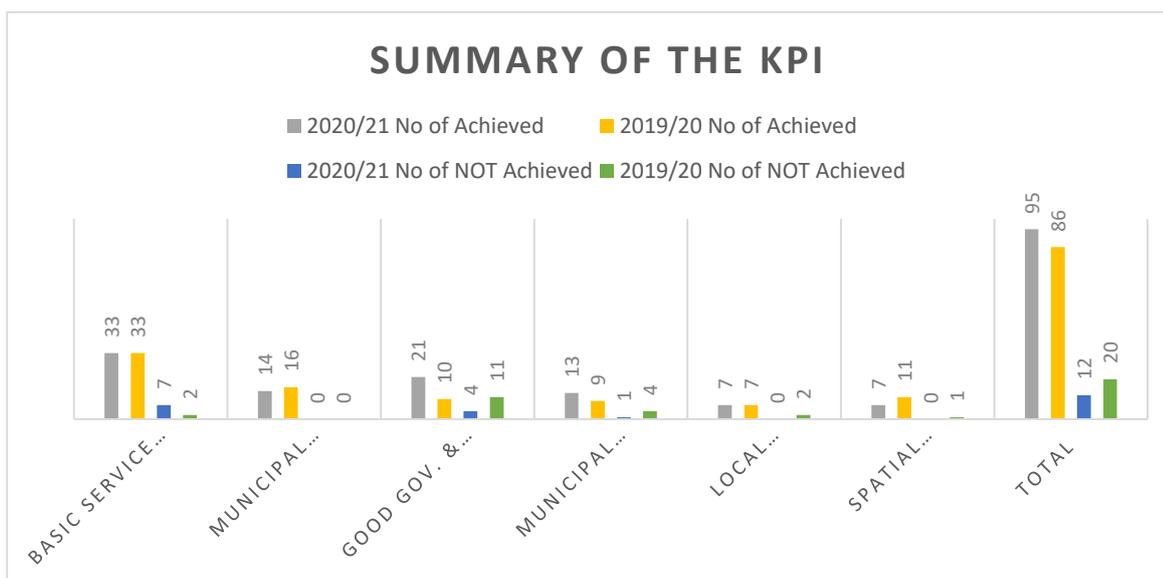
Summary of the KPI 2020/21

Key Performance Area	No of KPI	No of Achieved	No of NOT Achieved
Basic Service Delivery	39	33	7
Municipal Institutional Development & Transformation	14	14	0
Good Gov. & Public Participation	25	21	4
Municipal Viability Financial Management	14	13	1
Local Economic Development	7	7	0
Spatial Rational	7	7	0
Total	106	95	12

Summary of the KPI 2019/20

Key Performance Area	No of KPI	No of Achieved	No of NOT Achieved
Basic Service Delivery	35	33	2
Municipal Institutional Development & Transformation	16	16	-
Good Gov. & Public Participation	21	10	11
Municipal Viability Financial Management	13	9	4
Local Economic Development	9	7	2
Spatial Rational	12	11	1
Total	106	86	20

Graph



3. Annual Performance Report Overview

3.1 Basic Service Delivery

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for Deviation	Steps Taken to Remedy	POE
Key Focus Area (KFA): Electricity									
BSD 01	Maintenance of electrical network as per maintenance plan	Electrical Services	140	100	116	107	None	None	Job card
BSD 02	100% Number of electricity meters installed	Electrical Services	500	300	344	328	None	None	Proof of payment & Job card
BSD 03	Number of bulk meters installed	Electrical Services	40	3	2	3	We experience Delayed with delivery of the mini-sub therefore could not put and was shifted 2020/21		Job card
BSD 04	% of reported electric faults attended to	Electrical Services	100%	100%	100%	100%	None	None	Job card
Key Focus Area (KFA): Water and Sanitation									
BSD 06	Number of water conservation and water demand management programmes implemented	Water and Sanitation	11	11	12	12	None	None	Attendance register & presentation report
BSD 07	Megaliters of water provided to communities through water treatment works & water tankers	Water and Sanitation	5 800 ml	5 800	6 849.058	7640.323	None	None	Job card & Spread sheet
BSD 08	% of new water and waste water connections	Water and Sanitation	100%	100%	100%	100%	None	None	Application, proof of payment and job card
BSD 09	Number of water meters replaced	Water and Sanitation	120	100	120	125	None	None	Job cards
BSD 10	Number of publication reports on water and waste water compliance (Blue and Green drop)	Water and Sanitation	4	4	4	4	None	None	Publication reports

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for Deviation	Steps Taken to Remedy	POE
BSD 11	Number of Megaliters of waste water treated from waste water treatment works and septic tanks drained from households	Water and Sanitation	2 555ml	2 555 ml	2930.7945	2863,8055	None	None	Spreadsheet & job card
Key Focus Area (KFA): Roads and Storm water									
BSD 12	KMs of roads maintained and graded	Roads and Storm Water	160km	160km	327,2KM	455,15	None	None	Job card
BSD 13	% of graves prepared	Roads and Storm Water	100%	100%	100%	100%	None	None	Job card
BSD 14	Number of Catch pits cleaned	Roads and Storm Water	120	120	195	141	None	None	Job card
BSD 15	Square meters (M ²) of tar road potholes repaired	Roads and Storm Water	16 800m ²	16 800m ²	18795m ²	14573.2 m ²	None	None	Job card
BSD 16	Meters of storm water systems maintained	Roads and Storm Water	5000meters	5000m	9632	6082	None	None	Job card
Key Focus Area (KFA): Waste Management									
BSD 17	Number of mass refuse container trips collected	Waste Management	816	840	950	847	None	None	schedule and register
BSD 18	Number of streets cleaned in the CBD	Waste Management	15	22	22	22	None	None	street cleaning register
BSD 19	Number of refuse collection trips from serviced areas	Waste Management	208	828	1170	1059	None	None	schedule and register
BSD 20	Number of reports on landfill sites compliance	Waste Management	4	4	4	4	None	None	Compliance Reports
BSD 21	Number of stakeholders awareness and clean-up campaigns held	Waste Management	4	4	11	16	None	None	Reports and attendance register
BSD 22	Number of monthly waste reports submitted to Department of Environmental Affairs via South African Waste Information System	Waste Management	12	12	12	12	None	None	SAWIS reports
BSD 23	Number of waste summits on waste and environmental management coordinated	Waste Management	1	1	1	1	None	None	Summit Reports
Key Focus Area (KFA): By-Law Enforcement									
BSD 24	Number of road blocks conducted	Public Safety	20	30	59	45	None	None	Reports

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for Deviation	Steps Taken to Remedy	POE
BSD 25	Number of road safety awareness campaigns conducted	Public Safety	32	34	47	42	None	None	Attendance register
BSD 26	Number of fire awareness campaigns conducted	Public Safety	15	16	20	26	None	None	Reports & attendance report
BSD 27	Number of Inspection conducted (Vendors compliance)	Public Safety	New	12	12	New	None	None	Report
Key Focus Area (KFA): Infrastructure Development									
BSD 28	Constructed from Driefontein via Haartebeesfontein to Iswepe Phase 3	PMU	Existing borehole	Completion of Driefontein via Haartebeesfontein to Iswepe Phase 3	85%	Site establishment	Budget constrain	Rollover to the 2021/22 FY.	Quarterly progress report
BSD 29	% Construction of second box culvert in sandbank village.	PMU	In the process of construction of a culverts	100% of Two culvert plus 3km of gravel road	Completed	Completed culvert	None	None	Bid evaluation minutes
BSD 30	Supply and construction of Dignified sanitation	PMU	Pit hole toilets	100% Complete of Dignified sanitation Constructed (Material supply and Installation)	Completed	152 unit Completed	None	None	Quarterly progress report
BSD 31	% Waste Water Treatment Work Constructed at eThandukukhanya	PMU	Sewer flowing into a stream	Completion certificate	Completion certificate not obtained	Completed building admin block and excavations on clarifier, bioreactor & sludge drying beds	94% of project complete, Delays caused Rainfall and Covid 19	Revised program completion August 2021	Quarterly progress report
BSD 32	% construction of eThandukukhanya sewer 4.71 km outfall lines , 102 manholes,	PMU	Sewer spillages	Completion certificate	Completion certificate not obtained	2 km pipeline	93% of project complete, Delays caused Rainfall and Covid 19	Revised program completion August 2021	Quarterly progress report

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for Deviation	Steps Taken to Remedy	POE
BSD 33	% of Electrification of Mangosuthu, Group 10, Oosloop and Eziphunzini.	PMU	In the process of construction Planting of poles, stringing the cables	100% households electrified	Completed	1234 house connection	None	None	Practical completion certificate
BSD 34	% of Upgrading of gravel roads to paving in Extension 7 of Mkhondo Local Municipality	PMU	Gravel Roads	Completion certificate	Completed , Completion certificate obtained	34% construction	None	None	Quarterly progress report
BSD 35	% Upgrading of Phillip Greyling Substation	PMU	2 x 20MVA Transformers	100%	95% Construction	Testing and installation of 20MVA transformer	Delayed by material supplier due to shortage of material (Breakers had to be ordered overseas	Material ordered up broad.	Quarterly progress report
BSD 36	% of Drilling, equipping and electrification of 20 bore holes in rural villages ((Shabalala, Taaiboos, Boesman, Makhanga, Athole Farm, Emalathini Farm, Dalia farm, Amakhaya, bothashoop, Emahlathini, khokha, madabukela farm-mooihoek, masihamisae: ekuphilei kwabantu, Mhlogemvula-Alzu place, Bergplaas, Bergplaas-Kwandwalaza, Delfkom, Mnaba, beyers, Taxi rank)	PMU	Water Tanks	100% of the 20 Boreholes	95% Constructed	New	Eskom Electrical connections	Eskom currently connected 3 out of 20	Quarterly progress report
BSD 37	Construction of Driefontein Sanitation infrastructure	PMU	VIP Toilet	Appointment of a consultant, Design, Tender advert and appoint contractor	Appointment of contractor	New	None	None	Bid evaluation minutes
BSD 38	Rehabilitation of Mandla Magudulela Stadium	PMU	Depilated Stadium	Appointment of a consultant, Design, Tender advert and appoint contractor	Appointment of contractor	New	None	None	Bid evaluation minutes

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for Deviation	Steps Taken to Remedy	POE
BSD 39	Rehabilitation of Bus and Taxi route Thandukukhanya (Phola park)	PMU	Depilated road	Appointment of a consultant, Design, Tender advert and appoint contractor	Appointment of contractor	New	None	None	Bid evaluation minutes
BSD 40	Amsterdam Sewer Reticulation	PMU	200mm to 300mm diameter outfall sewer	50% with construction	15% Construction	Tender Advert	Underground water challenge	Engineer providing guidance on working in those conditions	Appointment letter

3.2 Municipal Financial Viability Management

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
Key Focus Area (KFA): Revenue Management									
MFVM 01	% of customers billed within 10 days of each month	Finance Department	100%	100%	100%	100%	None	None	Billing Report
MFVM 02	Number of monthly bank reconciliation approved	Finance Department	12	12	12	12	None	None	Bank recon
MFVM 03	Number of cut offs conducted	Electrical Services	New	12	34		None	None	Monthly List
MFVM 04	% of monthly revenue collected	Finance Department	75%	90%	61.94%	63.25%	Due to unemployment and COVID 19 Regulation.	New Strategy that will be compatible to COVID 19 Regulation.	Revenue report

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
MFVM 05	% of approved and registered indigent households receiving free basics services.	Finance department	1043	100%	100%	100%	None	None	Approve indigent register
Key Focus Area (KFA): Expenditure Management									
MFVM 06	% of capital budget spent on capital projects	Finance Department	100%	100%	100%	93%	None	None	Caper Report
MFVM 07	% of operational budget spent on operational projects	Finance Department	100%	100%	100%	71%	None	None	Opex Report
Key Focus Area (KFA): Asset Management									
MFVM 08	Number of fixed assets verification conducted	Finance Department	New	2	2	2	None	None	Fix Asset Report
MFVM 09	Number of monthly asset reconciliation conducted	Finance Department	New	12	12	11	None	None	Asset Recon Report
MFVM 10	Number of stock counts conducted	Finance Department	2	2	2	2	None	None	Stock count Report
Key Focus Area (KFA): Financial Reporting and Budgeting									
MFVM 11	Number of Section 71 & 72 reports submitted to National Treasury	Finance Department	12	12	12	12	None	None	Section 71& 72

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
Key Focus Area (KFA): Supply Chain Management									
MFVM 12	Number of SCM quarterly reports completed	SCM	4	4	4	4	None	None	Quarterly reports
MFVM 13	% of tenders advertised, evaluated, adjudicated within 90 days	SCM	100%	100% % of tenders advertised, evaluated, adjudicated within 90 days	100% % of tenders advertised, evaluated, adjudicated within 90 days	100%	None	None	Tender advert, evaluation reports, and adjudication reports
MFVM 14	Approval of procurement plan	SCM	Approved plan	1 Approved plan	1	1	None	None	Procurement plan

3.3 Municipal Institution Transformation Development

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	
Key Focus Area (KFA): Legal and Compliance									
MIDT 01	% SLA and Contracts drafted within 30 days	Legal	100%	100%	100%	100%	None	None	Register of SLA
MIDT 02	% of Consultation with attorneys	Legal	100%	100%	100%	100%	None	None	Attendance Register
MIDT 03	Number Quarterly Report Compiled & Assessment conducted	PMS	2	4	4	4	None	None	Quarterly & Assessment Report

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	
MIDT 04	Number of Assessment conducted on quarterly Report compiled by Section 56	PMS	2	4	4	2	None	None	Minutes, Assessment Report and attendance register
MIDT 05	Number of Performance contract signed before 30 June by the Section 56 Managers	PMS	New	6	6		None	None	Contract Register
MIDT 06	Number of Quarterly Performance Reports Compiled and submitted to Mayoral committee/ council	PMS	4	4	4	2	None	None	Quarterly report
MIDT 07	Number of Annual report compiled	PMS	1	1	1	2	None	None	Annual Report
MIDT 08	Approval of Governance documents: Internal Audit charter, Internal Audit Plan & Methodology, Audit Committee Charter, PMS Framework, Risk Implementation Plan & Strategy	MM Office	New	5	5	New	None	None	Council resolution
MIDT 09	Number of quarterly internal audit reports submitted to audit committee	Internal audit	4	4	4	4	None	None	Quarterly report
MIDT 10	Number of risk management and fraud prevention committee meetings held	Risk Management	4	4	4	4	None	None	Agenda & Minutes

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	
MIDT 11	Number of strategic risk assessment workshops conducted	Risk Management	1	1	1	1	None	None	Agenda & Minutes
MIDT 12	Number of quarterly reports on risk management	Risk Management	4	4	4	4	None	None	Agenda & Minutes
Key Focus Area (KFA): Leadership									
MIDT 13	Development of the IDP process plan	Planning and Development	Annual reviewed IDP process plan	IDP Process Plan	IDP Process Plan	1	None	None	Advert ,Item to council & IDP Process Plan
MIDT 14	Annual review of the IDP	Planning and Development	Reviewed IDP 2018	IDP Review	IDP Review	1	None	None	Advert, proof of submission & IDP

3.4 Local Economic Development

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
Key Focus Area (KFA): Skills development and Job creation									
LED 01	Number of hectares (ha) replanted	Forestry	85	250	259,8	180.8	None	None	Maps & Reports
LED 02	Number of exhibitions organized	Planning and Development	4	4	5	2	None	None	Business plan and report

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
LED 03	Number of Grant agreement signed	Planning and Development	New	1	1	1	None	None	Grant agreement
LED 04	Municipal spending on Integrated Incentive Grant as per DORA	Planning and Development	New	12	12	12	None	None	Report
LED 05	% of jobs created through Unemployment mitigation Special programmes	Planning and Development	New	100%	100%	100%	None	None	Report
LED 06	EPWP Integrated Incentive Grant Quarterly Report	Planning and Development	4	4	4	5	None	None	Report
LED 07	Number of SMMEs and co-ops supported	Planning and Development	5	5	157	8	None	None	Report

3.5 Good Governance & Public Participation

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
Key Focus Area (KFA): Skills development and Job creation									

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
GG 01	% of requests to fill vacancies completed in relation to requests received	Corporate Services	75%	75%	75%	65,22%	None	None	Reports & signed contracts
GG 02	Number of health and safety workshops conducted	Corporate Services	20	20	20	15	None	None	Reports & attendance register
GG 03	Number of student financial support offered	Corporate Services	10	7	0	0	No Bursaries were allocated for this year	Bursaries might need to be allocated to internal officials	Signed list of candidate & acceptance letter/form.
GG 04	% of new employees inducted	Corporate Services	100%	100%	100%	100%	None	None	List of invited candidate & Attendance register
GG 05	Work-place skills plan submitted annually	Corporate Services	1	1	1	1	None	None	WSP
GG 06	Number of training interventions facilitated	Corporate Services	35	30	21	30	Due to covid 19 financil constraints training is not being facilitated	None	List of trainee
GG 07	Employment Equity Report submitted annually	Corporate Services	1	1	1	1	None	None	EE Report

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
GG 08	Employee Wellness Day	Corporate Services	1	1	1		None	None	Report
GG 09	Number of Mayoral outreach programmes co-ordinated	Corporate Services	4	4	5	2	None	None	Report with pictures of the event
Key Focus Area (KFA): Health and Social development									
GG 10	Number of disability, elderly, women and children events organized	Corporate Services	4	4	4	2	None	None	Attendance register
GG 11	Number of HIV, STI, LAC and AIDS programmes held	Corporate Services	4	12	12	12	None	None	Attendance register
GG 12	Number of municipal publications produced	Corporate Services	4	4	14	4	None	None	Publication
GG 13	Number of Cleaning Services per month	Corporate Services	15	60	60	40	None	None	Cleaning schedule
GG 14	Percentage of requests for Buildings to be Maintained	Corporate Services	100%	100%	100%	0	None	None	Memo

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
GG 15	Number of Records Management Reports Produced	Corporate Services	12	12	12	10	None	None	Reports
GG 16	Number of Reports on Records Management Training conducted	Corporate Services	4	4	4	2	None	None	Reports
GG 17	Number of Youth Intervention programmes conducted	Corporate Services	4	16	18	11	None	None	Reports & Attendance register
(To ensure efficient and effective ICT) Key Focus Area (KFA): Data Integrity and Security									
GG 18	% of ICT queries resolved within 24 hours	Corporate Service	100%	100%	100%	100%	None	None	Log book
GG 19	Number of monthly offsite backups reports	Corporate Service	12	12	12	12	None	None	Back reports
GG 20	Number of Section 75 (MFMA) requirements in terms of updating the Website (Compliance).	Corporate Service	100%	12	12	12	None	None	Screenshots
Social Services KPIs (Libraries, Arts, Culture, Sport & Recreation)									

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for deviation	Steps taken	POE
GG 21	No. of sports tournaments/events supported		4	4	7	New	None	None	File Checklist
GG22	No. of cultural events & exhibitions held	Corporate Service	2	2	4	New	None	None	Reports
GG23	No. of library outreach programmes conducted	Corporate Service	4	4	0	New	Covid 19 Regulations do not allow outreach activities	Waiting for relaxing	Reports
GG24	No. of coaching clinics, trainings & workshops conducted	Corporate Service	2	2	2	New	None	None	Reports
GG25	SAMSRA GAMES (Employee Wellness Games)	Corporate Service	1	1	0	New	SAMSRA Games have been postponed this year due to COVID 19.	SAMSRA Games to be attended next year- 2021 due to Covid 19	Reports

3.6 Spatial Rational

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for Deviation	Steps Taken to Remedy	POE

Key Focus Area (KFA): Land use Management

No	Key Performance Indicator	Department	Baseline	Annual Performance Report 20/21					
				Annual Target	20/21 Actual Performance	19/20 Performance	Reason for Deviation	Steps Taken to Remedy	POE
SDR 01	% of building plans processed within legislated time frame	Planning and Development	95%	100%	100%	100%	None.	None.	Reports
SDR 02	% of illegal building and use activities attended too.	Planning and Development	100%	100%	100%	100%	None.	None.	Reports
SDR 03	Number of areas identified for survey rectification	Planning and Development	100%	2	2	8	None.	None.	Reports
SDR 04	Processing of land use and land development applications as receive	Planning and Development	100%	100%	100%	100%	None.	None.	Reports
SDR 05	% of beneficiaries identified for registration on the NHNR Database	Planning and Development	100%	100%	100%	100%	None.	None.	Reports
SDR 06	Number of consumer education sessions initiated	Planning and Development	4	4	6	4	None.	None.	Reports & attendance register
SDR 07	% of beneficiaries allocated against allocation from DoHS	Planning and Development	100%	100%	100%	100%	None.	None.	Reports

3.2 WATER PROVISION AND SANITATION (Refer to the PMU projects)

INTRODUCTION TO WATER PROVISION

WATER AND SANITATION DIVISION

Mkhondo Local Municipality is one of the small rural municipalities with approximately 189 036 (Stats SA Community survey 2016). Approximately 71% of the total population resides in the rural areas wherein there is very minimal infrastructure for provision of water and sanitation and 29% of the total population resides in the urban area and has adequate infrastructure for provision of both water and sanitation.

The constitution of South Africa states that everyone has a right to access safe drinking water and dignified sanitation. Under Municipal Structures Act (No 117 of 1998) Mkhondo Local Municipality has been designated as the sole water services authority in its area of jurisdiction. The municipality has a duty to provide services all consumers or potential consumers in its area of jurisdiction to progressively ensure efficient, affordable, economical and sustainable access to water and sanitation services.

Our mandate is to provide quality potable water to all households within the Mkhondo Local Municipal area, MP (303). Mkhondo Local Municipality obtained 32% for Blue Drop and 54% for Green Drop in 2014, hence the Municipality has improved significantly according the IRIS Report to 92% to date with WTW having been upgraded and the improved quality of water provided. The aim is to obtain Blue Drop certification. Process Controllers are regularly provided with training and refresher courses to keep them up to date with the latest technological advancement. 95% of the process controllers are being trained and classified with the Department of Water and Sanitation as required by the Draft Regulation 813. 60% are qualified as Class III process controllers and 35% are qualified as Class IV which indicates a tremendous improvement from the previous classifications. Ageing infrastructure and ever increasing population demand are the main challenges faced in our water and wastewater systems as refurbishment and upgrades will soon be required. Mkhondo New Water Treatment Works has recently been refurbished and there is an increased water supply to communities.

Mkhondo Local Municipality supply treated bulk water to Amsterdam, Mkhondo and Saul Mkhizeville with 4 Water Treatment Works and rural villages are supplied with water through boreholes and water tankers. The Covid-19 Pandemic and the extent heat has increased the demand of water through water tankers and this has led to constant breakdown of the existing water tankers due to long distance travels and the poor conditions of the water tankers. The municipality has procured a 3 new water tankers to assist with water delivery in rural villages. The intervention received through the covid-19 pandemic was a huge relieve to the rural villagers as there were 7 water tankers provided by Gert Sibande District Municipality and Department of Water and Sanitation. Gert Sibande District Municipality has procured a water tanker for the municipality. The backlog is still a huge challenge bur there is huge improvement in water supply to villages although there are 21 boreholes that were constructed from DWS and 53 from human settlement. Mkhondo Local Municipality provides bulk sanitation to Mkhondo and Amsterdam with 2 wastewater treatment works. A 1 ML/day wastewater treatment works and a wastewater

network is currently being constructed at Saul Mkhize Ville, the works are still in progress. A wastewater pond system is also being constructed at Rustplaas and the wastewater network. This will enhance the municipality water and sanitation services delivery.

WATER AND SANITATION SERVICES BACKLOG

WATER AND WASTEWATER SERVICES BACKLOG AS AT END OF JUNE 2020					
	Total No of HH	HH with access	% age with access	HH without access	% age without access
Water	45595	43064	95	2 531	5
Sanitation		37238	82	8 357	18,3

Successes

- 6846.432 treated water provided to communities.
- 184 new households connected to water supply.
- 9 New households connected for wastewater collection.
- 2930.7567 wastewater treated in Mkhondo and Amsterdam.
- Refurbishment of Mkhondo new Water treatment works has improved water supply to communities.
- Construction of 3MI wastewater treatment works at eThandakukhanya, in progress.
- Construction of a 1MI wastewater treatment works at eSaul Mkhize Ville, in progress.
- Procurement of 3 new 10kl water tankers.
- Construction of 71 new boreholes in 71 villages.
- Maintenance of boreholes within the rural is continuous.
- Rural water reticulation in villages is in progress.
- Sampling and testing of water compliances is continuous.
- Publication of water and wastewater quality report in a quarterly basis.
- Visited 11 schools for water quality and water demand management awareness campaign.

Shortfalls

The challenges that contributed to achieving less than 100% performance on the provision of water and sanitation includes.

- Constant breakdown and ageing fleet.
- Depilated infrastructure – especially reticulation network
- Budget constraints
- Staff compliment
- Shortage of vehicle

3.3 ELECTRICITY

This division is responsible for maintenance of the municipal grid and also assists in establishing new house connections to the network in Piet Retief and Amsterdam town respectively. Currently, 84% of households in urban areas have access to electricity. The remaining 16% rely on candles for lighting, paraffin and gas for energy. ESKOM supplies electricity to the rural areas. The Piet Retief main sub-station's capacity is 18MVA and we are currently operating at up to 25MVA. Developments that are newly built are affected as connection is a problem. However, our application to ESKOM for the upgrading to 40MVA is still pending approval. The Amsterdam main sub-station is 0.9MVA and we currently have a demand of 1.9MVA and our application is 2.5MVA which will cater for future developments. The residents are currently on rotational schedule both Amsterdam and Piet Retief.

Successes

1. We were able to service about 80% of our network lines.
2. Electrification of 1234 household connections at Mangosuthu, Group 10, Oosloop and Eziphunzin
3. Attend all planned maintenance as per our plan,
4. Attended most of faulty street lights,
5. Able to attend all electrical complains.
6. Installation of Energy saving street lights (Implementation of EEDSM)

Shortcoming

1. We were not able to service transformers and some breakers.
2. Replacement of old electrical infrastructure, like cables, T3 switches could not be achieved.
3. Installation of new streetlights and relays could not be achieved.
4. Implementation of load reduction
5. Eskom debt
6. Shortage of vehicles especially a Crane Truck

3.4 WASTE

Household collection was done in the areas that are serviced as per the schedule, new collection schedule was developed to include new areas that have recently been developed i.e. once a week per section. Refuse removal in town and the township was done, using waste containers that are removed by a tractor drawn trailer. The landfill site that is operated by council is still a challenge, given that the municipality does not have adequate landfill site equipment, reporting to the South African Waste Management System (SAWIS) was done on a monthly basis as per the Waste Act. Illegal dumping spots were cleaned, equipment to effectively clean such areas are a challenge because they are not enough.

Streets were cleaned daily in the CBD as well as all main roads. There are two teams that clean the streets (day and night shift). Employment of 15 refuse removals, 1 street cleaner and 1 Environmental General assistant. The Unit has 7 KPI on the SDBIP, and all the targets were achieved.

KPI	Annual Target	Annual Performance
Number of mass refuse container trips collected	840	950
Number of streets cleaned	22	22
Number of refuse trips from service areas	828	1170
Number of reports on landfill sites compliance	04	04
Number of stakeholders awareness and clean-up held	04	11
Number of Monthly waste reports submitted to SAWIS	12	12
Number of waste summits on Waste and Environmental management coordinated	01	01

3.5 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The purpose of the indigent policy is to implement the national initiative to improve the lives of indigents and to improve access to free basic services. The policy is aimed at providing a social safety net to relieve poverty within communities. The indigent policy has three (3) parts namely:

- Physical access to the municipal services;
- Functional and maintenance of services provided; and Access to services must be properly targeted.

Council does not have a division to specifically cater for social welfare to keep register of and to evaluate all applications for indigent support. However, the finance section provides a control system in the form of a questionnaire contained in the application form for indigents. The following free basic services are provided to qualifying indigents:

- 50 kWh (units) of free basic electricity per month.
- Six (6) kilolitre of free water per month.
- 100% rebate on assessment rates.
- The waste removal rate in respect of indigents will be fully discounted.
- The sewerage rate in respect of indigents will be fully discounted.

3.6 ROADS

Roads and Storm water

1. A total of 327, 2km of roads maintained and graded
2. A total of 393 graves were prepared and burials took place in cemeteries controlled by the Mkhondo Local Municipality
3. A total of 195 Catch pits cleaned on the 2020/21FY
4. Pothole repair is 1 8795m² of tar road repairs
5. A total of 9632 meters of storm water system were maintained and cleaned.

FOR THE YEAR UNDER REVIEW THE FOLLOWING MAINTENANCE WAS CARRIED OUT BY THE ROADS AND STORMWATER DIVISION:

1. All tarred surfaces must be repaired and resealed as a matter of urgency as the infrastructure is very old.
2. All paved surface require urgent attention in certain areas,
3. Gravel road in the urban and residential areas all require the replacement of the wear layer.
4. Yellow plant is old and not reliable with breakdowns occurring on regular basis.
5. Stormwater systems are dysfunctional causing great damages to road infrastructure.
6. In spite of these challenges faced by the section, a satisfactory level of service delivery was achieved.

3.8 PLANNING

The Planning and Development Department comprises of mainly two divisions, namely the IDP, LED, Special Programmes & Tourism Division and the Town Planning, Human Settlements and Building Control Division. The core mandate of this Department is to ensure sustainable and integrated human settlements; compliance to town planning and building control regulations; and, to ensure local economic growth and attract investment to the municipality.

Local Economic Development Unit is a directorate in the Planning and development Department. LED aims to enable local stakeholders to mutually devise and implement a development strategy which fully exploits local resources and capacities, and effectively utilise the area's comparative advantages. It is also mandated to promote economic development; job creation, economic

transformation and economic intelligence within the municipal area. It is guided by policies established by National and Provincial Government and articulates the approach to economic development through the Municipality's.

3.9 SPECIAL PROGRAMMES / LOCAL ECONOMIC DEVELOPMENT

3.9.1 ACHIEVEMENTS OF THE SPECIAL PROGRAMS, LED & TOURISM

Mpumalanga Regional Training Trust secured the CRDP training project with the Mpumalanga Department of Education to train youth in eight (8) Mpumalanga CRDP Local Municipalities (including Mkhondo Local Municipality) on different trades;
i.e 1) Building and Civil Construction; 2) Agricultural related trades.

MRTT secured a total number of 20 youth (males and females) was targeted for 2020/21 FY.

(Trades)Mixed farming		
No	F	M
20	12	8

SIYATHUTHUKA PROJECT

This is a Gert Sibande District Municipality initiative to support Local Municipalities in poverty alleviation and job creation. It is an EPWP initiative and provide a safety net for participants. In the 2020/21 FY we had 30 participants that were employed on the programme. Contracts are on annual basis but were extended since the inception of lockdown to minimize job loss. Contracts will end in December 2021.

COMMUNITY WORKS PROGRAMME (CWP)

This programme is implemented in all the 19 wards with 1945 participants' allocation. It is ward base, participants are expected to do general work, to assist with gardening and cleaning of schools and clinics, pensioners, with waste removal and other works as prescribed in the CWP Business Plan. CWP participant are distributed as per the attached report.

Participation per ward:

Total Cumulative	Female	% female participants (55%)	Youth	% youth participants (55%)	Disabled	% Disabled (2%)
1945	1609	71%	557	31%	53	1.9%

3.9.2 EPWP

The Expanded Public Works Programme (EPWP) is a South African Government initiated programme aimed at creating and enhancing work opportunities. It is a short term programme and should not be implemented in isolation with other Government strategic job creation initiatives but be implemented as a supportive programme to existing projects and programmes that are aimed at poverty alleviation.

The main purpose of this programme in Mkhondo Local Municipality is to improve job creation opportunities and skills levels through existing infrastructure and other projects identified by the Municipality. The programme specifically targets the unemployed within the Municipal area with the overall outcome of enhancing skills levels and reducing poverty levels in Mkhondo. If effectively implemented and reported, Mkhondo Local Municipality should benefit from an incentives grant that reinforces and rewards the Municipality for its labour intensive methods. Overall 286 jobs were created through EPWP projects in the 2020/21, this includes project in the Project Management Unit and Incentive Grant work opportunities.

3.9.3 LED PROJECTS

The Local Economic Development Unit is responsible for the provision of the municipal LED Services inclusive of:

- Business development and investment promotion
- SMME Development
- Development of SMME database
- Development of poverty alleviation plans

The promotion of economic development; job creation, economic transformation and economic interventions within the municipal constituency.

LED is guided by policies established by National and Provincial Government.

Our section articulates the approach to economic development through the Municipality's Integrated Development Plan (IDP) and an Economic Development Strategy (EDS) from which all activities are guided by, but not restricted to, as the section also responds to the broader challenges facing the municipal constituency by endorsing other initiatives such as the Provincial Growth Development Strategy.

The development of Small Businesses is now recognized as a common strategy for Local Economic Development in South Africa. We as the municipality are playing a facilitation role between governments initiatives to support SMME's and further play a role in providing the necessary infrastructure for business to thrive.

Accordingly, given its vastness and limitless opportunities, two co-operatives had been financially assisted with the sum R11 000 monthly for the period of twelve months this funding aimed at providing a fertile ground for SMMEs incubation, development and promotion.

SEDA took the lead in implementing SMME-Development, to ensure that adequate financial and non-financial assistance is provided to the sector, for its long-term prosperity and that of the country as a whole.

Nineteen (19) Women owned SMMEs were granted development programme (Financial Business management and access to various range of products and services to small enterprises that facilitate access to finance such as loans and incentive grants.

Three (3) Expo have been convened aimed at benefits of SMME growth, such as employment creation, enhancement of economic growth and poverty alleviation, provide further motivation for the prioritisation of this sector. Therefore, the development of SMMEs is of key developmental importance. As such, this programme focused on which factors determine SMME performance and growth, with particular emphasis on education and skills. It is evident that education and skills play an important role in the financial performance of SMMEs and their ability to access market opportunities.

3.10 BUILDING CONTROL (only audited statistic is allowed)

The Building Control Unit has processed and approved about 62 applications submitted for approval of building plans for new developments in excess of forty-Five thousand square meters (45 000m²).

The Building Control Unit ensured that the constructions of buildings are carried out as per approved building plans and conducted 53 building inspections throughout the 2019/20 financial year in order to ensure the occupation of safe and sustainable buildings.

About 5500 (Five thousand five Hundred) household inspections were conducted to monitor illegal building activities and approximately Fifty-one (51) contravention notices were issued for illegal work to ensure compliance with the National Building Regulations and Building Standards Act (No 103 of 1977) as amended and other applicable laws.

Challenges:

- Staff shortage is one of the most pressing challenges within the Building Control Unit as well as continuously non-compliance of the Building Act from the public

Proposed Remedy:

- All the budgeted vacant positions as per Building Control Organogram must be filled in order for the municipality to meet its set mandate for improved service delivery to the community. Continuously submission of non-compliance reports for all illegal work to the law enforcement office for appropriate legal action to be taken and implementation of the spot fines.

3.11 TOWN PLANNING

3.11.1 REVIEW OF SPATIAL DEVELOPMENT FRAMEWORK (SDF)

The SDF was prepared by University of Pretoria in collaboration with GIZ. Numerous consultations were held with various stakeholders such as local businesses community, forestry

and farming communities and traditional authorities, to tap into the wisdom of the crowd and assist in developing a comprehensive SDF was in place. The Final Draft SDF has been adopted by Council and is awaiting promulgation in the government gazette.

The Municipality together with the assistance of Gert Sibande District Municipality and the Municipal Infrastructure Support Agent (MISA) embarked on a process to compile a Land Use Scheme or Wall-to-wall Scheme, which complies with the Spatial Planning and Land Use Management Act, No. 16 of 2013 (SPLUMA). The Final Draft Land Use Scheme has been adopted by Council and is awaiting promulgation in the government gazette.

3.11.2 Number of households inspected for illegal land uses and buildings

In the quest to ensure compliance with the Mkhondo By-law on Spatial Planning and Land Use Management By-law (2016), 4500 (four thousand, five hundred) households were inspected by the Land Use Inspector.

3.11.3 Percentage (%) of letters issued on all illegal land uses identified

Illegal land uses are monitored, and non-compliance notices are being issued by the Land Use Inspector to contraveners. Approximately fifty-nine (59) non-compliance notices have been issued.

3.11.4 Number of Townships Established

Seven (7) Township Establishment applications, namely Athalia; Ethandakukhanya; Hartebees; Newplaas; Riverside; Sluis and Speenkoppies Agri-Villages were tabled to the Gert Sibande District Joint Municipal Planning Tribunal (MPT) at various times during the financial year. All seven Township establishment applications were approved.

Challenges:

Review of Spatial Development Framework

By the end of the 2020/21 financial year the Final Draft SDF was adopted by council and is awaiting promulgation is the final milestone in the process. The SDF review process and Land Use Scheme or wall-to-wall Scheme compilation process are running concurrently to ensure alignment and compliance in terms of the Spatial Planning and Land Use Management Act, No. 16 of 2013 (SPLUMA). Due to the limitations presented by the Covid-19 regulations issued by the department of Corporative Governance and Traditional Affairs it has been difficult to achieve the intended milestone of finalising the Review of the SDF.

Number of households inspected for illegal land uses and buildings and percentage (%) of letters issued on all illegal land uses identified

The annual target of 6000 (eight thousand) households to be inspected in the 2019/20 financial year was not reached, due to the ease of movement restrictions presented by the Covid-19 lockdown. Only 4500 (four thousand, five hundred) households were inspected, during the 2019/20 financial year. Another persisting challenge experienced, is that property owners are reluctant to comply when issued non-compliance notices due to cost of compliance as well as lack proof of ownership for the properties.

The Town Planning Unit is experiencing a serious deficit in staff as there are numerous vacant posts on the approved organogram. This has resulted serious backlog in terms of land

developments applications and gravely affects service delivery, as applications and public requests are not being processed in a timeous manner, due to the shortage of staff within the department.

Proposed Remedy:

Alignment of SDF and Land Use Scheme (Wall-to-Wall Scheme) processes in the 2020/21 financial year.

Critical vacant posts on the organogram will be advertised in the 2020/21 financial year.

3.12. SPLUMA IMPLEMENTATION:

The Mkhondo By-Law on Spatial Planning and Land Use Management (SPLUM) which was promulgated on the 22nd April 2016 is being implemented. All Land Use and Land Development Applications submitted during the 2019/20 financial year were submitted in terms of SPLUMA (2013) and the Mkhondo By-law on SPLUM (2016), and applications fees were paid in terms of the approved tariff structure. The Gert Sibande District Joint Municipal Planning Tribunal is functional.

COMPONENT D: COMMUNITY SERVICES

3.13 LIBRARIES

The Municipality of Mkhondo has 3 libraries under it, the Amsterdam public library, Driefontein public library and Mkhondo Public library. These 3 libraries are all monitored by the senior librarian of Mkhondo municipality under the department of corporate services, serving under the General Manager/ Corporate services. The municipality works together with Mpumalanga Library and Information (MPLS) to provide collections of library material to affiliated public libraries under the jurisdiction of both the municipalities and private institutions.

Most of the library collection is provided by the Province and the municipality signs a binding agreement with the Province to monitor and guard the assets. Currently they are talks between the department and municipality to hand over all the library assets to the municipality. This means that all library assets will be fully owned by the municipality after following all legal procedures.

LIBRARY MISSION

Provide access to library and information services which assist in meeting the recreational, information and cultural needs of the Mkhondo community.

GOALS AND OBJECTIVES OF THE LIBRARY

Provide and maintain resource collections which are responsive to the needs of the community

- Provide a set of library outreach services, activities and programs that will empower the community.
- Increase awareness and usage of library services.
- Provide library facilities appropriate to the needs of the people of Mkhondo.

Mkhondo Public Library

- The last stocktaking we recorded 48900 library books and there hasn't been any new books
- Total number of registered users - 3510
- 11 computers for public use
- A monthly report is compiled every end of each month which includes a monthly statistics.
 - An average of 60 books is circulated per day
- We work with different schools, stakeholders and community members within the municipality to promote a culture of reading and also create awareness on key issues that affect our community, especially early child development. To bridge the gap between the local and remote schools, we do library campaigns in remote areas and monthly school visits. We visit at least 4 remote schools per quarter, lending books and encourage principals to open classroom libraries which we assist to set up.
- Each library has computers that enable users to have access to the internet. There is always Wi-Fi that is accessible to all our users.

- The library also caters for vision impaired/blind users. We have equipment's strictly catered for our users, and we lend them audio books. We also have a document reader which they use to read any book of their choice.

- Transport to visit remote areas, a budget for doing library marketing per quarter, assist the senior librarian to do monitoring and evaluation per month in all the libraries and the above mentioned activities should be covered by the municipality.

Challenges

Due to the global pandemic, there hasn't been any changes or new implementations in the New Year. We were forced to go on a lockdown which resulted in the library to stop operating beginning of March 2020.

As the library we are expected to abide to the above mentioned goals and objectives and as per the SDBIP, each library is supposed to visit 4 remote schools per quarter. There are however challenges within our scope of work;

- Transport especially a bakkie to load all the equipment's we take with when visiting remote areas.
- Marketing tools
- Enough budget for the library services
- Office space especially now that we have a studio for the blind. There is no enough room to accommodate all the equipment for the blind.
- Training needs for the staff. Training programs are an important part of organisation growth as it enables staff to learn more about their work.
- An upgrade of the library because the current one is very old and has started to leak.

Conclusion

Due to the global pandemic, the library was closed in March 2020 and there were no library projects conducted. All library projects were put to a halt. No field work and outreach programs were conducted.

Since everything was postponed in the year 2020, it is only after this year 2021 that we will start working and render services to the community as we slowly ease into lockdown restriction levels.

There is a need to work and help fix the challenges highlighted above, the libraries would run effectively through consultation, planning, budgeting and conducting training courses for staff to also assist in service delivery.

Transport is a common factor for all the 3 libraries and with the assistance of the municipality by providing a library vehicle to visit remote schools can also assist to bridge the gap between the surrounding and remote schools

There is also a need for the municipality to work together with DCSR in implementing library projects that can better the community of Mkhondo. DCSR is willing to assist in any way possible for these 3 libraries to run effectively

3.14 YOUTH DEVELOPMENT

3.14.1 Introduction

2021 marks the second year of the birth of the new Youth policy (NYP 2020-2030) which has a new lifespan of 10 years. It also marks the first year of the newly appointed board of the NYDA, which is promoted by the NYDA act. We believe that all these new developments will promote and intensify practical holistic youth development agenda.

Based on the mandate of the National Youth Commission Act (1996) and the National Youth Development Policy Framework (2002), the NYP 2020 defines young people as those falling within the age group of 14 to 35 years. 2020 marks the end of the National youth policy, the policy was effected from 2015.

The policy has a number both proposal ranging from economic participation and transformation, education, skills, and second chances and many others. Although much has changed for young people since the advent of democracy in 1994, this is also consistent with the definition of youth contained in the African Youth Charter, which defines youth as those between the ages of 15 and 35 years.

Mkhondo Local Municipality has prioritised youth empowerment, development and beneficiation. The office of the executive Mayor houses the target group office, the Target Group office deals directly with youth empowerment, development and beneficiation thereof.

In the past, the apartheid-government not only violated the rights and opportunities of young people through its suppressive and racially-oriented system of coercion, it also denied any of the special needs of youth, particularly regarding education and economic opportunities. No recognition was given to the needs and concerns of young men and women, who were instead, left to find their own way in a difficult and ever changing society.

Mkhondo Local Municipality recognises the contributions young people make to our society and Mkhondo strives to build upon the imagination, energy, vibrancy and talents of all young women and men within the Municipality.

Mkhondo has developed a more economical approach in terms of youth development, it is highly noted that most of the social ills engaged by the youth are caused by lack of economic opportunities. This is done in order to squarely address the factors which threaten the development of young people. Whether these exist as a legacy of apartheid or as a result of our own social practices, young women and men deserve fair treatment, a safe environment and a nurturing community.

3.14.2 Priority Target Groups for Youth in Mkhondo Local Municipality.

Mkhondo Municipality considers strongly the fact that the youth are not a homogeneous group and as such, the Mkhondo programmes, projects and strategies provide specific attention to the following youth groups that are more vulnerable:

- Young women
- Youth with disabilities
- Unemployed young women and men
- in and Out-ofschool youth
- Rural and urban youth
- Youth at risk
- Youth in conflict with the law
- Young entrepreneurs who are already in the field and those intending to be part of business
- Unemployed graduates.

3.14.3 Streamlines for youth development

As stated above the youth is not a standardized group and as such, the plans for the Youth in Mkhondo, provide specific attention to the following streams for youth groups:

Hard Expertise Training; entails theoretical and practical training in relevant fields to enable the youth to render services in the locality and abroad;

Professional progress: entails creating access to education leading up to a qualification. The purpose is also for youth exposure to opportunities;

Youth as entrepreneurs: involves youth development as entrepreneurs in all sectors of the business economy and can be as contractors, project managers and professional service providers.

Making profitable art: Involves youth in the creative industry ranging from Poetry, Music, Craft artists, Traditional dancers and all relevant artistic work.

3.14.4 Youth development in essence.

2021 has not been a great year as far as youth development is concerned, we have experienced numerous job losses for the youth, and many youth owned business suffered and schooling in all levels was compromised. This was all due to the pandemic that has struck the whole world, the Corona outbreak. For this reason many activities were paused for quite some time thus making the youth more vulnerable to poverty and suffering.

Many programs have been initiated by either the National or Provincial Government to curb and to reduce the effects of this pandemic. The Mpumalanga Department of Sports Culture and recreation provided a relief for people who are in the creative industry, in particular to food parcels and financial assistance. The National Youth Development Agency (NYDA) had a relief fund of R10 000 for youth owned SMMEs, we have liaised a funding of at least 10 SMMEs.

Through the assistance of the NYDA, we have provided quite a number of Entrepreneurship Development Program for youth owned SMMEs, including a financial management training from SEDA in which a minimum of 5 have been funded with either R10 000 or R 50 000. This program is continuous and the relationship between the municipality and NYDA is a fruitful one.

We have provided practical youth development and empowerment. 50 unemployed youth has been trained for skills in security management and these young people were further assisted to register for PSIRA compliance certificate.

The Community Work program and the Expanded Public Works Program has continued to prioritize the youth through employment and training. It is indeed evident that more than 75 percentage of the intake are people between the ages of 18 and 35.

3.15 TRAFFIC

- The traffic unit is responsible in executing traffic management within the boundaries of Mkhondo Local Municipality. The working plan is structured to ensure that traffic officers are available on the road throughout the month. The municipal plan is structured as follows: There are two shifts for our traffic officers, The first shift commences work at 6h00 am -14h00 pm, The second shift knocks in at 12h00 until 20h00 at night. We have one week standby to make them available when there are incidents and accidents. And also to make traffic officers available on weekends.
- Road marking sub-unit falls under the traffic Unit, road marking was done, as well as replacement of road signs.

LAW ENFORCEMENT

- The Municipality has introduced a new unit of Law Enforcement after experiencing challenges of land evasion, mushrooming of car washes, fixing of vehicles in street corners, challenges of non-compliance of businesses in terms of zoning, permits for foreigners, business permits and food selling retailers as well as illegal connection of electricity.
- The unit has 3 officials that are responsible for the above.

3.16 FIRE SERVICE

- It is the unit that is constantly on alert when accidents or incidents occurs. The unit constantly responds to countless of events that are categorized as major risk such as house fires, veld fire, dangerous good, vehicles spillages, accidents involving motorists on the road, stray animals, pedestrians etc. It plays a huge role in mitigating risks associated with human lives, animals and municipal properties.
- Fire station not available in the satellite office(s) remains a major concern for the unit. Plans to establish such a structure is in the pipe-line.
- The unit lost 3 fire-fighters during the year under review. The Unit has 2 KPI on the SDBIP, and all the targets were achieved.

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3.17 MAINTENANCE OF PARKS

- Maintenance of parks and public open spaces are maintained on a daily bases. Refurbishment of South Street was done, TWK donated with playing equipment and steel palisades for the fence, SignArt donated the sign board for the park.
- Most of the parks have no adequate playing equipment and ablution facilities for users of the facilities.
- Grass cutting, tree felling was done in the year. 30 trees were planted, and 2500 Spekboom trees were distributed to the communities. The Spekboom drive initiative was the response by the municipality to the effects of climate change.

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT II)

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The municipal organization structure provides for 832 permanent positions. At financial year end 516 positions were filled with a staff turnover of 3.48%. All new appointments are made taken into consideration the implementation of the Employment Equity Act 55, 1998 and according to the demographic profile of the municipality; Black employees constitute 96.32%, Coloured 0.76%, Asian 0.39% and White employees at 1.36 % of the total workforce at the end of the financial year. Male employees constitute 63.37% whilst female employees are 36.24 %.

The Municipal Manager is the head of the organization supported by General Managers. The organizational structure provides for five General Managers, each responsible for a service delivery area. One Senior Manager supports the Municipal Manager on internal audit whilst the General Manager: Financial Services is supported by five Senior Managers to perform the financial functions as per the Municipal Systems Act (MSA) and Municipal Finance Management Act (MFMA). The General Manager: Technical Services is further supported by the Senior Manager: Project Management to implement MIG projects.

Workforce Profile

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	5	0	0	0	1	0	0	0	0	0	6
Senior management	10	1	0	1	4	0	0	1	1	0	18
Professionally qualified and experienced specialists and midmanagement	15	0	0	0	14	0	0	0	0	0	29
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	46	0	0	5	23	0	1	0	0	0	75
Semi-skilled and discretionary decision making	121	1	1	0	75	2	0	0	0	0	200
Unskilled and defined decision making	118	1	0	0	65	1	0	0	0	0	185
TOTAL PERMANENT	317	3	1	6	183	3	1	1	1	0	516

4.1.1 COMMENT ON VACANCIES AND TURNOVER:

All vacancies are being advertised in the press according to policies in this regard. All Senior Management positions are being occupied; acting appointments could be made where there were vacancies. Internal staff can apply for promotional positions where they are qualified, skilled and experienced. Internal promotions were done where our internal candidates were found to be more capable. The Employment Equity plan is always taken into consideration with appointments. Depending on scarcity of skills in the labour market, the filling of positions varies depending on what qualification and experience is required. The target is to fill a vacancy within a time span of three months after request to fill such positions are received.

The reason for turnover is mainly as result of resignations, retirement, death, and dismissals. Employees mainly resign as result of career advancement. We have an active Employee Assistance Programme in place. There is also a long service recognition award system in place which was implemented in terms of the conditions of service. However, due to other institution offering more benefits than we can afford, it is not always possible to retain scarce and critically skilled employees through efforts made.

Disciplinary actions taken during 2020/21

POSITION	NATURE OF ALLEGED MISCONDUCT	DATE OF SUSPENSION	DETAILS OF DISCIPLINARY ACTION TAKEN OR STATUS OF THE CASE	DATE FINALIZED
Accountant Debt and Credit Control	Dishonesty, Corruption, Gross Negligence	18 June 2019	Dismissed	October 2020
Compactor driver	Gross dishonesty and theft	05 September 2019	Dismissed	August 2020
Senior Salaries Clerk	Gross Dishonesty and theft	03 September 2019	Dismissed	July 2020
Senior Manager Public Safety and other	Dishonesty, Misrepresentation	Not suspended	Sub Judica	In Progress
Senior Voucher Control Clerk	Dishonesty	July 2020	Dismissed	October 2020
Accountant	Intoxication		Final Written warning as well as 10 days unpaid suspension.	March 2021

Municipal Systems Act 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

An Employment Equity Plan has been developed and implemented and annually reviewed. Annual reports are being sent to the Department of Labour annually as required by law.

Regular OHS inspections and safety audits are done during the year to ascertain health and safety risks. Departments were advised in terms of its safety risks. OHS related training was done on a regular basis (e.g. first aid, safety representative etc.). Accidents and injuries on duty were investigated in terms of relevant legislation. Sick leave was monitored by Heads of Departments and proper record was kept of all leave and sick leave taken. Where necessary, officials may be sent to a Council appointed medical practitioners for clarity in cases of extended sick leave.

In order to ensure that the organization's effectiveness is increased, the Municipality annually conducts personal need analysis, and makes the necessary provision in the Municipal Budget. Since the existence of the human resources is not only sufficient towards effectiveness and efficiency of the organization, the Municipality annually develops Workplace Skills Plan after conducting the training needs analysis and provide the necessary training depending on the available financial resources. Training also assists in adapting to environmental changes. The employees are also provided with all the necessary tools including, but not limited to, ICT tools, furniture, machinery etc.

The employees are trained as per Workplace Skills Plan adopted by the employer and labour. The budget allocated is never sufficient to assist with all the training needs and the allocation is as far as possible at $\pm 1\%$ of the personnel budget. All the General Managers are trained to be compliant with the MFMA competency regulations.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.2 POLICIES

Necessary policies, systems, procedures and mechanisms are put in place to ensure organizational development. These include, but also not limited to, Recruitment, selection, training, discipline, retention of staff, External Bursaries. The development of employees assist them to function as sustainable human beings, to develop to their full potential, assist to create an environment to find exciting and challenging work, increase the effectiveness of the organization in terms of its goals.

Changes in business process and changing environment requires the organization to review its organizational structure.

4.3 INJURIES, SICKNESS AND SUSPENSIONS

TERMINATED EMPLOYEES

DEPARTMENT	PERMANENT	MALE	FEMALE	YOUTH
Office of the Municipal Manager	1	1	n/a	1
Technical Services	5	5	n/a	1
Corporate Services	3	n/a	3	1
Community Services	4	4	n/a	1
Financial Services	2	1	1	1
Planning and Development	n/a	n/a	n/a	n/a

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.4 SKILLS DEVELOPMENT AND TRAINING

In order to ensure that the organization’s effectiveness is increased, the Municipality annually conducts personal need analysis, and makes the necessary provision in the Municipal Budget. Since the existence of the human resources is not only sufficient towards effectiveness and efficiency of the organization, the Municipality annually develops Workplace Skills Plan after conducting the training needs analysis and provide the necessary training depending on the available financial resources. Training also assists in adapting to environmental changes. The employees are also provided with all the necessary tools including, but not limited to, ICT tools, furniture, machinery etc.

The employees are trained as per Workplace Skills Plan adopted by the employer and labour. The budget allocated is never sufficient to assist with all the training needs and the allocation is as far as possible at ± 1% of the personnel budget. All the General Managers are trained to be compliant with the MFMA competency regulations.

TRAINING PROGRAMMES ATTENDED BY MANAGERS

TRAINING PROGRAMME	NUMBER OR ATTENDEES	MALE	FEMALE	NQF LEVEL
Local Government Women Leadership Development Programme, 3rd Annual Local Government Labour Law	1		1	5
Advanced Labour Law	1		1	6
Disaster/ Emergency Response in Water Supply Sector	1		1	Not NQF Aligned
Fundamental of Project Management	02		02	6
Municipal Finance Management Programme (MFMP)	2	2		6

TRAINING PROGRAMMES ATTENDED BY OFFICIALS

TRAINING PROGRAMME	NUMBER ATTENDEES	MALE	FEMALE	NQF LEVEL
SARS e@syfile Submission	2	1	1	Not NQF Aligned
Firearm Competency	16	11	5	5
Municipal Communicators Social Media	2	2	0	5
3rd Annual Local Government Labour Law	2	1	1	Not NQF Aligned
Disaster/ Emergency Response in Water Supply Sector	4	1	3	Not NQF Aligned
Trade Test Certificate in Electrical	8	2	6	4
Cable Joint	16	15	1	4
ORHVS	6	6	0	5
Prolaser Training and Lidar	12	10	2	4
Audit and Risk Indaba	5	2	3	Not NQF Aligned
FETC: Water & Wastewater Treatment Process Control Supervision	15	9	6	4
Compensation Fund Advocacy and Company System and ROE	2	2	0	Not NQF Aligned
Fundamental of Project Management	4	2	2	6
House Keeping	30	7	23	2
First Aid	40	25	15	3
Municipal Finance Management Programme (MFMP)	8	6	2	6

Compliance with the MFMA Regulations

	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Consolidated: Competency Assessments completed for A (Regulation 14(4)(b) and (d))	Consolidated : Total number of officials who performance agreements, comply with Regulation 16(regulation14(4)(f))
Accounting Officer	01	Yes	01
Chief Financial Officer	01	Yes	01
General Managers	04	Yes	04
Supply Chain Manager	01	Yes	01
Senior Managers	04	No	04
Other Financial Officials	57	No	0
Totals	68		11

CHAPTER 5: FINANCIAL PERFORMANCE

CHAPTER 5 - FINANCIAL PERFORMANCE

Chapter 5 contains information regarding financial performance and highlights specific compliments. The chapter comprises of four components, namely:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Cash Flow Management and Investment
- Component D: Other Financial Matters

The overall operating results achieved for the past financial year closed off with an operating Deficit of R90,779,795, (2020: R78,614,318) compared to the budgeted operating surplus of R109,030,000. The total revenue for the year amounts to R785,691,653 (2020: R687,569,794) which reflects an increase of 14.7%. The total operating expenditure for the year is R876,471,448 (2020: R766,184,112) which reflects an increase of 14.39%. The total capital expenditure capitalized for the year in respect of property, plant and equipment amounted to R135,178,449 which is slightly less than the previous financial year, amount of R135,755,739. Cash and short term investments increased by 71.83% i.e. amounts to R7,738,001 from R4,503,264 from the previous year.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL PERFORMANCE

Note: Statements of Revenue Collection Performance by vote and by source are included at Appendix K.

REVENUE

Operating revenue from exchange transactions for the year amounts to R239,663,642 (2020: R242,599,455) which reflects a decrease of n increase of 1.2%. Operating revenue from non-exchange transactions for the year amounts to R546,028,011 (2020: R444,970,339) which reflects an increase of 22.71 %. Included in the operating revenue from non-exchange transactions are government grants and subsidies to the value of R450,858,840.

Service charges are 24.88% of total revenue. They decreased by 2.86% from R201 million to 195 million. Sale of electricity remains the largest source of income and contributes 75.29% of service charges.

Property rates decreased by 1.35% from R72 million to R71 million. Interest received decreased by 5.65% from R28.4 million to R26.7 Million. Other income decreased by 37.46% from RR5.4 million to R3.4 million.

EXPENDITURE

The total expenditure for the year is R876,471,448 (2020: R766,184,112) which reflects an increase of 14.39% from the previous financial year. The main expenditures are employee related costs which amounted to R218,838,023, bulk purchases at R88,275,785, contracted services at R95,589,625, general expenses at R 102,664,309 and non-cash items of depreciation and debt impairment at R83,881,591) and R 126,664,523 respectively.

Transfers and subsidies provided decreased by 0.77% from R 6,259,813 to R 6,212,060. This was as a result of a decrease in the number of indigent households registered for free basic services. Capital expenditure for the year amounted to R135,178,449 which was financed through MIG and own funding.

RANTS -Government grants and transfers

Below is a summary of grants and transfers for MLM for the period 2020/2021.

Description	2021						
	Original Budget	Adjustments	Final Budget	Adjustment	Actual Performance	Unspent portion	Purpose of the grant
Equitable share	300,190,000	-	300,190,000		300,190,000	0	This grant is an unconditional grant and is partially utilised for provision of free basic services
MIG	76,852,000	6,000,000	82,852,000		82,852,000	0	To provide specific capital finance for basic municipal infrastructure back logs for poor households, micro enterprises and social institution servicing poor communities
FMG	3,000,000	-	3,000,000		3,000,000	0	This grant is used to promote and support reforms to municipal financial management and to fund the internship programme
EPWP	1,998,000	-	1,998,000		1,998,000	0	The expanded public works programme is a special performance based incentive to create job opportunities to previously unemployed people
LGSETA	80,793		80,793		80,793	0	The Local Government, Water and Related Services SETA was established in terms of the Skills Development Act (1998). The LGSETA has aligned its contributions to the implementation of National Skills Development Strategy III (NSDS III) primarily to support the achievement of OUTCOME 9 of the Cabinet Programme of Action, which aims to improve the effectiveness and efficiency of skills development system within the local government sector. The strategic outcome of the SETA will therefore produce a skilled and capable local government workforce.
Regional Bulk Infrastructure Grant	20,000,000		20,000,000		7,879,004	12,120,996	The strategic objective of the Grant is meant to facilitate achievement of targets for access to bulk water and sanitation through successful execution and implementation of bulk projects of regional significance.
Water Services Infrastructure Grant	26,000,000	30,000,000	56,000,000		44,859,043	11,140,957	The Water Services Infrastructure Grant is used for the construction of the Sewer Package plant in Haartebeesfontein and Rustplaas.
INEP	10,000,000	-	10,000,000		10,000,000	0	This grant is used address the electrification backlog of residential dwelling in low income areas

Conditional grants were spent in full with the exception of Water Services Grant and Regional Bulk Infrastructure Grant

3 ASSETS MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

Overview of Asset Management

The Municipality has an Asset management policy which was developed to comply with all relevant legislative requirements and complies with the standards specified by the Accounting Standards Board. Asset Management within the municipality is overseen by the Chief Finance Officer.

Fixed Asset Register (FAR)

The Chief Financial Officer established and maintained a fixed asset register. A FAR which is fully Compliance to GRAP 17 is essential to ensure that it contains key financial data on each item of property, plant and equipment that satisfies the criterion for recognition.

Staff involvement and delegations

The Chief Financial Officer is delegated by the Accounting Officer to ensure that investments in the municipality's assets are safeguarded and properly maintained. The Asset management team which is headed by a Senior Manager needs to ensure that appropriate physical management and control systems are established and maintained for all assets and that the municipal resources assigned to officials are utilized effectively, efficiently, economically and in a transparent manner.

5.4 CAPITAL PROGRAMME BY PROJECT: 2021

See Appendix I

5.5 MAINTENANCE OF ASSETS

Repairs and Maintenance	Original Budget	Adjustment Budget	Final Budget	Actuals	Variances
	17,510,751	21,220,435	38,731,186	48,504,453	(9,773,267)

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

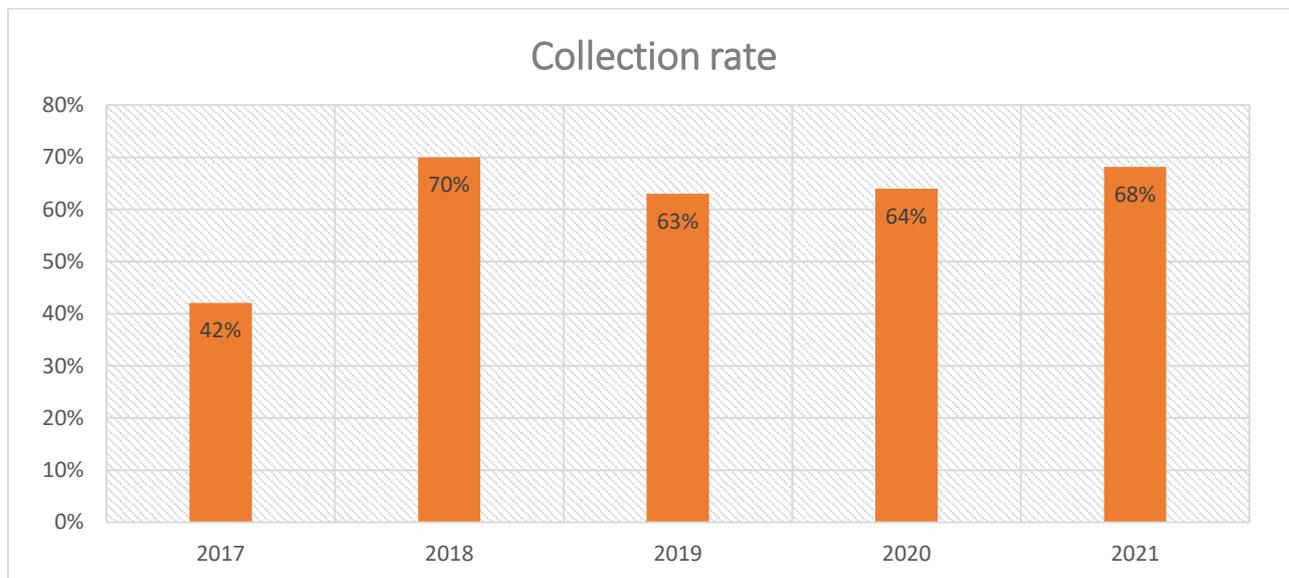
The negative variance is due to the aging infrastructure of the municipality which required more funding than what was budgeted for. However the pressure placed on budget provision for the extension of infrastructure to cater for new developments limits the availability of funds for maintenance purposes. The intention is to substantially increase maintenance expenditure in future budgets of the municipality.

5.6 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



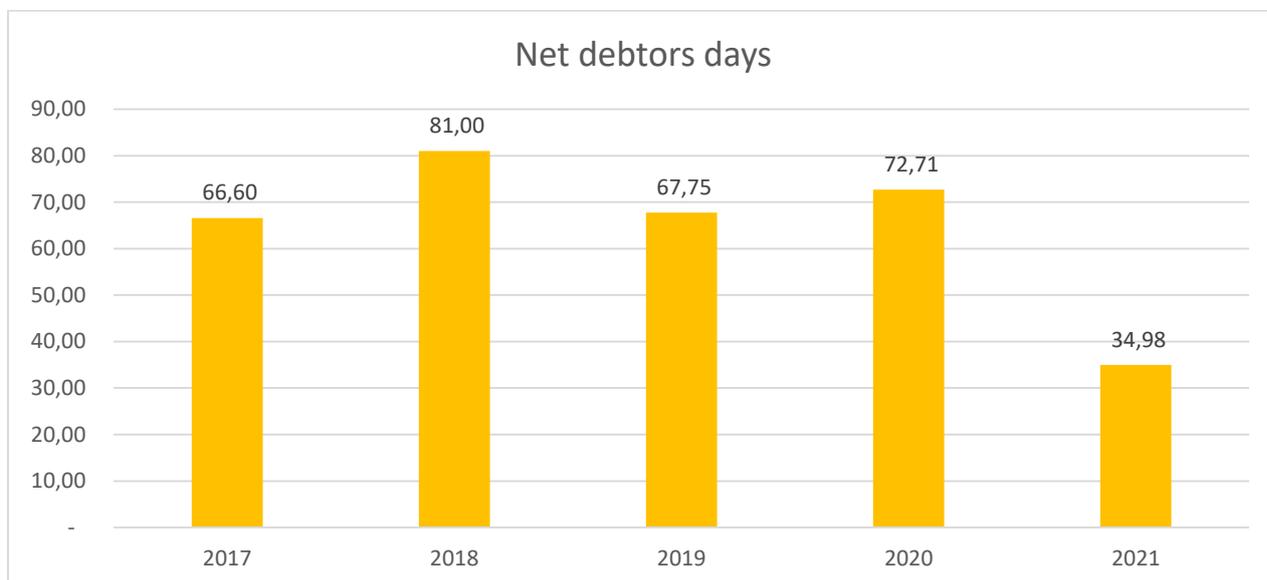
Liquidity Ratio - Measures the municipality's ability to pay its short term liabilities and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio is better. The norm ranges between 1.5 and 2:1. The trend highlighted above indicates

a deterioration of the Liquidity ratio which declined from 0.23 in 2017 to 0.11 by 2021. The ratio is under pressure due to the ever escalating Eskom account which constitutes a large portion of the current liabilities.



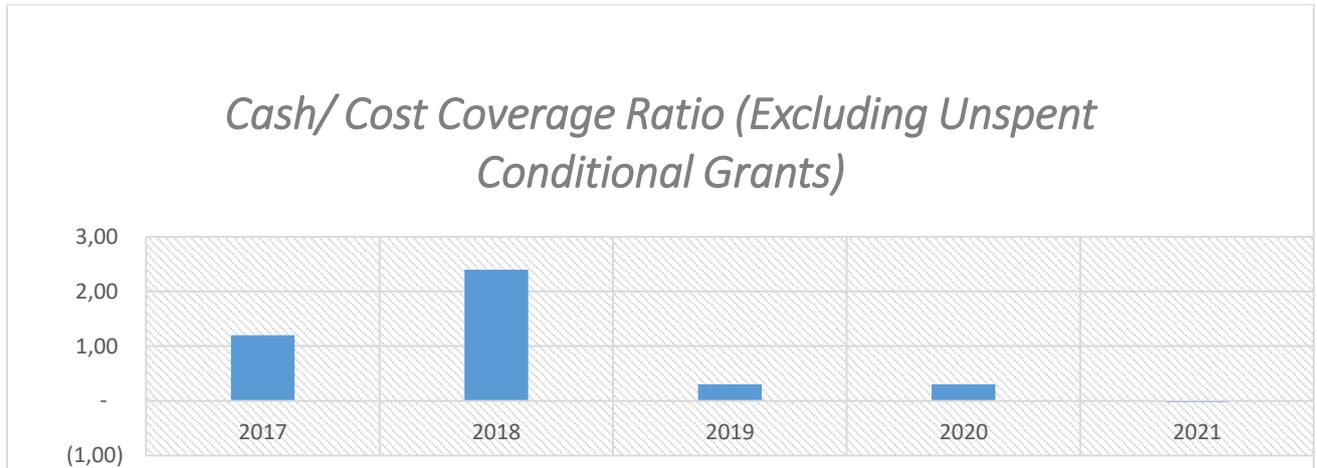
The Ratio indicates the collection rate; i.e. level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. In addition, in order to determine the real collection rate bad debts written-off is taken into consideration. The norm is 95%.

If the ratio is below the norm this is an indication that revenue collection of the municipality requires urgent attention and corrective measures should be implemented. A municipality with outstanding debtors should aim at achieving a collection rate of more than 100%. The collection rate has been averaging around 65% over the previous 5 years which is below the norm. This calls for the municipality to do more in its collection efforts.



This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services. The Ratio exclude balances for Debtors, which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of credit control procedures within the Municipality or Municipal Entity as well as the extent to which the Municipality or Municipal Entity has provided for Doubtful Debts. The norm is 30 days.

The ratio improved in 2021.



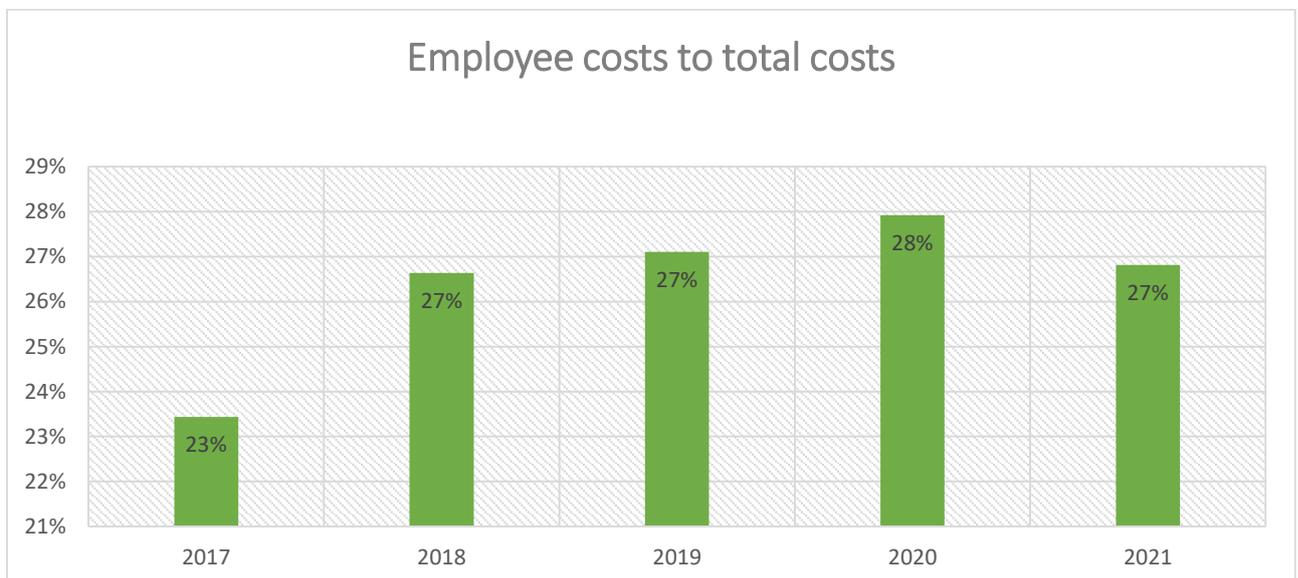
The Ratio indicates the Municipality's or Municipal Entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month. The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal Municipal day-to-day operational expenditure but rather reserved for Grant related expenditure.

The norm ranges from 1 month to 3 months.

For the 2021 financial year, the cash/cost coverage ratio is negative.

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

The Municipality had not been taking any new loans and as such the debt coverage ratio is improving as repayments are made within the stipulated timeframes as the loan agreements.



Employee related cost including councillors remuneration - Measures the extent of remuneration to total expenditure. It is calculated by dividing the total employee cost by total operating expenditures. Norm 25% to 40%, the municipality's ratio for the 2021 financial year is 27%, which is within the norm.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

COMMENTS ON SPENDING AGAINST CAPITAL BUDGET AND SOURCES OF FUNDING

Capital expenditure relates mainly to the construction of assets that will have service potential lasting over many years. Capital expenditure is funded from grants and internally generated revenue. During the financial year under review capital expenditure towards the acquisition of property, plant and equipment amounted to R135,178,449.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Proper cash flow management is a critical element to ensure the municipality meets its obligations as they fall due. A stable positive cash flow balance relative to the growth of the municipality is a good indication of the municipality financial position and health. Cash flow projections are done on a monthly basis and cash not immediately required are invested for a better return in the short term.

COMMENT ON CASH FLOW OUTCOMES:

The net cash flow from operating activities indicates a positive cash flow of R138, 751,214. An amount of R R135, 178,449 was utilized on investment activities mainly to purchase property, plant and equipment. Considering the above cash movements, the net cash and cash equivalent at the end of the year amounted to R 7,738,000. The net cash position of the municipality has remained stable over the past three years. This is a good indication that the municipality has and will meet its obligations in the foreseeable future (albeit cash flow constraints).

5.9 BORROWINGS AND INVESTMENTS

NEW BORROWINGS

The municipality did not borrow externally.

INVESTMENTS

THE MUNICIPALITY HAD THE FOLLOWING INVESTMENT ACCOUNTS AS AT 30 JUNE 2021.

MKHONDO MUNICIPALITY		MKHONDO LOCAL MUNICIPALITY											
		INVESTMENT REGISTER - MAY 2021											
		Prepared by: Lerato Molopo Reviewed by: Mduduzi Ngwenya Final Review: Stephen Chavarik											
		ABSA - 2056165426	ABSA - 5008322939	Oldmutual - Frontiers - 13093141	FNB- Equatable share- 62016967351	FNB- EPWP 62706895911	FNB_MIG 62706890911	FNB_ INEP_ 62706893890	FNB_ WSIG 62706897214	FNB_ FMG 62706892280	FNB - 62016967351	FNB - 62254274732	Total
		Opening Balance - shares	-	-	-	-	-	-	-	-	-	-	-
Opening unit price	-	-	-	-	-	-	-	-	-	-	-	-	
Opening Balance	36,720.96	9,743.70	453,770.30	45,154.83	16,692.46	161,153.22	29,199.32	2,172,463.89	2,830.57	10,709.31	3,745.97	2,942,184.53	
Add new investment	-	-	-	-	-	-	-	-	-	-	-	-	
Add Interest	-	-	28,729.54	92.79	34.30	331.14	60.00	3,703.69	6.01	19.10	581.42	33,557.99	
Fair Value Adjustment(Grow Less Withdrawal	-	-	(547.92)	-	-	-	-	(2,100,000.00)	-	-	-	(2,100,547.92)	
Closing Balance	36,720.96	9,743.70	481,951.92	45,247.62	16,726.76	161,484.36	29,259.32	76,167.58	2,836.58	10,728.41	4,327.39	875,194.60	

COMPONENT D: OTHER FINANCIAL MATTERS

5.10 SUPPLY CHAIN MANAGEMENT

Council has developed a Supply Chain Management Policy and Practices in compliance with the Guidelines set down by the Supply Chain Management Regulations, 2005. The municipality has established a three (3) bid committee system comprises of specification, evaluation and adjudication. No councillors are members of any of the committees dealing with supply chain processes. Supply chain officials regularly attend accredited training modules to meet the requirements of the minimum competency levels as set out by National Treasury. The unit as at the 30th June 2017 had 13 officials.

5.11 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practices and it provides the practices by which Municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider implications thereof. The municipality is currently not fully GRAP compliant on all the required GRAP standards as has been confirmed by the findings of the Auditor General in the prior reporting period.



CHAPTER 6 AUDITOR –GENERAL FINDING

The Accounting officer
Mkhondo Local Municipality
P.O Box 23
Piet Retief
2380

Date: 4 February 2022

Reference: 02394REG20/21

Dear Sir

Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of Mkhondo Local Municipality for the year ended 30 June 2021.

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act No. 25 of 2004 (PAA) read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act 56 of 2003 (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and the annual performance report and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements, the annual performance report or our audit report on compliance with legislation. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the audit report in the Municipality's annual report to be tabled
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:

Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements, annual performance report and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.

The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

2. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
3. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

Nashveer Goordeen
.....

Senior Manager: Mpumalanga Business Unit

Enquiries: Nashveer Goordeen

Telephone: (013) 756 0800

Fax: (013) 756 0879

Report on the audit of the financial statements

5. I have audited the financial statements of the Mkhondo Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mkhondo Local Municipality as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 4 of 2020 (Dora).

Basis for opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
5. I am independent of the Municipality in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Material losses – electricity

4. As disclosed in note 58 to the financial statements, material electricity losses of R62,05 million (2019-20: R54,2 million) were incurred, which represent 45% (2019-20: 38%) of total electricity purchased. The losses are as a result of technical losses, which are losses inherent in any network, and non-technical losses, being theft, faults and billing errors.

Material losses – water

5. As disclosed in note 58 to the financial statements, water losses of R45,11 million (2019-20: R1,87 million) were incurred, which represent 96% (2019-20: 46%) of total water purchased. The losses are as a result of technical losses, which are losses inherent in any network, and non-technical losses, being theft, faults and billing errors.

Material impairments

6. As disclosed in note 5 to the financial statements, material impairment of receivables from non-exchange transactions of R38,53 million (2019-20: R25,73 million) was incurred as a result of an impairment provision for doubtful debts.

As disclosed in note 6 to the financial statements, material impairment of consumer debtors of R555,68 million (2019-20: R44,82 million) was incurred as a result of an impairment provision for doubtful debts

Restatement of corresponding figures

7. As disclosed in note 49 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2021.

Irregular expenditure

8. As disclosed in note 54 to the financial statements, irregular expenditure of R12,89 million (2019-20: R43,05 million) was incurred as a result of non-compliance with supply chain management (SCM) regulations.

Other matters

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

Unaudited disclosure notes

- 32 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 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 statement

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

- 10 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.
- 11 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

1. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
2. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the

performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

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

Objectives	Pages in the annual performance report
Basic service delivery	x – x

- 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.
- I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objective:

Basic service delivery.

Other matters

24. I draw attention to the matters below.

[Achievement of planned targets](#)

- Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year.

[Adjustment of material misstatements](#)

- I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of basic service delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

- 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.

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

Utilisation of conditional grants

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

Expenditure management

- Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R1,13 million, as disclosed in note 53 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties due to late payments made to SARS.
- Reasonable steps were not taken to prevent unauthorised expenditure amounting to R158,37 million, as disclosed in note 52 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending by municipal departments on the budget.

Consequence management

- Some of the unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
- Some of the irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

- Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

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 non-current assets and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information

- The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives

Presented in the annual performance report that have been specifically reported in this auditor's report.

- My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
- In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
- I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

- I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in findings on compliance with legislation included in this report.
- The accounting officer did not exercise oversight of financial reporting and compliance as well as related internal controls.
- Management did not ensure that controls were implemented over daily and monthly processing and reconciling of transactions.
- Management did not prepare regular, accurate and complete financial reports that were supported and evidenced by reliable information.

46. Management did not review and monitor compliance with applicable laws and regulations.

Auditor - General

Mbombela

04 February 2022

Explanatory information and examples



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

General

Annexure – Auditor-general’s responsibility for the audit

- 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 objectives and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

- 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 Mkhondo Local Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on

the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

- 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.

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

APPENDICES

APPENDIX A – COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

APPROVED STRUCTURES OF THE MUNICIPAL SECTION 79 AND 80 COMMITTEES

SECTION 80

TECHNICAL AND FINANCIAL SERVICES COMMITTEE

Cllr Z J Mnisi (Chairperson)

Cllr T W Manana

Cllr B J Mchunu

Cllr N N Zulu

Cllr R J A Wilson

PLANNING AND DEVELOPMENT COMMITTEE

1. Cllr S D Thwala(Chairperson)

2. Cllr T P Hlatshwayo

3. Cllr T P Mncube

4. Cllr S C Mahlobo

CORPORATE SERVICES

Cllr T E Khumalo (Chairperson)

2. Cllr T P Hlatshwayo

3. Cllr T P Mncube

4. Cllr S C Mahlobo

COMMUNITY AND FORESTRY SERVICES COMMITTEE

Cllr F C Mthethwa (Chairperson)

Cllr S M N Bophela

Cllr B J Vilakazi

Cllr J L I Brussow

SECTION 79

1. FINANCIAL SERVICES COMMITTEE

1. Cllr M D Ntuli (Chairperson)

2. Cllr D L Ngobeza (Whip)

3. Cllr D M Ntshakala

4. Cllr B M Khumalo

5. Cllr J R Ngwenya

2. CORPORATE SERVICES COMMITTEE

1. Cllr D L Ngobeza (Chairperson)
2. Cllr B C Mkhwanazi (Whip)
3. Cllr T S Nkosi
4. Cllr K D Masondo
5. Cllr J R Ngwenya

3. TECHNICAL SERVICES COMMITTEE

1. Cllr S Z Yende (Chairperson)
2. Cllr S S Mathebula (Whip)
3. Cllr B M Khumalo
4. Cllr D M Thwala
5. Cllr S J Methula

4. COMMUNITY SERVICES COMMITTEE

1. Cllr J P Makhathini (Chairperson)
2. Cllr B C Mkhwanazi (Whip)
3. Cllr K D Masondo
4. Cllr S P Mkhwanazi
5. Cllr S C Mahlobo

5. PLANNING AND DEVELOPMENT SERVICES COMMITTEE

1. Cllr R P Hlatshwayo (Chairperson)
2. Cllr S S Mathebula (Whip)
3. Cllr T B Nkosi
4. Cllr C B Mkhwanazi
5. Cllr S Z Yende
6. Cllr P E Thabede

6. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

1. Cllr T S M Zulu (Chairperson)
2. Cllr. D L Ngobeza (Whip)
3. Cllr. M Z Ngwenya
4. Cllr. D M Ntshakala
5. Cllr J L I Brussow
6. Cllr. S P Mkhwanazi

7. RULES AND ETHIC COMMITTEE

1. Cllr T S Mafuyeka (Chairperson)

2. Cllr D M Ntuli (Whip)
3. Cllr B J Vilakazi
4. Cllr Z J Mnisi
5. Cllr P E Thabede
6. Cllr T P Mncube

8. LOCAL GEOGRAPHICAL NAME CHANGES (LGNC)

1. Cllr T S Nkosi (Chairperson)
2. Cllr M L Yende (Whip)
3. Cllr S D Thwala
4. Cllr T E Khumalo
5. Cllr S C Mahlob

ATTENDANCE REGISTER – COUNCIL 2019/2020 FINANCIAL YEAR

NO.	INITIALS & SURNAME	27-Aug-20	28-Sep-20 Special	21-Oct-20 Special	11-Dec-20	22-Jan-21	25-Feb-21	26-Mar-21	26-May-21	TOTAL
1.	Councillor G T Nkosi	?	?	?	?	?	?	?	?	8 of 8
2.	Councillor V M Motha	?	?	?	?	?	?	?	?	8 of 8
2.	Councillor M L Yende	?	?	?	?	?	?	?	?	8 of 8
4.	Councillor T E Khumalo	?	? x	? x	?	?	?	?	x	05 of 8
5.	Councillor Z J Mnisi	?	?	?	?	?	?	?	?	8 of 8
6.	Councillor S D Thwala	?	?	?	?	?	?	?	?	8 of 8

7.	Councillor C B Mkhwanazi	?	? x	x	x	?	?	?	x	05 of 8
8.	Councillor B J Mchunu	?	?	?	?	?	?	?	?	8 of 8

NO.		27-Aug-20	28-Sep-20	21-Oct-20	11-Dec-20	22-Jan-21	25-Feb-21	26-Mar-21	26-May-21	TOTAL
9.	Councillor D M Thwala	?	?	?	x	?	?	?	x	08 of 8
10.	Councillor B J Vilakazi	?	x	?	?	?	?	?	x	6 of 8
11.	Councillor B M Khumalo	x	?	?	?	?	?	?	x	07 of 8
12.	Councillor S S Mathebula	?	?	?	x	?	?	?	x	08 of 8

13.	Councillor T P Hlatshwayo	?	?	?	?	?	?	?	?	8 of 8
14.	Councillor K D Masondo	?	?	?	x	?	?	?	?	7 of 8
15.	Councillor R P Hlatshwayo	?	?	?	x	?	?	?	?	7 of 8

NO.		27-Aug-20	28-Sep-20	21-Oct-20	11-Dec-20	22-Jan-21	25-Feb-21	26-Mar-21	26-May-21	TOTAL
16.	Councillor T S Nkosi	?	?	?	?	?	?	x	?	7 of 8
17.	Councillor D M Ntshakala	?	?	?	?	?	?	?	x	7 of 8
18.	Councillor J P Makhathini	?	?	?	?	?	?	x	?	7 of 8

19.	Councillor T S Mafuyeka	?	?	?	?	?	?	x	?	7 of 8
20.	Councillor M Z Ngwenya	?	?	?	?	?	?	?	?	8 of 8
21.	Councillor T W Manana	?	?	?	?	?	?	?	?	8 of 8
22.	Councillor M D Ntuli	?	?	?	?	?	?	?	?	8 of 8

NO.		27-Aug-20	28-Sep-20	21-Oct-20	11-Dec-20	22-Jan-21	25-Feb-21	26-Mar-21	26-May-21	TOTAL
23.	Councillor B C Mkhwanazi	?	?	x	?	?	?	?	?	7 of 8
24.	Councillor T B Nkosi	?	?	?	?	?	?	?	?	8 of 8

25.	Councillor F C Mthethwa	?	?	?	?	?	?	?	?	8 of 8
26.	Councillor S M N Bophela	?	?	?	?	?	?	?	?	8 of 8
27.	Councillor T S M Zulu	?	?	?	?	?	?	?	?	8 of 8
28.	Councillor S Z Yende	?	?	?	?	?	?	?	?	8 of 8
29.	Councillor D L Ngobeza	?	?	?	?	x	?	?	?	7 of 8
30.	Councillor J R Ngwenya	?	?	?	?	?	?	x	?	7 of 8
NO.		27-Aug-20	28-Sep-20	21-Oct-20	11-Dec-20	22-Jan-21	25-Feb-21	26-Mar-21	26-May-21	TOTAL

31.	Councillor J L I Brussow	?	?	?	?	?	?	?	?	8 of 8
32.	Councillor S J Methula	?	?	?	?	?	?	?	?	8 of 8
33.	Councillor S C Mahlobo	x	x	?	x	?	?	?	?	5 of 8
34.	Councillor R J A Wilson	?	?	?	?	?	?	?	?	8 of 8
35.	Councillor P E Thabede	?	?	?	?	?	?	?	?	8 of 8
36.	Councillor N N Zulu	x	?	?	?	?	?	?	?	7 of 8
37.	Councillor S P Mkhwanazi	?	?	?	?	?	?	?	x	7 of 8

38.	Councillor T P Mncube	x	?	?	?	?	?	?	?	7 of 8
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APPENDIX B: COMMITTEE & COMMITTEE PURPOSE

**MAYORAL COMMITTEE MEETINGS FOR 2020/2021 FINANCIAL
YEAR – ATTENDANCE REGISTER**

NO.	INITIAL AND SURNAME	28 SEPT 2020	20 Jan2021	25 May 2021	TOTAL
1	Clr V M Motha				3 of 3
2	Clr T E Khumalo				3 of 3
3	CLR F C MTHETHWA				3 of 3
4	Clr ZJ Mnisi				3 of 3
5	Clr SD Thwala				3 of 3

ATTENDANCE OF MEETINGS BY COUNCILLORS FOR THE YEAR 2020/2021

COUNCIL MEETINGS			ATTENDANCE OF COUNCILLORS
27	AUG	2020	LEAVE OF ABSENCE
			1. Councillor S C Mahlobo
			2. Councillor N N Zulu
			ABSENT
			1. Councillor B M Khumalo
			2. Councillor T P Mncube
28	SEPT	2020	LEAVE OF ABSENCE
	<i>Special</i>		1. Councillor B J Vilakazi
			2. Councillor S C Mahlobo
21	OCT	2020	LEAVE OF ABSENCE
	<i>Special</i>		1. Councillor C B Mkhwanazi
			2. Councillor B C Mkhwanazi
11	DEC	2020	LEAVE OF ABSENCE
			1. Councillor C B Mkhwanazi
			2. Councillor K D Masondo
			3. Councillor S C Mahlobo ABSENT
			1. Councillor D M Thwala
			2. Councillor R P Hlatshwayo
			3. Councillor S S Mathebula
22	JANUARY	2021	LEAVE OF ABSENCE
			1. Councillor D L Ngobeza
25	FEBRUARY	2021	Full attendance
26	MARCH	2021	LEAVE OF ABSENCE
			1. Councillor T S Nkosi
			2. Councillor T S Mafuyeka
			3. Councillor J P Makhathini
		ABSENT	1. Councillor J R Ngwenya
26	MAY	2021	LEAVE OF ABSENCE
			1. Councillor T E Khumalo
			2. Councillor B J Vilakazi
			3. Councillor D M Ntshakala
			4. Councillor B M Khumalo
			5. Councillor S P Mkhwanazi
			6. Councillor C B Mkhwanazi
		ABSENT	1. Councillor D M Thwala
			2. Councillor S S Mathebula

MAYORAL COMMITTEE MEETINGS			ATTENDANCE OF COUNCILLORS
DATE	MONTH	YEAR	
28	SEPT	2020	Full attendance
20	JANUARY	2021	Full attendance
25	MAY	2021	Full attendance

CORPORATE SECTION 80

ATTENDANCE OF COUNCILLORS			
DATE	MONTH	YEAR	
27	JUL	2020	Full attendance
13	OCT	2020	Full attendance
20	OCT	2020	LEAVE OF ABSENCE Councillor T S Nkosi
17	NOV	2020	LEAVE OF ABSENCE Councillor S C Mahlobo
27	JANUARY	2021	LEAVE OF ABSENCE Councillor T P Hlatshwayo
23	FEBRUARY	2021	LEAVE OF ABSENCE Councillor S C Mahlobo
9	MARCH	2021	Full attendance
13	APRIL	2021	LEAVE OF ABSENCE Councillor T P Mncube
15	JUNE	2021	LEAVE OF ABSENCE Councillor T P Mncube

PLANNING AND DEVELOPMENT SECTION 80

DATE	MONTH	YEAR	ATTENDANCE OF COUNCILLORS
14	OCT	2020	Full attendance
19	NOV	2020	LEAVE OF ABSENCE Councillor S C Mahlobo
31	MARCH	2021	Full attendance
13	APRIL	2021	LEAVE OF ABSENCE Councillor T P Mncube Councillor S C Mahlobo
18	MAY	2021	Full attendance
15	JUNE	2021	LEAVE OF ABSENCE Councillor T P Mncube

COMM & FORESTRY SECTION 80

DATE	MONTH	YEAR	ATTENDANCE OF COUNCILLORS
14	OCT	2020	LEAVE OF ABSENCE
			Councillor J L I Brussow
24	NOV	2020	Full attendance
12	JAN	2021	Full attendance
11	FEB	2021	Full attendance
16	MARCH	2021	Full attendance
16	APRIL	2021	LEAVE OF ABSENCE
			Councillor B J Vilakazi
18	JUNE	2021	LEAVE OF ABSENCE
			Councillor J L I Brussow

FINANCE AND TECHNICAL SECTION 80

DATE	MONTH	YEAR	ATTENDANCE OF COUNCILLORS
25	AUG	2020	Full attendance
15	OCT	2020	Full attendance
25	NOV	2020	Full attendance
13	JANUARY	2021	LEAVE OF ABSENCE
			Councillor B J Mchunu
18	FEB	2021	Full attendance
11	MARCH	2021	Full attendance
13	MAY	2021	Full attendance
17	JUNE	2021	Full attendance

Section 79 ATTENDANCE

DATE	MONTH	YEAR	ATTENDANCE OF COUNCILLORS
11	NOV	2020	Full attendance
30	MARCH	2021	Full attendance
9	SEPT	2020	LEAVE OF ABSENCE
			Councillor T S Nkosi
10	NOV	2020	LEAVE OF ABSENCE
			Councillor K D Masondo
			Councillor J R Ngwenya
9	MARCH	2021	LEAVE OF ABSENCE
			Councillor T S Nkosi
15	APRIL	2021	Full attendance
15	APRIL	2021	LEAVE OF ABSENCE
			Councillor C B Mkhwanazi
			Councillor S Z Yende

DATE	MONTH	YEAR	ATTENDANCE OF COUNCILLORS
8	DEC	2020	LEAVE OF ABSENCE
			Councillor J R Ngwenya
3	NOV	2020	LEAVE OF ABSENCE
			Councillor S P Mkhwanazi
16	APRIL	2021	Full attendance

MPAC

DATE	MONTH	YEAR	ATTENDANCE OF COUNCILLORS
19	AUG	2020	Full attendance
9	OCT	2020	LEAVE OF ABSENCE
			Councillor J L I Brussow
13	OCT	2020	LEAVE OF ABSENCE
			Councillor M Z Ngwenya
			Councillor J L I Brussow
12	NOV	2020	Full attendance
19	NOV	2020	LEAVE OF ABSENCE
		ABSENT	Councillor D M Ntshakala
			Councillor M Z Ngwenya
22	JUNE	2021	LEAVE OF ABSENCE
			Councillor S P Mkhwanazi
			Councillor D M Ntshakala
25	JUNE	2021	LEAVE OF ABSENCE
			Councillor S P Mkhwanazi
			Councillor D M Ntshakala

APPENDIX E: WARD REPORTING FUNCTIONALITY OF WARD COMMITTEES

REPORT ON PUBLIC PARTICIPATION FOR FINANCIAL YEAR 2020/21

ACHIEVEMENTS ON THE FUNCTIONALITY OF WARD COMMITTEES

Ward committees in all 19 wards were functional, in playing their role to serve the community. The working relationship amongst the ward committee members with the political leaders in their respective wards was effective.

Queries and complaints that were received on service delivery were attended to by the relevant departments.

ACHIEVEMENTS ON THE FUNCTIONALITY OF WAR ROOMS

Ward war rooms in all (19) wards were functional for the period under review. Stakeholder engagements were held regularly.

At a municipal level, district level as well as provincial level, it was acknowledged in the reports that the war rooms are a good vehicle for service delivery and they are functional as required.

PUBLIC PARTICIPATION PROGRAMMES UNDERTAKEN ON PERIOD UNDER REVIEW

- School visits on voter education
- Petitions clinic workshops
- Mkhondo IDP representative forum
- Gert Sibande District Municipality IDP review
- Mkhondo Mayoral Imbizo
- Vooma Vaccination Awareness

APPENDIX F: FORESTRY 2020/2021 REPORT

This report gives an overview of the operations that have been carried out by the Forestry Division during the 2020/2021 financial year. It also brings out some challenges that have been faced by the Division and the actions taken to overcome some of these challenges.

PLANTING OPERATIONS

The Division had targeted to plant 290 hectares and managed to plant a total of 260.2 hectares for 2020/2021. The delay on the arrival of seedlings at the onset of planting season contributed to the Division missing the target by 29.8 hectares.



The extreme cold weather conditions that occurred on the month of June 2020 led to severe frost damage to some of the young trees and compartments that had been planted the preceding planting season. The total planted area reflected here includes re-establishment of some compartments that had been damaged by frost from the preceding planting season.

HARVESTING & TIMBER SALES

Due to the immature state of the remaining trees or compartments, the Division had not scheduled any compartments for harvesting except for pine thinnings operations. Pine thinnings did not take place this year thus has been rescheduled for the following year.

TEMPORARY UNPLANTED AREAS

No harvesting operations and timber sales took place for the 2020/2021 financial year. The aim for the Division has been to reduce the area size of the unplanted areas.

Previously, the temporary unplanted was approximately 843.1 hectares and has reduced to approximately, 665.9 hectares (area includes 169.3 hectares that should be re-planted by Normandien).

VELD FIRES

The Division experienced a number of veld fires for the year and only a few compartments were damaged. The following shows compartments that were severely damaged by veld fires.

Year	Date	Comp. no	Area (ha)	Species	Area burnt	Area Lost (ha)
2020	11/07/2020	P833	12,7	<i>P.pat</i>	12,7	12,7
2020	9/08/2020	P602	15	<i>P.pat</i>	12.8	12.8
2020	9/08/2020	P600	6.5	<i>P.pat</i>	6.5	6.5
2020	9/08/2020	P604	10.6	<i>P.pat</i>	9	9
2020	16/08/2020	G663	11.8	<i>E.gra</i>	11.1	11.1

Since the plantation were not insured for 2020/2021, no compensation could be recovered for the burnt timber.

CHALLENGES

Illegal sand mining

One of the challenges faced by the Division is illegal sand mining within the compartments and surrounding roads. This has resulted in creation of dongas and inaccessibility to some other compartments, making it difficult to drive at night especially during fire season. The picture bellow shows a dug out hole on the road next to G751 and G705.

The Division has explored dumping meat waste in the area to ward off the sand miners and also increasing security visibility on the area.

Timber theft

Between the months of February and March of 2021, the Division experienced illegal harvesting on some of the *E.grandis* (gum) compartments. These compartments are near the Mahamba road and one compartment near the Piet Retief Hoerskool. The trees appeared to be felled using saws and debarked in field then transported. Below is a list of affected compartments and extent of the damage.

Comp.	Area	Species	Plant/ Coppice	Age	Remarks
G326	16.8	E.gra	2018	3	20% damage – continuously monitored
G312	14.3	E.gra	2018	3	15% damage – continuously monitored
G575	11.5	E.gra	2018	3	8% damage – continuously monitored

The Division has since identified other *E.grandis* compartments that could be targeted and sent through the list of compartments to the security company requesting an increase of security guards on all the Municipal *E.grandis* (gum) compartments.

MKHONDO LOCAL MUNICIPALITY

AUDIT COMMITTEE REPORT

2020/2021



Audit Committee Report

PRESENTED BY THE CHAIRPERSON OF THE AUDIT COMMITTEE

**ON BEHALF OF THE NON EXECUTIVE MEMBERS OF THE AUDIT COMMITTEE IT
GIVES ME GREAT PLEASURE TO PRESENT THE COMMITTEE'S REPORT FOR THE
FOURTH QUARTER OF THE FINANCIAL YEAR ENDED 30 JUNE 2021**

1. AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

In terms of the Municipal Finance Management Act (MFMA) and the Mkhondo Local Municipality's Audit Committee Charter, the Audit Committee must consist of a minimum of three members who must be external independent members. None of the members may be Councillors.

The Audit Committee consists of the members listed hereunder and convened on Five occasions during the year under review in compliance with the approved Charter. During the period under review Four (4) meetings were covered during the First Quarter, the Second Quarter, and Third Quarter & Fourth Quarter.

MEMBER	DESIGNATION	ATTENDED	APOLOGIES	TOTAL
Mr A.Y Singh	(Chairperson)	5	0	5
Ms T.V Maseko	Member	3	0	3
Mr M A Ngcobo	Member	5	0	5
Adv C Weapond	Member	4	1	4

2. AUDIT COMMITTEE'S RESPONSIBILITIES:

The Audit Committee's responsibilities are outlined in Section 166(2) (b) of the Municipal Finance Management Act (No 56 of 2003). The Audit Committee has adopted appropriate formal Terms of Reference as its Audit Committee Charter to regulate its affairs in compliance with the Charter and to discharge all its responsibilities contained therein for 2019/20 financial year.

A summary of the Audit Committee's responsibilities in terms of the MFMA and its Charter is that it is responsible for, among other things, the following:

Advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality on matters relating to

- i. Internal financial control and internal audits;
 - ii. Risk management;
 - iii. Accounting policies;
 - iv. The adequacy, reliability and accuracy of reporting and information;
 - v. Performance management;
 - vi. Effective governance
- Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- Performance evaluation; and

Any other issues referred to it by the municipality

Review the Annual Financial Statements of the municipality;

Respond to the council on any issues raised by the Auditor General in the audit report;

Carry out such investigations into the financial affairs of the municipality as requested by council.

The Audit Committee has approved the updated following policies that was presented to the Committee:

6. Audit Committee Charter;
7. Internal Audit Charter;
8. Fraud Prevention Strategy , inclusive plan, policy, control strategies and procedures for investigations;
9. Combine Assurance Framework and implementation model
10. Risk management Policy and Framework;
11. Risk Assessment report; and
12. Rolling three years Strategic Internal Audit Plan for the respective years ending 30 June 2022 and one year operational plan for the year ending 30 June 2021.

The internal Audit Plan was implemented during the financial year 2020/21 and Internal Audit reports were submitted to the committee for the Four quarters and the committee was not happy with the internal audit reports highlighting weakness of the control environment.

3. COMBINED ASSURANCE FRAME WORK:

The Committee has approved the combined assurance Frame work and is in the process of implementation by management and Internal Audit will ensure proper implementation of the framework for the benefit of the Institution.

4. AUTOMATED AUDIT SYSTEM:

The municipality should consider using electronic Audit working papers/ tools and in view of the urgent need for this software, it is recommended that a virement of funding should be considered in this year's adjustment Budget with view of obtaining the related funding to meet the related cost implications which would include the license fees. The Committee recommends that the Accounting Officer to assist the function in procuring the Internal Audit System licenses for efficient and wide coverage of internal audit work for value adding and enhancing the Internal Controls

It must be noted that the Committee hereby expresses its gratitude on improvement of the Internal Audit function at the municipality and would like to understand that this improvement would increase progressively and the quality of the reports would increase significantly once the Audit Function is automated allowing the Chief Audit Executive to attend to core Internal functions timeously.

5. CENTRALISED RECORD MANAGEMENT SYSTEM:

The Committee reviewed the implementation process for the Record Management System and agreed that Management should give an update regarding this process as this system will enhance the document management process efficiently.

The ICT should always monitor the implementation closely and update the accounting officer and the committee every meeting.

6. THE EFFECTIVENESS OF INTERNAL CONTROLS:

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed in compliance with the MFMA and the King IV Report on Corporate Governance requirements and that the, Internal Audit provides the Audit Committee and management with assurance that internal controls are appropriate, effective and enhanced continuously on the basis of the Internal Audit and Auditor General findings. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested improvements to the controls and processes.

The Audit Committee would like to place on record that the lack of timeous implementation of Internal Audit and the Auditor General findings compromise the effectiveness of the internal controls at the municipality especially in the case of completeness of a GRAP compliance Assets register. It also directly impacts the ability of the municipality from enhancing its existing qualified opinion to a clean audit opinion status. The Committee expressed its disappointment on the Municipality's 2018/19 Audit opinion from Auditor General to be qualified on assets as overall this finding was a repeat finding from the previous financial year which illustrates that adequate Internal controls to address the root causes were not introduced timeously. Management had agreed to address this matter expeditiously

Further, it must be noted that at several Audit Committee meetings the Audit Readiness on Fixed Assets was discussed. The Finance Department under the stewardship of the Chief Financial Officer had assured the Committee that the Outstanding Queries on Fixed Assets raised by the Auditor General would be satisfactorily addressed however to no avail. In fact it was extremely alarming for the Committee members to be advised by the Finance management that a second service provider was appointed midway through the financial year to finalise the Fixed Assets register on the aspect of the valuations of the Assets and other

related queries. At this stage the Committee had enquired about the fact that if the Municipality had not received Value for money from the first service Provider then was there Irregular Expenditure in this respect being incurred however the Committee had to follow up on this matter and awaited a report in this regard with finally a Close Out report being presented on work performed.

Therefore it is of paramount importance that the Audit Action plan for the 2020 /21 needs to be monitored by all stakeholders to ensure that a GRAP compliant Asset Register is prepared and will be submitted to the Auditor General for audit purposes to avoid any repeat audit queries

The Committee notes the improvement on PMS and considers this a significant Milestone which needs to be maintained in the ensuing Financial Years going forward.

Further, the Committee was concerned that adequate internal controls recommended by the Internal Audit Unit are not being implemented by management timeously and these situations are evident in the Internal Audit reports that have subsequently been issued for the four quarters ending 30 June 2021. The committee expressed the need for management to enhance the Internal Controls within the various departments and that all section 56 Managers ensure that enhanced internal control procedures are implemented timeously.

The implementation of a Combined Assurance model will benefit the Institution immensely. That will ensure the effectiveness of internal Controls in the municipality. Combined Assurance is the process of internal assurance providers, working together and combining activities to reach the common goal of enabling an effective control environment. The Committee requested management to assist and embrace the implementation of the Combined Assurance Model which would add value to the Internal Audit function.

The Chief Audit Executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting services providers to ensure proper coverage and minimize duplication of efforts.

7. EFFECTIVENESS OF INTERNAL AUDIT UNIT

The primary role of the unit is to provide management with assurance on the effectiveness and adequacy of internal control measures introduced based on External and Internal Audit findings. The Internal Audit unit reports administratively to the Municipal Manager and functionally to the Audit Committee. During the course of the financial year the Committee approved the following administrative documents for the unit:

8. Internal audit Charter & Audit Committee Charter

- Annual Internal operational Audit Plan for 2021/2022
- Three year Internal Audit Strategic Plan 2021/22 – 2023/ 2024 financial years.
- Internal Audit Methodology
- Internal Audit Competency Framework
- Combined Assurance Framework

The committee monitors and evaluates the implementation of the internal audit plan and provides feedback to management on the work performed by the internal audit unit and consequently the Audit Outcomes. The committee reports that the internal audit plan for the Fourth quarter's period ending 30 June 2021 were fully implemented and internal audit reports had been presented to the committees. The Committee received internal Audit reports for the period under review and scrutinised them with a view of determining any significant deficiencies and in areas where matters were inadequate, cognisance is also taken of management's comments provided on the audit action plan to implement corrective measures to rectify control deficiencies within the various business units and strengthen the control environment In view of the audit findings, it is imperative that management, introduce sound internal controls to strengthen the control environment within the various business units. Further,

the Internal Audit Team needs to ensure that they undertake follow up audits where internal control enhancements have not been implemented.

The Audit committee had expressed gratitude to management for not regressing on an audit opinion but were concerned that the qualified audit opinion was on Fixed Assets. An earnest request was made to management to ensure that matters that were included in the Audit Action Plan were to be implemented timeously. Management was also informed to table a progress report on the audit action plan at each sitting of the Audit Committee. The Internal Audit unit made a follow up of the Auditor General Findings and most of the Issues on Assets management were partially addressed.

8. COVID 19 IMPACT:

The Committee had reviewed the 2020/21 Annual Internal Audit plan on complete audits, near completion projects. Considered halting and or extending audits with significant impact from the organisational risk profile changes for the year. Some project had to role forward, Mapping of impacted municipality risks to previous and planned audits work, where the internal Audit have provided assurance which supports the organisational responses.

Risk evaluation; Inherent risks, Control strength – Manual or automated and Residual risk.

9. EFFECTIVENESS OF INTERNAL CONTROLS AND COMPLIANCE:

The Committee had reviewed reports from Internal Audit on the adequacy and effectiveness of the internal control systems in the Municipality. From the various reports of the Internal Audit, one may be able to comment that there are some weaknesses in the internal control systems of the municipality relating to non-compliance with laws, policies and prescribed procedures. Areas of weak internal controls were mainly in the following areas:

- Financial Services;
- Forestry;
- Corporate Services
- Community services
- Technical Services
- Audit of Performance Information Q1, Q2 & Q3
- Auditor General Follow up
- Internal Audit Follow up

Action plans to implement the recommendations of Internal Audit have been developed and are being implemented. From an oversight point of view the Committee have engaged the Chief Audit Executive to table follow up reports on the implementation of the enhanced Internal Controls as the year end is fast approaching and non-compliance on key matters affects the Audit Opinion.

33 Tabling of Financial internal audit reports and supporting documentation in compliance with the Municipal Budgeting and Reporting Regulations

The Committee had communicated to management on several occasions that the manner in which financial reports are tabled at meetings needs to be improved substantially from only furnishing Annexures/ spreadsheets with no corresponding explanations and which are verbally reported upon at meetings. Committee advised that all future presentation of reports the following information must be contained in a balanced qualitative and quantitative report that is tabled at Audit Committee meetings namely:

Purpose of report,

Compliance with legislation especially MFMA and other Local Government Legislation;

Background and Discussions on performance activities;

Comments of the CFO and the other Section 56 Managers and Legal where appropriate; and

Recommendation of the Municipal Manager(Based on the recommendation of the Municipal Manager ,the Audit Committee will note the respective report for submission to Council accordingly).

It must be noted that the above format has to be adopted when presenting Financial Reports in compliance with the Municipal Budgeting and Reporting Regulations (MBRR) especially those of a statutory nature namely:

The Monthly in Year reporting documents furnished to National Treasury the Proposed MTREF three year Budget with ensuing years information.The Interim Statutory Annual Financial Statements or Nine Months Financial Statements(It Must Be Highlighted That These Crucial Set Of Financial Statements Were Not Presented To The Committee To Perform Its Due Diligence Effectively). The Statutory reporting on SCM Matters regarding Deviations, Unauthorized Expenditure, Irregular Expenditure and Fruitless and wasteful expenditure.

The Performance Reports measured against the SDBIP

The reporting above will assist the Committee to perform their oversight duties Effectively, Efficiently and Economically

11. PERFORMANCE MANAGEMENT:

The Committee appreciates the commitment shown by the Municipality in monitoring performance information. Quarterly reports on performance were presented to the Committee and feedback as well as advice was provided by the Committee. We noted a great improvement on Performance reporting and the Committee appreciate the turn-around of the municipality and improved audit outcome of unqualified Audit opinion by Auditor General. The committee extend its gratitude to the Accounting Officer and the management Team for hard work. Audit Opinion obtained support motivation of remuneration of senior management with performance Bonuses respectively depending on council approval.

12. RISK AND FRAUD PREVENTION COMMITTEE:

The Risk and Fraud Prevention Committee has been established to function as a sub-committee of the Audit Committee and management is commended on the appointment of the independent Risk and Fraud Prevention Committee Chairperson for the municipality. Further initiatives are required to ensure that the Municipality places high importance on Risk management activities of the Municipality. This would include developing clear guidelines and documented procedures to incorporate risk management into the Municipality's strategic planning processes and the development of performance measurements on a Strategic and operational level to promote the integration of risk management into the day-to-day business operations of the municipality.

13. CONCLUSION:

Finally on behalf of the Audit Committee, we implore Management to ensure that all Audit findings raised by the Auditor General as well as the Internal Audit Unit will be attended to expeditiously as this will contribute significantly towards enhancing the existing Internal Controls that are currently in place. Further, with only two months post the financial year ending in June 2021 that is July 2021 and August 2021 remaining, it is of paramount importance that the Budget and Treasury Office will be preparing GRAP compliant Statutory Annual Financial Statements as well as more especially a GRAP compliant Fixed Assets Register. In this manner management will be on course in achieving the mandate of the Municipality to obtain a clean audit opinion in the existing 2020/2021 financial year. The Committee was to ensure that the Statutory Annual Financial Statements for 20/21, the Annual Performance Report and together with the Working Papers and Audit File is submitted to the office of the Auditor General before the 31st August 2021 mandatory date in compliance with the MFMA

In conclusion I would like to take this opportunity of expressing my sincere gratitude towards my fellow members who contributed significantly at every meeting convened and the professional manner in which they conducted their oversight Governance obligations in compliance with the respective Local Government Legislation ensuring that at all times appropriate and prudent advice was shared with management and consequently adhering to the overall Council mandate.



A.Y Singh

**Chairperson of the Audit Committee
Mkhondo Local Municipality**

APPENDIX H – Long – Term Contracts and Private Public Partnership

In terms of section 33 of the Municipal Finance Management Act, the municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if it complies with legislation. The Municipality entered into a long term contract with Ideal Pre-paid and we are currently reviewing the contract.

<i>NO.</i>	<i>TENDER NUMBER</i>	<i>TENDER NAME</i>	<i>DATE AWARDED</i>	<i>AWARDED TENDERER</i>	<i>TENDER AMOUNT</i>
1	MKHO01/2020/21 (1)	Turnkey Project for the Design and Construction of Sandbank Culvert 2	9-Oct-2020	BWS Metsi and Civil Engineers cc	R 5 814 320,13
2	MKHO01/2020/21(2)	Provision of Professional Services (Civil Engineering) for the Rehabilitation of approximately 1km Road and Related Stormwater Drainage near Taxi Rank at eMkhondo Town	9-Oct-2020	Kukhanya Projects (Pty) Ltd	11,62% Professional Fees
3	MKHO01/2020/21 (3)	Provision of Professional Services (Civil Engineering - Water Engineering) for the Construction of Driefontein Sanitation Infrastructure	9-Oct-2020	BWS Metsi and Civil Engineers cc	11,00% Professional Fees
4	MKHO01/2020/21 (4)	Provision of Professional Services (Civil Engineering) for the Rehabilitation of Mandla Magudulela Stadium	12-Oct-2020	MMK Group (Pty) Ltd	10,50% Professional Fees

5	MKHO01/2020/21 (5)	Provision of Professional Services Including Project Design, Management, and Monitoring for the Rehabilitation of 4KM Bus & Taxi Route at Phola Park eThandukukhanya	13-Nov-2020	Kumelcon (Pty) Ltd	11,2% Professional Fees
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NO.	TENDER NUMBER	TENDER NAME	DATE AWARDED	AWARDED TENDERER	TENDER AMOUNT
6	MKHO01/2020/21 (6)	Construction of approximately 3000m- 200mm diameter UPVC Outfall Sewer at Rustplaas	11-Dec-2020	Lidwala Consulting Engineers (Pty) Ltd	12,68% Professional Fees
7	MKHO01/2020/21 (7)	Provision of Professional Services (Civil Engineering) for Planning, Design and Construction Supervision for Drilling, Equipping and Electrification of Boreholes in Rural Villages of Mkhondo Local Municipality Phase 2	29-Jun-2021	BWS Metsi & Civil Engineering cc	R 4 373 772,00
8	MKHO01/2020/21 (8)	Provision of Professional Services (Civil Engineering) for Planning, Design, Construction and Supervision for the upgrading of the Mkhondo Water Treatment Works	11-Jun-2021	Nqameni Consultin Engineers	R 5 307 135,00
9	MKHO02/2020/21	Construction of dignified sanitation toilets	11-Dec-2020	Zama Phangwa Construction, Zintu Trading 14 cc, Kwadulela Trading, Ethanda Projects, Phamokuhle Construction, Octan Construction, Sganzo Trading, Sthembiso Samangema and Abohlanga Construction	R 1 785 000,00
10	MKHO03/2020/21	Appointment of Service Providers/ Consultants for Compilation of annual Financial Statements	8-Jan-2021	Shumba Inc.	R 2 411 762,50

11	MKHO04/2020/21	Repairs, services and Maintenance of Heavy Duty Vehicles as and when required for a period of TwentyFour (24) Months	6-Jan-2021	MMN Engineering and projects	RATES
12	MKHO05/2020/21	PROVISION OF HYGIENE SERVICES AND CONSUMABLES	11-Dec-2020	Empowered Women Together Intergrated Services	R 4 830,00
13	MKHO07/2020/21	Supply,delivery and Commissioning 800KVA Three Phase Ats Diesel Generator	11-Dec-2020	A1 Glass and Aluminium	R 2 796 540,29

NO.	TENDER NUMBER	TENDER NAME	DATE AWARDED	AWARDED TENDERER	TENDER AMOUNT
14	MKHO08/2020/21	Provision of Armed and Unarmed Security Services for all municipal properties for a period of 3 years	8-Jan-2021	Wellington Security CC	R 5 636,73
15	MKHO11/2020/21	Appointment of services providers(s) for the provision of travel agent services	6-Jan-2021	Basadzi Media and Personnel	RATES
16	MKHO14/2020/21	Rehabilitation of Brand Street and Related Stormwater Drainage near Taxi Rank at Mkhondo Town	13-Apr-2021	Luzuko Trading & Projects	R10 854 085.83
17	MKHO15/2020/21	Rehabilitation of 4km Bus and Taxi Route at Phola Park in Ethandukukhanya	13-Apr-2021	Luzuko Trading & Projects	R23 593 552.95
18	MKHO16/2020/21	Design and Construction of the Electrification of Phoswa Village in eThandukukhanya in Mkhondo Local Municipality	9-Apr-2021	Mngulwa Consulting	R21 050 000.76
19	MKHO17/2020/21	Rehabilitation of Mandla Magudulela Stadium at eThandukukhanya	13-Apr-2021	Dlaba Ndlondlo Trading & Projects	R9 069 046.71

20	MKHO18/2020/21	Construction of Driefontein Sanitation Infrastructure	13-Apr-2021	Mzandas Trading	R 59 878 698,13
21	MKHO19/2020/21	Supply, Delivery, Commissioning and Installation of a 20kva (16kw) Standby Silent ATS Generator and A SWA Cable 4 Core 240mm	15-Mar-2021	A1 Glass and Aluminium	R1 791 113.50
22	MKHO20/2020/21	Supply and Delivery of Road Maintenance Material as and when required for a fixed period of thirty six (36) months	15-Jun-2021	Swamanzi Consulting (Pty) Ltd	RATES

NO.	TENDER NUMBER	TENDER NAME	DATE AWARDED	AWARDED TENDERER	TENDER AMOUNT
23	MKHO21/2020/21	Supply and Delivery of 30 Micron Black and Red Refuse Bags as and when required for a fixed period of Thirty Six (36) Months	3-Jun-2021	Akunamunva Trading CC	RATES
24	MKHO22/2020/21	Supply and Delivery of Grandfos Vertical Pumps Model CR64	16-Mar-2021	Mzamo Works	R 997 050,00
25	MKHO23/2020/21	Supply and Delivery of Industrial SABS Approved Road Marking Material and Equipment for a fixed period of Thirty Six (36) Months	3-Jun-2021	Sganzo Trading and Projects	RATES
26	MKHO24/2020/21	Repairs, Servicing and Maintenance of Brush Cutters, Lawnmowers, Slashers, Skip Bins, Chainsaws, Blowers and Pole Pruners as and when required for a period of thirty six (36) months	3-Jun-2021	Sizweni Enterprises	RATES

27	MKHO25/2020/21	Supply and Delivery of Electrical Material as and when required for a fixed period of thirty six (36) months	9-Jun-2021	A1 Glass and Aluminium	RATES
28	MKHO27/2020/21	Proposal for Appointment of a Panel for Media P Agency/Specialist for Media Placements/Advertorial in respective Media Platforms for Mkhondo Municipality as and when required for a period of Thirty six(36) Months	31-May-2021	Ezomphakathi News Excelsior Printers	RATES
29	MKHO28/2020/21	Supply and Delivery of Water Storage Tanks for Mkhondo Municipality	3-Jun-2021	Duu Bee Enterprise (PTY) LTD	R 460 000,00
NO.	TENDER NUMBER	TENDER NAME	DATE AWARDED	AWARDED TENDERER	TENDER AMOUNT
30	MKHO30/2020/21	Supply and Delivery of Parkhomes and a Storage Container for Mkhondo Local Municipality	15-Jun-2021	Container Consumables and Industrial Suppliers cc	R 452 525,00
31	MKHO33/2020/21	Supply and Delivery of Cleaning Material as and when required for a period of thirty six (36) months	3-Jun-2021	Sizweni Enterprises	RATES
32	MKHO36/2020/21	Provision of Silviculture Services for Mkhondo Local Municipality for a period of thirty six (36) months	30-Jun-2021	Foloyi Construction & Projects	RATES
33	MKHO37/2020/21	EThandukukhanya Wastewater Works (Mechanical and Electrical Works)	7-Jun-2021	Innovtech Projects and Supplies JV Dumasibonge Projects	R 19 925 943,38

34	MKHO38/2020/21	Construction O A 140M Live Sewer Line and Manholes at eThandukukhanya Subway	24-Apr-2021	Akunamunva Trading CC	R 442 750,00
35	MKHO45/2020/21	Appointment of a Panel of SETA Accredited Service Providers with Relevant Education Training Quality Assurance (ETQA) to Provide Training for Mkhondo Local Municipality as and when required for a period of thirty six (36) months	18-Jun-2021	Forek Institute of Technology Mpumelelo Business Consulting cc Bantubanye Skills	RATES

APPENDIX J-DISCLOSURE OF FINANCIAL INTEREST

Declaration for 2019/20

No	Surname	Name	Designation	FORM A financial Disclosure	FORM B Disclosure of Gifts	FORM C Financial Disclosure	FORM D Disclosure of Family Members	Date of Declaration
1	Gumede	Mandla Charles	Snr Manager SCM	YES	YES	YES	YES	01-Jul-20
2	Mathebula	Rose Valentia	Snr Clerk Payroll	YES	YES	YES	YES	01-Jul-20
3	Ncube	Philile	Snr Clerk Bid Admin & Contract Management	YES	YES	YES	YES	01-Jul-20
4	Khumalo	Vusi Paulos	General Manager Community Services	YES	YES	YES	YES	01-Jul-20
5	Zwane	Oupa Izzek	PMS Senior Officer	YES	YES	YES	NO	01-Jul-20
6	Lukhele	Zinhle	Senior Secretary Finance	YES	YES	YES	YES	01-Jul-20
7	Clark	Sharon	Inquiry	YES	YES	YES	YES	01-Jul-20
8	Hlatshwayo	Mandlenkosi Erick	Road Marker T-Leader	YES	YES	YES	YES	01-Jul-20

No	Surname	Name	Designation	FORM A financial Disclosure	FORM B Disclosure of Gifts	FORM C Financial Disclosure	FORM D Disclosure of Family Members	Date of Declaration
9	Mhlongo	Sikhumbuzo Paschal	Road Marker	YES	YES	YES	YES	01-Jul-20
10	Simelane	Velaphi Jocone	Road Marker	YES	YES	YES	YES	01-Jul-20
11	Mthethwa	N.B.V	Traffic	YES	YES	YES	YES	01-Jul-20
12	Mancobo	BP	Traffic	YES	YES	YES	YES	01-Jul-20
13	Malinga	NS	Traffic	YES	YES	YES	NO	01-Jul-20
14	Tshabalala	Fikile Mirriam	Traffic	YES	YES	NO	NO	01-Jul-20
15	Ngozo	Lucky Mike	Senior Sup Traffic	YES	YES	YES	YES	01-Jul-20
16	Ndlovu	Lindokuhle Portia	Senior Clerk Demand and Acquisition	YES	YES	YES	YES	01-Jul-20
17	Kunene	Maqhawe	Municipal Manager	YES	YES	YES	YES	01-Jul-20
18	Khumalo	Zandile	Senior Clerk Demand and Acquisition	YES	YES	YES	YES	01-Jul-20
19	Thabede	Mduduzi Sabelo	General Manager Corporate Services	YES	YES	YES	YES	01-Jul-20
20	Motloug	Lerato Thabo	General Manager Planning and Development	YES	YES	YES	YES	01-Jul-20
21	Mthembu	Mduduzi Sthembiso	Senior Clerk Demand and Acquisition	YES	YES	YES	YES	01-Jul-20
22	Mamba	Sphamandla	Store Manager	YES	YES	YES	YES	01-Jul-20
23	Magagula	Siyabonga	Assistance Clerk Fleet	YES	YES	YES	YES	01-Jul-20
24	Ndaba	Brian Siyabonga	Senior Clerk Fleet Management	YES	YES	YES	YES	01-Jul-20
25	Maseko	Bheki	Chief Financial Officer	YES	YES	YES	YES	01-Jul-20
26	Lugongolo	Ziphelele Ongeziwe	General Manager Technical Services	YES	YES	YES	YES	01-Jul-20

No	Surname	Name	Designation	FORM A financial Disclosur e	FORM B Disclosur e of Gifts	FORM C Financial Disclosur e	FORM D Disclosur e of Family Members	Date of Declaratio n
27	Ramathuba	Nondumiso	Senior HR Office	YES	YES	YES	YES	01-Jul-20
28	Khumalo	Zinhle	Human Resources Admin Clerk	YES	YES	YES	YES	01-Jul-20
29	Zikalala	Xolile	Senior HR Admin Clerk	YES	YES	YES	YES	01-Jul-20
30	Mbatha	Sibusiso Syabonga	Labour Relation Clerk	YES	YES	YES	YES	01-Jul-20
31	Chavarika	Stephen	Senior Manager Expenditure	YES	YES	YES	YES	01-Jul-20
32	Munzhelele	Cedric	Senior Manager Revenue	YES	YES	YES	YES	01-Jul-20
33	Dludlu	Thandeka	Senior Manager Water and Sanitation	YES	YES	YES	YES	01-Jul-20
34	Mbatha	Zoe	Senior Manager Assets and SCM	YES	YES	YES	YES	01-Oct-20

APPENDIX L –Conditional Grants Received

Below is a summary of grants and transfers for MLM for the period 2020/2021.

Description	2020/21				
	Original Budget	Adjustments	Final Adjustment Budget	Actual Performance	Purpose
Equitable share	235,268,000	-	235,268,000	235,268,000	This grant is an unconditional grant and is partially utilised for provision of free basic services
MIG	78,336,000	6,000,000.00	76,852,000	82,852,000	To provide specific capital finance for basic municipal infrastructure back logs for poor households, micro enterprises and social institution servicing poor communities
FMG	2,680,000	-	2,680,000	2,680,000	This grant is used to promote and support reforms to municipal financial management and to fund the internship programmes.
EPWP	2,264,000	-	2,264,000	2,264,000	The expanded public works programme is a special performance based incentive to create job opportunities to previously unemployed people
INEP	10,000,000	-	10,000,000	10,000,000	This grant is used address the electrification backlog of residential dwelling in low income areas
WSIG	26,000,000	30 000 000.00	56,000,000	56,000,000	This is meant for establishment and eradication of backlog of water & sanitation related infrastructure.
Disaster Relief Grant	554,000		554,000	554,000	The Grant was meant to mitigate against the COVID 19 pandemic by procuring related PPEs.
LGSETA	356,453		356,453	356,453	The Grant is meant for the training needs of the employees in Local government.

APPENDIX N – CAPITAL PROGRAMME PROJECT

BACKGROUND

The goals and objectives of the Project Management Unit (PMU) within Mkhondo Local Municipality is to provide infrastructure targeting the poor, maximizing economic benefit by means of creating employment and to ensure that funds are effectively and efficiently utilized. The municipality can achieve its objectives by focusing on its backlogs as tabled by the Integrated Development Plan (IDP).

Mkhondo Local Municipality is a rural municipality and facing the following challenges:

- Lack of access to clean drinking water, some communities depends on streams and rivers which are often shared with livestock, some boreholes dry up in winter.
- lack of sanitation services such as toilets
- Lack of proper shelter
- Lack of electricity
- Lack of proper access roads, etc.

The municipality was allocated R 118 000 000.00 for the 2019/20 financial year for the implementation of infrastructure projects within our municipality through MIG, WSIG and INEP grants.

FUNDS RECIEVED

The municipality received all the monies per allocation of each grant:

2020/21FY GRANTS RECIEVED	
MIG	R 82 852 000.00
WSIG	R 56 000 000.00
INEP	R 10 000 000.00
TOTAL	R 148 852 000.00

APPENDIX O 2020/21 FY PROJECTS

The following MIG projects were earmarked to be implemented by the municipality in the 2020/21 financial year:

Project Registration No.	Ward No.	Project Name	Households or KM of roads	Approved Project Cost	Planned Budget 2020/21	Actual Expenditure - 2020/21 FY
Approved	N/A	PMU Management (operational budget)	-	R 3,393,702,95	R 3,393,702,95	R 3,393,702,95
MIG/MP1120/W/12/14	4	Construction of Driefontein to Iswepe and Hartebeesfontein Water Bulk Line- Phase 3	1946	R 114,537,567.94	R 13,355,955,47	R 13,355,955,47
MIG/MP1737/S/18/19	19	Design, Supervision and Monitoring of the Sewer Reticulation Network in Amsterdam	6769	R 48 123 515,00	R 6 406 634,42	R 6 629 596,21
MIG/MP1242/RST/13/16	6	Construction of Main Access Road in Sandbank	3km	R 23,378,405.63	R 8 923 906,13	R 8 923 906,13
MIG/MP1830/RST/19/21	7 & 14	Upgrading of Gravel Road to Paving Blocks Extension 7 of Mkhondo LM	4km	R 33 707 488,54	R 19 789 177,94	R 19 789 177,94
MIG/MP1102/S/11/14	Rural wards	Construction of Dignified sanitation	4549	R 45,402,274.09	R 6 403 834,29	R 6 403 834,29
MIG/MP1937/W/19/21	Rural wards	Drilling, Equipping and Electrification of Boreholes in rural villages of Mkhondo LM	10094	R 9 167 378,64	R 9 167 378,64	R 9 167 378,64
MIG/MP1755/S/19/21	1	Construction of Driefontein Sanitation Infrastructure	1053	R 34 592 051,76	R 2 206 551,08	R 2 206 551,08
MIG/MP1993/CF/20/22	13	Rehabilitation of Mandla Magudulela Stadium at eThandukukhanya	6539	R 8 932 979,03	R 796 448,29	R 796 448,29
MIG/MP1906/RST/20/22	16 & 17	Rehabilitation of Bus and Taxi Route at Phola Park in eThandukukhanya	4km	R 24 078 128,06	R 1 113 453,06	R 1 113 453,06
MIG/MP1937/W/19/21	All	Refurbishment of 6 400kl/day Water Treatment Works- Sand Filtration System eMkhondo	26378	R 10 314 718.53	R 9 334 366,89	R 9 334 366,89
MIG/MP1907/RST/20/22	7	Upgrading of Taxi Rank Access Road at eMkhondo	16681	R 11 952 870,94	R 1 391 275,95	R 1 391 275,95
TOTAL					R 82 852 000,00	R 82 852 000,00

The following WSIG projects were earmarked to be implemented by the municipality in the 2020/21 financial year:

Name of Project	Project Stage	Ward benefitting	HH benefitting	Previous FY spending 2021/20	WSIG 2020/21 Allocated Budget	Amount Transferred By DWS('000)	Amount Spent by WSA to Date	Balance on the allocated budget
Construction of the 3ML/day eThandukukhanya Wastewater Treatment Works Module1	94% Construction	Ward 11 & 17	10 706	R7 677 581.33	R 27 932 665.60	R 27 932 665.60	R22 995 561,70	R4 937 103.90
Construction of the eThandukukhanya outfall sewer 1	93% Construction	Ward 11 & 17	10 706	R4 161 243.62	R20 623 406.80	R20 623 406.80	R17 691 796,06	R2 931 610,74
Construction of eThandukukhanya Waste Water Treatment Works - Mechanical and Electrical Works	Contractual compliance and site establishment	Ward 11 & 17	10 706	R0.00	R7 443 927.60	R7 443 927.60	R 4 244 786.22	R3 199 141,38
Total			R84 488 526,72	R11,838,825.95	R56,000,000.	R56,000,000.	R 44 932 143.98	R 11 103 856.02

A rollover application to national treasury was R1.1 Million, hence it was not approved for WSIG.

The following INEP projects were earmarked to be implemented by the municipality in the 2020/21 financial year:

- The projects that were funded during the 2020/21 financial year are as the Upgrading of the Phillip Greyling Substation at 95% construction and electrification of iThembalabasha 100%
- Upgrading of the Phillip Greyling Substation** - Phillip Greyling Substation is the main substation in Mkhondo. It is currently operating over its design capacity. The project is a multi-year project due to limited funding allocated for each year.
- Electrification of Thembalabasha** – Thembalabasha is a newly built location in extension 7 of Mkhondo. The project entails the Design and Electrification and covers the supply of material to and the construction of medium and low voltage grid, the supply and installation of service connection for 320 households as per original design.

	PROJECT NAME	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL EXPENDITURE
1.	Upgrading of Phillip Greyling Substation	R 5 271 774.70	R0	R2 495 401.56	R0	R 7 767 176.26
2.	Electrification of Thembalabasha320hh	R 2 084 030.29	R148 793.45	R0	R0	R2 232 823,74
	Totals	R 7 355 804.99	R148 793.45	R2 495 401.56	R0	R 10 000 000.00

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021



Mkhondo Local Municipality

Annual Financial Statements
for the year ended 30 June, 2021

* See Note 48

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

General Information

Legal form of entity	Municipality
Mayoral committee	
Executive Mayor	Cllr. V.M. Motha
Speaker	Cllr. G.T. Nkosi
Chief Whip	Cllr. M.Yende
Member of Mayoral Committee- Finance and Technical services	Cllr. Z.J. Mnisi
Member of Mayoral Committee- Planning and Economic Development	Cllr. S. D Thwala
Member of Mayoral Committee- Community Services and Public safety	Cllr. F.C. Mthethwa
Member of Mayoral Committee- Corporate Services	Cllr. T.E. Khumalo
Councillors	Cllr. C.B. Mkhwanazi Cllr. D. M . Thwala Cllr. B. J. Vilakazi Cllr. B.M. Khumalo Cllr. S. S. Mathebula Cllr. T.P. Hlatshwayo Cllr. K.D Masondo Cllr. R.P. Hlatshwayo Cllr. T.S . Nkosi Cllr.D.M. Ntshakala Cllr. J.P.Makathini Cllr. T.S. Mafuyeka Cllr. M.Z. Ngwenya Cllr.T.W.Manana Cllr.M.D. Ntuli Cllr. B.C. Mkhwanazi Cllr. T.B. Nkosi Cllr. S.M.N. Bophela Cllr. T.S.M. Zulu Cllr. S.Z. Yende Cllr. D.L. Ngobeza Cllr. J.B. Brussow Cllr. S.P. Mkwanzani Cllr. J.R. Ngwenya Cllr. S.J. Methula Cllr. S.C. Mahlobo Cllr. R.J.A. Wison Cllr.P.E. Thabede Cllr. N.N. Zulu Cllr. T.P. Mncube Cllr. B.J. Mchunu
Grading of local authority	Grade 3

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

General Information

Accounting Officer	Mr M. Kunene
Chief Finance Officer (CFO)	Mr. B. Maseko
Registered office	Cnr Market & De Wet street Piet Retief 2380
Business address	Cnr Market & De Wet street Piet Retief 2380
Postal address	P.O. Box 23 Piet Retief 2380
Bankers	First National Bank A division of First Rand Limited
Auditors	Auditor General South Africa

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

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

Mkhondo Local Municipality

(Registration number MP303)

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2021 and were signed on its behalf by:

Mr. M. Kunene
Municipal Manager

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

Accounting Officer's Report

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

7. Review of activities Main

business and operations

The municipality is engaged in operating as a local municipality and operates principally in South Africa.

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

7. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

5. Accounting Officer's interest in contracts

The accounting officer has no interests in the contracts awarded during the period under review.

7. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

13. Accounting Officer

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

Name

Mr. M. Kunene

8. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Executive mayor and municipal manager

The roles of Executive mayor and the municipal manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Executive mayor, councillors and other section 56 and section 57 managers of the municipality, are determined by the Department of co-operative governance and traditional affairs.

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

Accounting Officer's Report

Audit committee

Name	Position	Date of appointment
Mr A. Singh	Chairperson	25 August 2018
Advocate J.C Weapond	Member	1 May 2019
Mr M.A. Ngcobo	Member	24 January 2020
Mrs N.T. Maseko	Member	1 January 2021

In terms of Section 166 of the Municipal Finance Management Act, (56 2003), the municipality, must appoint members of the Audit Committee who are not directors of the of the municipal.

Internal audit

The municipality has a functional internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

9. Bankers

The municipality's banker is First National Bank, a division of First Rand Limited.

• Auditors

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2021 and were signed on its behalf by:

Mr. M. Kunene
Municipal Manager

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

Statement of Financial Position as at 30 June, 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	2	27,699,722	17,060,350
Other financial assets	3	46,465	44,879
Receivables from exchange transactions	4	915,359	855,797
Receivables from non-exchange transactions	5	1,701,683	1,053,921
Consumer debtors	6	25,567,596	54,483,105
Cash and cash equivalents	7	7,738,001	4,503,264
		63,668,826	78,001,316
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	60,597,062	49,050,842
Investment property	9	14,617,490	17,150,867
Property, plant and equipment	10	1,711,160,230	1,662,661,965
Intangible assets	11	-	25,088
Other financial assets	3	481,952	440,278
		1,786,856,734	1,729,329,040
Total Assets		1,850,525,560	1,807,330,356
Liabilities			
Current Liabilities			
Finance lease obligation	12	2,305,630	2,693,544
Payables from exchange transactions	13	524,421,275	411,575,529
VAT payable	14	171,496	8,300,082
Consumer deposits	15	4,020,608	3,778,894
Employee benefit obligation	16	3,682,000	1,590,000
Unspent conditional grants and receipts	17	23,261,953	-
		557,862,962	427,938,049
Non-Current Liabilities			
Finance lease obligation	12	-	2,305,630
Employee benefit obligation	16	23,409,000	23,238,000
Provisions	18	30,403,547	24,218,836
		53,812,547	49,762,466
Total Liabilities		611,675,509	477,700,515
Net Assets		1,238,850,051	1,329,629,841
Accumulated surplus		1,238,850,047	1,329,629,840
Total Net Assets		1,238,850,047	1,329,629,840

* See Note 49 & 48

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	195,511,763	201,281,369
Rental of facilities and equipment	21	803,034	1,067,696
Licences and permits	22	187,839	617,330
Other income	23	3,408,396	5,449,954
Interest received	24	26,799,814	28,404,691
Gain on disposal of assets and liabilities		1,364,902	2,850,342
Fair value adjustments	25	11,587,894	2,529,222
Inventories reversal		-	398,851
Total revenue from exchange transactions		239,663,642	242,599,455
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	71,236,638	72,213,286
Transfer revenue			
Government grants & subsidies	27	450,858,840	363,458,453
Public contributions and donations	28	8,469,370	1,521,794
Fines, Penalties and Forfeits	29	15,463,163	7,776,806
Total revenue from non-exchange transactions		546,028,011	444,970,339
Total revenue	19	785,691,653	687,569,794
Expenditure			
Employee related costs	34	(218,838,023)	(194,490,862)
Remuneration of councillors	35	(16,153,616)	(15,798,176)
Depreciation and amortisation	36	(83,881,591)	(111,275,150)
Impairment loss	37	(10,901,580)	(240,173)
Finance costs	38	(19,757,125)	(14,007,131)
Lease rentals on operating lease	31	(2,832,393)	(7,897,991)
Debt Impairment	37	(126,664,523)	(95,423,229)
Bad debts written off		(3,269,735)	-
Bulk purchases	38	(188,275,785)	(153,905,904)
Contracted services	39	(95,589,625)	(86,072,054)
Transfers and Subsidies	40	(6,212,060)	(6,259,813)
Inventories losses/write-downs		(1,431,083)	-
General Expenses	41	(102,664,309)	(80,813,629)
Total expenditure		(876,471,448)	(766,184,112)
(Deficit)/surplus for the year		(90,779,795)	(78,614,318)

* See Note 49 & 48

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,402,754,319	1,402,754,319
Adjustments		
Prior year adjustments	5,489,839	5,489,839
Balance at 1 July, 2019 as restated*	1,408,244,158	1,408,244,158
Changes in net assets		
Deficit for the year	(78,614,318)	(78,614,318)
Total changes	(78,614,318)	(78,614,318)
Opening balance as previously reported	1,337,107,367	1,337,107,367
Adjustments		
Correction of errors	(7,477,525)	(7,477,525)
Restated* Balance at 1 July, 2020 as restated*	1,329,629,842	1,329,629,842
Changes in net assets		
Surplus for the year	(90,779,795)	(90,779,795)
Total changes	(90,779,795)	(90,779,795)
Balance at 30 June, 2021	1,238,850,047	1,238,850,047

* See Note 49 & 48

Mkhondo Local Municipality

(Registration number MP303)

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 Taxation		51,599,405	48,779,996
Sale of goods and services		163,160,321	135,709,965
Grants		474,209,293	364,980,247
Interest income		194,587	28,404,691
		689,163,606	577,874,899
Payments			
Employee costs			(234,991,639)
Suppliers			(210,289,028)
Finance costs			(295,663,628)
			(216,890,172)
		(19,757,125)	(14,007,131)
Net cash flows from operating activities	45	(550,412,392)	(441,186,331)
Cash flows from investing activities			
		138,751,214	136,688,568
Purchase of property, plant and equipment	11	(135,178,449)	(135,755,739)
Proceeds from sale of property, plant and equipment	12	2,357,101,073,907	
Proceeds from sale of financial assets		(1,586)(1,093)	
Net cash flows from investing activities		(132,822,934)	(130,682,925)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(5,000,000)
Finance lease payments		(2,693,544)	(2,314,789)
Net cash flows from financing activities		(2,693,544)	(7,314,789)
Net increase/(decrease) in cash and cash equivalents		3,234,736	(1,309,146)
Cash and cash equivalents at the beginning of the year		4,503,264	5,812,422
Cash and cash equivalents at the end of the year	7	7,738,000	4,503,276

* See Note 49 & 48

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	236,342,112	(13,257,587)	223,084,525	195,511,763	(27,572,762)	Ref 1
Rental of facilities and equipment	3,239,207	(2,488,973)	750,234	803,034	52,800	Ref 2
Licences and permits	139,094	-	139,094	187,839	48,745	Ref 3
Other income - (rollup)	46,472,216	(41,649,185)	4,823,031	3,408,396	(1,414,635)	Ref 4
Interest received - investment	35,784,470	(5,079,576)	30,704,894	26,799,814	(3,905,080)	Ref 5
Total revenue from exchange transactions	321,977,099	(62,475,321)	259,501,778	226,710,846	(32,790,932)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	69,800,775	22,959,101	92,759,876	71,236,638	(21,523,238)	Ref 6
Transfer revenue						
Government grants & subsidies	265,326,350	43,751,998	309,078,348	450,858,840	141,780,492	Ref 7
Public contributions and donations	-	-	-	8,469,370	8,469,370	Ref 8
Fines, Penalties and Forfeits	2,344,980	(792,137)	1,552,843	15,463,163	13,910,320	Ref 9
Total revenue from non-exchange transactions	337,472,105	65,918,962	403,391,067	546,028,011	142,636,944	
Total revenue	659,449,204	3,443,641	662,892,845	772,738,857	109,846,012	
Expenditure						
Personnel	(199,074,000)	(17,528,345)	(216,602,345)	(218,838,023)	(2,235,678)	Ref 10
Remuneration of councillors	(18,754,725)	(1,689,715)	(20,444,440)	(16,153,616)	4,290,824	
Depreciation and amortisation	(141,142,708)	-	(141,142,708)	(83,881,591)	57,261,117	Ref 11
Impairment loss/ Reversal of impairments	-	-	-	(10,901,580)	(10,901,580)	Ref 12
Finance costs	(9,405,000)	(5,147,160)	(14,552,160)	(19,757,125)	(5,204,965)	Ref 13
Lease rentals on operating lease	-	-	-	(2,832,393)	(2,832,393)	Ref 14
Debt Impairment	(84,000,000)	-	(84,000,000)	(126,664,523)	(42,664,523)	Ref 15
Bad debts written off	-	-	-	(3,269,735)	(3,269,735)	Ref 16
Bulk purchases	(165,000,000)	63,000,000	(102,000,000)	(188,275,785)	(86,275,785)	Ref 17
Contracted Services	(74,698,967)	5,768,209	(68,930,758)	(95,589,625)	(26,658,867)	Ref 18
Transfers and Subsidies	(11,835,425)	9,380,548	(2,454,877)	(6,212,060)	(3,757,183)	Ref 19
General Expenses	(41,558,162)	(7,113,913)	(48,672,075)	(102,664,309)	(53,992,234)	Ref 20
Total expenditure	(745,468,987)	46,669,624	(698,799,363)	(875,040,365)	(176,241,002)	
Operating deficit	(86,019,783)	50,113,265	(35,906,518)	(102,301,508)	(66,394,990)	
Gain on disposal of assets and liabilities	-	-	-	1,364,902	1,364,902	Ref 21
Fair value adjustments	-	-	-	11,587,894	11,587,894	Ref 22
Inventories losses/write-downs	-	-	-	(1,431,083)	(1,431,083)	Ref 23
	-	-	-	11,521,713	11,521,713	
Deficit before taxation	(86,019,783)	50,113,265	(35,906,518)	(90,779,795)	(54,873,277)	

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit for the year from continuing operations	(86,019,783)	50,113,265	(35,906,518)	(90,779,795)	(54,873,277)	
Capital Budget	(158,556,330)	(41,860,355)	(200,416,685)	(135,386,094)	65,030,591	Ref 24
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(244,576,113)	8,252,910	(236,323,203)	(226,165,889)	10,157,314	

Mkhondo 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 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 Position

Assets

Current Assets

Inventories	7,773,556	8,018,795	15,792,351	27,699,722	11,907,371	Ref 25
Other financial assets	199,558	-	199,558	46,465	(153,093)	Ref 26
Receivables from exchange transactions	9,712,602	183,357,670	193,070,272	915,359	(192,154,913)	Ref 27
Receivables from non-exchange transactions	-	-	-	1,701,683	1,701,683	Ref 28
VAT receivable	-	-	-	115,760,791	115,760,791	Ref 29
Consumer debtors	73,022,124	88,138,571	161,160,695	25,567,596	(135,593,099)	Ref 30
Cash and cash equivalents	7,600,337	25,662,361	33,262,698	7,738,001	(25,524,697)	Ref 31
	98,308,177	305,177,397	403,485,574	179,429,617	(224,055,957)	

Non-Current Assets

Biological assets that form part of an agricultural activity	46,524,248	2,526,594	49,050,842	60,597,062	11,546,220	Ref 32
Investment property	17,392,513	(628,408)	16,764,105	14,617,490	(2,146,615)	Ref 33
Property, plant and equipment	1,591,067,050	113,532,501	1,704,599,551	1,711,160,230	6,560,679	
Intangible assets	58,537	(33,450)	25,087	-	(25,087)	Ref 33
Other financial assets	439,165	1,113	440,278	481,952	41,674	Ref 34
Employee benefit asset	-	-	-	660,359	660,359	Ref 35
	1,655,481,513	115,398,350	1,770,879,863	1,787,517,093	16,637,230	

Total Assets **1,753,789,690** **420,575,747** **2,174,365,437** **1,966,946,710** **(207,418,727)**

Liabilities

Current Liabilities

Other financial liabilities	12,502,993	(9,809,449)	2,693,544	-	(2,693,544)	Ref 36
Finance lease obligation	-	-	-	2,305,630	2,305,630	Ref 37
Payables from exchange transactions	27,949,004	462,109,457	490,058,461	524,421,275	34,362,814	Ref 38
VAT payable	-	-	-	115,932,287	115,932,287	Ref 39
Consumer deposits	3,840,792	73,169	3,913,961	4,020,608	106,647	Ref 40
Employee benefit obligation	2,433,563	(843,563)	1,590,000	3,682,000	2,092,000	Ref 41
Unspent conditional grants and receipts	-	-	-	23,261,953	23,261,953	Ref 42
	46,726,352	451,529,614	498,255,966	673,623,753	175,367,787	

Non-Current Liabilities

Finance lease obligation	4,653,488	(2,347,858)	2,305,630	-	(2,305,630)	Ref 42
Employee benefit obligation	-	-	-	24,069,359	24,069,359	Ref 43
Provisions	48,871,662	(1,414,826)	47,456,836	30,403,547	(17,053,289)	Ref 44
	53,525,150	(3,762,684)	49,762,466	54,472,906	4,710,440	

Total Liabilities **100,251,502** **447,766,930** **548,018,432** **728,096,659** **180,078,227**

Net Assets **1,653,538,188** **(27,191,183)** **1,626,347,005** **1,238,850,051** **(387,496,954)**

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,653,538,188	(27,191,183)	1,626,347,005	1,238,850,051	(387,496,954)	

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	52,350,581	32,441,523	84,792,104	51,599,405	(33,192,699)	45
Sale of goods and services	173,584,574	(1,631,732)	171,952,842	162,079,951	(9,872,891)	46
Grants	420,683,008	54,311,996	474,995,004	474,209,293	(785,711)	47
Interest income	832,347	(598,725)	233,622	194,587	(39,035)	48
Other receipts	49,850,547	(42,053,907)	7,796,640	-	(7,796,640)	49
	697,301,057	42,469,155	739,770,212	688,083,236	(51,686,976)	
Payments						
Suppliers and employees	(531,267,113)	24,845,472	(506,421,641)	(533,059,736)	(26,638,095)	
Finance costs	(9,405,000)	(5,069,304)	(14,474,304)	(19,809,484)	(5,335,180)	50
Transfers and grants	(11,835,425)	9,380,548	(2,454,877)	-	2,454,877	51
	(552,507,538)	29,156,716	(523,350,822)	(552,869,220)	(29,518,398)	
Net cash flows from operating activities	144,793,519	71,625,871	216,419,390	135,214,016	(81,205,374)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(143,171,004)	(9,304,273)	(152,475,277)	(135,386,094)	17,089,183	52
Proceeds from sale of property, plant and equipment	(4)	870,004	870,000	6,101,941	5,231,941	53
Purchase of other asset 2	-	-	-	(1,586)	(1,586)	
Net cash flows from investing activities	(143,171,008)	(8,434,269)	(151,605,277)	(129,285,739)	22,319,538	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	-	(2,693,544)	(2,693,544)	
Increase (decrease) in consumer deposits	165,396	(65,396)	100,000	-	(100,000)	51
Net cash flows from financing activities	165,396	(65,396)	100,000	(2,693,544)	(2,793,544)	
Net increase/(decrease) in cash and cash equivalents	1,787,907	63,126,206	64,914,113	3,234,733	(61,679,380)	
Cash and cash equivalents at the beginning of the year	6,024,501	(1,476,358)	4,548,143	4,503,264	(44,879)	52
Cash and cash equivalents at the end of the year	7,812,408	61,649,848	69,462,256	7,737,997	(61,724,259)	

Notes to the variances on the statement of Budget and Actual.

Revenue

Ref 1:Service charges

There is a variance of 12 % below the budget. There were meters for water and electricity that could no be billed due them being faulty and disfunctional.

Ref 2:Rental income

Mkhondo 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 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

Rental income is 7% above budget. Some tenants were removed from municipal flats due to repurposing of the flats into offices.
Ref 3: Licences and permits: This is 35% over budget. More efforts were put on collections of licences and permits during the year.
Ref 4: Other income: Other income is 52% below budget. The performance from sale of timber was less than budgeted for. Most of the trees are immature to be sold.

Ref 5: Interest received: The interest income is 13% below budget. The municipality had no surplus to invest and the interest received was on consumers for late payments of their accounts.

Ref 6: Property rates: This is 23% below budget. New valuation roll was implemented with revised property values.

Ref 7: Government grants and subsidies: The budget variance is above the amount received and recognised as per the budget by 45.87%. This is because the municipality did not spend all the grants they received during the year.
Ref 8: This was not separately budgeted for. The variance is 100%.

Ref 9: Fines, Penalties and forfeits: There is a positive variance of 895.8%. This is mainly due to cameras fines which increased the revenue.

Expenditure

Ref 10: Remuneration of employees: The expenditure is 2% above budget. This is considered immaterial as it is below 10% of the budget.

Ref 11: Remuneration of councillors: This is below budget by 20.99%. The approved upper limit was below the budgeted increase.
Ref 12: Depreciation and amortisation: The actual performance is 40.21% below budget. The revised estimated remaining useful lives of the assets increased hence the depreciation provided.

Ref 13: Impairment loss: This was not separately budgeted for. The variance is 100%.

Ref 14: Finance Costs: The cost is 36.13% above the budget. This is due to interest levied by service providers due to late settlement of their accounts.

Ref 15: Lease and rentals on operating lease: This was not budgeted for.

Ref 16: Debt impairment: The variance is 50.79% above budget. Consumer debtors are not performing as expected because of the general decline in economic activity.

Ref 17: Debt write off: This was not separately budgeted for and hence the variance is 100%.

Ref 18: Bulk purchases: The bulk is 84.58% above budget. This is because of the water bulk purchases where the municipality was charged about R13 million per month for 4 months when the average bill is below R300 000 in other months.

Ref 19: Contracted Services: The contracted services increased by 38.5%. This is mainly due to general increases in the cost of supply of goods and services.

Ref 20: Transfers and subsidies: The variance is 153.05% over budget. Less consumer registered for indigent services.

Ref 21: General Expenses: The expenditure is 110.68 above budget and considered to be in line with the budget.

Ref 22: Gain on disposal of assets: This was not budgeted for and hence a variance of 100%.

Ref 23: Fair value adjustments: Not separately budgeted for and hence a variance of 100%.

Ref 24: Inventories write downs: Not budgeted for and hence a variance of 100%.

Ref 25: Capital Budget: There is a 325 variance below budget. The municipality had not utilised all the money budgeted for since some were received late.

Statement of Financial Position

Current assets

Ref 26: Inventories: This is 77% above budget. The municipality slowed down on procurement of consumables for the fourth quarter due to COVID pandemic.

Ref 27: Other financial assets: This was not provided for.

Ref 28: Receivables from exchange transactions: This is 99% below budget. There are impairment provisions which were

Ref 29: Receivables from non exchange transactions: This was not budgeted for.

Ref 30: Consumer debtors: The variance is 87% below budget. This is due to huge impairment provisions due to slow payment by consumers.

Ref 31: Cash and cash equivalents: The variance is 77% below budget. The municipality had been facing cash flow constraints.

Non current assets

Ref 32: Biological assets: The variance is 24% above budget. This is because of the fair valuation movement in biological assets.

Ref 33: Investments Assets: The variance is 5% below budget. The variance is considered immaterial.

Ref 34: Property, Plant and Equipment: The variance is 2% which is within the budgeted amount.

Ref 35: Intangible assets: The variance is 100% since there were no intangibles as at year end.

Ref 36: Other financial assets: This is 9% above the budget. The budget could have been included both short term portion and long term under a single budget line.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Current Liabilities

Ref 37: Finance lease: This was not budgeted for

Ref 38: Payables from exchange transactions: The variance is 6% above budget. This is due to mainly Eskom outstanding debt which is over R200 Million and was under budgeted for. Ref 39: VAT Payable: This was not budgeted for.

Ref 40: Consumer deposits: This is 3% above budget. More consumer were connected to services than budgeted for.

Ref 41: Employee benefit: The variance is 1.31% above budget. The municipality could have budgeted this line item

Ref 42: Unspent conditional grant: The variance is 100%. This was not budgeted for.

Non Current Liabilities

Ref 43: Finance lease: The variance is 100%. There is no longer the long term portion of the lease liability.

Ref 44: Employee benefit obligation: The long term portion was not budgeted for and hence a 100% variance.

Ref 45: Provisions: The variance is 36% above budget. The municipality expectations on the movement were lower than the actual results

Cash flow

Ref 46: Taxation: The variance is 39%. The property rates consumers were not paying their accounts as expected.

Ref 47: Sale of goods and services: The variance is 6% which is considered not material.

Ref 48: Grants: There was no variance recorded.

Ref 49: Interest income: The variance is 17%. The performance was less than anticipated due to limited cash resources.

Ref 50: Payments to suppliers and employees: The variance is 5% which is considered immaterial.

Ref 51: Finance costs: The variance is 37% due to delayed payment of suppliers.

Ref 52: Transfer and grants: The variance is 100% due to the expenditure reported under payments to suppliers.

Ref 53: Purchases of property plant and equipment: The variance is 11% due to some projects not carried out during the year.

Ref 54: Proceeds from sale of property plant and equipment: The variance is 601% due to sales of land which was less budgeted for during the year.

Ref 55: Purchase of other assets: The variance is 100%. This was not budgeted for.

Ref 56: Repayments of other financial liabilities: The variance is 100% since this was not budgeted for.

Ref 57: Increase in consumer deposits: The variance is 100% as the actuals were reported under payments to suppliers.

Reconciliation

Additional text

The accounting policies on pages 20 to 41 and the notes on pages 42 to 90 form an integral part of the annual financial statements.

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Accounting Policies

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

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

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

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

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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

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

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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)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

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.

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.

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.

1.5 Biological assets that form part of an agricultural activity

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

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

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

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

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Item	Useful life
Trees in timber plantation - Consumable	indefinite

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Accounting Policies

1.6 Investment property

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

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

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

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

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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Accounting Policies

1.7 Property, plant and equipment (continued)

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.

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

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
Land and buildings - Community Facilities	Straight-line	15-100 years
Land and buildings - Servitudes	Straight-line	0
Land and Buildings - Fire/Ambulance stations	Straight-line	5-100 years
Land and buildings - Municipal offices	Straight-line	5-100 years
Land and buildings - Workshops/depots/yards	Straight-line	5 -100 years
Land and buildings - Outdoor sport facilities	Straight-line	15 -50 years
Land and buildings - Staff housing	Straight-line	15 - 100 years
Water Supply network - Storm water network	Straight-line	20-50 years
Water Supply network- Bulk mains	Straight-line	40- 80 years
Water Supply network - Dams and Weirs	Straight-line	15 - 50 years
Water supply network - DistributionCommunity	Straight-line	80 years
Water supply network - Distribution points	Straight-line	15-20 years
Water Supply network - Pumpstations	Straight-line	5-100 years
Water Supply network - Reservoirs and towers	Straight-line	7-100 years
Water supply networks- Water Treatment works	Straight-line	5-100 years
Electricity Networks- LV Network (<1000V)	Straight-line	20 years
Electricity networks- MV Network (<=33 kv)	Straight-line	45 years
Work in progress	Straight-line	not depreciated
Road networks - Roads	Straight-line	5 - 100 years
Road Networks - Roadside assets	Straight-line	10-50 years
Sanitation Networks - Boreholes	Straight-line	15-50 years
Sanitation networks - Outfall sewers	Straight-line	80 years
Sanitation network - Reservoirs & towers	Straight-line	15 - 50 years
Sanitation network - Reticulation	Straight-line	80 years
Sanitation network - Sewer Pump stations	Straight-line	10- 100 years
Sanitation network - Waste Water Treatment Works (WWTW)	Straight-line	5 - 100 years
Road bridges	Straight-line	50 years

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Accounting Policies

1.7 Property, plant and equipment (continued)

Plant and machinery	Straight-line	2-15 years
Furniture and fixtures	Straight-line	2-15 years
Office equipment	Straight-line	2-15 years
Transport assets	Straight-line	3-15 years
Computer equipment	Straight-line	3 years
Landfill site Assets	Straight-line	7 years

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

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

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.

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.

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Accounting Policies

1.8 Intangible assets (continued)

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.

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

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	5 years

1.9 Financial instruments

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Investments	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Consumer debtors from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
Finance lease	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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Accounting Policies

1.10 Statutory receivables (continued)

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

Accrued interest

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

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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Accounting Policies

1.10 Statutory receivables (continued)

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

1.11 Leases

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

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

Finance leases - lessee

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

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

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.

1.12 Inventories

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

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

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

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

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

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

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

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

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

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1.12 Inventories (continued)

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

1.13 Employee benefits

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

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1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 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.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

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1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 57.

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.

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

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

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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Accounting Policies

1.15 Commitments (continued)

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.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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).

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

Interest is recognised 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.

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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1.17 Revenue from non-exchange transactions (continued)

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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1.17 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 municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

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

Fines

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

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

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

1.18 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.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

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1.20 Unauthorised expenditure (continued)

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.21 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.23 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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

1.24 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:

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Accounting Policies

1.24 Events after reporting date (continued)

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

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

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

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Figures in Rand	2021	2020
2. Inventories		
Consumable stores	27,660,013	15,589,559
Water for distribution	39,709	1,470,791
	27,699,722	17,060,350
Carrying value of inventories carried at fair value less costs to sell	27,941,311	17,060,350
Inventories recognised as an (expense)/ gain during the year	(1,431,083)	398,851
Inventory pledged as security		
There was no inventory pledged as security.		
3. Other financial assets		
Designated at fair value		
Listed Shares - Old Mutual: 13093141	481,952	440,278
This is an Old Mutual Wealth wrapped investment. The account was opened on 25 June 2002 with an initial investment amount of R3 539 868. Terms and conditions		
At amortised cost		
ABSA Fixed Term deposit	46,465	44,879
This is a fixed term deposit with interest capitalised every three months.		
Total other financial assets	528,417	485,157
Non-current assets		
Designated at fair value	481,952	440,278
Current assets		
At amortised cost	46,465	44,879
4. Receivables from exchange transactions		
Trade debtors	712,500	762,499
Deposits	93,298	93,298
Bank overs/unders	109,561	-
	915,359	855,797
Trade and other receivables pledged as security		
There are no other receivables pledged as security during the year.		
Fair value of trade and other receivables		
Trade and other receivables	965,359	855,797
Trade and other receivables past due but not impaired		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June, 2021, 109,561 (2020: -) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	109,561	-

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
4. Receivables from exchange transactions (continued)		
Trade and other receivables impaired		
As of 30 June, 2021, trade and other receivables of 3,412,697 (2020: 3,412,697) were impaired and provided for.		
The amount of the provision was - as of 30 June, 2021 (2020: (3,412,697)).		
5. Receivables from non-exchange transactions		
Fines	1,701,683	1,053,921
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	1,701,683	1,053,921
Total receivables from non-exchange transactions	1,701,683	1,053,921
Receivables from non-exchange transactions pledged as security		
There were no receivable from non-exchange transactions pledged as security for the period under review.		
Fair value of receivables from non-exchange transactions		
Receivables from non-exchange transactions	1,701,683	1,053,921
Receivables from non-exchange transactions past due but not impaired		
Other receivables from non- exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June, 2021, 1,701,683 (2020: 1,053,921) were past due but not impaired.		
Receivables from non-exchange transactions impaired		
As of 30 June, 2021, other receivables from non-exchange transactions of 38,530,778 (2020: 25,732,477) were impaired and provided for.		
The amount of the provision was (12,798,301) as of 30 June, 2021 (2020: (9,259,244)).		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(25,732,478)	(16,473,234)
Provision for impairment	(12,798,301)	(9,259,244)
	(38,530,779)	(25,732,478)
6. Consumer debtors		
Gross balances		
Rates	120,900,070	101,262,835
Electricity	170,729,621	142,969,350
Water	123,824,185	104,686,120
Sewerage	53,217,322	46,363,040
Refuse	91,322,562	78,812,647
Other (specify)	21,258,669	22,207,725
	581,252,429	496,301,717

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6. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(113,885,573)	(90,146,385)
Electricity	(158,906,621)	(127,274,433)
Water	(121,024,414)	(93,193,867)
Sewerage	(51,784,687)	(41,273,388)
Refuse	(90,065,780)	(70,160,737)
Other (specify)	(20,017,758)	(19,769,802)
	(555,684,833)	(441,818,612)
Net balance		
Rates	7,014,497	11,116,450
Electricity	11,823,000	15,694,917
Water	2,799,771	11,492,253
Sewerage	1,432,635	5,089,652
Refuse	1,256,782	8,651,910
Other (specify)	1,240,911	2,437,923
	25,567,596	54,483,105
Statutory receivables included in consumer debtors above are as follows:		
Property rates	7,014,497	11,116,450
Financial asset receivables included in consumer debtors above	18,553,099	43,366,655
Total consumer debtors	25,567,596	54,483,105
Included in above is receivables from exchange transactions		
Electricity	11,823,000	15,694,917
Water	2,799,771	11,492,253
Sewerage	1,432,635	5,089,652
Refuse	1,256,782	8,651,910
Others	1,240,911	2,437,923
	18,553,099	43,366,655
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	7,014,497	11,116,450
Net balance	25,567,596	54,483,105
Rates		
Current (0 -30 days)	3,823,114	1,019,178
31 - 60 days	795,362	383,898
61 - 90 days	364,968	361,491
91 - 120 days	2,031,053	9,351,883
	7,014,497	11,116,450
Electricity		
Current (0 -30 days)	6,197,569	1,552,386
31 - 60 days	746,383	456,575
61 - 90 days	683,662	427,346
91 - 120 days	4,195,386	13,258,610
	11,823,000	15,694,917

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6. Consumer debtors (continued)		
Water		
Current (0 -30 days)	886,931	644,555
31 - 60 days	167,221	279,720
61 - 90 days	112,416	204,069
91 - 120 days	1,633,203	10,363,909
	2,799,771	11,492,253
Sewerage		
Current (0 -30 days)	610,709	221,376
31 - 60 days	117,016	94,829
61 - 90 days	59,277	91,206
91 - 120 days	645,633	4,682,241
	1,432,635	5,089,652
Refuse		
Current (0 -30 days)	325,039	301,284
31 - 60 days	70,289	150,511
61 - 90 days	57,852	148,113
91 - 120 days	803,602	8,052,002
	1,256,782	8,651,910
Other (specify)		
Current (0 -30 days)	73,731	88,389
31 - 60 days	5,253	2,914
61 - 90 days	4,563	2,638
91 - 120 days	1,157,364	2,343,982
	1,240,911	2,437,923
Reconciliation of allowance for impairment		
Balance at beginning of the year	(441,818,612)	(359,067,324)
Contributions to allowance	(113,866,221)	(82,751,288)
	(555,684,833)	(441,818,612)
Consumer debtors pledged as security		
There are no Consumer debtors pledged as security for overdraft facilities.		
Fair value of consumer debtors		
Consumer debtors	25,567,596	54,483,108

Consumer debtors impaired

As of 30 June, 2021, consumer debtors of 555,684,833 (2020: 441,818,612) were impaired and provided for.

The amount of the provision was 113,866,221 as of 30 June, 2021 (2020: 82,751,288).

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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,342	6,342
Bank balances	7,168,767	4,256,569
Short-term deposits	562,892	240,353
Bank overdraft	-	-
	7,738,001	4,503,264

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
First National Bank - Cheque account- 620131263656	5,487,826	2,699,580	4,457,562	7,168,767	4,256,568	5,608,981
First National Bank - Fixed Deposit account - 62254274732	220,209	88,483	66,972	220,209	88,483	121,542
First National Bank Call Account- 62016967351	10,728	10,503	10,033	10,728	10,503	10,033
First National Bank EPWP 62706895911	16,727	16,312	15,539	16,727	16,312	15,539
First National Bank WISIG 62706897214	76,168	6,120	232	76,168	6,120	232
First National Bank FMG 62706892280	2,842	2,772	30,456	2,842	2,772	30,456
First National bank INEP 62706893890	29,259	28,533	10,702	29,259	28,533	10,702
First National Bank EQS 62706889617	45,248	50,978	8,216	45,248	50,978	8,216
First National Bank MIG	161,484	43,360	381	161,484	43,360	381
Total	6,050,491	2,946,641	4,600,093	7,731,432	4,503,629	5,806,082

8. Biological assets that form part of an agricultural activity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	60,597,062	-	60,597,062	49,050,842	-	49,050,842

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	49,050,842	11,546,220	60,597,062

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Figures in Rand 2021 2020

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

Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	46,524,248	2,526,594	49,050,842

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Figures in Rand	2021	2020
8. Biological assets that form part of an agricultural activity (continued)		
Non-financial information		
Quantities of each biological asset		
Trees in timber plantation - Consumable	60,597,062	49,524,248

Afforestation Permits

Commercial afforestation is regulated in South Africa. Water Use Permits are required for legal afforestation. The catchment under which the Mkhondo Municipality license is issued is the Assegaa River Catchment drainage region W52C. The license is issued in the name of Portion 0 Farm 149 Piet Retief Town and Townlands. The start date is 1/01/1972. The extent of the afforestable land is recorded as:

Eucalyptus: 1072 ha

Pine: 1030 ha

Wattle: 415 ha

Poplar: 115 ha

The total afforestable area is: 2632 ha.

The currently recorded forest area (including TU) for the Piet Retief Townlands is 2484 ha which is within the allowable permit area. There is a decrease in the reported forest area (previously 2399.7 ha) which can be attributed to adjustments relating to the exclusion of further Settlement areas.

Next fair valuation on the plantation will be due on 30 June 2022

Valuation method and key assumptions

Valuation of forested land requires knowledge of the location and current volume of timber resources. Forests are dynamic, biological systems, and estimates of growth for various management strategies were applied. Mean annual increment (MAI) was used on a given index age for a specified silviculture regime (Gum 10 years, Pine 25 years and Wattle 10 years), to determine volume production potential. A MAI (gum: 15.4 tons/ha/year, pine: 13.8 tons/ha/year, wattle: 8 tons/ha/year) was used in the evaluation. The standing timber value per hectare is determined by valuing the yield at rotation age and deducting from that the harvesting and delivery cost. The profitability of the crop is then determined by the Faust Mann Formula and incorporates all the costs. Timber prices used were provided by NCT, TWK, and Mondi. Harvesting and transport costs were supplied by local contractors in 2021. The Municipality used an expert to calculate the fair value of biological assets as at 30 June 2021.

Financial Risk Strategy

The entity is exposed to financial risks arising from the changes in market prices of timber. The entity does not anticipate that timber prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to

manage the risk of a decline in timber prices. The entity reviews its outlook for timber prices regularly in considering the need for active financial risk management.

Pledged as security

There is no biological assets pledged as security.

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9. Investment property

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29,148,510	(14,531,020)	14,617,490	34,848,510	(17,697,643)	17,150,867

Reconciliation of investment property - 2021

	Opening balance	Transfers	Depreciation	Total
Investment property	17,150,867	(1,860,286)	(673,091)	14,617,490

Reconciliation of investment property - 2020

	Opening balance	Impairments	Depreciation	Total
Investment property	17,817,061	(32,684)	(633,510)	17,150,867

Pledged as security

No investment property has been pledged as security.

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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Annual Financial Statements for the year ended 30 June, 2021

Notes to the Annual Financial Statements

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10. 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	28,086,804	-	28,086,804	28,319,153	-	28,319,153
Buildings	79,340,930	(23,780,854)	55,560,076	71,056,316	(17,479,882)	53,576,434
Motor vehicles	6,817,300	(3,181,407)	3,635,893	6,817,300	(1,817,947)	4,999,353
Infrastructure	2,747,245,975	(1,370,322,899)	1,376,923,076	2,623,226,073	(1,290,760,923)	1,332,465,150
Community	80,796,694	(22,080,279)	58,716,415	72,415,824	(17,967,260)	54,448,564
Other property, plant and equipment	72,028,889	(31,896,443)	40,132,446	61,910,409	(27,786,603)	34,123,806
Landfill site	24,745,804	(8,122,012)	16,623,792	20,510,879	(6,057,201)	14,453,678
Work in Progress	131,481,728	-	131,481,728	140,275,827	-	140,275,827
Total	3,170,544,124	(1,459,383,894)	1,711,160,230	3,024,531,781	(1,361,869,816)	1,662,661,965

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Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	28,319,153	-	(232,349)	-	-	-	-	-	28,086,804
Buildings	53,576,434	-	-	1,860,246	2,584,614	-	(2,102,218)	(359,000)	55,560,076
Leased Transport assets	4,999,353	-	-	-	-	-	(1,363,460)	-	3,635,893
Infrastructure	1,332,465,150	2,406,388	-	-	121,616,783	-	(69,528,088)	(10,037,157)	1,376,923,076
Community	54,448,564	-	-	-	-	8,380,870	(3,607,636)	(505,383)	58,716,415
Other property, plant and equipment	34,123,806	11,285,688	(759,850)	-	-	-	(4,517,198)	-	40,132,446
Landfill site	14,453,678	-	-	-	-	4,234,925	(2,064,811)	-	16,623,792
Work in Progress	140,275,827	121,486,373	-	-	(124,198,127)	(6,082,345)	-	-	131,481,728
	1,662,661,965	135,178,449	(992,199)	1,860,246	3,270	6,533,450	(83,183,411)	(10,901,540)	1,711,160,230

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	28,262,896	102,600	(46,343)	-	-	-	-	28,319,153
Buildings	54,992,808	-	-	1,355,427	-	(2,771,801)	-	53,576,434
Leased Transport assets	6,362,813	-	-	-	-	(1,363,460)	-	4,999,353
Infrastructure	1,393,865,219	441,734	(772)	34,777,384	-	(96,618,415)	-	1,332,465,150
Community	56,340,771	-	-	1,167,676	-	(3,059,883)	-	54,448,564
Other property, plant and equipment	29,089,991	11,272,475	(2,176,450)	-	-	(3,854,720)	(207,490)	34,123,806
Landfill site	20,579,336	-	-	-	(3,185,753)	(2,939,905)	-	14,453,678
Work in Progress	77,987,474	123,938,930	-	(37,300,487)	(24,350,090)	-	-	140,275,827
	1,667,481,308	135,755,739	(2,223,565)	-	(27,535,843)	(110,608,184)	(207,490)	1,662,661,965

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020		
10. Property, plant and equipment				
(continued) Pledged as security				
Carrying value of assets pledged as security:				
Assets subject to finance lease (Net carrying amount)				
Motor vehicles	5,453,840	4,999,353		
Property, plant and equipment in the process of being constructed or developed				
Cumulative expenditure recognised in the carrying value of property, plant and equipment				
Electricity Infrastructure	29,970,960	45,442,667		
Roads Infrastructure	1,652,968	30,919,119		
Sanitation infrastructure	58,245,569	44,174,725		
Water Infrastructure	36,592,114	16,827,245		
Community	5,782,658	2,912,069		
	132,244,269	140,275,825		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected				
Upgrading of Main Substation	39,511,897	39,511,897		
The delay was mainly due cash flow constraints.				
	39,511,897	39,511,897		
Reconciliation of Work-in-Progress 2021				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	128,306,827	7,595,379	4,373,620	140,275,826
Additions/capital expenditure	121,486,373	-	-	121,486,373
Other movements [specify]	(6,082,345)	-	-	(6,082,345)
Transferred to completed items	(117,426,821)	(4,186,691)	(2,584,614)	(124,198,126)
	126,284,034	3,408,688	1,789,006	131,481,728
Reconciliation of Work-in-Progress 2020				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	69,431,538	4,182,316	4,373,620	77,987,474
Additions/capital expenditure	119,358,190	4,580,739	-	123,938,929
Other movements [specify]	(24,350,090)	-	-	(24,350,090)
Transferred to completed items	(36,132,811)	(1,167,676)	-	(37,300,487)
	128,306,827	7,595,379	4,373,620	140,275,826
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				
Contracted services	27,998,845	34,215,853		

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10. Property, plant and equipment (continued)

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

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11. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	167,250	(167,250)	-	167,250	(142,162)	25,088

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	25,088	(25,088)	-

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	58,538	(33,450)	25,088

Pledged as security

There is no intangible assets pledged as security.

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12. Finance lease obligation		
Minimum lease payments due		
- within one year	2,454,600	3,272,800
- in second to fifth year inclusive	-	2,454,600
	2,454,600	5,727,400
less: future finance charges	(148,970)	(728,226)
Present value of minimum lease payments	2,305,630	4,999,174
Present value of minimum lease payments due		
- within one year	2,305,630	2,693,544
- in second to fifth year inclusive	-	2,305,630
	2,305,630	4,999,174
Non-current liabilities	-	2,305,630
Current liabilities	2,305,630	2,693,544
	2,305,630	4,999,174
<p>It is municipality policy to lease certain motor vehicles and equipment under finance leases.</p> <p>The average lease term was 3 years and the average effective borrowing rate was 12% (2020: 12%).</p> <p>Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.</p> <p>The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.</p>		
13. Payables from exchange transactions		
Trade payables	398,092,124	336,729,951
Payments received in advanced - contract in process	8,286,736	5,458,755
Amounts received in advance	2,700,000	-
Retentions	15,699,789	21,394,031
Accrued bonus	5,384,966	4,955,470
Deposits received	35,066	35,066
Accrued leave	20,571,151	17,961,719
Payroll accruals	14,681,723	12,073,325
Unallocated deposits	7,339,740	6,543,431
Sundry creditors	(16,144)	-
Accrued creditors	51,646,124	6,423,781
	524,421,275	411,575,529
14. VAT payable		
Tax refunds payables	171,496	8,300,082
15. Consumer deposits		
Electricity	3,729,386	3,668,061
Water	291,222	110,833
	4,020,608	3,778,894

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16. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (in-service) members generally subsidise older (continuation) members.

Key Financial Assumptions

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post -employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.28% per annum has been used. The corresponding index-linked yield at this term is 4.58%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year. The next contribution rate increase is assumed to occur at 1 January 2022

Assumption	Value p.a.
Discount rate	9.22%
Health care cost inflation rate	6.38%
<i>Net-of-health-care-cost-inflation discount rate</i>	2.67%
Maximum subsidy inflation rate	4.41%
<i>Net-of-maximum-subsidy-inflation discount rate</i>	4.61%

Key demographic assumptions

Assumption	Value
Average retirement age	62
Continuation of membership at retirement	75.00%

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16. Employee benefit obligations (continued)

Proportion with a spouse dependant at retirement	60.00%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	15.00%
Mortality during employment	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Withdrawal from service (sample annual rates)	See Table A4.2

SENSITIVITY ANALYSIS

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age increase and decrease in the assumed rates of post-employment mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Tabled below is the summary of the results of the sensitivity analysis.

Assumption	Change	Eligible Employees	Continuation members	Total	% change
Central assumptions		2.134	9.343	11.477	
Health care inflation rate	1%	2.433	9.433	11.866	3%
	-1%	1.830	9.196	11.026	-4%
Discount rate	1%	1.814	8.674	10.488	-9%
	-1%	2.535	10.110	12.645	10%
Post-employment mortality	+1 yr	2.076	9.023	11.099	-3%
	-1 yr	2.191	9.662	11.853	3%
Average retirement age	-1 yr	2.334	9.343	11.677	2%
Continuation of membership at retirement	-10%	1.850	9.343	11.193	-2%

Long service awards

The effective date of the valuation is 30 June 2021 (the "Valuation Date"). The valuation considers all employees eligible for LSA. The LSA liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The previous actuarial valuation of the Municipality's LSA liability was undertaken as at 30 June 2020.

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16. Employee benefit obligations (continued)

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive

Key assumptions

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary. It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time. The key financial and demographic assumptions are summarised below.

Key Financial assumptions

Assumption	Value p.a.
Discount rate	9.35%
General earnings inflation rate (long-term)	5.81%
Net effective discount rate	3.35%

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

Carrying value

Present value of the post employment medical aid- wholly funded	(11,477,000)	(11,122,000)
Present value of the long service award - wholly funded	(15,614,000)	(13,706,000)
	(27,091,000)	(24,828,000)
Non-current liabilities	(23,409,000)	(23,238,000)
Current liabilities	(3,682,000)	(1,590,000)
	(27,091,000)	(24,828,000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	24,828,000	25,976,268
Net expense recognised in the statement of financial performance	2,263,000	(1,148,268)
	27,091,000	24,828,000

Net expense recognised in the statement of financial performance

Current service cost	1,579,000	1,556,640
Interest cost	2,019,000	2,120,219
Actuarial (gains) losses	255,000	(2,391,564)
Settlement	(1,590,000)	(2,433,563)
	2,263,000	(1,148,268)

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Water Services Infrastructure Grant	11,140,957	-
Regional Bulk Infrastructure Grant	12,120,996	-
	23,261,953	-

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17. Unspent conditional grants and receipts (continued)		
Movement during the year		
Additions during the year	168,852,000	122,336,000
Income recognition during the year	(145,590,047)	(122,336,000)
	23,261,953	-

The municipality received additional funding for the Water Services Infrastructure Grant during the fourth quarter of 2021 amounting to R26 million. The appointment for the service provider was completed towards year end and this resulted in some of the funding not fully spent as at 30 June 2021. The municipality also received R20 million for the Regional Bulk Infrastructure grant during the year on which R12,120,995.94 was unspent as at 30 June 2021.

See note 27 for reconciliation of grants from National/Provincial Government.

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18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Interest charge	Change in landfill closure provision	Total
Environmental rehabilitation	24,218,836	1,949,786	4,234,925	30,403,547

Reconciliation of provisions - 2020

	Opening Balance	Interest charge	Change in landfill closure provision	Total
Environmental rehabilitation	25,328,957	2,075,632	(3,185,753)	24,218,836

Environmental rehabilitation provision

Financial assumptions used

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

Consumer Price Index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date¹⁶. The average of the CPI for the last three months amounted to 4.8235%.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used¹⁷.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used.

For this landfill the rate associated with the maximum period of 10 years was used, i.e. 4% above CPI.

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19. Revenue		
Service charges	195,511,763	201,281,369
Rental of facilities and equipment	803,034	1,067,696
Licences and permits	187,839	617,330
Other income - (rollup)	3,408,396	5,449,954
Interest received - investment	26,799,814	28,404,691
Property rates	71,236,638	72,213,286
Government grants & subsidies	450,858,840	363,458,453
Public contributions and donations	8,469,370	1,521,794
Fines, Penalties and Forfeits	15,463,163	7,776,806
	772,738,857	681,791,379
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	195,511,763	201,281,369
Rental of facilities and equipment	803,034	1,067,696
Licences and permits	187,839	617,330
Other income - (rollup)	3,408,396	5,449,954
Interest received - investment	26,799,814	28,404,691
	226,710,846	236,821,040
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	71,236,638	72,213,286
Transfer revenue		
Government grants & subsidies	450,858,840	363,458,453
Public contributions and donations	8,469,370	1,521,794
Fines, Penalties and Forfeits	15,463,163	7,776,806
	546,028,011	444,970,339
20. Service charges		
Sale of electricity	147,212,899	153,634,846
Sale of water	24,546,953	25,088,469
Sewerage and sanitation charges	10,943,189	10,604,947
Refuse removal	12,808,722	11,953,107
	195,511,763	201,281,369
21. Rental of facilities and equipment		
Premises		
Premises	803,034	1,067,696
22. Licences and permits (exchange)		
Licences and permits 1	187,839	617,330

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Figures in Rand	2021	2020
23. Other income		
Timber sales	-	3,122,473
Cemetery fees	280,563	449,966
Photo copies	414,512	402,567
Handling fees	134	-
Building and clearing certificates	778,768	597,614
Commission income	187	245
Advertising income	4,851	16,174
Escorting fees	1,336,336	213,398
Other revenue	593,045	647,517
	3,408,396	5,449,954
24. Investment revenue		
Interest revenue		
Bank	194,587	233,607
Interest charged on trade and other receivables	26,605,227	28,171,084
	26,799,814	28,404,691
25. Fair value adjustments		
Biological assets - (Fair value model)	11,546,220	2,526,594
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	41,674	2,628
	11,587,894	2,529,222
26. Property rates		
Rates received		
Residential	34,695,068	33,326,124
Commercial	12,306,136	11,999,025
State	6,378,191	5,987,913
Small holdings and farms	22,258,153	25,166,440
Less: Income forgone	(4,400,910)	(4,266,216)
	71,236,638	72,213,286
Valuations		
Residential	3,528,161,250	3,528,161,250
Commercial	1,334,629,800	1,334,629,800
State	908,104,300	908,104,300
Municipal	744,313,900	744,313,900
Small holdings and farms	5,789,005,000	5,789,005,000
Vacant land	154,908,780	154,908,780
Other	101,713,810	101,713,810
	12,560,836,840	12,560,836,840

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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27. Government grants and subsidies		
Operating grants		
Equitable share	300,190,000	235,268,000
Finance Management Grant	3,000,000	2,680,000
LGSETA	80,793	356,453
Expanded Public Works Programme	1,998,000	2,264,000
COVID 19 Grant	-	554,000
	305,268,793	241,122,453
Capital grants		
Municipal Infrastructure Grant	82,852,000	78,336,000
Water Services Infrastructure Grant	44,859,043	30,000,000
Integrated National Electrification Programme	10,000,000	14,000,000
Regional Bulk Infrastructure Grant	7,879,004	-
	145,590,047	122,336,000
	450,858,840	363,458,453
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	145,590,047	122,336,000
Unconditional grants received	305,268,793	241,122,453
	450,858,840	363,458,453

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 288 (2020: 289), which is funded from the grant.

Municipal Infrastructure Grant

Current-year receipts	82,852,000	78,336,000
Conditions met - transferred to revenue	(82,852,000)	(78,336,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The conditions of the projects are directly in-line with the DORA requirements. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

Finance Management Grant

Current-year receipts	3,000,000	2,680,000
Conditions met - transferred to revenue	(3,000,000)	(2,680,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

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27. Government grants and subsidies (continued)

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

Local Government Sector and training authority

Current-year receipts	80,793	356,453
Conditions met - transferred to revenue	(80,793)	(356,453)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The Local Government, Water and Related Services SETA was established in terms of the Skills Development Act (1998). In terms of the provisions of the Act, the SETA was first established in 2000 and was recertified by the Minister of Labour in March 2005, with a reduced scope of coverage that excluded the Water Sector. It was at this stage renamed the The Local Government Sector Education & Training Authority (LGSETA). In 2011 responsibility for all SETAs was moved from the Department of Labour to the newly established Department of Higher Education and Training. The LGSETA was recertified by the Minister for the National Skills Development Strategy III period (2011-2016). The LGSETA has aligned its contributions to

the implementation of National Skills Development Strategy III (NSDS III) primarily to support the achievement of OUTCOME 9 of the Cabinet Programme of Action, which aims to improve the effectiveness and efficiency of skills development system within the local government sector. The strategic outcome of the SETA will therefore produce a skilled and capable local government workforce.

Integrated national electrification programme

Current-year receipts	10,000,000	14,000,000
Conditions met - transferred to revenue	(10,000,000)	(14,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The Department of Energy, Eskom and the South African Local Government Association briefed the committee on where the Intergrated Electrification Programme stood currently, the challenges it faced as well as the challenges specific to municipalities.

Expanded Public works Programme

Current-year receipts	3,000,000	2,264,000
Conditions met - transferred to revenue	(3,000,000)	(2,264,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Incentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent job.

Water Services Infrastructure Grant

Current-year receipts	56,000,000	30,000,000
Conditions met - transferred to revenue	(44,859,043)	(30,000,000)
	11,140,957	-

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27. Government grants and subsidies (continued)

The Water Services Infrastructure Grant is used for the construction of the Sewer Package plant in Haartebeesfontein and Rustplaas.

Disaster Relief Grant - COVID 19

Current-year receipts	-	554,000
Conditions met - transferred to revenue	-	(554,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The municipality received a disaster relief grant specifically relating to Covid 19. The purpose of the grant was to assist the municipality in providing personal protective equipment for its employees.

Regional Bulk Infrastructure Grant

Current-year receipts	20,000,000	-
Conditions met - transferred to revenue	(7,879,004)	-
	12,120,996	-

Conditions still to be met - remain liabilities (see note 17).

The strategic objective of the Grant is meant to facilitate achievement of targets for access to bulk water and sanitation through successful execution and implementation of bulk projects of regional significance.

Its purposes is to develop new, refurbish, upgrade and replace ageing water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality.

It is also meant to implement bulk infrastructure with a potential of addressing water conservation and water demand management (WC/WDM) projects or facilitate and contribute to the implementation of local WC/WDM projects that will directly impact on bulk infrastructure requirements

28. Public contributions and donations			
Public contributions and donations 2	8,380,870		-
Public contributions and donations	88,500		1,521,794
	8,469,370		1,521,794
Reconciliation of conditional contributions			
Donated assets	8,469,370		1,421,794
Current year receipts	-		100,000
Conditions met- Transferred to revenue	(8,469,370)		(1,521,794)
			-

Conditions still to be met - remain liabilities (see note 17)

Gert Sibande District Municipality provided R100 000 during the last financial year for co-funding for the maintenance of boreholes in Mkhondo Municipality. There were also contributions in terms of assets donated to the Municipality.

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29. Fines, Penalties and Forfeits		
Illegal Connections Fines	233,732	266,256
Municipal Traffic Fines	15,229,431	7,510,550
	15,463,163	7,776,806
30. Other revenue		
Other income - (rollup)	3,408,396	5,449,954
31. Lease rentals on operating lease		
Premises		
Contractual amounts	1,308,988	1,343,658
Lease rentals on operating lease - Other		
Contractual amounts	1,523,405	6,554,333
	2,832,393	7,897,991

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32. Employee related costs		
Basic	131,305,539	120,748,620
Bonus	11,039,372	10,276,242
Medical aid - company contributions	8,478,618	5,451,445
UIF	920,425	932,288
WCA	853,967	231,991
SDL	573,784	1,321,555
Leave pay provision charge	4,186,256	2,666,496
Defined contribution plans	25,371,942	22,838,730
Travel, motor car, accommodation, subsistence and other allowances	5,199,738	4,361,930
Overtime payments	17,562,738	14,119,124
Long-service awards	516,462	1,207,008
Car allowance	54,939	-
Housing benefits and allowances	1,137,287	1,175,874
Standby allowances	10,291,740	9,159,559
Acting allowances	1,345,216	-
	218,838,023	194,490,862

The remuneration of the Municipal Manager and General managers disclosed below are already included in the total remuneration disclosed above.

Remuneration of municipal manager

Annual Remuneration	1,024,848	1,036,364
Other allowances	70,422	70,422
Contributions to UIF, Medical and Pension Funds	141,867	137,784
	1,237,137	1,244,570

The Municipal Manager served for 12 months. The remuneration of the Municipal Manager forms part of the related party remuneration of Senior Management.

Remuneration of chief finance officer

Annual Remuneration	849,959	845,225
Other allowances	58,106	58,106
Contributions to UIF, Medical and Pension Funds	146,382	141,118
	1,054,447	1,044,449

The Chief Financial Officer served for 12 months. The remuneration of the Chief Financial Manager forms part of the related party remuneration of Senior Management.

Remuneration of General manager Planning

Annual Remuneration	857,520	860,567
Other allowances	58,106	58,106
Contributions to UIF, Medical and Pension Funds	124,377	125,934
	1,040,003	1,044,607

The General Manager - Planning served for 12 months. The remuneration of the General Manager forms part of the related party remuneration of Senior Management.

Remuneration of General Manager - Corporate services

Annual Remuneration	818,543	836,009
Other allowances	38,906	38,906

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32. Remuneration of councillors (continued)		
Contributions to UIF, Medical and Pension Funds	157,561	150,606
	1,015,010	1,025,521

The General Manager - Corporate Services served for 12 months. The remuneration of the General Manager forms part of the related party remuneration of Senior Management.

General Manager - Technical services

Annual Remuneration	877,254	857,125
Other allowances	58,106	58,106
Contributions to UIF, Medical and Pension Funds	132,277	129,589
	1,067,637	1,044,820

The General Manager - Technical Services served for 12 months. The remuneration of the General Manager forms part of the related party remuneration of Senior Management.

General manager- community services

Annual Remuneration	881,418	892,677
Car Allowance	58,649	58,106
Contributions to UIF, Medical and Pension Funds	93,160	93,015
	1,033,227	1,043,798

The General Manager - Community Services served for 12 months. The remuneration of the General Manager forms part of the related party remuneration of Senior Management.

Acting Chief Financial Officer

<i>Acting Allowance</i>	4,440	-
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Mr C Munzhelele acted for 24 days from 1 July 2020 to 24 July 2020 as the Chief Financial Officer.

33. Remuneration of councillors

Executive Major	940,693	944,100
Chief whip	716,802	719,908
Speaker	761,452	764,239
Councillors	13,734,669	13,369,929
	16,153,616	15,798,176

34. Depreciation and amortisation

Property, plant and equipment	83,183,411	110,608,190
Investment property	673,092	633,510
Intangible assets	25,088	33,450
	83,881,591	111,275,150

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35. Impairment of assets		
Impairments		
Property, plant and equipment	10,901,580	207,490
Investment property	-	32,683
	10,901,580	240,173
36. Finance costs		
Trade and other payables	17,228,510	10,898,930
Finance leases	578,829	958,010
Bank	-	74,559
Other interest paid	1,949,786	2,075,632
	19,757,125	14,007,131
37. Debt impairment		
Consumer debtors	113,866,222	82,751,288
Traffic Fines	12,798,301	12,671,941
	126,664,523	95,423,229
38. Bulk purchases		
Electricity - Eskom	138,380,431	145,437,521
Water	49,895,354	8,468,383
	188,275,785	153,905,904
39. Contracted services		
Outsourced Services		
Administrative and Support Staff	2,577,785	2,030,550
Business and Advisory	12,351,467	16,707,168
Hygiene Services	171,207	1,705,744
Professional Staff	200,398	-
Refuse Removal	(126,878)	551,636
Security Services	22,634,308	18,273,059
Water Takers	460,000	-
Consultants and Professional Services		
Business and Advisory	333,564	-
Infrastructure and Planning	287,460	500,000
Legal Cost	4,490,678	3,008,280
Contractors		
Catering Services	1,194,430	1,294,496
Electrical	387,752	702,654
Gardening Services	-	48,950
Maintenance of Buildings and Facilities	1,888,095	768,915
Maintenance of Equipment	27,595,056	10,562,070
Maintenance of Unspecified Assets	19,896,259	29,679,536
Traffic and Street Lights	571,309	238,829
Transportation	615,860	-
Safeguard and Security	-	167
Sports and Recreation	60,875	-
	95,589,625	86,072,054

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40. Transfers and subsidies		
Other subsidies		
Equitable share	5,678,123	5,783,000
Social Relief donations	533,937	476,813
	6,212,060	6,259,813
41. General expenses		
Advertising	2,055,387	586,477
Auditors remuneration	6,112,591	7,157,773
Bank charges	1,002,325	1,217,840
Commission paid	217,116	258,174
Consumables	47,549,919	27,778,225
Discount allowed	2,128,064	2,418,344
Hire	1,363,476	-
Insurance	4,938,215	5,466,277
Community development and training	782,360	730,424
Promotions and sponsorships	274,750	165,640
Protective clothing	6,839,403	4,278,297
Subscriptions and membership fees	2,400,041	2,677,896
Telephone and fax	10,449,249	7,297,562
Training	4,052,255	3,311,220
Travel - local	10,261,503	8,386,972
Utilities - Other	2,187,421	9,082,508
Other expenses	50,234	-
	102,664,309	80,813,629
42. Auditors' remuneration		
Fees	6,112,591	7,157,773
43. COVID 19 Related expenditure		
Expenditure		
Personal protective equipment	-	1,304,049
Disaster Management- general	150,286	-
Disaster management- water treatment	5,144,383	-
Danger allowance	1,235,722	-
Refurbishment of water treatment works	2,510,386	-
Maintenance of pump station	1,000,774	-
Maintenance of offices	193,763	-
Property plant and equipment	3,160,196	-
	13,395,510	1,304,049
44. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	1,308,988	1,343,658
Lease rentals on operating lease - Other		
• Contractual amounts	1,523,405	6,554,333
	2,832,393	7,897,991

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44. Operating deficit (continued)		
Gain on sale of property, plant and equipment	1,364,902	2,850,342
Impairment on property, plant and equipment	10,901,580	207,490
Impairment on investment property	-	32,683
Amortisation on intangible assets	25,088	33,450
Depreciation on property, plant and equipment	83,183,411	110,608,190
Depreciation on investment property	673,092	633,510
Employee costs	234,991,639	210,289,038
45. Cash generated from operations		
Surplus/(deficit)	(90,779,795)	(78,614,318)
Adjustments for:		
Depreciation and amortisation	83,881,591	111,275,150
Sale of assets and liabilities	(1,364,902)	(2,850,342)
Fair value adjustments	(11,587,894)	(2,529,222)
Impairment deficit	10,901,580	240,173
Debt impairment	126,664,523	95,423,229
Bad debts written off	3,269,735	-
Movements in retirement benefit assets and liabilities	2,263,000	(1,148,268)
Movements in provisions	1,949,786	2,075,632
Assets expenses from work in progress	6,079,075	24,350,090
Donated assets	(8,380,870)	-
Changes in working capital:		
Inventories	(12,070,455)	(5,341,656)
Receivables from exchange transactions	(59,562)	3,593,856
Consumer debtors	(88,220,444)	(97,684,173)
Other receivables from non-exchange transactions	(13,446,064)	(9,826,161)
Gains and loss on inventories	1,431,083	(398,551)
Payables from exchange transactions	112,845,746	107,589,096
VAT	(8,128,586)	(9,569,461)
Unspent conditional grants and receipts	23,261,953	-
Consumer deposits	241,714	103,494
	138,751,214	136,688,568

46. New standards and interpretations

46.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July, 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> Guideline: Guideline on Accounting for Landfill Sites 	1 April, 2009	Unlikely there will be a material impact

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47. Related parties

Relationships

Accounting Officer

Mr. M. Thabethe

Mr. B. Maseko

Mr. V. Khumalo

Mr. L. Motloung

Ms. Z. Lugongolo

Mr. C. Munzhelele

National Treasury

Section 56 manager Refer to note 32

State controlled entity

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47. Related parties (continued)			
Remuneration of management			
Management class: Councillors			
2021			
	Basic salary	Other short-term employee benefits	Total
Name			
Councillors	3,972,211	1,356,101	5,328,312
Subsidiaries board members	8,153,591	2,671,713	10,825,304
	12,125,802	4,027,814	16,153,616
2020			
	Basic salary	Other short-term employee benefits	Total
Name			
Councillors	3,461,180	1,472,786	4,933,966
Subsidiaries board members	7,853,108	3,011,102	10,864,210
	11,314,288	4,483,888	15,798,176

Management class: Executive management

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47. Related parties (continued)					
	Basic salary	Acting allowance	Other short-term employee benefits	Contributions to UIF, Pension and Medical Aid	Total
Name					
Mr. M. Kunene - Municipal Manager	1,024,848	-	70,422	141,867	1,237,137
Mr. B. Maseko - Chief Financial Officer	849,959	-	58,106	146,382	1,054,447
Mr. L. Motloun- GM Planning	857,520	-	58,106	124,377	1,040,003
Mr. V. Khumalo- GM Community services	881,418	-	58,649	93,160	1,033,227
Mr. M. Thabede - GM Corporate services	818,543	-	38,906	157,561	1,015,010
Ms Z. Lugongolo- GM Technical services	877,254	-	58,106	132,277	1,067,637
Mr. C. Munzhelele	-	4,440	-	-	4,440
	5,309,542	4,440	342,295	795,624	6,451,901
2020					
	Basic salary	Other short-term employee benefits	Contributions to UIF, Pension and Medical Aid	Total	
Name					
Mr. M. Kunene - Municipal Manager	1,036,364	70,422	137,784	1,244,570	
Mr. B. Maseko - CFO	845,225	58,106	141,118	1,044,449	
Mr. Motloun - GM Planning	860,557	58,106	125,934	1,044,597	
Mr. V. Khumalo- GM Community services	892,677	58,106	93,015	1,043,798	
Mr M. Thabede - GM Corporate services	836,009	38,906	150,606	1,025,521	
Ms. Z. Lunongolo GM Technical services	857,125	58,106	129,589	1,044,820	
	5,327,957	341,752	778,046	6,447,755	

48. Prior period errors

Accounts payables were restated for an amount owed to Department of Water affairs for an amount of R5,017,764.52.

Consequently prior year bulk purchases increased by R4,363,273.49 and VAT accruals moved by R654,491.02.

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48. Prior period errors (continued)

On property plant and equipment, the prior period adjustments relate to a physical asset verification that was performed during the financial year 2020/21 which resulted in prior period adjustments. The correction of this error has been applied retrospectively.

During the physical verification there were assets that were identified on the floor and could not be traced or linked due to the insufficient documentation in the old fixed assets register. There were also assets that were in the old fixed asset register which could not be linked to the assets found on the floor.

The municipality paid for the same scope of work more than once on the sandbank project. Some components of the work done was demolished and reworked by different contractors. Such costs related to repeat work were identified and reported as Fruitless and Wasteful expenditure. The value of such Fruitless and Wasteful expenditure was calculated to be R7,328,383.66 excluding VAT. Work in Progress was overstated by such an amount and an adjustment was made to remove such expenditures.

Fruitless and wasteful expenditure

Opening balance	37,496,775	-
Adjustments made	7,328,384	-
Restated opening balance	44,825,159	-

Adjustment made to opening balance of fruitless and wasteful expenditure is due to repeat costs on the Sandbank Project. The initial works were demolished and certain aspects of the same work was done more than twice. The repeated costs were deemed to be Fruitless and Wasteful expenditure.

49. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Property, Plant and Equipment		1,661,991,468	5,489,839	1,667,481,307
Accumulated surplus		(1,402,754,319)	(5,489,839)	(1,408,244,158)
		259,237,149	-	259,237,149

2020

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions		(406,145,600)	(5,429,930)	(411,575,530)
VAT payable		(8,954,573)	654,491	(8,300,082)
Property plant and equipment		1,665,364,052	(2,702,087)	1,662,661,965
Accumulated surplus		(1,337,107,364)	7,477,526	(1,329,629,838)
		(86,843,485)	-	(86,843,485)

Statement of financial performance

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49. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Restated
Bulk purchases		149,542,631	4,363,273	153,905,904
Depreciation		109,844,939	1,430,211	111,275,150
Finance costs		13,954,772	52,359	14,007,131
Contracted services		79,004,283	7,067,771	86,072,054
General expenses		80,756,361	57,268	80,813,629
Impairment loss		243,691	(3,518)	240,173
Surplus for the year		433,346,677	12,967,364	446,314,041

Cash flow statement

2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
payments to suppliers		(217,452,051)	561,879	(216,890,172)
Finance costs		(13,954,772)	(52,359)	(14,007,131)
		(231,406,823)	509,520	(230,897,303)
Cash flow from investing activities				
Purchase of property plant and equipment		(135,750,851)	(4,888)	(135,755,739)
Proceeds from sale of property plant and equipment		5,578,526	(504,619)	5,073,907
		(130,172,325)	(509,507)	(130,681,832)

50. 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.

Due to largely "non-trading nature" of activities and the way to which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs mainly apply. Generally, financial assets and liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The Internal audit is responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body monitors the effectiveness of internal audit function. The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk

Liquidity risk

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.

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50. 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
Investments	483,205	440,279
Receivables from non exchange transactions	1,701,683	1,053,921
Receivables from exchange transactions	965,359	93,298
Cash and bank balances	7,738,001	4,503,262
Consumer debtors	25,567,596	54,483,108

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	11.50 %	965,359	-	-	-	-
Consumer debtors	11.50 %	25,567,596	-	-	-	-
Cash in current banking institutions	-	7,738,001	-	-	-	-
Trade and other payables - extended credit terms	11.50 %	522,628,144	-	-	-	-
Lease liability	15.00 %	2,305,630	-	-	-	-

51. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The 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.

COVID 19 Considerations

In light of the unprecedented recent events brought by COVID 19, management deemed it fit to factor in the effect of the pandemic in its assessment of the Going concern.

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51. Going concern (continued)

Environmental Analysis

The COVID 19 pandemic has developed rapidly in 2020 with a significant number of cases. Measures taken by the government to contain the virus have affected economic activity. The municipality has taken a number of measures in line with government regulations to monitor and mitigate the effects of COVID 19 such as safety and health measures for its members of staff (such as social distancing and working from home) and securing the supply of materials that are essential to combating the virus.

Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. It expects that COVID 19 might have some impact, though not significant, on the performance of revenue collections, and service delivery.

52. Unauthorised expenditure

Opening balance as previously reported	717,849,124	486,915,213
Opening balance as restated	717,849,124	486,915,213
Add: Expenditure identified - current	158,365,190	230,933,911
Closing balance	876,214,314	717,849,124

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	16,010,978	224,099,495
Cash	142,354,213	6,834,416
	158,365,191	230,933,911

Unauthorised expenditure: Budget overspending – per municipal department:

Finance	24,535,321	41,082,681
Community and social development	26,684,727	9,144,353
Technical	91,866,804	180,706,877
Planning & development	282,009	-
Executive and council	14,996,329	-
	158,365,190	230,933,911

Recoverability steps taken/criminal proceedings

There are no recoverability steps taken / criminal proceedings which have been instituted since the unauthorised expenditure is yet to be investigated by MPAC.

Disciplinary steps taken/criminal proceedings

There are neither disciplinary nor criminal proceedings taken since MPAC is yet to conduct its investigations.

Recoverability of unauthorised expenditure

The unauthorised expenditure incurred during the period is yet to be taken to MPAC for determination if any amount is recoverable.

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53. Fruitless and wasteful expenditure		
Opening balance as previously reported	37,496,775	30,659,258
Correction of prior period error	7,328,384	-
Opening balance as restated	44,825,159	30,659,258
Add: Expenditure identified - current	1,126,447	6,837,517
Closing balance	45,951,606	37,496,775

The correction of prior period error relates to the repeated costs on Sandbank Project. The initial works done by the Initial Contractor were demolished and certain aspects of the project were repeated. These costs were deemed Fruitless and Wasteful expenditure.

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53. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest and penalties		1,126,447	6,837,517

Amounts recoverable

No amounts were recovered

Recoverability steps taken/criminal proceedings

There were no criminal proceedings taken.

Disciplinary steps taken/criminal proceedings

The interest and penalties incurred were due to late payments on SARS PAYE and VAT. The late payments were due to cash flow challenges faced by the municipality. None of the officials of the municipality benefited from such transactions. For that reason, there are neither disciplinary nor criminal proceedings taken against the municipal officials.

54. Irregular expenditure

Opening balance as previously reported	105,794,667	62,749,646
Opening balance as restated	105,794,667	62,749,646
Add: Irregular Expenditure - current	12,886,791	43,045,021
Closing balance	118,681,458	105,794,667

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54. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Non compliance with SCM regulations		12,886,791	43,045,021

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54. Irregular expenditure

(continued) Amounts recoverable

The amounts identified as irregular expenditure are yet to be tabled before the MPAC for investigations to determine if any amount is recoverable from municipal officials.

Recoverability steps taken/criminal proceedings

There are no recoverability steps taken /criminal proceedings since the irregular expenditure is yet to be tabled before council for investigations.

Disciplinary steps taken/criminal proceedings

There are no disciplinary /criminal proceedings since the irregular expenditure is yet to be tabled before council for investigations.

Provide information				
55. Financial instruments disclosure				
Categories of financial instruments				
2021				
Financial assets				
		At fair value	At amortised	Total
			cost	
Other financial assets		483,205	45,211	528,416
Trade and other receivables from exchange transactions		-	915,359	915,359
Consumer debtors		-	25,567,596	25,567,596
Cash and cash equivalents		-	7,738,001	7,738,001
		483,205	34,266,167	34,749,372

Financial liabilities

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55. Financial instruments disclosure (continued)		
	At amortised cost	Total
Other financial liabilities	2,305,630	2,305,630
Trade and other payables from exchange transactions	521,721,275	521,721,275
Consumer deposits	4,020,608	4,020,608
	528,047,513	528,047,513

2020

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	440,279	44,879	485,158
Trade and other receivables from exchange transactions	-	855,798	855,798
Consumer debtors	-	54,483,108	54,483,108
Cash and cash equivalents	-	4,503,264	4,503,264
	440,279	59,887,049	60,327,328

Financial liabilities

	At amortised cost	Total
Finance Lease Obligation	5,000,000	5,000,000
Trade and other payables from exchange transactions	411,163,365	411,163,365
Consumer deposits	3,778,894	3,778,894
Other liability 2	8,954,573	8,954,573
	428,896,832	428,896,832

56. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	199,158,951	85,065,376
• Community assets	2,094,489	2,094,489
	201,253,440	87,159,865

Total capital commitments

Already contracted for but not provided for	201,253,440	87,159,865
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Authorised operational expenditure

This committed expenditure relates to plant and equipment and will be financed by Transfers from National Treasury and municipality's own resources.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	-	2,505,219
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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.

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57. Contingencies as at 30 June

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NAME OF CLAIMANT	RESPONSIBLE PERSON/DEPARTMENT INTERNALLY.	SUMMARY OF CASE AND PROGRESS	RESPONSIBLE LAW FIRM OR APPOINTED FIRM	FILE NUMBER	AMOUNT CLAIMED
1. Bareki Consulting (Pty) Ltd	Legal Services Division	The plaintiff is claiming damages for work done. They allege that they compiled a supply chain management system and they were not paid for the work done.	TMN Kgomo & Associates Inc.	19148/2011/WDM	Claim A R 761 383.10 Claim B R 1 169 904.48
2. Owethu Mkhondo cc Development of middle-class houses Trading CC	Legal Services Division	The Plaintiff is suing the Municipality for R 21 277 570.63 for alleged breach of contract	TNM Kgomo & Associates Inc.	46047/2014/WDM	R 21 277 570.63
3. Pamoja Technologies	Legal Services Division	The plaintiff is suing the Municipality the sum of R 1 396 370.67 for alleged breach of contract by the Municipality.	TNM Kgomo & Associates Incorporated	15597/11/WDM	R 1 396 370.67
4. Busamasi Investments cc	Legal Services Division	A claim was instituted by the plaintiff following an alleged breach of contract by the municipality.	TNM Kgomo & Associates Incorporated	47483/2011/WDM	R 558 842.62
5. Rethuseng Live Line Services cc.	Legal Services Division	Summons were issued by the plaintiff against two defendants. The Municipality is cited as the second defendant. The plaintiff is claiming from the first defendant an amount of R 4 846 015.42 and alternatively R 3 249 043.64 from the second defendant.	TNM Kgomo & Associates Incorporated.	40779/2014/WDM	R 4 846 015.42 Alternatively R 3 249 043.64

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57. Contingencies (continued)

6. RP&H Developers	Legal Services Division	The plaintiff issued summons against the Municipality for an alleged breach of agreement regarding the provision of Bulk services in respect of the Welkgekozen Country Estate	TNM Kgomo & Associates Inc.	2020/BSX	R 2 147 717.68
7. Concert Masango and 2 others	Legal Services Division	The Municipality has lodged a review application in the Johannesburg Labour Court to have an arbitration award issued by first respondent be reviewed and set aside	TMN Kgomo & Associates Inc.	2020/BSX	R105 030.24
8. Mr LP De Beer	Legal Service Division	The Plaintiff has served Summons against the Municipality stating that he has incurred damages due to a motor vehicle accident. The accident occurred as a result of the road and storm water drain where he was travelling	Mohlala Attorneys	20751/2015/WDM	R470 000.00
9. Bicacon (Pty) Ltd	Legal Services	The Municipality received summons from Bicacon (Pty) Ltd seeking relief in the amount of R 5 319 140.62, as the plaintiffs are claiming that the Mkhondo Local Municipality unlawfully terminated their contract, the plaintiffs were appointed to provide Engineering Consulting Services for the construction of Driefontein to Iswepe and Hartebeesfontein Water Balkline by Mega, which ceded their rights to the Municipality.	Mohlala Attorneys	87155/15/WDM	R 5319140.62
10. Phanda (PTY) LTD Repairs Maintenance of HDV'S & Yellow Metal Fleet.	Legal Services	The Municipality received notice and summons claiming the R736 975.99 for services rendered as per SLA.	MT Silinda	5291/2016/BSX	R736 975.99

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57. Contingencies (continued)

11. EPH Security And Services	Legal Services	The Municipality received notice and summons claiming the R5 277 870.57 million for the entire contract and R1 6 16 is claim	Mthunzi Madonsela Attorneys	331/2017/BSX	Claim 1: R5 277 870.57 Claim 2: R1 6 42 267.76
12. M J S Mabuza	Legal Services	The Municipality received notice and summons claiming the R2.2 million to compensate the claimant for loss suffered as the result after his contract has been terminated	Mthunzi Madonsela Attorneys	2017/BSX	R2.2 Million
13. Ideal matter ELETRICITY Pre-paid PTY LTD	Legal Service	The Municipality sent a letter to ideal Prepaid stipulating the Municipality's intentions to rescind its decision of entering into a contract with them. Thereafter we instructed our attorneys to do an application for review in this matter.	Mthunzi Madonsela Attorneys	2017/BSX	Reviewing Contract
14. Ideal prepaid Action matter	Legal Services	Ideal Prepaid has instituted legal Actions against the Municipality, after the Municipality terminated their contract and filed the review application	Madonsela Mthunzi Inc. Attorneys	732/2018/BSX	R32 089 340.00
15. Mr Jacoba/Municipality	Legal Services	The Municipality received summons claiming R8568.90.Plaintiff hit the pothole and his motor vehicle got damages	Mthunzi Madonsela Attorneys	230/2017/BSX	R8568.90
16. Shatadi Auctioneers	Legal Service	The Municipality appointed Mthunzi Madonsela Attorneys to assist in recovering monies which were never received by the Municipality after an auction was held.	Mthunzi Madonsela Attorneys	2018/BSX	R1.4 Million Plus interest

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57. Contingencies (continued)

17. Mr Solomon Jabulani Gomu Mnisi	Legal Service	The Mkhondo Local Municipality received summons from the Plaintiff alleging that he had been arrested and detained by the traffic officers of the Mkhondo Local Municipality, he is therefore claiming an amount of R 850 000.00	Mohlala Attorneys	8550/2017/BSX	R850 000.00
18. Mr Vorster Andries Wilhelmus jacobus	Legal Services	The Plaintiff is suing the Mkhondo Local Municipality in the amount of R 25 000.00 for a once off gratuity equal to three months pensionable salary, the Plaintiff was a councillor at the Municipality.	Mohlala Attorneys	367/2015/BSX	R25 000.00
19. KVN Business Services	Legal Services	Plaintiff is suing the Municipality for R4 633 062.50 plus interest at the rate of 10.25% per annum from the date of service of summons to date of the payment, in respect of the breach of contract between the parties and the matter is before the Regional Division of Mpumalanga held at Elukwatini	Mohlala Attorneys	01/2020/BSX	R4 633 062.50
20. Retirement Fund//Municipality	Legal Services	The Municipality received an urgent application seeking compliance with the provisions of section 13 A of the PFA application is brought in two stages Fund seeks the order into S 13 A (2) of PFA also an order compelling the Municipality to make payment to the fund of all the outstanding contributions payable to the fund	Mthunzi Madonsela Attorneys	1781/2018/BSX	Specific Performance and monies amounting to as per LOD R4 177 046.31
21. Jabulani Gama	Legal Services	The Plaintiff instituted action proceedings against the Municipality for damages incurred by the plaintiff after he collided with a pothole	Madonsela Mthunzi Inc. Attorneys	26/2019/BSX	R85 852.83

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57. Contingencies (continued)

22. Graftcorp International (PTY) LTD	Legal Services Division	The Municipality received summons claiming R1 129 421 .34 for the work done.	Dalomo Attorneys	3397/2020 BSX	R1 129 421.34
23. Vorster & Vorster	Legal Division	Municipality received the notice of motion alleging that there are unlawful activities conducted at Portion 61 of the farm Welgekozen 514 IT, Mkhondo. The applicant wants the Municipality to enforce the provisions of section 178 of the Mkhondo Local Municipality	Madonsela Attorney	2039/2020 BSX	Specific Performance
24. IMATU obo Malinga and others	Legal Division	The arbitration award was made against and serve to the Municipality The Municipality wishes to review J720/2020the application. The	Madonsela Attorney	J720/2020 BSX	Labour Matter Claim amount : R742 776.00
25. Zarafusion (PTY) LTD	Legal Division	The Municipality received summons claiming R5 450 156, 34 for the work done (Performed work i.e fencing, electrical and main connections and road works and sewerage upgrade.	TMN Kgomo & Associates Inc	2039/2020 BSX	R5 450 156, 34 alternatively R 4 298 540.54

Contingent assets

The Municipality is suing Ideal Prepaid for Electricity Prepaid sales sold through Ideal Prepaid vendors but not remitted to the Municipality. The amount of such revenue is unknown as the Service Provider refused to furnish the Municipality with records of sales made during the year. According to our legal attorneys, they have made an application compelling Ideal Prepaid to furnish us with statements to enable us to quantify losses and recover such monies.

The Municipality is suing Shatadi Auctioneers for the recovery of monies which were never received by the Municipality after an auction was held. The amount claimed is R1 474 705.84. The Municipality had sent a letter of demand and the Defendant has confirmed its indebtedness to the Municipality. A settlement agreement was reached with the Defendant in July 2018 wherein

the Defendant agreed to pay in three instalments starting from August 2018. The Defendant did not honour the agreement and we proceeded to issue summons and matter is defended. The matter is handled by Mthunzi Madonsela Attorneys.

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58. Additional disclosure in terms of Municipal Finance Management Act

Other material losses

Material losses

2021

Electricity losses for the current year amounted to 45% i.e. R62,045,292. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses. Nonrevenue water i.e. non billed water amounted to 96%% i.e. R45,111,258. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed. Additional text

2020

Electricity losses for the current year amounted to 38% i.e. R54,196,322. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses. Nonrevenue water i.e. non billed water amounted to 46%% i.e. R1 873 021. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed. Additional text

Audit fees

Opening balance	13,364,979	5,596,207
Current year subscription / fee	6,112,591	6,292,023
VAT raised	1,004,237	1,034,856
Interest	264,730	441,893
Amount paid	(12,171,428)	-
	8,575,109	13,364,979

PAYE and UIF

Opening balance	10,661,490	4,838,778
Current year subscription / fee	33,849,976	31,468,946
Opening balance adjustment	(5,040,971)	-
Interest and penalties	-	2,559,556
Amount paid	(36,501,278)	(28,205,790)
	2,969,217	10,661,490

Pension and Medical Aid Deductions

Opening balance	2,225,666	3,413,818
Current year subscription / fee	50,921,358	44,871,016
Amount paid - current year	(50,246,536)	(46,059,168)
	2,900,488	2,225,666

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58. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	115,760,791	221,621,000
VAT payable	(115,932,287)	(229,921,082)
	(171,496)	(8,300,082)

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June, 2021:

30 June, 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Wilson RJA	2,271	-	2,271
Cllr. Mthethwa FC	1,036	-	1,036
Cllr. Ntsakala DM	13	-	13
Cllr. Makhathini JP	1,042	24	1,066
Cllr. Mchunu BJ	460	-	460
Cllr. Mahlobo SC	373	391	764
Cllr. Ngobese DL	3,736	2,375	6,111
Cllr. Motha VM	8,198	1,015	9,213
Cllr. Yende SZ	710	19	729
Cllr. Khumalo BM	565	-	565
Cllr. Nkosi TB	65	-	65
	18,469	3,824	22,293

30 June, 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Wilson RJI	2,123	-	2,123
Cllr. Mthethwa FC	92	-	92
Cllr. Nthsakala DM	282	-	282
Cllr. Mkhathini JP	413	-	413
Cllr. Mchunu BJ	1,256	18	1,274
Cllr. Mahlobo SC	1,435	-	1,435
Cllr. Ngobese DL	3,131	-	3,131
Cllr. Motha VM	4,692	-	4,692
Cllr. Yende SZ	692	-	692
Cllr. Makhathini JP	2,903	-	2,903
Cllr. Ntuki	775	-	775
	17,794	18	17,812

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

