

# UMSOBOMVU MUNICIPALITY

# DRAFT ANNUAL REPORT 2020/21



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# Chapter 1: Mayor's Foreword and Summary Executive

## CHAPTER 1

### COMPONENT A: MAYOR'S FOREWORD



It gives me great pleasure to present on behalf of the Council of Umsobomvu Municipality the 2020/21 Annual report.

In compliance with Section 127 of MFMA Act no 56 of 2003 and as an expression of commitment to public participation, service delivery and clean accountable government, Council presents this Annual Report to its stakeholders during a tough year of COVID-19. The implementation of lockdown had a big impact on public participation and good governance, but with a good, effective and unified Council, we tried our level best. I further want to urge all our leaders and community to go for vaccination, although it is not mandatory, to ensure a healthy and safe Umsobomvu.

During this period we managed to still implement service delivery, follow good governance by having all our ordinary council meetings as well as special council meetings.

During this oversight period of 2020/21 the Municipality addressed the issues as in the Integrated Development Plan (IDP) by implementing the Municipal Infrastructure Grant (MIG), Water Service Infrastructure Grant (WSIG), Extended Public Works Program (EPWP) and INEP funded projects.

Public participation was affected because of the impact of lockdown, but we still managed to have ward committee meetings for the first 9 months and also implemented training for the wards.

"Council Meets the People" were affected as we could not implement it as scheduled, but the implementation of the service delivery continued WhatsApp groups in each ward has ensured that service delivery turnaround time has improved to less than 24 hours. We need to applaud our committed staff that ensure the effectiveness of this program. These groups also assisted with public participation by sharing policies and other important communication to our communities during the lockdown stages.

#### **Working together as one can ensure that we can build better communities.**

My appreciation goes to all Councillors for ensuring that we continuously strive for excellence in delivering services to the masses to still keep to the promise of a better future.

Thank you to the administration led by the Municipal Manager for their hard work to ensure that our communities are uplifted by delivering quality services and customer care.

## Chapter 1: Mayor's Foreword and Summary Executive

I want to appreciate the role played by Provincial and National Government, their interventions in addressing number of challenges affecting the communities though we are still struggling to resolve fully implementation of bulk services projects because of some areas of the policy.

Condolences to those that lost a family member or friend during this period and wish God's blessings on them.

Let us still push in achieving "A Developmental Municipality in South Africa"

**M S TOTO**

**MAYOR**



## COMPONENT B: EXECUTIVE SUMMARY

### 1.1 Municipal Manager's Overview



In terms of Chapter 7, Section 152 of the Constitution of the Republic of South Africa, the following are the objects of Local Government:

- (a) To provide democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote safe and healthy environment; and
- (e) To encourage the involvement of communities and community organisations in the matters of local government.

Our Municipality in the year under review had serious challenges, viz:

1. Protests by community members.
2. The COVID-19 pandemic, together with all the lockdown levels. These incidents affected the Municipality dramatically in three areas in the main:
  - a. Financially, a lot of our community members were affected by losing their jobs and income. This affected the revenue collection for almost the whole financial year.
  - b. Community participation was also dramatically affected. Ward Committee meetings and Council Meets the People could not be conducted.
  - c. Service delivery was also affected due to directives of employee contracting/testing positive to Covid-19. The close contacts and positive employees had to isolate every now and then.

Given all these major setbacks, the Municipality did deliver on basic services such as water, electricity, refuse removal etc.

I want to sincerely thank our employees who showed bravery to continue serving our community members during these trying times and also the Political Leadership for their support on administration. The past year was a very tough one!

**A MPELA**  
**MUNICIPAL MANAGER**

# Chapter 1: Mayor's Foreword and Summary Executive

## 1.2 Municipal Overview

This report addresses the performance of the Umsobomvu Municipality in the Northern Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the Council of the Municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2020/21 Annual Report reflects on the performance of the Umsobomvu Municipality for the period 1 July 2020 to 30 June 2021. The Annual Report is prepared in terms of Section 121(1) of the MFMA in terms of which the Municipality must prepare an Annual Report for each financial year.

### 1.2.1 Vision and Mission

The Umsobomvu Municipality committed itself to the following vision and mission:

#### *Vision:*

*"A Developmental Municipality in South Africa"*

#### *Mission:*

**"To serve our community by delivering quality services and customer care through dedicated staff for the upliftment of our community socially and economically".**

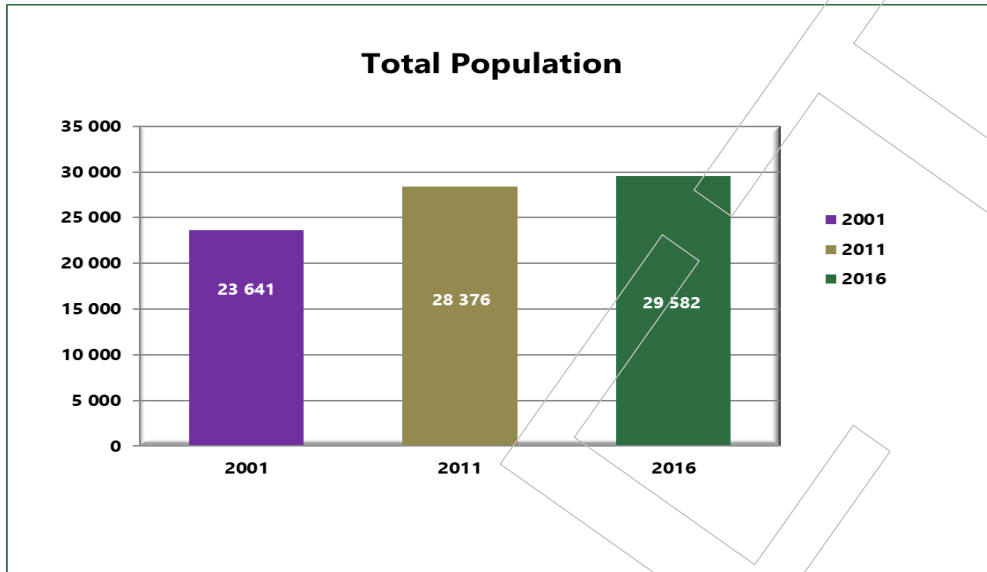
## 1.3 Municipal Functions Population and Environmental Overview

### 1.3.1 Population

#### a) Total Population

As per Census 2011 and the Community Survey 2016, Umsobomvu Municipality's population has risen from 28 376 in 2011 to 29 582 in 2016.

# Chapter 1: Mayor's Foreword and Summary Executive



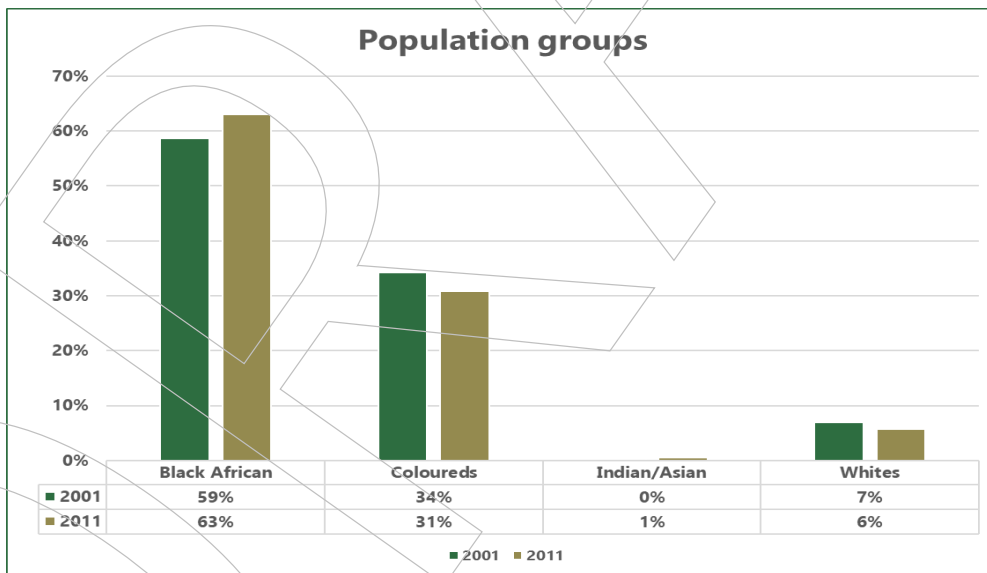
Graph 1: Total Population

The table below indicates the total population by race within the municipal area:

Year	African	Coloured	Indian/Asian	White
2001	13 877	8 095	18	1 650
2011	17 752	8 675	156	1 606

Source: Census 2001 & 2011

Table 1: Population



Graph 2: Population by Race



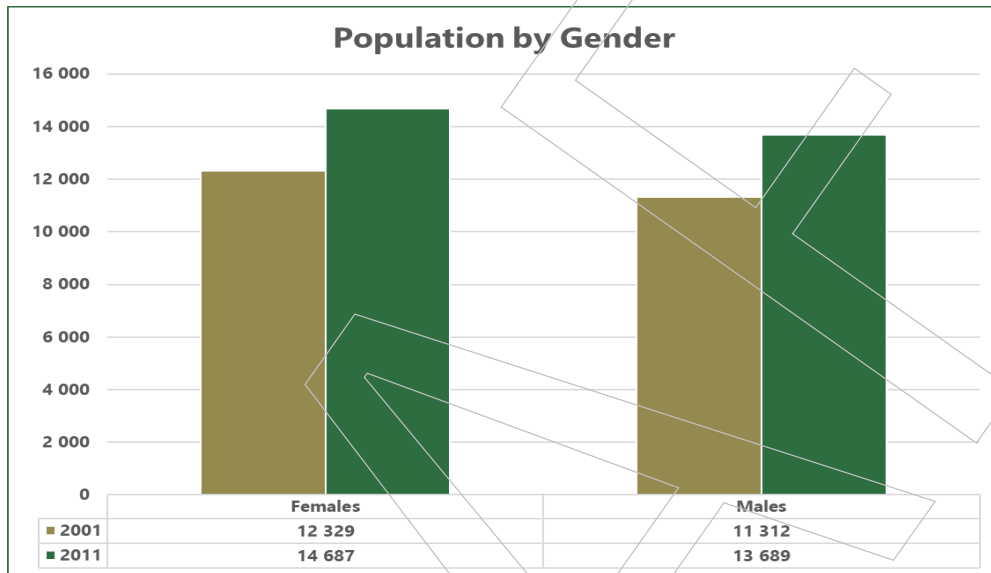
## Chapter 1: Mayor's Foreword and Summary Executive

In 2011 the population showed that females represent 52% and males 48% of the total population of Umsobomvu.

Population - Gender	2001	2011
Females	12 329	14 687
Males	11 312	13 689
<b>Total</b>	<b>23 641</b>	<b>28 376</b>

*Source: Census 2001 & 2011*

**Table 2: Gender Statistics**



**Graph 3: Gender Statistics**

### b) Population Profile

Age	2001			2011		
	Male	Female	Total	Male	Female	Total
Age: 0-4	1 234	1 171	<b>2 405</b>	1 451	1 573	<b>3 024</b>
Age: 5-9	1 359	1 363	<b>2 722</b>	1 474	1 542	<b>3 016</b>
Age: 10-14	1 415	1 415	<b>2 829</b>	1 482	1 392	<b>2 874</b>
Age: 15-19	1 352	1 328	<b>2 681</b>	1 395	1 294	<b>2 689</b>
Age: 20-24	1 034	1 035	<b>2 069</b>	1 179	1 225	<b>2 404</b>
Age: 25-29	857	814	<b>1 671</b>	1 280	1 228	<b>2 508</b>
Age: 30-34	787	881	<b>1 667</b>	1 065	1 060	<b>2 125</b>
Age: 35-39	686	769	<b>1 455</b>	839	807	<b>1 646</b>
Age: 40-44	548	723	<b>1 271</b>	766	833	<b>1 599</b>
Age: 45-59	513	687	<b>1 201</b>	699	838	<b>1 537</b>
Age: 50-54	436	548	<b>984</b>	540	735	<b>1 275</b>
Age: 55-59	363	415	<b>778</b>	483	654	<b>1 137</b>

Age	2001			2011		
	Male	Female	Total	Male	Female	Total
Age: 60-64	261	395	<b>657</b>	397	499	<b>896</b>
Age: 65-69	184	262	<b>446</b>	279	338	<b>617</b>
Age: 70-74	117	194	<b>311</b>	155	293	<b>448</b>
Age: 75-79	88	134	<b>222</b>	113	142	<b>255</b>
Age: 80-84	54	107	<b>161</b>	50	105	<b>155</b>
Age: 85+	25	89	<b>114</b>	43	127	<b>170</b>
<b>Total</b>	<b>11 312</b>	<b>12 329</b>	<b>23 641</b>	<b>13 689</b>	<b>14 687</b>	<b>28 376</b>
<i>Census 2001 &amp; 2011</i>						

**Table 3: Population Profile**

### 1.3.2 Demographic Information

#### a) Municipal Geographical Information

Umsobomvu Municipality was established to manage and provide services to the local management area NC 072 which is 6 819 square km in size. The Municipality forms part of the Pixley Ka Seme District Municipality which is located in the south-eastern part of the Northern Cape Province and is a Category B Municipality. It consists of three main entities namely Colesberg, Noupoort and Norvalspont which is also known as Kwa-Masizakhe.

Farming in the area is dedicated almost entirely to horses and merino sheep, which spreads over half-a-million hectares. The greater Colesberg breeds many of the country's top merinos and it is also renowned for producing high-quality racehorses. Many stud farms, including one owned by legendary golfer Gary Player, are nearby. The ostrich-feather boom of the early 1900's which left many farmers rich is forgotten.

The District Municipality is neighboured by 3 provinces namely Free State on the northern side, Eastern Cape on the eastern side and the Western Cape on the southern side. Within the Northern Cape the district is neighboured by Frances Baard Siyanda and the Namakwa Districts. Umsobomvu Local Municipality's economical activities are dominated by agricultural services and tourism. The locality of the Municipality in relation to other municipalities and provinces in the region is depicted in Figure 1. Major road transport corridors are within the boundaries of the Municipality for example the N1 that links Cape Town in the south with Johannesburg/Pretoria in the north the N9 which links Port Elizabeth and the Eastern Cape with Johannesburg/Pretoria in the north.

# Chapter 1: Mayor's Foreword and Summary Executive

Below is a map that indicates the Municipal Area in the Pixley Ka Seme District Area:

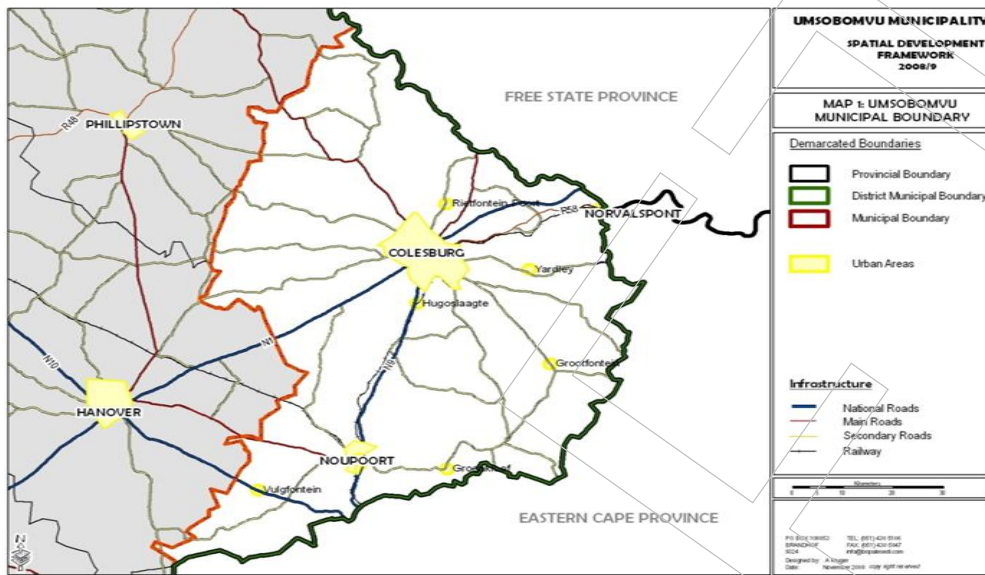


Figure 1: Umsobomvu Area Map

## a) Wards

The Municipality is structured into the following 6 wards:

Ward	Areas
1	Kwazamuxolo , EurekaVille and Noupoort
2	Portion of EurekaVille and Tjoksville
3	Zwelithsha, Towervallei and Operation Vula
4	New Ouboks, Lowryville, Phillipstown Informal Area
5	Draai Location, Colesberg, New Brighton, Squatter Camp, Thuthwini and Hukwini
6	Khayelitsha, Masipahkame, Chris Hani, Norvalspont and Farming Area

Table 4: Municipal Wards

### Colesberg

Colesberg is the “capital” of the Municipality and was named after Sir Lowry Cole - Governor of the Cape of Good Hope, 1828 - 1833. The town of Colesberg is situated in the Great Karoo in the Northern Cape. It is located at the junction of the national roads from Johannesburg to Cape Town and Port Elizabeth in the south. It is approximately 25 kilometres south of the Orange River and 284 kilometres southeast of Kimberley the provincial capital.

### Noupoort

Noupoort is situated along the N9 route from Colesberg to Middelburg on the way to Cradock and Port Elizabeth. It is 56 kilometres south of Colesberg. Noupoort experienced dramatic economic decline after the closure of the Spoornet station.

# Chapter 1: Mayor's Foreword and Summary Executive

## Norvalspont

The smallest of the three entities Norvalspont is a settlement situated 40 kilometres east of Colesberg on the way to the Gariiep Dam. It rests on the banks of the Orange River and is a small black settlement also called Kwa-Masizakhe.

### b) Natural Resources

The following table shows the natural resources within the Umsobomvu Local Municipality

Major Natural Resource	Relevance to Community
Orange River	Water source for human consumption, agriculture recreation, industries and businesses and electricity generation
Abundance of land	Housing and business development
Major transport routes	Business opportunities effective and efficient marketing of area
Unpolluted areas	Healthy population attractive to metropolitan residents
Doornkloof Nature Reserve	Recreation and tourist attraction

*Table 5: Natural Resources*

## 1.4 Service Delivery Overview

### 1.4.1 Basic Service Delivery Highlights

The table below indicates the highlights for basic service delivery during the year:

Highlights	Description
Replacement of the rising water main from to Van Der Waltsfontein Pump Station to Colesberg Main Storage Reservoir	Through the Municipal Infrastructure Grant (MIG) the Municipality commenced with the upgrade of Van Der Waltsfontein rising main water pipeline, from asbestos cement (AC) to a uPVC water pipeline to Colesberg main reservoirs. This project is successfully completed in May
Upgrade of VIP toilets and connecting septic tanks to full waterborne sanitation system in Kuyasa	Through the WSIG the Municipality is currently implementing VIP toilets to full waterborne sanitation in Kuyasa. Phase 1 is completed, whilst phase 2 of the project is underway and with approximately 80% completed progress.
Electrified Ezimbacweni in Norvalspont	The Ezimbacweni and Norvalspont have been electrified and provided with new infrastructure. However, at this stage, the power supply cannot be energized due to licence application challenges. Nersa is currently busy with the municipal licence application, which once approved, the licence will be sent to Eskom for provision of bulk electricity point
Waste collection is done as per schedule, weekly	Refuse collection trucks is operating without problems in Colesberg and in Noupport

*Table 6: Basic Service Delivery Highlights*

### 1.4.2 Basic Service Delivery Challenges

The table below indicates the challenges for basic service delivery during the year:

## Chapter 1: Mayor's Foreword and Summary Executive

Challenges	Actions to address
Water meters	To replace 750 households' meters in Noupoort and 400 in Colesberg. All the water meters that are located on the inside of consumers plots must be moved to the outside
Continuous sewer blockages, due to flushing of foreign objects down to sewer drainage system	Community awareness will to be done in the next financial year
Old and obsolete electrical network in Noupoort	Upgrade of the electrical network is in progress. Work activities resumed in January 2020. The allocated R10 million from INEP grant through the Division of Revenue Act (DORA) for financial year 2019/20, was used on the implementation of the project, and the project overlapped to 2020/21. The practical completion of the reduced scope was reached on the 31 May 2021
No recycling is being done at the source or at the landfill site	Recycling should be encouraged at the first and then at the landfill site

*Table 7: Basic Services Delivery Challenges*

### 1.4.3 Households with Access to Basic Services

Description	2019/20	2020/21
Electricity - service connections	8 153	8 153
Water - available within 200 m from dwelling	8 819	8 819
Sanitation - Households with at least VIP service	7 906	7 906
Waste collection - kerbside collection once a week	7 454	7 454

*Table 8: Households with Minimum Level of Basic Services*

## 1.5 Financial Health Overview

### 1.5.1 National Key Performance Indicators – Municipal Financial Viability and Management (Ratios)

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the Municipal Systems Act (MSA). These key performance indicators are linked to the National Key Performance Area (KPA) namely Municipal Financial Viability and Management.

KPA & Indicator	2019/20	2020/21
Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June 2021 ((Total operating revenue-operating grants received)/debt service payments due within the year)	195.36%	6.50%
Financial viability measured in terms of the outstanding service debtors as at 30 June 2021 ((Total outstanding service debtors/ revenue received for services)X100)	142.17%	122%

## Chapter 1: Mayor's Foreword and Summary Executive

KPA & Indicator	2019/20	2020/21
Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2021 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)) Number of months it takes to cover fix operating expenditure with available cash at 30 June 2021	0.49	0

*Table 9: National KPI's for Financial Viability and Management*

### 1.5.2 Financial Overview

Details	Original budget	Adjustment Budget	Actual
<b>Income</b>	<b>205 830 158</b>	<b>202 263 420</b>	<b>204 215 678</b>
Less Expenditure	191 445 117	183 420 943	182 370 884
<b>Net surplus/(deficit)</b>	<b>14 385 041</b>	<b>18 842 477</b>	<b>21 844 794</b>

*Table 10: Financial Overview*

### 1.5.3 Total Capital Expenditure

Detail	2020/21
Original Budget	16 347 850
Adjustment Budget	27 910 450
Actual	31 329 981
<b>% Spent</b>	<b>112%</b>

*Table 11: Total Capital Expenditure*

## 1.6 Organisational Development Overview

### 1.6.1 Municipal Transformation and Organisational Development Highlights

The highlights for municipal transformation and organisational development during the year are the following:

Highlight	Description
Reviewed HR policies during oversight period	Reviewed all HR policies during oversight period
COVID-19	Developed COVID-19 Workplace Plan
Collective Agreements	Started negotiations to renew Collective Agreements for Northern Cape

*Table 12: Highlights: Municipal Transformation and Organisational Development*



# Chapter 1: Mayor's Foreword and Summary Executive

## 1.6.2 Municipal Transformation and Organisational Development Challenges

The challenges that are experienced is as follow:

Description	Actions to address
Training	Unable to implement training planned for oversight period

**Table 13: Challenges: Municipal Transformation and Organisational Development**

## 1.7 Auditor General Report

### 1.7.1 Audited Outcomes

Year	2017/18	2018/19	2019/20	2020/21
<b>Opinion received</b>	Unqualified with matters	Qualified	Qualified	Qualified

**Table 14: Audit Outcomes**

## 1.8 2020/21 IDP/Budget Process

The table below provides details of the key deadlines for the 2020/21 IDP/Budget process:

Activity	Responsible person	Date
IDP Process Plan	D Visagie and B Kapp	August 2020
Budget, IDP and Performance Management Time Table	D Visagie and B Kapp	August 2020
Approved Draft 2020/21 IDP	B Kapp	31 March 2020
Approved Draft Budget 2020/21	D Visagie	31 March 2020
21 Days Public Comments on IDP and Budget	D Visagie and B Kapp	31 March to 22 May 2020
IDP & Budget Roadshow	D Visagie and B Kapp	Did not take place
Approved Final 2020/21 IDP	B Kapp	28 May 2020
Approved Final Budget 2020/21	D Visagie	28 May 2020
Approved SDBIP 2020/21	D Visagie	11 June 2020

**Table 15: 2020/21 IDP/Budget Process**

## CHAPTER 2

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

#### 2.1 National Key Performance Indicators - Good Governance and Public Participation

The following table indicates the municipality's performance in terms of the National Key Performance Indicator required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and Section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

Indicator	Municipal Achievement	Municipal Achievement
	2019/20	2020/21
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	75%	76%

**Table 16: National KPIs - Good Governance and Public Participation Performance**

#### 2.2 Introduction to Good Governance

The political leadership of the Municipality comprises of elected Councillors through both the ward system and proportional representation and is led by the Mayor. On the other side the administration of the Municipality is composed of executive management appointed in terms of Sections 54A and 56 of the MSA as amended. The Municipal Manager is the head of administration. In order to realise the constitutional mandate of the Municipality these two components, including the community, have to work together.

#### 2.3 Governance Structure

##### 2.3.1 Political Governance Structure

The Council performs both legislative and executive functions. They focus on legislative oversight and participatory roles and have delegated its executive function to the Mayor. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers Councillors are also actively involved in community work and the various social programmes in the municipal area.

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### a) Council

Below is a table that categorized the Councillors within their specific political parties and wards as at 30 June 2021:

Council Members	Capacity	Political Party	Ward representing or proportional
M Toto	Mayor	African National Congress	PR
M Kafi	Chief Whip/Chairperson Corporate Services Portfolio Committee	African National Congress	Ward
E Humphries	Member Finance Portfolio Committee and Oversight Committee	African National Congress	Ward
N Stafa	Member Corporate Services Committee	African National Congress	Ward
M Sestile	Chairperson MPAC	African National Congress	Ward
W Minnie	Chairperson Technical Services Portfolio Committee	African National Congress	Ward
V Harmse	Chairperson Finance Portfolio Committee	African National Congress	Ward
C Williams	Member Rules Committee	Economic Freedom Fighters	PR
S Brown	Member Technical Services Committee	Democratic Alliance	PR
J Matthee	Member Technical Services Portfolio Committee and Oversight Committee	Democratic Alliance	PR
N Batties	Member Corporate Services Committee	Democratic Alliance	PR

**Table 17: Council 2020/21**

Below is a table which indicates the Council meeting attendance for the 2020/21 financial year:

Meeting dates	Council Meeting Attendance	Apologies for non-attendance
4 August 2020	9/11	2
30 September 2020	10/11	0
30 September 2020	10/11	0
13 October 2020	9/11	1
14 January 2021	10/11	0
26 January 2021	8/11	1
28 January 2021	10/11	0
23 February 2021	10/11	0
12 March 2021	11/11	N/A
31 March 2021	11/11	N/A
1 April 2021	11/11	N/A
13 April 2021	11/11	N/A

## Chapter 2: Governance

Meeting dates	Council Meeting Attendance	Apologies for non-attendance
17 May 2021	11/11	N/A
31 May 2021	11/11	N/A

**Table 18: Council Meetings**

### b) Portfolio Committees

The Council of the Umsobomvu Local Municipality has established Portfolio Committees. Each of these committees is chaired by a member of Council and the allocation is as follows:

Name of committee	Name of member and capacity
Corporate Services Portfolio Committee	Chairperson: M Kafi
Technical Services Portfolio Committee	Chairperson: W Minnie
Finance Portfolio Committee	Chairperson: V Harmse

**Table 19: Portfolio Committee**

### c) Municipal Public Accounts Committee (MPAC)

Name of member	Capacity
Clr. M Sestile	Chairperson
Clr. J Matthee	Member
Clr. E Humphries	Member

**Table 20: Municipal Public Accounts Committee**

### 2.3.2 Administrative Governance Structure

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reporters, which constitutes the management team whose structure is outlined in the table below:

Name of Official	Department	Performance agreement signed
		Yes/No
A Mpela	Office of the Municipal Manager	Yes
T Tshikundu	Financial Services	Yes
B Kapp	Corporate Services	Yes
S Nkcithiso	Technical Services	Yes

**Table 21: Administrative Governance Structure**

### COMPONENT B: INTERGOVERNMENTAL RELATIONS

#### 2.4 Intergovernmental Relations

In terms of the Constitution of South Africa, all spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another, inform and consult one another on matters of common interest; coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

##### 2.4.1 Intergovernmental Structures

To adhere to the principles of the Constitution as mentioned above the municipality participates in the following intergovernmental structure:

Name of Structure	Outcomes of Engagements/Topics Discussed
District IGR	Local Government matters

Table 22: Intergovernmental Structures





##### a) Intergovernmental Relations Steering Committee

The committee is dormant at present.

### COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

#### 2.5 Public Accountability and Participation

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

-  The preparation implementation and review of the IDP
-  Establishment implementation and review of the performance management system
-  Monitoring and review of the performance including the outcomes and impact of such performance
-  Preparation of the municipal budget

##### 2.5.1 Public Meetings

No public meetings took place during 2020/21 financial year due to the COVID-19 pandemic.

### 2.5.2 Ward Committees

The ward committees support the ward councillor who receives reports on development, participate in development planning processes and facilitate wider community participation. To this end the municipality constantly strives to ensure that all ward committees' function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities.

#### Ward 1: Kwazamuxolo, Eurekaville and Noupoot

Name of representative	Capacity representing	Dates of meetings held during the year
M Sestile	Ward Councillor	
P Ruiters	Ward Committee Member	17 September 2020
M Mbayasi	Ward Committee Member	12 October 2020
N Sigogo	Ward Committee Member	19 October 2020
F Koela	Ward Committee Member	17 November 2020
B Mangaliso	Ward Committee Member	4 December 2020
L Lehata	Ward Committee Member	19 January 2021
E Duma	Ward Committee Member	19 February 2021
M Kei	Ward Committee Member	18 March 2020
N Thibane	Ward Committee Member	19 April 2021
S Smith (resigned)	Ward Committee Member	10 May 2021
		18 June 2021

Table 23: Ward 1 Committee Meetings

#### Ward 2: Portion of Eurekaville and Tjoksville

Name of representative	Capacity representing	Dates of meetings held during the year
W Minnie	Chairperson	
B Bokland	Ward Committee Member	25 August 2020
N Wonga	Ward Committee Member	17 September 2020
K Siko	Ward Committee Member	20 October 2020
T Nofemela	Ward Committee Member	11 November 2020
A Pretorius	Ward Committee Member	4 December 2020
S Macialton	Ward Committee Member	19 January 2021
S Moyeni	Ward Committee Member	18 February 2021
P Malan	Ward Committee Member	3 March 2021
R Reed	Ward Committee Member	19 April 2021
B Alfreds	Ward Committee Member	17 May 2021
		15 May 2021

Table 24: Ward 2 Committee Meetings



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### Ward 3: Zwelithsha, Towervallei and Operation Vula

Name of representative	Capacity representing	Dates of meetings held during the year
E Humphries	Chairperson	
B George	Ward Committee Member	21 September 2020
N Thbisilo	Ward Committee Member	20 October 2020
N Maciki	Ward Committee Member	19 November 2020
T Tshabalala	Ward Committee Member	3 December 2020
L Tshaka	Ward Committee Member	19 January 2021
A Seherie	Ward Committee Member	10 February 2021
J Konono	Ward Committee Member	15 March 2021
J Nazo	Ward Committee Member	16 March 2021
M Gayiya	Ward Committee Member	20 April 2021
J Maremoholo	Ward Committee Member	5 May 2021
		17 June 2021

**Table 25: Ward 3 Committee Meetings**

### Ward 4: New Ouboks, Lowryville, Phillipstown Informal Area

Name of representative	Capacity representing	Dates of meetings held during the year
V Harmse	Chairperson	
P Andrews	Ward Committee Member	19 August 2020
D Arries	Ward Committee Member	9 September 2020
M Dick	Ward Committee Member	19 October 2020
J Jacobs	Ward Committee Member	4 November 2020
M Seekoei	Ward Committee Member	8 December 2020
N Jafta	Ward Committee Member	11 January 2021
W Pienaar	Ward Committee Member	23 March 2021
N Stuurman	Ward Committee Member	14 April 2021
K Douw	Ward Committee Member	17 May 2021
		15 June 2021

**Table 26: Ward 4 Committee Meetings**

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### Ward 5: Draai Location, Colesberg, New Brighton, Squatter Camp, Thuthwini and Hukwini

Name of representative	Capacity representing	Dates of meetings held during the year
N Stafa	Chairperson	20 August 2020 31 August 2020 21 October 2020 10 November 2020 7 December 2020 20 January 2021 18 February 2021 15 March 2021 20 April 2021 12 May 2021 18 June 2021
X Mbathiwe	Ward Committee Member	
S May	Ward Committee Member	
S Ferreira	Ward Committee Member	
N Mlenzana	Ward Committee Member	
N Hloyi	Ward Committee Member	
J le Roux	Ward Committee Member	
Z Paul	Ward Committee Member	
Y Msebenzi	Ward Committee Member	
S Maramba	Ward Committee Member	

**Table 27: Ward 5 Committee Meetings**

### Ward 6: Khayelitsha, Masipahkame, Chris Hani, Nørvalspont and Farming Area

Name of representative	Capacity representing	Dates of meetings held during the year
M Kafi	Chairperson	19 August 2020 21 September 2020 20 October 2020 17 November 2020 19 January 2021 18 February 2021 20 April 2021 17 May 2021 18 June 2021
N Jacobs	Ward Committee Member	
L Dyonkile	Ward Committee Member	
Y Mtshotwana	Ward Committee Member	
T Bali	Ward Committee Member	
S Ngalimani	Ward Committee Member	
S Gcanga	Ward Committee Member	
N Mkrola	Ward Committee Member	
M Situko	Ward Committee Member	
B Sindelo	Ward Committee Member	
N Molise	Ward Committee Member	

**Table 28: Ward 6 Committee Meetings**

### 2.5.3 Functionality of Ward Committee

The purpose of a ward committee is:

- to get better participation from the community to inform council decisions
- to make sure that there is more effective communication between the Council and the community
- to assist the ward councillor with consultation and report-backs to the community

Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and women should be well represented. The ward councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they advise the ward councillor who makes specific submissions directly to the administration.

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These committees play a very important role in the development and annual revision of the integrated development plan of the area.

The table below provides information on the establishment of ward committees and their functionality:

Ward Number	Committee established Yes / No	Number meetings held during the year	Committee functioning effectively (Yes / No)
1	Yes	11	Yes
2	Yes	11	Yes
3	Yes	11	Yes
4	Yes	11	Yes
5	Yes	10	Yes
6	Yes	9	Yes

**Table 29: Functioning of Ward Committees**

### 2.5.4 Representative Forums

#### a) Labour Forum

The table below specifies the members of the Labour Forum for the 2020/21 financial year:

Name of representative	Capacity	Meeting dates
Clr M Kafi	Employer Representative	2 November 2020 12 May 2021
Clr J Matthee	Employer Representative	
Clr M. Sestile	Employer Representative	
A Mpela	Employer Representative	
D Visagie	Employer Representative	
Z Ngalimani	Employee Representative IMATU	
A Ntozini	Employee Representative SAMWU	
P Gwebityala	Employee Representative SAMWU	
N Ntoni	Employee Representative SAMWU	
G Mgcineni	Employee Representative SAMWU	

**Table 30: Labour Forum**

### b) IDP Forum

The table below specifies the members of the IDP Forum for the 2020/21 financial year:

Name of representative	Capacity
A Mpela	Chairperson
D Visagie	Chief Operations Officer
T Tshikundu	Chief Financial Officer
S Nkcithiso	Senior Manager Technical Services
B Kapp	Senior Manager Corporate Services
G Mgcineni	Section Head Community Development/IDP Officer

Table 31: IDP Forum

## COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

### 2.6 Risk Management

In terms of Section 62 (1)(c)(i) *“the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure- that the municipality has and maintains effective, efficient and transparent systems – of financial and risk management and internal control;”...*

The table below include the top risks of the Municipality:

Risk	Department
Strategic Risks	All Departments
Financial Management & Accounting related risks	Finance Department
Cash & Debtors management related risks	Finance Department
Information Technology related risks	Finance and Administration
Supply Chain Management risks	Finance and Administration
Legislation and compliance related risks	All departments
Operation and related risks	All departments
Asset Management risks	Finance and Administration
Performance and information related risks	All Departments

Table 32: Top Risks

### 2.7 Anti-Corruption and Anti-Fraud

Section 83(1)(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption. The MFMA, Section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

Umsobomvu Municipality has the following strategies in place to prevent corruption, fraud and theft:

- 🏠 Presidential Hotline on fraud prevention and corruption, and service delivery matters
- 🏠 Risk Management Policy
- 🏠 Internal Audit reviews the effectiveness of the systems of internal control, governance and risk management on a continuous basis
- 🏠 Disciplinary procedures to discipline employees who transgress the stipulations of the Act, procedures and policies
- 🏠 Disciplinary Board as envisaged by the MFMA: Municipal Regulations on Financial Misconduct

A Risk Management Committee is also in place to assist the Accounting Officer in addressing oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to risk management, fraud prevention and corruption.

### 2.8 Audit Committee

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must –

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –

- 🏠 internal financial control
- 🏠 risk management
- 🏠 performance management
- 🏠 effective governance

The Audit Committee have the following main functions as prescribed in Section 166 (2)(a-e) of the MFMA and the Local Government Municipal and Performance Management Regulation:

### 2.8.1 Functions of the Audit Committee

- To advise the Council on all matters related to compliance and effective governance
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DoRA) and other applicable legislation
- Respond to the council on any issues raised by the Auditor-General in the audit report
- To review the quarterly reports submitted to it by the internal audit
- To evaluate audit reports pertaining to financial, administrative and technical systems
- The compilation of reports to Council, at least twice during a financial year
- To review the performance management system and make recommendations in this regard to Council
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimised
- To review the annual report of the municipality
- Review the plans of the internal audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available
- Provide support to the internal audit function
- Ensure that no restrictions or limitations are placed on the Internal Audit section
- Evaluate the activities of the internal audit function in terms of their role as prescribed by legislation

### 2.8.2 Members of the Audit Committee

The table below indicates the members of the audit committee:

Name of representative	Capacity	Meeting dates
N Smouse	Chairperson	29 October 2020
E Hendricks	Member	9 February 2021 28 April 2021
K Mokgobo	Member	30 August 2021

**Table 33: Members of the Audit Committee**



### 2.9 Performance Audit Committee

The Municipal Planning and Performance Management Regulation, GNR796, require that the performance audit committee is comprised of a minimum of three members, the majority of whom are external (neither a councillor nor an employee) of the municipality. Section 14(2)(b) of the R Municipal Planning and Performance Management Regulation further stipulates that the performance audit committee must include at least one person who has expertise in performance management. It is also a requirement of the Municipal Planning and Performance Management Regulation in Section 14(2)(d) that the Council of a municipality designate neither a member of the performance audit committee who is neither a councillor nor an employee of the municipality as the chairperson of the committee.

Section 14(3)(a) of the Municipal Planning and Performance Management Regulation requires that the performance audit committee of a municipality must meet at least twice during each financial year. However, additional special meetings of the performance audit committee may be called for by any member of the committee, where sufficient justification exists in terms of Section 14(3)(b) of the Regulations.

#### 2.9.1 Functions of the Performance Audit Committee

In terms of Section 14(4)(a) of the Municipal Planning and Performance Management Regulation the performance audit committee has the responsibility to -

- 🔍 review the quarterly reports produced and submitted by the internal audit process
- 🔍 review the municipality's performance management system and make recommendations in this regard to the council of the municipality
- 🔍 at least twice during each financial year submit a performance audit report to the council of the municipality

#### 2.9.2 Members of the Performance Audit Committee

The table below indicates the members of the performance audit committee:

Name of representative	Capacity
ClIr M Toto	Chairperson
ClIr M Kafi	Chairperson Corporate Services Portfolio Committee
ClIr V Harmse	Chairperson Finance Portfolio Committee
ClIr W Minnie	Chairperson Technical Services Portfolio Committee
ClIr M Sestile	Chairperson MPAC
A Mpela	Municipal Manager for Senior Managers only
Member of Audit Committee	Member

**Table 34:** *Members of the Performance Audit Committee*

### 2.10 Internal Auditing

Section 165 (2)(a), (b)(iv) of the MFMA requires that:

The internal audit unit of a municipality must –

- prepare a risk-based audit plan and an internal audit program for each financial year
- advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:
  - internal audit
  - internal controls
  - accounting procedures and practices
  - risk and risk management
  - performance management
  - loss control
  - compliance with this Act, the annual DoRA and any other applicable legislation
- perform other duties as may be assigned to it by the accounting officer

The Municipality concluded a shared service agreement with the Pixley ka Seme District Municipality to render legal, planning and internal audit services.

### 2.11 By-Laws and Policies

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies. No by-laws were developed and/or reviewed during the year under review. Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy Yes/No
Disaster Management Policy	13 October 2020	Yes
Indigent Policy	31 May 2020	Yes
Tariff Policy	31 May 2020	Yes
Virement Policy	31 May 2020	Yes
Travel and Subsistence Policy	31 May 2020	Yes
Rates Policy	31 May 2020	Yes
Supply Chain Management Policy	31 May 2020	Yes
Cash and Investment Policy	31 May 2020	Yes
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	31 May 2020	Yes

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Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy Yes/No
Bad Debt Write-off Policy	31 May 2020	Yes
MFMA Delegation	31 May 2020	Yes
Naming and Re-Naming Policy	13 October 2020	Yes

**Table 35: Policies Developed and Reviewed**

### 2.12 Communication

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, 1996 and other statutory enactments all impose an obligation on local government and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the municipality's programme for the year.

Below is a communication checklist of the compliance to the communication requirements:

Communication activities	Yes/No
Communication Strategy	Yes
Communication Policy	Yes
Functional complaint management systems	Yes
Customer satisfaction surveys	No

**Table 36: Communication Activities**

### Newsletters

Newsletters distributed are as follows:

Type of Newsletter	Distributed
Internal	Quarterly
External	As and when required

**Table 37: Newsletter**

### 2.13 Website

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and S21A and B of the MSA as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality's communication strategy.

The table below gives an indication about the information and documents that are published on our website:

Description of information and/or document	Yes/No and/or Date Published
<b>Municipal contact details (Section 14 of the Promotion of Access to Information Act)</b>	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
<b>Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)</b>	
Draft Budget 2020/21	Yes
Adjusted Budget 2020/21	Yes
Asset Management Policy	Yes
Customer Care Credit control & Debt collection Policy	Yes
Indigent Policy	Yes
Unauthorised Irregular Fruitless and Wasteful Expenditure Policy	Yes
Cash and Investment Policy	Yes
Rates Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes
Travel and Subsistence Policy	Yes
SDBIP 2020/21	Yes
Budget and Treasury Office Structure	No
MFMA Delegations	Yes
<b>Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act)</b>	
Reviewed IDP for 2020/21	Yes
IDP Process Plan for 2020/21	Yes

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Description of information and/or document	Yes/No and/or Date Published
<b>Supply Chain Management (Sections 14(2), 33, 37 &amp; 75(1)(e) &amp; (f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation)</b>	
List of capital assets that have been disposed – No disposals	None
Long-term borrowing contracts	None
SCM contracts above R200 000	Yes
Section 37 of the MFMA, No 56 of 2003 (Unsolicited Bids/Contracts)	None
Public invitations for formal price quotations	Yes
<b>Reports (Sections 52(d), 71, 72 &amp; 75(1)(c) and 129(3) of the Municipal Finance Management Act)</b>	
Annual Report of 2019/20	Yes
Oversight reports	Yes
Mid-year budget and performance assessment	Yes
Quarterly Reports	Yes
Monthly Budget Statement	Yes
<b>Performance Management (Section 75(1)(d) of the Municipal Finance Management Act)</b>	
Performance Agreements for employees appointed as per S57 of Municipal Systems Act	Yes

**Table 38: Website Checklist**

### 2.14 Supply Chain Management

The supply chain management policy of the Umsobomvu Local Municipality is deemed to be fair, equitable, transparent, competitive and cost-effective as required by Section 217 of the Constitution.

#### 2.14.1 Competitive Bids in Excess of R200 000

##### a) Bid Committee Meetings

The following table details the number of bid committee meetings held for the 2020/21 financial year:

Bid Evaluation Committee	Bid Adjudication Committee
5	5

**Table 39: Bid Committee Meetings**

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The attendance figures of members of the bid evaluation committee are as follows:

Member	Percentage attendance (%)
S Nkcithiso (Chairperson)	100
N Thiso	100
M Mostert	100
G Mgcineni	100
T Mthimkulu	100
N Hermanus	100

**Table 40: Attendance of Members of Bid Evaluation Committee**

The attendance figures of members of the bid adjudication committee are as follows:

Member	Percentage attendance (%)
D Visagie	80
T Tshikundu	100
B Kapp	100
S Nkcithiso	100
N Khapha	100

**Table 41: Attendance of Members of Bid Adjudication Committee**

### b) Awards Made by the Bid Adjudication Committee

The highest bids awarded by the bid adjudication committee are as follows:

Bid number	Date of award	Title of bid	Successful Bidder	Value of bid awarded (R)
07/11/2019	8 February 2021	Upgrading of Madikane and Ngqandu street to concrete block paving	Zalisile Msebenzi Civils	12 700 536.75
06/11/2019	8 February 2021	Upgrading of Noupoort Sewer Network:	Beacon Consulting Engineers	1 679 718.71
05/11/2019	9 March 2021	Upgrading of President Swartz street & Nieuwenhuizen to Concrete Block paving	Engineering Aces	1 473 880.85
07/10/2020	19 April 2021	Electrification of Ezimbacwini in Norvalspont ( Award was not approved by Adjudication Committee)	Shoba Projects	2 384 981.61
TS09/2020	19 April 2021	Supply and delivery of Paving Blocks (Award was not approved by Adjudication Committee)	Neldon Construction	404 253.75

**Table 42: Highest Bids Awarded by the Bid Adjudication Committee**

### c) Awards made by the Accounting Officer

Bid number	Title of bid	Directorate	Value of bid awarded (R)
07/11/2019	Upgrading of Madikane and Ngqandu street to concrete block paving	A Mpela (Municipal Manager)	12 700 536.75

**Table 43: Awards made by the Accounting Officer**

### d) Appeals Lodged by Aggrieved Bidders

There were no appeals lodged by aggrieved bidders in the 2020/21 financial year.

### 2.14.2 Deviation from Normal Procurement Processes

The following table provides a summary of deviations approved for the financial year 2020/21:

Type of deviation	Value of deviations (R)	Percentage of total deviations value (%)
Emergency	1 096 814	28.89
Sole Provider	555 824	14.64
Exceptional Cases	2 143 258	56.46
<b>Total</b>	<b>3 795 896</b>	<b>100</b>

*Table 44: Deviations Approved*

### 2.15 Disclosures of Financial Interests

Schedule 1, Section 7 as well as Schedule 2, Section 5A of the MSA states that when a councillor is elected or appointed or a person appointed in terms of section 56 or a municipal manager, he or she must within 60 days declare in writing to the municipal manager or the chairperson of the municipal council the following financial interests held:

- 🏠 shares and securities in any company
- 🏠 membership of any close corporation
- 🏠 interest in any trust
- 🏠 directorships
- 🏠 partnerships
- 🏠 other financial interests in any business undertaking
- 🏠 employment and remuneration
- 🏠 interest in property
- 🏠 pension
- 🏠 subsidies, grants and sponsorships by any organisation

Any change in the nature or detail of the financial interests of any councillor or official must be declared in writing to the municipal manager or to the chairperson of the municipal council annually. The municipal council must determine which of the financial interests referred in the abovementioned list must be made public, having regard to the need for confidentiality and the public interest for disclosure.



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The following table lists the disclosure of financial interests of the administrative and strategic role players of the Municipality which were deemed to be disclosed for public interest:

Disclosures of Financial Interests	
2020/21	
Name	Description of Financial interests*
<b>Executive Mayor</b>	
M Toto	None
<b>Councillors</b>	
N Batties	<ul style="list-style-type: none"> <li>🏠 Bongata Trading 533 CC</li> <li>🏠 Mighty Warrior Transport Services</li> <li>🏠 Living World Spritual Faith Ministries</li> </ul>
J Matthee	<ul style="list-style-type: none"> <li>🏠 CBG Consultants (Pty) Ltd</li> </ul>
M Kafi	<ul style="list-style-type: none"> <li>🏠 Sakhizwe Colesberg Tours</li> <li>🏠 Sakhizwe Tours and events manager (Pty)Ltd</li> <li>🏠 Meals on Wheels</li> </ul>
S Brown	<ul style="list-style-type: none"> <li>🏠 None</li> </ul>
V Harne	<ul style="list-style-type: none"> <li>🏠 None</li> </ul>
E Humphries	<ul style="list-style-type: none"> <li>🏠 None</li> </ul>
W Minnie	<ul style="list-style-type: none"> <li>🏠 None</li> </ul>
M Sestile	<ul style="list-style-type: none"> <li>🏠 None</li> </ul>
N Stafa	<ul style="list-style-type: none"> <li>🏠 None</li> </ul>
C Williams	<ul style="list-style-type: none"> <li>🏠 None</li> </ul>
<b>Municipal Manager</b>	
A Mpela	<ul style="list-style-type: none"> <li>🏠 House – Broadlands Somerset West</li> <li>🏠 Houses – Colesberg</li> <li>🏠 House – Aliwal North</li> <li>🏠 Erf – 392 Flora Street Dana Bay</li> <li>🏠 Remuneration Electoral Officer</li> </ul>
<b>Directors</b>	
D Visagie	<ul style="list-style-type: none"> <li>🏠 Erf 1127 House Colesberg</li> <li>🏠 Shares- Sasol</li> <li>🏠 Shares- Phuthumanathi</li> </ul>
B Kapp	<ul style="list-style-type: none"> <li>🏠 Site 2036 House – Colesberg</li> <li>🏠 Site 36 House – Colesberg</li> <li>🏠 Birtus Kapp Beleggings BK</li> <li>🏠 Sanlam Shares</li> <li>🏠 Old Mutual Shares</li> <li>🏠 Umsobomvu Industrial Development (Pty) Ltd</li> </ul>
S Nkcithiso	<ul style="list-style-type: none"> <li>🏠 House – Colesberg</li> <li>🏠 Masilakhe Consulting CC</li> <li>🏠 Iviwe Engineering Solutions CC</li> <li>🏠 Uhamboluhle Construction CC</li> <li>🏠 Sida Engineering Solutions (Pty)Ltd</li> </ul>
T Tshikundu	<ul style="list-style-type: none"> <li>🏠 Shares Mako Accountancy Academy and Directorship</li> <li>🏠 Joylou Boutique (Pty) Ltd and Directorship</li> <li>🏠 Bakone Stylish Clothing (Pty) Ltd</li> </ul>

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Disclosures of Financial Interests	
2020/21	
Name	Description of Financial interests*
	Remuneration outside Municipality: University of South Africa (UNISA) - Marking scripts and UNISA translator language
<i>* Financial interests to be disclosed even if they incurred for only part of the year</i>	

Table 45: Disclosures of Financial Interests

### 2.16 Broad Based Black Economic Empowerment (B-BBEE) Compliance Performance Information

Section 121(3)(k) of the MFMA indicates that the annual report of a municipality should include any other information as may be prescribed. The B-BBEE Act (Act 53 of 2003; as amended by Act 46 of 2013) read in conjunction with the B-BEE Regulations of 2016 states in Section 13G(1) that all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their Annual Financial Statements and Annual Reports. In accordance with the explanatory notice (Notice 1 of 2018) issued by the B-BBEE Commission the following table provide details on the municipality's compliance with regard to broad-based black economic empowerment:

#### 2.16.1 Enterprise and Supplier Development

Total Procurement Spend					
Total Number of Suppliers	1025	Total Value Spend	R69 923 066.59		
<b>Total number of Exempt Micro Enterprises (EME's) suppliers</b>	<b>Total value spend</b>	<b>70% Black Ownership</b>	<b>10 %Black women ownership</b>		
67	R6 897 665.44	Yes	Yes		
<b>Total number of Qualifying Small Enterprises (QSE's) suppliers</b>	<b>Total value spend</b>	<b>20% Black Ownership</b>	<b>5%Black women ownership</b>		
34	R19 407 018.93	Yes	Yes		
<b>Total number of large suppliers</b>	<b>Total value spend</b>	<b>3% Black Ownership</b>	<b>0%Black women ownership</b>		
4	R43 618 382.22	Yes	Yes		
Total value of 2% NPAT or 0.2% of allocated budget					
Total number of Exempt Micro Enterprises (EME's)	Total value spend	% Black Ownership	%Black women ownership	Location/s	Sector/s
67	R6 897 665.44	70%	10%	Gauteng, Kimberley & Free State & Eastern Cape	Goods and Services supply

Total Procurement Spend					
Total number of Qualifying Small Enterprises (QSE's)	Total value spend	% Black Ownership	%Black women ownership	Location/s	Sector/s
34	R19 407 018.93	20%	5%	Gauteng, Kimberley & Free State & Eastern Cape	Construction and Goods and services supply
Total value of 1% NPAT or 0.1% of allocated budget					
Total number of Exempt Micro Enterprises (EME's)	Total value spend	% Black Ownership	%Black women ownership	Location/s	Sector/s
4	R43 618 382.22	3%	0%	Gauteng, Kimberley & Free State & Eastern Cape	Supply Goods and Services

**Table 46: B-BBEE Enterprise and Supplier Development Statistics**

### 2.17 COVID-19

On 15 March 2020 President Cyril Ramaphosa declared South Africa Covid-19 epidemic a national state of disaster under the Disaster Management Act 57 of 2002. This was done primarily, as the President stated it to enable the government to “have an integrated and coordinated disaster management mechanism that will focus on preventing and reducing the outbreak of this virus.” The declaration enabled the government to issue a slew of regulations, directions, and guidelines to contain and mitigate the impact of the pandemic.

During a state of disaster, the DMA allows the government to issue regulations to restrict, *inter alia*, movement of persons and goods “to, from or within the disaster-stricken or threatened area, ... the suspension or limiting of the sale, dispensing or transportation of alcoholic beverages in the disaster-stricken or threatened area.... [or] any other steps that may be necessary to prevent an escalation of the disaster, or to alleviate, contain and minimise the effects of the disaster...” (section 27(2).)

Similarly, the Disaster Management Regulations of 2004 (DMR) (as amended) state that:

“any Minister may issue and vary directions, as required, within his or her mandate, to address, prevent and combat the spread of COVID-19, from time to time, as may be required, including...steps that may be necessary to prevent an escalation of the national state of disaster, or to alleviate, contain and minimise the effects of the national state of disaster.” (section 10(8).)

These regulations and the pandemic itself have had a major impact on the basic service delivery and operations of local government, who had to adjust with immediate effect not only identified risks, projects, manpower but also budgets.

#### 2.17.1 COVID-19 Committee

On 6 April 2020 the Municipality established the COVID-19 committee. The committee comprises of members from all spheres of the Municipality.

The committee has the following functions:

- 🏠 planning and implementing of an action plan to combat the spread of the corona virus

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- reporting of confirmed cases per sector department
- economy recovering discussions and COVID-19 awareness communication

### Committee Members

The table below indicates the members that serve on the committee:

Name of representative	Representative forum
B Kapp	Management
A Mpela	Management
L Gedezana	Health and Safety Officer
T Tshikundu	Management
S Nkcithiso	Management

**Table 47: COVID-19 Committee Members**

### 2.17.2 COVID-19 Statistical Information

The table below indicates the documented statistical information for COVID-19 within the Umsobomvu Municipality area for the 2020/21 financial year:

Descriptions	2020/21
Infections	31
Deaths	0
Recoveries	31

**Table 48: COVID-19 Statistics**

### 2.17.3 Challenges: COVID-19

The table below gives a brief description of the COVID-19 challenge during the 2019/20 financial year:

Challenge	Corrective action
Non-adherence to rules regarding wearing of masks and social distancing	Provision of information

**Table 49: Challenges: COVID-19**

### 2.17.4 Action Plan to Address the COVID-19 Associated Risks

The table below provide the actions implemented/that will be implemented to address the COVID-19 associated risks:

Action to address risk	Action implemented? (Yes/No)
Provide sanitation stations	Yes
Provision of PPE	Yes
Provision of information	Yes
Lowered number of persons in workplace	Yes

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Action to address risk	Action implemented? (Yes/No)
Allow employees with severe comorbidities to be at home	Yes
Rotated employees where practical	Yes

**Table 50: COVID-19 Action Implementation**

### 2.18.5 COVID-19 Communication/Awareness

The table below indicates the different communication/awareness statistical information the municipality has implemented:

Communication/ Awareness campaign	Platform/ channel utilised	Date
Public participation provision of PPE to indigent household	Ward Committee meetings	August and September 2020
Distribution of food parcel	Social Development	June 2020

**Table 51: COVID-19 Communication/Awareness**

### CHAPTER 3

This chapter provides an overview of the key service achievements of the Municipality that came to fruition during 2020/21 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP.

#### 3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

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

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

##### 3.1.1 Legislative Requirements

The Constitution of the RSA, 1996, Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195 (1) are also linked with the concept of performance management, with reference to the principles of inter alia:

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

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

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities. This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

The Municipality continues to implement performance in terms of the performance management framework that was approved by Council on 28 May 2020.

## Chapter 3: Service Delivery Performance

In terms of Section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with the performance of the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the Municipality for the following financial year and measures that were or are to be taken to improve performance.

### 3.1.2 Organisational Performance

Strategic performance indicates how well the municipality is meeting its objectives and whether policies and processes are working effectively. All government institutions must measure and report on their strategic performance to ensure that service delivery is done in an efficient, effective and economical manner. Municipalities must therefore develop strategic plans and allocate resources for the implementation. The implementation of the plans must be monitored on an on-going basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the Municipality's Top Layer SDBIP, high level performance in terms of the Strategic Objectives and performance on the National Key Performance Indicators as prescribed in terms of Section 43 of the MSA.

### 3.1.3 Performance Management System used in the Financial Year 2019/20

#### a) The IDP and the Budget

The IDP and the main budget for 2020/21 was approved by Council on 28 May 2020. As the IDP process and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

In terms of the performance management framework, the Mayor approved the Top Layer SDBIP on 11 June 2020. The Top layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The indicators in the Top layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.

The actual performance achieved in terms of the KPI's was reported on quarterly. The indicators and targets were adjusted after the finalisation of the previous year budget and mid-year budget assessment. The Top Layer SDBIP was revised with the adjustments budget in terms of Section 26 (2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by the Council on 26 February 2021.

The performance agreements of the senior managers were compiled and revised in terms of the SDBIP indicators and the portfolio of evidence that support the actual targets reported.



### 3.1.4 Actual Performance

The municipality utilizes an electronic web-based system on which KPI owners update actual performance on a monthly basis. KPI owners report on the results of the KPI by documenting the following information on the performance system:

- ☞ the actual result in terms of the target set
- ☞ a performance comment
- ☞ actions to improve the performance against the target set if the target was not achieved

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

### 3.1.5 Monitoring of the SDBIP

Municipal performance is measured as follows:

- ☞ Quarterly reports were submitted to Council on the actual performance in terms of the Top Layer SDBIP
- ☞ Mid-year assessment and submission of the mid-year report to the Mayor in terms of Section 72(1) (a) and 52(d) of the MFMA to assess the performance of the municipality during the first half of the financial year

### 3.1.6 Individual Performance Management

#### a) Municipal Manager and Managers directly accountable to the Municipal Manager

The MSA prescribes that the Municipality must enter into performance-based agreements with all the S57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2020/21 financial year was signed in June 2020

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2019/20 financial year (1 January 2020 to 30 June 2020) took place on **25 November 2020** and the mid-year performance of 2020/21 (1 July 2020 to 31 December 2020) took place on **17 March 2021**.

The appraisals were done by an evaluation panel as indicated in the signed performance agreements and in terms of Regulation 805 and consisted of the following people:

- ☞ Executive Mayor
- ☞ Portfolio Councillor
- ☞ Municipal Manager
- ☞ Chairperson of the Audit Committee

## Chapter 3: Service Delivery Performance

### 3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2020/21

This section provides an overview of the key service achievements of the Municipality that came to fruition during 2020/21 in terms of the deliverables achieved against the strategic objectives of the IDP.

#### 3.2.1 Strategic SDBIP (Top Layer)

This section provides an overview on the achievement of the municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer SDBIP assists with documenting and monitoring of the municipality's strategic plan and shows the strategic alignment between the IDP, budget and performance plans.

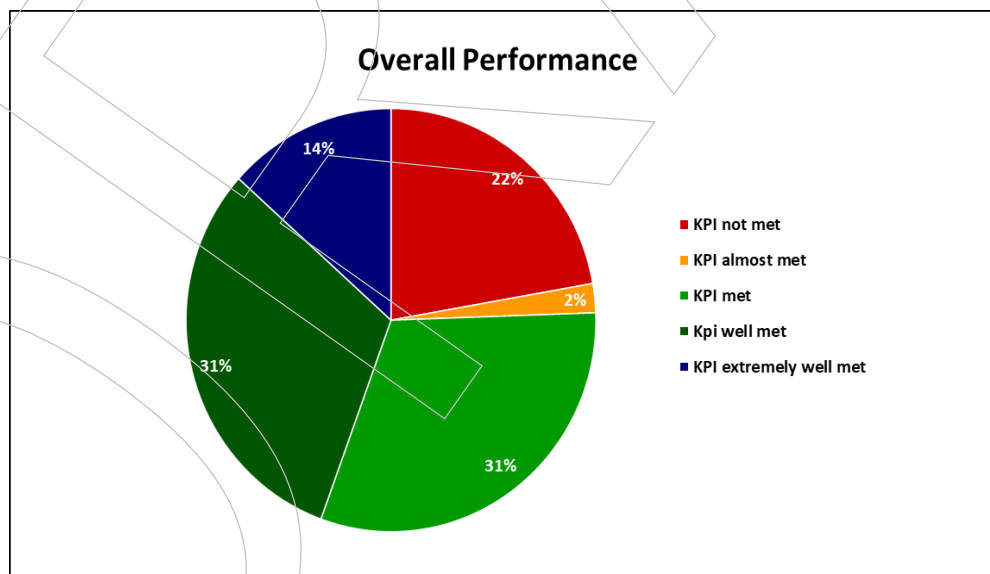
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI's applicable to 2020/21 in terms of the IDP strategic objectives.

The following table explains the method by which the overall assessment of the actual performance against the targets set for the key performance indicators (KPI's) of the SDBIP are measured:

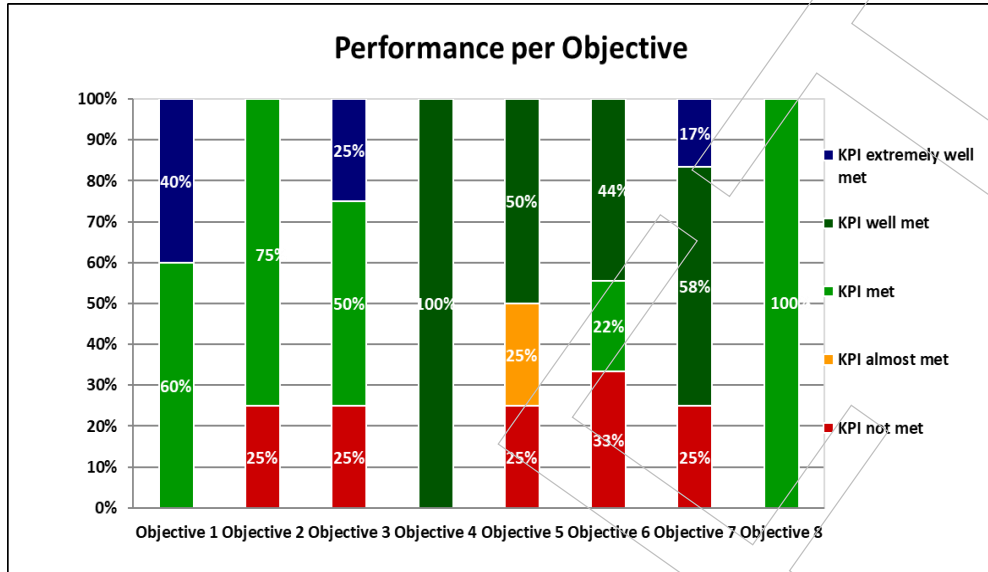
Category	Colour	Explanation
KPI Not Yet Measured	N/A	KPI's with no targets or actuals in the selected period
KPI Not Met	R	0% > = Actual/Target < 75%
KPI Almost Met	O	75% > = Actual/Target < 100%
KPI Met	G	Actual/Target = 100%
KPI Well Met	G2	100% > Actual/Target < 150%
KPI Extremely Well Met	B	Actual/Target > = 150%

Table 52: SDBIP Measurement Criteria

The graphs below display the overall performance per strategic objectives for 2020/21:



## Chapter 3: Service Delivery Performance



Graph 4: Top Layer SDBIP per Strategic Objective

Measurement Category	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7	Objective 7
	Develop a capable and capacitated institution to respond to community needs	Enhance good governance processes and accountability	Enhance municipal financial viability	Facilitate economic growth in the municipal area	Ongoing maintenance of municipal infrastructure	Provide appropriate services to all households	Provide quality and sustainable municipal infrastructure within available resources	Strengthen community participation
KPI Not Met	0	1	2	0	1	3	3	0
KPI Almost Met	0	0	0	0	1	0	0	0
KPI Met	3	3	4	0	0	2	0	2
KPI Well Met	0	0	0	1	2	4	7	0
KPI Extremely Well Met	2	0	2	0	0	0	2	0
<b>Total</b>	<b>5</b>	<b>4</b>	<b>8</b>	<b>1</b>	<b>4</b>	<b>9</b>	<b>12</b>	<b>2</b>

Table 53: Top Layer SDBIP per Strategic Objective

### a) Actual Strategic Performance for 2020/21 and Corrective Measures that will be Implemented

#### i) Top Layer SDBIP - Develop a capable and capacitated institution to respond to community needs

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL4	Submit the Workplace Skills Plan and ATR (Annual Training Report) to LGSETA by 30 April 2021	Workplace Skills Plan and ART submitted to LGSETA by 30 April 2021	All	1	0	0	0	1	1	1	G



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL5	Reviewed the organogram and submit to Council by 30 June 2021	Reviewed organogram submitted to Council by 30 June 2021	All	1	0	0	0	1	1	1	G
TL6	The number of people from employment equity target groups employed (appointed) in the three highest levels of management in compliance with the equity plan by 30 June 2021	Number of people employed (appointed) by 30 June 2021	All	2	0	0	0	1	1	1	G
TL7	The percentage of the Municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2021 [(Actual amount spent on training/total operational budget)x100]	% of the Municipality's personnel budget spent on implementing its workplace skills plan by 30 June 2021 [(Actual amount spent on training/total operational budget)x100]	All	0.35%	0%	0%	0%	0.50%	0.50%	1.32%	B
TL8	Limit the vacancy rate to less than 15% of budgeted posts by 30 June 2021 ((Number of posts filled/Total number of budgeted posts)x100)	% vacancy rate of budgeted posts by 30 June 2021	All	8.73%	0%	0%	0%	15%	15%	6.64%	B

Table 54: Top Layer SDBIP – Develop a Capable and Capacitated Institution to Respond to Community Needs

### ii) Top Layer SDBIP - Enhance good governance processes and accountability

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL1	Submit the Draft Annual Performance Report to the AG by 31 October 2020	Draft Annual Performance Report submitted to the AG by 31 October 2020	All	1	0	1	0	0	1	1	G
TL2	Submit the Draft Annual Report to Council by 31 March 2021	Draft Annual Report submitted to Council by 31 March 2021	All	1	0	0	1	0	1	0	R



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
<b>Corrective Measures</b>			Audit not finalised. No action needed due to COVID-19								
TL3	Compile and submit the Risk Based Audit Plan (RBAP) to the Audit committee by 30 June 2021	Risk Based Audit Plan (RBAP) submitted to the Audit committee by 30 June 2021	All	1	0	0	0	1	1	1	G
TL9	Arrange a training session for ward committee members by 30 June 2021	Training session arranged by 30 June 2021	All	1	0	0	0	1	1	1	G

Table 55: Top Layer SDBIP – Enhance Good Governance Processes and Accountability

### iii) Top Layer SDBIP - Enhance municipal financial viability

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL17	Submit the draft main budget to Council for consideration by 31 March 2021	Draft Main budget submitted to Council by 31 March 2021	All	1	0	0	1	0	1	1	G
TL18	Submit the Adjustments budget to Council for consideration by 28 February 2021	Submit the Adjustments budget to Council for consideration by 28 February 2021	All	1	0	0	1	0	1	1	G



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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL19	Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June 2021 ((Total operating revenue-operating grants received)/debt service payments due within the year))	% of debt coverage at 30 June 2021	All	195.36%	0%	0%	0%	17%	17%	6.50%	B
TL20	Financial viability measured in terms of the outstanding service debtors as at 30 June 2021 ((Total outstanding service debtors/ revenue received for services)X100)	% of outstanding service debtors at 30 June 2021	All	142.17%	0%	0%	0%	43%	43%	122%	R
<b>Corrective Measures</b>			Development Bank of South Africa (DBSA) has appointed a company to assist with revenue enhancement programme								
TL21	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2021 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash at 30 June 2021	All	0.49	0	0	0	0.3	0.3	0	R
<b>Corrective Measures</b>			Target not met, due to COVID-19 cases and community protest forcing the office to close and new system introduced by electricity software system vendor changing and upgrading the system. As a result, a customer who has pre-paid electricity meters could not buy electricity. Review and amend the existing service level agreement with service provider. Municipality must call meeting with the system vendor								



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL22	Submit the annual financial statements to AGSA by 31 October 2020	Annual financial statements submitted by 31 October 2020	All	1	0	1	0	0	1	1	G
TL23	Compile Plan to address audit findings in reports of the AG and submit to MM by 31 March 2021	Plan completed and submitted to MM by 31 March 2021	All	1	0	0	1	0	1	1	G
TL24	Achieve a debtor payment percentage of 50% by 30 June 2021 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	% debtor payment achieved at 30 June 2021	All	79.59%	0%	50%	0%	50%	50%	88%	B

Table 56: Top Layer SDBIP – Enhance Municipal Financial Viability

iv) Top Layer SDBIP - Facilitate economic growth in the municipal area

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL36	Create temporary jobs - FTE's in terms of EPWP by 30 June 2021 (Person days / FTE (230 days))	Number of FTE's created by 30 June 2021	All	15	0	0	0	25	25	29	B

Table 57: Top Layer SDBIP – Facilitate Economic Growth in the Municipal Area



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### v) Top Layer SDBIP - Ongoing maintenance of municipal infrastructure

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL37	60% of the electricity maintenance budget spent by 30 June 2021 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2021	All	71%	0%	20%	0%	60%	60%	42%	R
<b>Corrective Measures</b>			Submit pre-approved procurement plan to MM for maintenance to be implement in the next financial year								
TL38	60% of the Road Transport maintenance budget spent by 30 June 2021 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2021	All	60.03%	0%	20%	0%	60%	60%	62%	G2
TL39	60% of the Waste Water management maintenance budget spent by 30 June 2021 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2021	All	67%	0%	20%	0%	60%	60%	54%	R
<b>Corrective Measures</b>			Submit pre-approved procurement plan to MM for maintenance to be implement in the next financial year								



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL40	60% of the Water Management maintenance budget spent by 30 June 2021 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2021	All	82%	0%	20%	0%	60%	60%	62%	G2

Table 58: Top Layer SDBIP – Ongoing Maintenance of Municipal Infrastructure

vi) Top Layer SDBIP – Provide appropriate services to all households

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL11	Spend 100% of the library grant by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	% of the library grant spent by 30 June 2021	All	111.60%	0%	0%	0%	100%	100%	100%	G
TL12	Submit the reviewed the Disaster Management Plan to Council by 30 June 2021	Reviewed Disaster Management Plan submitted by 30 June 2021	All	1	0	0	0	1	1	1	G
TL29	Provide free basic water to indigent households as at 30 June 2021	Number of households receiving free basic water as at 30 June 2021	All	1 834	0	0	0	1 600	1 600	1 807	G2
TL30	Provide free basic electricity to indigent households as at 30 June 2021	Number of households receiving free basic electricity as at 30 June 2021	All	1 810	0	0	0	1 600	1 600	1 603	G2
TL31	Provide free basic sanitation to indigent households as at 30 June 2021	Number of households receiving free basic sanitation services as at 30 June 2021	All	1 834	0	0	0	1 600	1 600	1 710	G2



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL32	Provide free basic refuse removal to indigent households as at 30 June 2021	Number of households receiving free basic refuse removal services at 30 June 2021	All	1 810	0	0	0	1 600	1 600	1 768	G2
TL34	Limit unaccounted for electricity to less than 25% by 30 June 2021 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated} x 100}	% of unaccounted electricity by 30 June 2021	All	30.13%	0%	0%	0%	25%	25%	28%	R
<b>Corrective Measures</b>			The corrective measurements expected entails correct meter reading and improvement on the installation of split meters to all households of the Municipality to minimise theft all electricity								
TL35	Limit unaccounted for water to less than 30% by 30 June 2021 {(Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / Number of Kiloliters Water Purchased or Purified} x 100}	% of water unaccounted by 30 June 2021	All	66%	0%	0%	0%	30%	30%	59%	R
<b>Corrective Measures</b>			The required corrective measure is to accurately read all the houses holds installed with water meters and install water meters in all households								



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL47	50% spent of the total amount budgeted by 30 June 2021 for the fencing of the workshop {(Actual expenditure divided by the total approved budget)x100}	% of the budget spent at 30 June 2021	All	New key performance indicator for 2020/21. No audited comparative available	0%	0%	0%	50%	50%	0%	R
<b>Corrective Measures</b>			Submit pre-approved procurement plan to MM for project to be implement in the next financial year								

Table 59: Top Layer SDBIP – Provide Appropriate Services to All Households

### vii) Top Layer SDBIP - Provide quality and sustainable municipal infrastructure within available resources

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL13	Appoint a Service Provider to do an EIA for the establishment of new cemetery in Noupoort by 30 June 2021	Service Provider appointed by 30 June 2021	2	New key performance indicator for 2020/21. No audited comparative available	0	0	0	1	1	0	R
<b>Corrective Measures</b>			Submit pre-approved procurement plan to MM for project to be implement in the next financial year								
TL25	Number of formal residential properties that receive piped water (credit) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2021	Number of residential properties which are billed for water as at 30 June 2021	All	7 802	0	0	0	6 651	6 651	6 733	G2



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL26	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2021	Number of residential properties which are billed for electricity or have pre-paid meters (Excluding Eskom areas) as at 30 June 2021	All	2 672	0	0	0	2 500	2 500	3 090	G2
TL27	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2021	Number of residential properties which are billed for sewerage as at 30 June 2021	All	6 094	0	0	0	6 000	6 000	6 480	G2
TL28	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2021	Number of residential properties which are billed for refuse removal as at 30 June 2021	All	6 678	0	0	0	6 592	6 592	6 676	G2



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL33	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2021 [(Amount actually spent on capital projects/ Amount budgeted for capital projects)x100]	% of capital budget spent on capital projects by 30 June 2021	All	75%	0%	15%	0%	60%	60%	76%	G2
TL41	70% spent of the total amount budgeted by 30 June 2021 to upgrade the Van der Waltsfontein pipeline {(Total actual expenditure for the project/Total amount budgeted for the project)x100}	% of budget spent by 30 June 2021	All	87%	0%	15%	0%	70%	70%	153.30%	B
TL42	70% spent of the total amount budgeted by 30 June 2021 for the Noupoot electrical network {(Actual expenditure divided by the total approved budget)x100}	% of budget spent by 30 June 2021	1 and 2	66%	0%	15%	0%	70%	70%	172.59%	B
TL43	70% spent of the total amount budgeted by 30 June 2021 to upgrade Africa street in Norvalspont from gravel to paving {(Actual expenditure divided by the total approved budget)x100}	% of budget spent by 30 June 2021	6	New key performance indicator for 2020/21. No audited comparative available	0%	15%	0%	70%	70%	87%	G2



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL44	50% spent of the total amount budgeted by 30 June 2021 to upgrade Kosmos and Affodil streets in Colesberg {{Actual expenditure divided by the total approved budget}x100}	% of budget spent by 30 June 2021	5 and 6	New key performance indicator for 2020/21. No audited comparative available	0%	0%	0%	50%	50%	0%	R
<b>Corrective Measures</b>			The upgrade of Kosmos and Affodil Streets has been adjusted to start on the in 2023/24 financial year								
TL45	50% spent of the total amount budgeted by 30 June 2021 to upgrade Ngqandu and Madikane streets {{Actual expenditure divided by the total approved budget}x100}	% of budget spent by 30 June 2021	3 and 4	New key performance indicator for 2020/21. No audited comparative available	0%	0%	0%	50%	50%	16%	R
<b>Corrective Measures</b>			Submit pre-approved procurement plan to MM for project to be implement in the next financial year								
TL46	50% spent of the total amount budgeted by 30 June 2021 for the Ezimbacweni, Wimpy electrical network {{Actual expenditure divided by the total approved budget}x100}	% of budget spent by 30 June 2021	5	New key performance indicator for 2020/21. No audited comparative available	0%	0%	0%	50%	50%	58.30%	G2
<b>Corrective Measures</b>			Quick decision making whenever SCM processes are not giving guidance to clear way forward								

Table 60: Top Layer SDBIP - Provide Quality and Sustainable Municipal Infrastructure within Available Resources



### viii) Top Layer SDBIP - Strengthen community participation

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL14	Compile a quarterly external newsletters	Number of external newsletters compiled	All	4	1	1	1	1	4	4	G
TL15	Submit the reviewed IDP to Council by 31 March 2021	Reviewed IDP submitted to Council by 31 March 2021	All	1	0	0	1	0	1	1	G

**Table 61: Top Layer SDBIP – Strengthen Community Participation**

### b) Service Provider Strategic Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- means a person or institution or any combination of persons and institutions which provide to or for the benefit of the local community
- External service provider means an external mechanism referred to in Section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in Section 76(b) in terms of which a municipal service is provided by that institution or person either for its own account or on behalf of the municipality

During the year under review the Municipality did not appoint any service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and therefore this report contains no such details. All other contract appointments are regularly monitored and ensured that the requirements of the contract are complied with.

### 3.2.2 Municipal Functions

#### a) Analysis of Functions

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function Yes / No
<b>Constitution Schedule 4 Part B functions:</b>	
Air pollution	No
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	Yes
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons ferries jetties piers and harbours excluding the regulation of international and national shipping and matters related thereto	No
Storm Water management systems in built-up areas	Yes
Trading regulations	No
Water and sanitation services limited to potable water supply systems and domestic waste water and sewage disposal systems	Yes
<b>Constitution Schedule 5 Part B functions:</b>	
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes

Municipal Function	Municipal Function Yes / No
Municipal abattoirs	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 62: Functional Areas

### 3.3 COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, includes details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

#### 3.3.1 Water Services

##### a) Introduction to Water Services

The Constitution of the South Africa assigns the responsibility of ensuring access to water services to Local Government. Furthermore, the Water Services Act entrust the Local Municipality with provision of affordable, efficient, effective on-going sustainable water services.

The Water Section within Technical Services Department of Umsobomvu Local Municipality is tasked and responsible for quality potable drinking water distribution, wastewater collection and treatment, water quality management, water and sewer infrastructure maintenance and upgrade and water conservation and demand management. Recent legislation includes the Water Services Act 1997 and the General Enabling Act 2005.

Water provision is about providing sustainably and affordable quality water to consumers. There are seven pump stations working around the clock to pump water to four reservoirs. These pump stations form part of municipal assets to be maintained in order to function properly. The pipe network in the Umsobomvu Municipality totals around 182 kilometres.

## Chapter 3: Service Delivery Performance

### b) Highlights: Water Services

The highlights for the year are the following:

Highlight	Description
Replacement of the rising water main from Van Der Waltsfontein Pump Station to Colesberg Main Storage Reservoir	Through the Municipal Infrastructure Grant (MIG) the Municipality commenced with the upgrade of Van Der Waltsfontein rising main water pipeline, from asbestos cement (AC) to a uPVC water pipeline to Colesberg main reservoirs. This project is successfully completed in May
Colesberg boreholes	All the boreholes with safe yield in Colesberg have been upgraded and are continuously maintained to improve their operational condition to augment surface water in Colesberg
Building of Klipheuwel pump station bypass water line in Noupoot	The completed water supply line bypass, by passing Klipheuwel pump station, has improved the supply of water in Noupoot. It also reduced water supply delays that were mainly caused by unaffordable repairs at the pump station. This also reduced overtime hours by water distribution team
Repairs and maintenance of Noupoot boreholes, and water supply main lines	Various boreholes and bulk water supply lines have all been repaired to improve water supply and reduce losses due to leakages. This includes bigger water leaks on the Caroluspoort water line

**Table 63: Water Services Highlights**

### c) Challenges: Water Services

The table below shows the challenges that are experienced:

Description	Actions to address
Water meter	To replace 750 households' meters in Noupoot and 400 in Colesberg. All the water meters that are located on the inside of consumers plots must be moved to the outside
Valve chambers	Kuyasa pressure relieve valve (PRV) chambers have no working space to clean the strainer after repair of a pipe break. The valve chambers need to be reconstructed to make provision for working space
Boreholes	Boreholes in Noupoot to be upgraded and properly maintained to have constant supply of water. Three boreholes were repaired in Noupoot this financial year to improve water supply in Noupoot
Isolation valves	All old isolation valves, especially in Colesberg, should be replaced. It is very difficult to isolate water supply to various areas whenever there a major water supply breakage
Vandalism	The level of vandalism to water services infrastructure has risen, and continuously create water supply disruptions

**Table 64: Water Services Challenges**

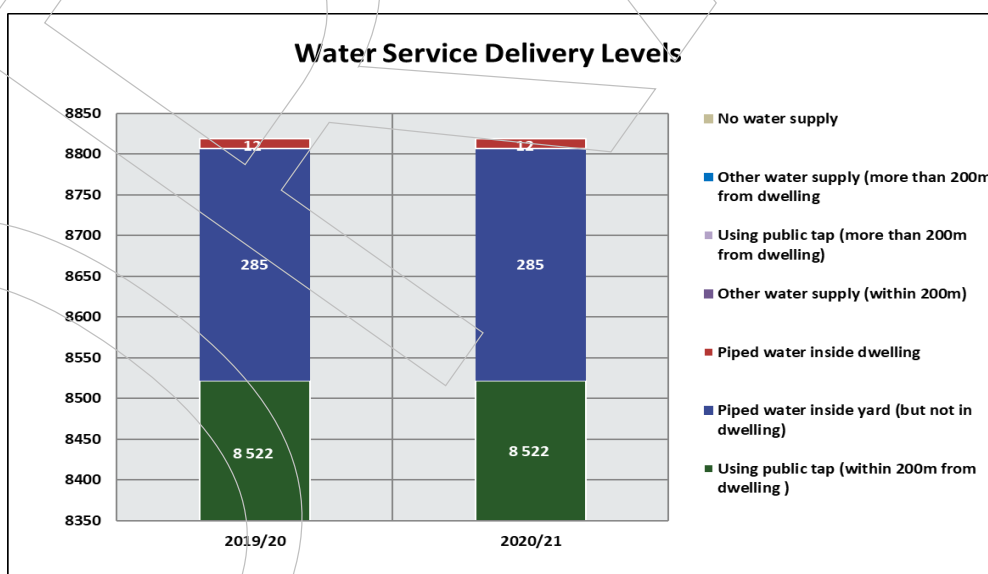
## Chapter 3: Service Delivery Performance

### d) Service Delivery Levels: Water Services

The table below specifies the different water service delivery levels per households for the financial years 2019/20 and 2020/21 in the areas in which the Municipality is responsible for the delivery of the service:

Households		
Description	2019/20	2020/21
	Actual	Actual
	No.	No.
<b>Water: (above min level)</b>		
Piped water inside dwelling	8 522	8 522
Piped water inside yard (but not in dwelling)	285	285
Using public tap (within 200m from dwelling)	12	12
Other water supply (within 200m)	0	0
<b>Minimum Service Level and Above sub-total</b>	<b>8 819</b>	<b>8 819</b>
<b>Minimum Service Level and Above Percentage</b>	<b>100%</b>	<b>100%</b>
<b>Water: (below min level)</b>		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
<b>Below Minimum Service Level sub-total</b>	<b>0</b>	<b>0</b>
<b>Below Minimum Service Level Percentage</b>	<b>0%</b>	<b>0%</b>
<b>Total number of households</b>	<b>8 819</b>	<b>8 819</b>
<i>Includes informal settlements</i>		

Table 65: Water Service Delivery Levels: Households



Graph 5: Water Service Delivery levels

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### e) Employees: Water Services

The following table indicates the staff composition for this division:

Job Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	14	5	5	0	0
4 - 6	4	14	8	6	42.86
7 - 9	3	3	2	1	33.33
10 - 12	1	0	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>22</b>	<b>22</b>	<b>16</b>	<b>7</b>	<b>31.81</b>

Table 66: Employees: Water Services

### f) Capital Expenditure: Water Services

The following table indicates the capital expenditure for this division:

Capital Project	2020/21			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrading Van Der Waltsfontein pipeline	9 415 000	9 415 500	9 441 015	(25 515)

Table 67: Capital Expenditure: Water Services

### 3.3.2 Waste Water (Sanitation) Provision

#### a) Introduction to Waste Water (Sanitation) Provision

Just like the rest of the towns in the country, all municipalities have two tales to tell: The appropriate level of service versus basic level of service. In the Municipality all four types of sanitation are present.

The only challenge regarding the basic service in Colesberg is the hard rock and the shallow excavated pit latrines. These toilets are filled in short space of time. The municipal strategy is to give all the residence an appropriate level of service; that is full waterborne toilets.

The municipal top priority is to upgrade existing VIP toilets, building new toilets and connecting them to sewer mainline and extend septic connection to sewer mainline in Kuyasa township to full water borne sanitation system. The project is currently underway, and phase 1 of the project is 90% complete. Planned completion date is July 2020. Phase 2 of the project is also underway and planned completion date is October 2021.

## Chapter 3: Service Delivery Performance

The Umsobomvu Local Municipality policies provide for waterborne (full) sanitation services to all formal urban settlements. However, the policies are not explicit on the level of sanitation service to be provided in informal settlements.

The Municipality is currently providing limited sanitation services (VIP toilets) in some of the formal settlements. However, the goal is to provide these households with full water borne sewerage systems. In agricultural holdings the owners are responsible for providing their own sanitation services. This is due to the fact that the Municipality's bulk infrastructure does not reach those areas.

The Section deals with sanitation provisioning, unblocking of sewer lines, emptying of buckets and VIP toilets, new connections and bulk sewer services. There are also sewer pump stations to be maintained in the three towns and cleaning of the oxidation ponds.

### b) Highlights: Waste Water (Sanitation) Provision

The table below specifies the highlights for the year:

Highlight	Description
Upgrade of VIP toilets and connecting septic tanks to full waterborne sanitation system in Kuyasa	Through the WSIG the Municipality is currently implementing VIP toilets to full waterborne sanitation in Kuyasa. Phase 1 is completed, whilst phase 2 of the project is underway and with approximately 80% completed progress.
Maintenance and repair of sewer pump stations	Sewer pump stations in Riemvasmaak has not been giving problems after refurbished of pump took place, whilst cleaning of sewer pump station in Noupoort and the cleaning of Kuyasa sewer pump station is an ongoing activity
Repairs of aerators for Colesberg Waste Water Treatment Plant (WWTP)	The aerators were not working and as a result the plant became temporarily redundant. Oxidation pond system was then temporarily in use. After repairs for aerators were done and completed, there were no problems at the WWTP. Colesberg WWTP is fully functioning with minor operation and maintenance challenges

**Table 68:** Waste Water (Sanitation) Provision Highlights

### c) Challenges: Waste Water (Sanitation) Provision

The challenges that are experienced are as follows:

Description	Actions to address
Continuous sewer blockages, due to flushing of foreign objects down to sewer drainage system	Community awareness will to be done in the next financial year
Low sewerage pipe capacity, due to increased municipal households flushing to the sewer system	To upgrade all municipal outfall sewer lines to accommodate new sewer connection to pipe capacity due to new developments and additional sewer connections
Vandalism of sewerage infrastructure	<ul style="list-style-type: none"> <li>🔒 Improve security fence at critical sewerage infrastructure.</li> <li>🗣️ Make awareness campaigns in the community about importance of protecting sewer infrastructure, in order to ensure sanitation removal</li> </ul>

**Table 69:** Waste Water (Sanitation) Provision Challenges

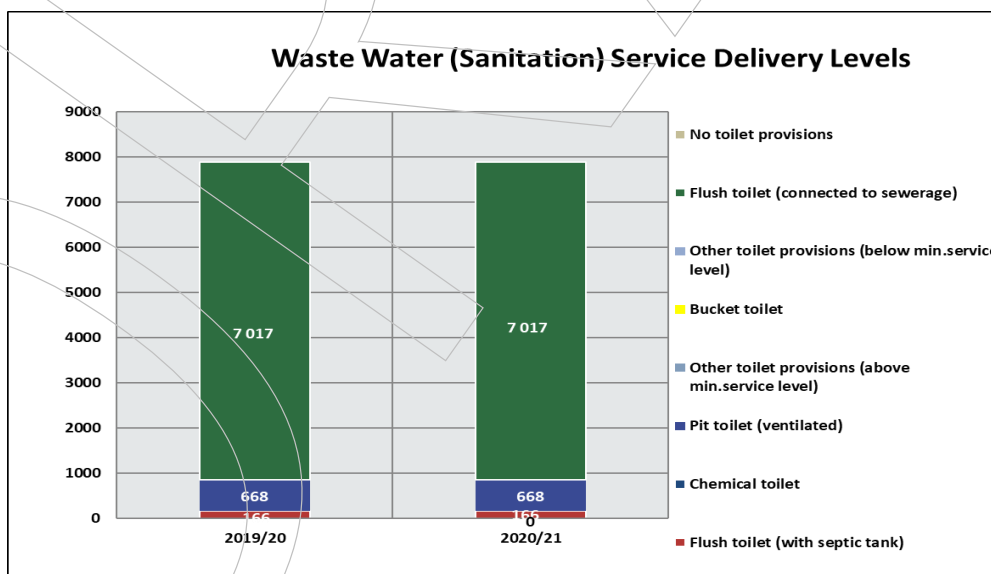
## Chapter 3: Service Delivery Performance

### d) Services Delivery levels: Waste Water (Sanitation) Provision

The table below specifies the different sanitation service delivery levels per households for the financial years 2019/20 and 2020/21 in the areas in which the Municipality is responsible for the delivery of the service:

Households		
Description	2019/20	2020/21
	Actual	Actual
	No.	No.
<b>Sanitation/sewerage: (above minimum level)</b>		
Flush toilet (connected to sewerage)	7 017	7 017
Flush toilet (with septic tank)	166	166
Chemical toilet	0	0
Pit toilet (ventilated)	668	668
Other toilet provisions (above min.service level)	0	0
<b>Minimum Service Level and Above sub-total</b>	<b>7 906</b>	<b>7 906</b>
<b>Minimum Service Level and Above Percentage</b>	<b>99.64%</b>	<b>99.64%</b>
<b>Sanitation/sewerage: (below minimum level)</b>		
Bucket toilet	25	25
Other toilet provisions (below min.service level)	0	0
No toilet provisions	0	0
<b>Below Minimum Service Level sub-total</b>	<b>25</b>	<b>25</b>
<b>Below Minimum Service Level Percentage</b>	<b>0.36%</b>	<b>0.36%</b>
<b>Total households</b>	<b>7 876</b>	<b>7 876</b>
<b>Including informal settlements</b>		

Table 70: Waste Water (Sanitation) Provision Service Delivery Levels



Graph 6: Waste Water (Sanitation) Service Delivery Levels



### e) Employees: Waste Water (Sanitation) Provision

The following table indicates the staff composition for this division:

Job Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	14	15	14	1	6.67
4 - 6	3	3	3	0	0
7 - 9	2	1	1	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>19</b>	<b>19</b>	<b>18</b>	<b>1</b>	<b>5.26</b>

**Table 71: Employees Waste Water (Sanitation) Provision**

### f) Capital Expenditure: Waste Water (Sanitation) Provision

The following table indicates the capital expenditure for this division:

Capital Project	2020/21			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrading of VIP's and Bucket System-Phase 1 + 2	16 320 000	19 620 000	15 969 554	3 650 446
Sewerage Pump Station in Noupoort	0	800 000	180 435	619 565

**Table 72: Capital Expenditure: Waste Water (Sanitation) Provision**

## 3.3.3 Electricity

### a) Introduction to Electricity

The Municipality is the electricity service authority in Colesberg, Lowryville, Towervallei, New Ouboks and Noupoort. Areas within the municipal boundary not mentioned above, fall under Eskom's area of supply. Eskom covers almost 60% of the households in the Municipality while the Municipality supply only 40%. The main key performance indicators during the financial year are spot checks, reduction of electricity losses, implementation of the Energy Efficiency and Demand Side Management (EEDSM), network maintenance and upgrading of Noupoort electrical network.

The Municipality, as the license holder, must adhere to certain standards in supplying electricity. During the request for power supply, the quotation should be supplied within 10 working days where the infrastructure exists and can be used. Where the infrastructure extension is required, the quotation should be supplied within 1 month.

## Chapter 3: Service Delivery Performance

### b) Highlights: Electricity

The table below specifies the highlights for the year:

Highlights	Description
Medium voltage (MV) line behind Colesberg Inter-Mediate School sectionalised	Installation of dropout fuses on the Skietberg power line behind Colesberg Inter-Mediate School
Integrated National Electrification Programme (INEP) expenditure	Late start on the implementation of the planned project and National Lockdown delays resulted to poor expenditure
Complete Installation of lights high mast lights in Kwazamuxolo	Installation of public lighting in Noupoot, Kwazamuxolo to improve visibility at night and reduce crimes.
Upgrading of MV line supply Sentech at Coleskop and installation of metering unit at the Sentech station	Part of maintenance and improve aged infrastructure and their life span, the powerlines have been vulnerable and collapsing most of the time whenever weather is windy and rainy
Electrified Ezimbacweni in Norvalspont	The Ezimbacweni and Norvalspont have been electrified and provided with new infrastructure. However, at this stage, the power supply cannot be energized due to licence application challenges. Nersa is currently busy with the municipal licence application, which once approved, the licence will be sent to Eskom for provision of bulk electricity point

Table 73: Electricity Highlights

### c) Challenges: Electricity

The challenges that are experienced are as follows:

Description	Actions to address
Old and obsolete electrical network in Noupoot	Upgrade of the electrical network is in progress. Work activities resumed in January 2020. The allocated R10 million from INEP grant through the Division of Revenue Act (DORA) for financial year 2019/20, was used on the implementation of the project, and the project overlapped to 2020/21. The practical completion of the reduced scope was reached on the 31 May 2021
Installation of lights in identified dark places in Noupoot, Colesberg and Norvalspont	Access to EurekaVille was not achieved due to funding. Infrastructure to be installed in 2021/22 financial year
Vandalism of electrical infrastructure such as Kiosk	Installation of heavy-duty kiosks in 2021/22 financial year
Vandalism of fence for mini substation and dumping of garden waste	Erecting of mini substation fences with heavy duty fencing material and erect "no dumping" signs
Electrical theft	Installation of split meters in Colesberg and in Noupoot, where the Municipality is licenced to supply electricity and continue with spot checks in the municipal areas
Lack of funding to finalise on-line Data Management Project	Submit a new business plan to finalise the balance of the projects which need approximately R1.5 million
Lack of funding for upgrading of farmlines in the Municipality	Apply for funding to upgrade out-dated municipal farmlines in Colesberg and in Noupoot

Table 74: Electricity Challenges

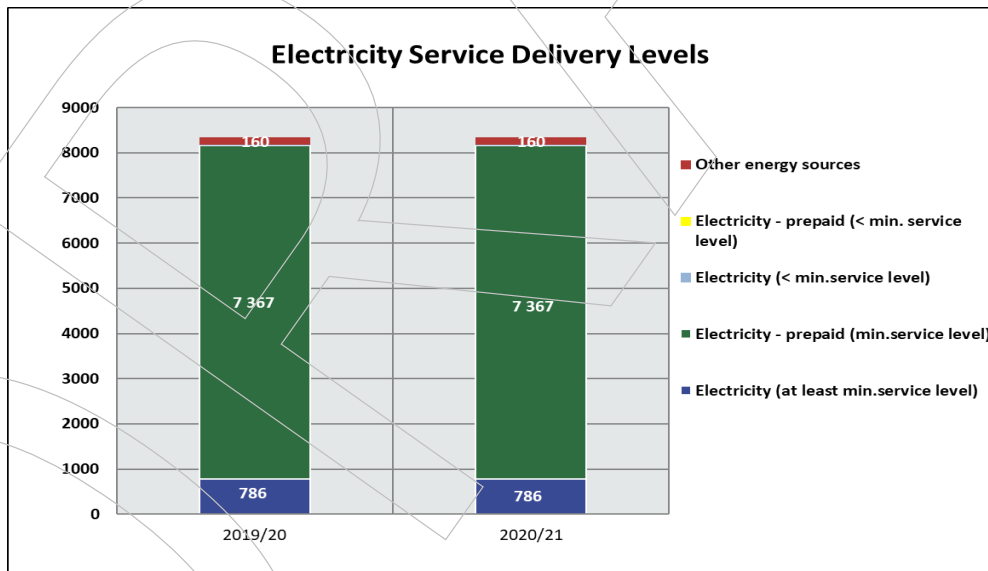
## Chapter 3: Service Delivery Performance

### d) Service Delivery Levels: Electricity

The table below specifies the different electricity service delivery levels per households for the financial years 2019/20 and 2020/21 in the areas in which the Municipality is responsible for the delivery of the service:

Households		
Description	2019/20	2020/21
	Actual	Actual
	No.	No.
<b>Energy: (above minimum level)</b>		
Electricity (at least min.service level)	786	786
Electricity - prepaid (min.service level)	7 367	7 367
<b>Minimum Service Level and Above sub-total</b>	<b>8 153</b>	<b>8 153</b>
<b>Minimum Service Level and Above Percentage</b>	<b>97.75%</b>	<b>97.75%</b>
<b>Energy: (below minimum level)</b>		
Electricity (< min.service level)	28	28
Electricity - prepaid (< min. service level)	0	0
Other energy sources	160	160
<b>Below Minimum Service Level sub-total</b>	<b>188</b>	<b>188</b>
<b>Below Minimum Service Level Percentage</b>	<b>2.25%</b>	<b>2.25%</b>
<b>Total number of households</b>	<b>8 341</b>	<b>8 341</b>

Table 75: Electricity Service Delivery Levels



Graph 7: Electricity Service Delivery Levels

### e) Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	0	0	0	0
4 - 6	0	3	3	0	0
7 - 9	0	0	0	0	0
10 - 12	4	4	4	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>

**Table 76: Employees: Electricity**

### f) Capital Expenditure: Electricity

The following table indicates the capital expenditure for this division:




Capital Project	2020/21			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Electrification of Noupport	10 000 000	13 000 000	13 703 612	(703 612)
Electrification at Novalspont	3 510 000	3 510 000	1 459 600	2 050 400

**Table 77: Capital Expenditure: Electricity**

## 3.3.4 Waste Management (Refuse Collections, Waste Disposal, Street Cleaning and Recycling)

### a) Introduction to Waste Management





Section 84(1)(e) of the Municipal Structures Act (Act 117 of 1998) mandate the Waste Management Department of the Umsobomvu Municipality to make provision for the disposal of waste which includes:

-  Determining and implementing its waste management strategy i.e. refuse collection, waste recycling, transportation, disposal etc
-  Regulating the disposal of waste within its area of jurisdiction
-  Establishing, operating and controlling waste disposal facilities including waste transfer station

In order to achieve its legislative mandate, the section is subdivided into the following functional sub-units, namely:

-  Refuse removal services

## Chapter 3: Service Delivery Performance

-  Street cleaning & litter-picking
-  Illegal dumping removal
-  Waste minimization
-  Landfill operations and management of sub-units

The Municipality in terms of the Constitution is the authority in providing solid waste services. The service is not rendered to farmers, but only to households within the municipal area. Solid waste is collected from households on a weekly basis and buried at the land fill site. There are currently three land fill sites of which two are licensed.

### b) Highlights: Waste Management

The table below specify the highlights for the year:

Highlight	Description
Waste collection is done as per schedule, weekly	Refuse collection trucks is operating without problems in Colesberg and in Noupoort

**Table 78: Waste Management Highlight**

### c) Challenges: Waste Management

The challenges that are experienced are as follows:

Description	Actions to address
The landfill sites do not have weigh bridges	Install a weigh bridge
No recycling is being done at the source or at the landfill site	Recycling should be encouraged at the first and then at the landfill site
No control at the landfill site entrance	The entrance should be controlled by appointing an employee
No employees employed at the landfill site	

**Table 79: Waste Management Challenges**

### d) Service Delivery Levels: Waste Management

The table below specifies the different refuse removal service delivery levels per households for the financial years 2019/20 and 2020/21 in the areas in which the Municipality is responsible for the delivery of the service:

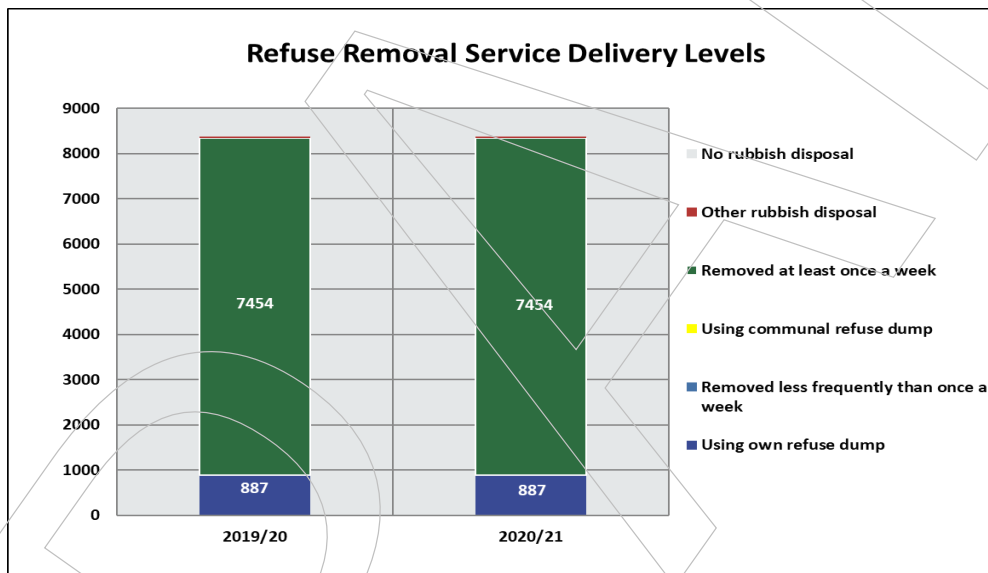
Description	Households	
	2019/20	2020/21
	Actual	Actual
	No.	No.
<b><i>Solid Waste Removal: (Minimum level)</i></b>		
Removed at least once a week	7 454	7 454
<b><i>Minimum Service Level and Above sub-total</i></b>	<b>7 454</b>	<b>7 454</b>
<b><i>Minimum Service Level and Above percentage</i></b>	<b>88%</b>	<b>88%</b>
<b><i>Solid Waste Removal: (Below minimum level)</i></b>		



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Description	Households	
	2019/20	2020/21
	Actual	Actual
	No.	No.
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	887	887
Other rubbish disposal	30	30
No rubbish disposal	120	120
<b>Below Minimum Service Level sub-total</b>	<b>1 019</b>	<b>1 019</b>
<b>Below Minimum Service Level percentage</b>	<b>12%</b>	<b>12%</b>
<b>Total number of households</b>	<b>8 491</b>	<b>8 491</b>

Table 80: Waste Management Service Delivery Levels



Graph 8: Waste Management Service Delivery Levels

### e) Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	18	18	18	0	0
4 - 6	3	2	2	0	0
7 - 9	0	2	2	0	0
10 - 12	0	0	0	0	0

Job Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>21</b>	<b>22</b>	<b>22</b>	<b>0</b>	<b>0</b>










**Table 81: Employees: Waste Management**

### 3.3.5 Housing






#### a) Introduction to Housing

The Housing and Property Administration Section of the Umsobomvu Local Municipality is entrusted with overseeing facilitation of integrated human settlements, management of Council owned property, management of informal settlements and ensuring security of tenure through issuing of title deeds.

The following housing programmes are currently being prioritised by the Umsobomvu Local Municipality:

-  sustainable human settlements
-  formalisation of informal settlements
-  essential services/consolidation
-  urban renewal
-  social housing
-  land reform projects
-  rural development
-  capturing of beneficiaries on the National Housing Needs Register (NHNR)
-  transferring of pre 1994 houses

The Municipality's housing initiatives are aligned with the provincial agenda which is based on the Sustainable Human Settlement Plan adopted by National Government in 2004. The plan has the following objectives:

-  Progressive informal settlement upgrading: This ranges from the provision of basic services to the development of formal housing. The main focus of this programme is on in situ upgrading. (Ouboks In-Situ Upgrading Programme)
-  Promoting densification and integration: Preventing urban sprawl by locating housing within the urban core
-  Enhancing the location of new housing projects: Well-located land owned by the Municipality will be identified for housing
-  Urban renewal programmes e.g. Ouboks Informal Settlement Upgrading Projects (ISUP)
-  Developing social and economic infrastructure: This intervention is aimed at facilitating the provision of community facilities such as crèches, community halls, taxi ranks, hawker stalls, etc

## Chapter 3: Service Delivery Performance

- Promoting rental housing: after 1994 the development of public rental stock was not regarded as a high priority for government. The directorate has discovered that there are people who come to the Umsobomvu municipal area to work who are not interested in home ownership

### b) Highlights: Housing

The table below specifies the highlights for the year:

Highlight	Description
Noupoort housing projects	All projects that the Municipality had in the previous financial years were completed

**Table 82: Housing Highlights**

### c) Challenges: Housing

The challenge that is experienced is the following:

Description	Actions to address
Ou Boks project – The Municipality has submitted its business plan to the Department but until now there is no clarity around it	Follow up with Department of Human Settlements
Build 50 houses project in Colesberg - The Municipality was supposed to identify beneficiaries, but it has also gone quiet	

**Table 83: Housing Challenges**

### d) Services Delivery Levels: Housing

The table below indicates the service statics for the division:

Number of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in informal settlements	Percentage of HHs in informal settlements
2019/20	8 341	593	55.23
2020/21	8 341	593	55.2

**Table 84: Households with Access to Basic Housing**

The following table shows the increase in the number of people on the housing waiting list. There are currently approximately 2 741 housing units on the waiting list.

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2019/20	2 741	20.18
2020/21	2 741	20.18

**Table 85: Housing Waiting List**



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The table below indicates the statistical indicators on housing service delivery for 2020/21:

Description	2019/20	2020/21
Number of households living in informal settlement	593	593
Number of hectares of land already acquired and suitable for human settlement development	0	0
Number of households living in informal areas receiving water services	593	593
Number of households living in informal areas receiving sewerage services	234	234
Number of households living in informal areas with access to refuse removal	593	593
Number of hectares of land procured and suitable for greenfield development	0	0
Number of hectares of land procured and suitable for brownfield development	0	0
Number of hectares of land proclaimed (township establishment completed)	0	0
Number of dwelling units developed per hectare	0	0
Percentage density reduction in total informal settlement	0	0
Number of informal settlements targeted for upgrading	0	0
Number of households living in informal settlement targeted for upgrading	77	77
Number of informal settlements targeted for upgrading with upgrading plans	1	1
Number of informal settlements upgraded (services provided): In Situ	0	0
Number of informal settlements targeted for formalization (services provided): relocated	0	0
Number of households living in informal backyard rental agreement	0	0
Number of sited serviced	105	105
Number of title deeds transferred to eligible beneficiaries	0	0
Number of libraries to be developed/upgrade development	0	0
Number of museums/theatre and art galleries to be developed/upgraded	0	0

**Table 86:** Statistical Indicators on Housing Service Delivery

### 3.3.6 Free Basic Services and Indigent Support

#### a) Introduction

Indigent applications are processed annually but new applications are assessed and updated monthly. The indigent register was reconciled with the financial system (Phoenix - ERP) and the Pre-paid Electricity System. Credit Control officials are continuously updating indigent households (IHH) on the Pre-paid Electricity System.

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New indigent household applications were processed and approved, so that these households received their levied free basic services (FBS) during the month. Indigent households will receive their FBS on the first of the month following the approval of their applications.

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the Municipality, all households earning less than **the amount of two state pensioners** per month will receive the free basic services as prescribed by national policy.

The tables, furthermore, indicates the total number of indigent households and other households that received free basic services in the past two financial years:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2019/20	1 983	1 661		1 983	100%	1 983	100%	1983	100%
2020/21	2 350	1 921	82%	2350	100%	2350	100%	2350	100%

**Table 87:** Free Basic Services to Indigent Households

Electricity			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2019/20	1 874	50	1 124
2020/21	1 921	50	1 458
*Figures as at 30 June			

**Table 88:** Free Basic Electricity Services to Indigent Households

Water			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2019/20	1 983	6	2 874
2020/21	2350	6	204
*Figures as at 30 June			

**Table 89:** Free Basic Water Services to Indigent Households

Sanitation			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2019/20	1 893	124.02	2 817
2020/21	2350	151.18	4 263

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Sanitation			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value R'000
*Figures as at 30 June			

**Table 90: Free Basic Sanitation Services to Indigent Households**

Refuse Removal			
Financial year	Indigent Households		
	No. of HH	Unit per HH	Value R'000
2019/20	1 893	95.6	2 172
2020/21	2 350	105.87	2 986
*Figures as at 30 June			

**Table 91: Free Basic Refuse Removal Services to Indigent Households**





### 3.4 COMPONENT B: ROAD TRANSPORT

This component includes roads; transport; and waste water (stormwater drainage).

#### 3.4.1 Roads




##### a) Introduction to Roads

The core function of the roads section is:

-  re-gravelling and blading of the unpaved roads/streets
-  construction, maintenance and rehabilitation of roads/streets
-  installing and upgrading of stormwater
-  maintenance of surfaced and un-surfaced roads/streets in general

The main challenges faced are the ageing infrastructure and the inadequate budget for both capital projects and the maintenance of existing infrastructure.

The roads section also handles:

-  the maintenance of road infrastructure, both gravel and surface, within the Municipality
-  cleaning of stormwater channels and opening of the inlets
-  reconstruction of damaged inlets and constructing new stormwater where needed

## Chapter 3: Service Delivery Performance

### b) Highlights: Roads

The table below specifies the highlights for the year:

Highlight	Description
Roads bladed in all three towns	22.28km was bladed during the financial year
Completion of Marray street traffic circle	Upgrade of Marray street traffic circle in Noupoort, completed in September 2020
Upgrading of Afrika Street in Norvalspont	Upgrade of Marray Street and Afrika Street in Norvalspont, ongoing and anticipated completion by September 2021

**Table 92: Roads Highlights**

### b) Challenges: Roads

The challenges that are experienced are as follows:

Description	Actions to address
Aging municipal construction machinery	Provision of sufficient funds for operational purposes and or dispose obsolete machinery and procure new machinery that will be effective for achieving municipal objectives
Stormwater challenged in gravel streets	Cleaning of existing stormwater channels and meter drains for easy water flow during rainy season
Blocked stormwater structures with silty eroded materials	Construction of barrier kerbs where they do not exist, cleaning of and flushing of stormwater channels on regular basis

**Table 93: Roads Challenges**

### c) Services Delivery Levels: Roads

The tables below indicate the service statics for the division:

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2019/20	48.26	0	0	22.28
2020/21	48.26	0	0	30

**Table 94: Gravel Roads Infrastructure**

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2019/20	28.52	0	0	0	28.52
2020/21	28.52	0	0	0	28.52

**Table 95: Tarred Road Infrastructure**

## Chapter 3: Service Delivery Performance

The table below shows the costs involved for the maintenance and construction of roads within the municipal area:

Financial year	New & Replacements	Resealed	Maintained
	R'000		
2019/20	335	0	408
2020/21	1 219	0	408

*The cost for maintenance includes stormwater*

**Table 96: Cost of Construction/Maintenance of Roads**

### d) Employees: Roads

The following table indicates the staff composition for this division:

Job Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	20	0	20	0	0
7 - 9	3	0	3	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>23</b>	<b>0</b>	<b>23</b>	<b>0</b>	<b>0</b>

**Table 97: Employees: Roads**

### e) Capital Expenditure: Roads

The following table indicates the capital expenditure for this division:

Capital Project	2020/21			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrading Madikane & Nqandu street	11 303 000	9 541 000	3 386 229	6 154 771
Upgrading gravel road into paving road	1 000 000	1 000 000	818 450	181 550

**Table 98: Capital Expenditure: Roads**

### 3.4.2 Waste Water (Stormwater)

#### a) Introduction to Waste Water (Stormwater)

There are 49 kerb inlets (ki) in all three towns, and the Municipality has undertaken to compile reports on how best to manage and maintain stormwater drainages in all three towns. The latter comes after it was realised that the stormwater infrastructure is inaccessible and only limited maintenance can be conducted.

Colesberg is surrounded by mountains and communities are at the low points of these hills, therefore the run-offs from these mountains are causing damage and exposes the community to the risk of being flushed away by stormwater run-offs. With the increase in traffic, it has been witnessed that many of the ki's are being driven over by heavy trucks in their quest to find parking which also has influenced the drainage flow in a number of ways. The ki covers are broken, and the capacity of these pipes is no longer sufficient. The increase in paved roads have also reduce areas where run-offs would percolate into the ground. The pipe diameters are 300mm and they no longer accommodate the run-off from the latter.

#### b) Highlights: Waste Water (Stormwater)

The table below specify the highlights for the year:

Highlight	Description
Kerb Inlets covers manufactured and installed	Broken ki covers and made safe
Stormwater channels	Cleaned all stormwater channels for ease of water flow and safety of the surroundings

**Table 99: Waste Water (Stormwater) Highlights**

#### b) Challenges: Waste Water (Stormwater)

The challenges that are experienced are as follows:

Description	Actions to address
Poor access to stormwater drainage systems	Flush and cleaned all blocked stormwater drainage system with jet machine and suitable chemical
Increased runoff on paved roads influences the carrying capacity of the inlets	Investigate adequacy of existing stormwater system and compare, including return periods of the local area

**Table 100: Waste Water (Stormwater) Challenges**

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### c) Services Delivery Statistics: Waste Water (Stormwater)

The table below shows the total kilometres of stormwater system maintained and upgraded as well as the kilometres of new stormwater pipes installed:

Stormwater Infrastructure: Kilometres			
Year	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2019/20	0	0	10
2020/21		0	10

Table 101: Stormwater Infrastructure

## 3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

### 3.5.1 Planning

#### a) Introduction to Planning

The Town Planning Section renders a strategic spatial planning and economic area regeneration program for the Municipality with its focus on the following development aspects as part of its key performance area:

- Development of a Spatial Planning and Land Use By-Law in terms of the approved Spatial Planning and Land Use Act (SPLUMA)
- Land Use Scheme where the Municipality is compiling a new land use scheme to incorporate all areas into one scheme as part of an updated Land Use Management System
- Development facilitation which facilitates and encourage residential, business and industrial development

The Planning section also handles the building control function, which includes regulation of all building control activities within the municipal area of jurisdiction, undertaking of inspections for new buildings, alteration and drainage inspections.

#### b) Highlights: Planning

The table below specifies the highlights for the year:

Highlight	Description
Review of Land Use Scheme	The Municipality, in conjunction with the Department of Rural Affairs is busy to review the current Land Use Scheme to ensure that it is SPLUMA compliant
Amendments to Spatial Planning and Land Use By-Law	Amendments to the current Land Use By-Law were taken through all Committees and was approved by Council whereafter it was gazetted in June 2021

Table 102: Planning Highlight

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### c) Challenge: Planning

The challenge experienced is as follow:

Description	Actions to address
Law enforcement of Land Use Scheme Regulations	Survey to be made of all transgressors of land use regulations

**Table 103: Planning Challenge**

### c) Statistics: Planning

The table below indicates the service statics for the division:

Type of service	2019/20	2020/21
Building plans application processed	7	11
Residential extensions	7	6
Business extensions	0	2
Land use applications processed	3	4

**Table 104: Additional Performance Town Planning and Building Control**

### d) Employees: Planning

The following table indicates the staff composition for this division:

Job Level	2019/20		2020/21		
	Vacancies (fulltime equivalents)	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	1	1	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

**Table 105: Employees: Planning**



## 3.5.2 Local Economic Development (Including Tourism and Market Places)

### a) Introduction to Local Economic Development (LED)

The economy of Umsobomvu Local Municipality relies to a great extent on the performance of agriculture, trade, financial services, hospitality industry and transport. Sectors that can provide future growth include:

- 🌱 **Construction** - Infrastructure investment by government in terms of transport and electricity, as well as the provision of houses and services to rural areas are the main potential for local residents to benefit
- 🌱 **Trade** - An important sector that is currently showing signs of improvement in the economy of Umsobomvu and pro-active measures have to be implemented in order to retain the stability and future growth of the sector
- 🌱 **Transport and business & financial services** - These essential service providers are becoming increasingly important for this service orientated economy
- 🌱 **Tourism** - This sector’s influence spans over a multitude of economic sectors and has a significantly important multiplier effect
- 🌱 **Agriculture** - This sector has a comparative advantage, as well as the potential to expand into more niche markets like essential oils, aquaculture and horticulture

### Sectoral Employment

The recent lockdown of the South African economy has direct implications for formal employment levels. While informal or second economy employment also plays an important role in providing access to household income, accurate data only exists for the trends in the formal employment levels.

### a) Highlight: LED

The highlight experienced is as follow:

Highlight	Description
Wind Farm Project	Busy finalising all documentation for submitting a bid for generation of renewable energy in Noupoot

Table 106: Highlight LED

### b) Challenge: LED

The challenge experienced is as follow:

Description	Actions to address
Lack of investment	Market Umsobomvu as a destination for transport hubs, green energy and business opportunities

Table 107: Challenge LED

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### c) LED Strategy

LED includes all activities associated with economic development initiatives:

Objectives	Strategies
Defining LED in the context of Umsobomvu Local Municipality	<b>Pillars of our strategy:</b> <ul style="list-style-type: none"> <li>🌾 Agriculture and agri-processing – increase and diversify local farming activities and production</li> <li>🏢 Enterprise development: business development and networking</li> <li>🏠 Small, Medium and Micro-sized Enterprises (SMMEs) &amp; entrepreneurial support</li> <li>🏞️ Tourism development - tourism marketing and development</li> <li>🏡 Improve tourism profile</li> <li>🏗️ Infrastructure &amp; industrial development - mining and mineral beneficiation</li> </ul>
To develop an LED Development Framework and Strategy for the Municipality	
Broadly accessing the provision for LED within the municipal area and more specifically, the institutional infrastructure and programmes available to implement LED initiatives	
Broadly identifying economic opportunities across the municipal area	
A proposed implementation plan to address gaps and solutions that contribute to a more coherent and coordinated LED approach	

**Table 108: LED Objectives and Strategies**

### d) Job Creation: Expanded Public Works Programme (EPWP)

Within a limited budget for LED projects and one official to assist with LED implementation the following initiatives have been initiated in the municipal area:

Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2019/20	3	15
2020/21	1	15

**Table 109: Job Creation Through EPWP Projects**

## 3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

### 3.6.1 Libraries and Museums

#### a) Introduction to Libraries and Museums

The Libraries Section focus on the following areas:

- 🌾 to provide accelerated, effective, efficient, quality social development services for the community of Umsobomvu through sport, recreation, arts and culture and library and information programs
- 🏠 to ensure the community have access to information as prescribed by the South African Constitution
- 🏢 to promote employment equity and skills development
- 🏞️ to position libraries as centres for the dissemination of information and knowledge
- 🏡 to position libraries as places where people from all backgrounds can find each other (promoting social cohesion)

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The Museum Section focus on the following areas:

- to accommodate visiting school groups
- to develop shared understandings
- introducing students to original works of art
- providing museum tour exhibitions
- offering visitors to the museum's website additional ways to interact with the museum and its collections
- using social media to promote the museum and its events and investigate the development of applications for smartphone devices that allows for virtual tours of exhibitions

The museum in Colesberg is quite a popular destination for tourists looking for information on establishment and rich history of the region, especially the displays on the Khoisan, Karretjie People and the Anglo Boer War.

### b) Highlights: Libraries and Museums

The table below specify the highlight for the year:

Highlight	Description
Structural condition	Libraries are in good structural condition and are well maintained

*Table 110: Libraries and Museums Highlight*

### c) Challenges: Libraries and Museums

The challenge experienced is as follow:

Description	Actions to address
The current funding from the Department of Sports, Arts and Culture is not sufficient to sustain all activities	In several meetings this matter was raised with no action from the Department

*Table 111: Libraries and Museums Challenge*

### d) Service Statistics for Libraries and Museums

The table below indicates the service statics for the division:

Type of service	2019/20	2020/21
Number of libraries	3	0
Library members	7 674	4 891
Books circulated	13 991	14 010
Exhibitions held	2	0
Internet users	12 784	7 791
New library service points or wheelie wagons	2	1
Children programmes	14	0
Visits by school groups	1 412	444

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Type of service	2019/20	2020/21
Book group meetings for adults.	0	0
Research by school children and adults	97	39
Calendar year programmes for communities	9	3
Visits to museum by school children	19	5
Visits to museum by tourists	8	7

**Table 112: Service Statistics for Libraries and Museums**

### e) Employees: Libraries and Museums

The following table indicates the staff composition for this division:

Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	0	0	0	0
4 - 6	0	3	3	0	0
7 - 9	0	4	3	1	25
10 - 12	1	3	3	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>10</b>	<b>9</b>	<b>1</b>	<b>10</b>

**Table 113: Employees: Libraries and Museums**

### 3.6.2 Cemeteries

#### a) Introduction to Cemeteries

The Community Development Section is the custodian for cemetery management within the Municipality. The section provides burial services and cemetery maintenance. The department manages and maintains twelve municipal owned cemeteries within the municipal boundaries. Out of the twelve cemeteries, only five cemeteries are still active and the rest are passive. The passive cemeteries are currently maintained on a need's basis.

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### b) Highlight: Cemeteries

The table below specify the highlight for the year:

Highlight	Description
Proper management of our new Kuyasa cemeteries	Kuyasa Cemeteries are well managed in terms of burial order

*Table 114: Cemeteries Highlight*

### c) Challenge: Cemeteries

The challenge experienced is as follow:

Description	Actions to address
Shortage of land	The cemeteries could run out of space. Identification of suitable space is needed

*Table 115: Cemeteries Challenge*

### d) Service Statistics for Cemeteries

The table below indicate the service static for the division:

Type of service	2019/20	2020/21
Burials	425	532




*Table 116: Service Statistics for Cemeteries*

## 3.6.3 Child Care, Aged Care and Social Programmes






### a) Introduction to Child Care, Aged Care and Social Programmes

The Special Development Section in the Mayor's Office focuses mainly on community awareness and outreach programmes. The section focuses on promotion of social wellness and implementation of programmes to prevent social illness.

#### Three main priority service delivery

-  Poverty alleviation programme, implement training programme and substance abuse programme
-  Implementation of training programmes
-  The social, children, woman, disability and elderly programmes

Child and aged care are predominantly run by private institutions with government subsidies. HIV/AIDS, woman and youth programmes are initiated by the Municipality through the Office of the Mayor. This includes:

-  social programmes
-  elderly programmes
-  children's programmes
-  HIV/AIDS: door-to-door educational programme
-  health programmes

16 days of Activism and awareness on World Aids Day

### 3.7 COMPONENT E: SECURITY AND SAFETY

This component includes Traffic, Law Enforcement, Fire and Disaster Management

#### 3.7.1 Public Safety

##### a) Introduction to Public Safety

Roads in Umsobomvu are becoming safer and this has been confirmed by many motorists from other parts of the province using our route. In partnership with the South African Police Service and community members through community policing forums, crime was reduced. Umsobomvu Municipality has successfully conducted arrive alive campaigns during the December holidays. In addition to this campaign, the Municipality offers to do roadworthy checks free of charge during December for vehicle owners who go on holiday.

##### Zero-tolerance approach towards transgressors of laws

In reducing the rate of accidents on our roads, the Municipality has replaced road signs, erected speed humps in various communities and re-painted road marks.

In promotion of legal trading and enforcement of our by-laws, the Municipality has issued trading licenses to hawkers and are in a process of identifying adequate space for trading.

##### b) Highlights: Public Safety

The table below specifies the highlight for the year:

Highlight	Description
Training	Trained a Traffic Officer to Examiner of Vehicles level
Speed Law Enforcement	The number of speed transgressions were lower due to constant law enforcement
Equipment	Upgrade of test station equipment to test roadworthiness

Table 117: Public Safety Highlights

##### c) Challenge: Public Safety

The challenge experienced is as follow:

Description	Actions to address
Training	Struggle to obtain refresher courses for Traffic Officers

Table 118: Public Safety Challenge

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### d) Service statistics for Public Safety

The table below indicates the service statistics for the division:

Details	2019/20	2020/21
Motor vehicle licenses processed	974	1 050
Learner driver licenses processed	229	913
Driver licenses processed	195	525
Driver licenses issued	617	1 250
Fines issued for traffic offenses (number)	4 350	800
Operational callouts	1 443	1 824
Roadblocks held	69	1
Complaints attended to by Traffic Officers	85	15
Awareness initiatives on public safety	4	4
Operational callouts: Fire Services	13	16
Awareness initiatives on fire safety	0	4
Reservists and volunteers trained on fire fighting	25	0

**Table 119: Additional Performance Service Statistics for Public Safety**

### e) Employees: Public Safety

The following table indicates the staff composition for this division:

Job Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	2	1	1	0	0
7 - 9	0	2	2	0	0
10 - 12	1	6	4	2	33.33
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>10</b>	<b>8</b>	<b>2</b>	<b>20</b>

**Table 120: Employees: Public Safety**

### 3.8 COMPONENT F: SPORT AND RECREATION

#### 3.8.1 Sport and Recreation

##### a) Challenges: Sport and Recreation

The challenge experienced is as follows:

Description	Actions to address
Vandalising of sport facilities	Plan to have a permanent employee at sport facilities

**Table 121:** *Sport and Recreation Challenge*

##### b) Service statistics for Sport and Recreation

The table below indicates the service statics for the division:

Type of service	2019/20	2020/21
<b>Community parks</b>		
Number of parks with play park equipment	0	0
Number of wards with community parks	3	3
<b>Sport fields</b>		
Number of wards with sport fields	4	4
Number of sport associations utilizing sport fields	3	3
<b>Sport halls</b>		
Number of wards with sport halls	3	3

**Table 122:** *Additional Performance Information for Sport and Recreation*

##### d) Employees: Sport and Recreation

The following table indicates the staff composition for this division:

<b>Employees: Sport and Recreation</b>					
Post Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	24	4	3	1	25
4 – 6	0	0	0	0	0
7 – 9	2	2	2	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0



## Chapter 3: Service Delivery Performance

Employees: Sport and Recreation					
Post Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
19 – 20	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>16.67</b>

Table 123: Sport and Recreation

### 3.9 COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes Executive and Council; Financial Services; Human Resource Services; ICT Services; Legal Services; And Procurement Services.

#### 3.9.1 Executive and Council

##### a) Introduction to Executive and Council

This component includes Executive Office (Mayor, Councillors and Municipal Manager).

Umsobomvu Municipality is committed to the development of a culture of community participation. The Municipality encourages and creates conditions for the local community to participate in the affairs of the Municipality through the following processes:

- the preparation, implementation and review of its IDP
- the establishment, implementation and review of its performance management system
- determination, consideration and adoption of by-laws
- the monitoring and review of its performance, including the outcome and impact of such performance
- the preparation of its budget
- strategic decisions relating to the provision of services

##### b) Highlight: Executive and Council

The table below specify the highlight for the year:

Highlight	Description
VIP Toilets	The 2 <sup>nd</sup> stage is continuing successfully

Table 124: Executive and Council Highlight

### c) Challenges: Executive and Council

The challenges that are experienced is as follow:

Description	Actions to address
Public participation	The Municipality is using service delivery WhatsApp groups to update the communities and share information on notice boards and make any policies and procedures, reports and information available to our libraries
Ward community meetings	

**Table 125: Executive and Council Challenges**

### 3.9.2 Financial Services

The application of sound financial management principles is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The key objective of the MFMA is to modernise municipal financial management in South Africa so as to lay a sound financial base for the sustainable delivery of services. Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable.

The Municipality has undertaken various customer care initiatives to ensure the Municipality deeply involves all citizens in the process of ensuring a people lead government. Encouragement of structured community participation in the matters of the Municipality is an important focus area.

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards.

The MFMA determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation such measures in terms of section 168 thereof.

The management of key financial and governance areas is achieved by focusing on:

- 🔗 reducing the levels of outstanding debt owed to the Municipality, to assist with service delivery spending and maintaining a healthy cash flow;
- 🔗 spending budgets to maximise delivery.

## Chapter 3: Service Delivery Performance

### a) Challenges: Financial Services

The highlights experienced is as follows:

Highlights	Description
Customer relation management has improved	The audit action plan implementation percentage is at 96%
Capital expenditure improved compared to prior years	The Municipality has achieved the milestone of the most capital projects
Better service provider contract monitoring and management	Supplier contracts register and monitoring is in place
Revenue collection rate increased	High revenue rate collection

Table 126: Financial Services Highlights

### b) Challenges: Financial Services

The challenges that are experienced is as follows:

Description	Actions to address
Budgeting through the financial system	The system vendor committed to set up the system perimeter for the Municipality to be able to budget through the system
mSCOA segment classification due to changes in version	Municipality's personnel require intense training on new versions of mSCOA
Business process is not yet fully utilised by the Municipality	Asset's modules, inventory and investment modules need to be activated
Too much reliance on consultants	Encourage self-leadership by all employees so that they can take ownership of the job description. Lastly but not least seamless skills transfer from service provider to employees

Table 127: Financial Services Challenges

### c) Debt Recovery

The following table indicates the debt recovery:

Details of the types of account raised and recovered	Debt Recovery			
	R'000			
	2019/20		2020/21	
	Billed in Year	Actual for accounts billed in year	Billed in Year	Actual for accounts billed in year
Property Rates	10 954 183	6 705 387	14 269 000	18 446 523
Electricity	28 040 169	18 767 243	27 744 000	28 794 266
Water	13 442 690	6 923 075	19 394 000	14 535 654
Sanitation	9 861 794	4 100 228	14 532 000	10 099 576
Refuse	6 735 205	1 389 781	10 060 000	6 648 875

Table 128: Debt Recovery

## Chapter 3: Service Delivery Performance

### c) Employees: Financial Services

The following table indicates the staff composition for this division:

Job Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	19	19	18	1	5.26
7 - 9	5	6	5	1	16.67
10 - 12	0	1	1	0	0
13 - 15	4	4	4	0	0
16 - 18	1	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>29</b>	<b>30</b>	<b>28</b>	<b>2</b>	<b>6.67</b>

Table 129: Employees: Financial Services

### 3.9.3 Human Resource Services

#### a) Introduction to Human Resource Services

The Umsobomvu Municipality currently employs 211 officials (permanent and non-permanent) who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of Human Resource (HR) Management is to render an innovative HR service that addresses both skills development and administrative functions.

#### b) Highlights: Human Resources

The table below specifies the highlights for the year:

Highlight	Description
Reviewed HR policies during oversight period	Reviewed all HR policies during oversight period
COVID-19	Developed COVID-19 Workplace Plan
Collective Agreements	Started negotiations to renew Collective Agreements for Northern Cape

Table 130: HR Highlights

#### c) Challenges: Human Resources

The challenges that are experienced is as follows:

Description	Actions to address
Training	Unable to implement training planned for oversight period

Table 131: Executive and Council Challenges

### d) Employees: Human Resources

The following table indicates the staff composition for this division:

Job Level	2019/20		2020/21		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	1	1	1	0	0
7 - 9	0	0	0	0	0
10 - 12	1	1	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>

**Table 132:** Employees: Human Resources

### 3.10 COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2021/22

The main development and service delivery priorities for 2021/22 forms part of the Municipality's top layer SDBIP for 2021/22 and are indicated in the table below:

#### 3.10.1 Development and Service Delivery Priorities for 2021/22

##### a) Develop a capable and capacitated institution to respond to community needs

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL9	Submit the Workplace Skills Plan and ATR (Annual Training Report) to LGSETA by 30 April 2022	Workplace Skills Plan and ART submitted to LGSETA by 30 April 2022	All	1
TL10	The number of people from employment equity target groups employed (appointed) in the three highest levels of management in compliance with the equity plan by 30 June 2022	Number of people employed (appointed) by 30 June 2022	All	1
TL11	The percentage of the Municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2022 [(Actual amount spent on training/total operational budget) x100]	% of the Municipality's personnel budget spent on implementing its workplace skills plan by 30 June 2022 [(Actual amount spent on training/total operational budget) x100]	All	0.10%
TL12	Limit the vacancy rate quarterly to less than 15% of budgeted posts ((Number of posts filled/Total number of budgeted posts) x100)	% quarterly vacancy rate of budgeted posts	All	15%
TL23	Submit a report on the viability to cascade performance management to lower levels of management to Council by 31 December 2021	Report submitted to Council by 31 December 2021	All	1

**Table 133:** Service Delivery Priorities - Develop a Capable and Capacitated Institution to Respond to Community Needs

## Chapter 3: Service Delivery Performance

### b) Enhance good governance processes and accountability

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL1	Submit the Annual Performance Report for 2020/21 to the AG by 31 August 2021	Annual Performance Report submitted to the AG by 31 August 2021	All	1
TL2	Submit the Draft Annual Report for 2020/21 to Council by 31 January 2022	Draft Annual Report submitted to Council by 31 January 2022	All	1
TL3	Compile and submit the Risk Based Audit Plan (RBAP) for 2022/23 to the Audit committee by 30 June 2022	Risk Based Audit Plan (RBAP) submitted to the Audit committee by 30 June 2022	All	1
TL4	90% of the Risk based audit plan for 2021/22 implemented by 30 June 2022 [(Number of audits and tasks completed for the period/ Number of audits and tasks identified in the RBAP )x100]	% of the Risk Based Audit Plan for 2021/22 implemented by 30 June 2022	All	90%
TL5	Arrange a training session for new Councillors by 31 December 2021	Training session arranged by 31 December 2021	All	1
TL6	Complete the annual risk assessment and submit to the Audit Committee by 30 June 2022	Risk assessment completed and submitted to the Audit Committee by 30 June 2022	All	1
TL13	Arrange a training session for ward committee members by 30 June 2022	Training session arranged by 30 June 2022	All	1
TL24	Conduct quarterly customer satisfaction surveys and submit report that reflects (i) 5 most common complaints (ii) 5 most affected areas and (iii) % level of satisfaction to Council	Number of reports submitted to Council	All	4

**Table 134: Services Delivery Priorities - Enhance Good Governance Processes and Accountability**

### c) Enhance municipal financial viability

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL25	Submit the draft main budget for 2022/23 to Council for consideration by 31 March 2022	Draft Main budget submitted to Council by 31 March 2022	All	1
TL26	Submit the Adjustments budget for 2021/22 to Council for consideration by 28 February 2022	Submit the Adjustments budget to Council for consideration by 28 February 2022	All	1
TL27	Financial viability measured in terms of the Municipality's ability to meet it's service debt obligations as at 30 June 2022 ((Total operating revenue-operating grants received)/debt service payments due within the year))	% of debt coverage at 30 June 2022	All	20%
TL28	Financial viability measured in terms of the outstanding service debtors as at 30 June 2022 ((Total outstanding service debtors/ revenue received for services)X100)	% of outstanding service debtors at 30 June 2022	All	43%



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL29	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2022 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash at 30 June 2022	All	1.5
TL30	Submit the annual financial statements for 2020/21 to AGSA by 31 August 2021	Annual financial statements submitted by 31 August 2021	All	1
TL31	Compile Plan to address audit findings in report of the AG for 2020/22 and submit to MM by 31 January 2022	Plan completed and submitted to MM by 31 January 2022	All	1
TL32	Achieve a debtor payment percentage of 65% by 30 June 2022 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	% debtor payment achieved at 30 June 2022	All	65%
TL43	90% spent of the total amount budgeted by 30 June 2022 for new laptops {(Total actual expenditure on new laptops/Total amount budgeted for new laptops) x100}	% of budget spent by 30 June 2022	All	90%
TL44	Obtain an unqualified audit outcome with no more than 5 matters of emphasis for the 2021/22 financial year	Unqualified audit outcome with no more than 5 matters of emphasis for the 2021/22 financial year	All	1

**Table 135: Service Delivery Priorities – Enhance Municipal Financial Viability**

### d) Environmentally conscious in the delivery of services

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL14	Compile and submit draft Land Use Management Scheme to Council by 30 June 2022	Draft Land Use Management Scheme submitted to Council by 30 June 2022	All	1

**Table 136: Services Delivery Priorities - Environmentally Conscious in the Delivery of Services**

### e) Facilitate economic growth in the municipal area

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL45	2.5% of procurement spent during 2021/22 awarded to youth owned enterprises (35 years and younger) by 30 June 2022 (Total amount of procurement awarded to youth owned enterprises/total amount of procurement awarded)	% of procurement spent during 2021/22 awarded to youth owned enterprises (35 years and younger) by 30 June 2022	All	2.50%
TL48	Create temporary jobs - FTE's in terms of EPWP by 30 June 2022 (Person days / FTE (230 days))	Number of FTE's created by 30 June 2022	All	20

**Table 137: Service Delivery Priorities - Facilitate Economic Growth in the Municipal Area**



### f) Ongoing maintenance of municipal infrastructure

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL49	75% of the electricity maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	75%
TL50	75% of the Road Transport maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	75%
TL51	75% of the Waste Water management maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	75%
TL52	75% of the Water Management maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	75%
TL53	Purchase a new bakkie by 30 June 2022	New Bakkie purchased by 30 June 2022	1 and 2	1

**Table 138: Service Delivery Priorities - Ongoing Maintenance of Municipal Infrastructure**

### g) Provide appropriate services to all households

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL8	Implement Gender, Elderly, Youth and Disabled groups programmes by 30 June 2022	Number of programmes implemented by 30 June 2022	All	4
TL15	Spend 100% of the library grant by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	% of the library grant spent by 30 June 2022	All	100%
TL16	Submit the reviewed the Disaster Management Plan to Council by 30 June 2022	Reviewed Disaster Management Plan submitted by 30 June 2022	All	1
TL20	90% spent of the total amount budgeted by 30 June 2022 for cameras and other equipment {(Total actual expenditure on cameras and other equipment/Total amount budgeted for cameras and other equipment) x100}	% of budget spent by 30 June 2022	All	90%
TL22	75% of the municipal buildings maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	75%
TL37	Provide free basic water to indigent households as at 30 June 2022	Number of households receiving free basic water as at 30 June 2022	All	1 800
TL38	Provide free basic electricity to indigent households as at 30 June 2022	Number of households receiving free basic electricity as at 30 June 2022	All	1 800
TL39	Provide free basic sanitation to indigent households as at 30 June 2022	Number of households receiving free basic sanitation services as at 30 June 2022	All	1 800
TL40	Provide free basic refuse removal to indigent households as at 30 June 2022	Number of households receiving free basic refuse removal services at 30 June 2022	All	1 800





## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL46	Limit unaccounted for electricity to less than 20% by 30 June 2022 $\{(\text{Number of Electricity Units Purchased and/or Generated} - \text{Number of Electricity Units Sold}) / \text{Number of Electricity Units Purchased and/or Generated}\} \times 100\}$	% of unaccounted electricity by 30 June 2022	All	20%
TL47	Limit unaccounted for water to less than 25% by 30 June 2022 $\{(\text{Number of Kiloliters Water Purchased or Purified} - \text{Number of Kiloliters Water Sold}) / \text{Number of Kiloliters Water Purchased or Purified}\} \times 100\}$	% of water unaccounted by 30 June 2022	All	25%
TL58	Purchase a crane truck by 30 June 2022	Crane truck purchased by 30 June 2022	All	1

**Table 139: Service Delivery Priorities - Provide Appropriate Services to All Households**

### h) Provide quality and sustainable municipal infrastructure within available resources

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL7	100% spent of all conditional grants by 30 June 2022 $\{(\text{Actual expenditure on conditional grants received} / \text{by the total amount of conditional grants received}) \times 100\}$	% of conditional grant spent by 30 June 2022	All	100%
TL17	Complete EIA for the establishment of new cemetery in Noupoot by 30 June 2022	EIA for new cemetery site in Noupoot completed by 30 June 2022	All	1
TL21	90% spent of the total amount budgeted by 30 June 2022 for the fencing of cemeteries $\{(\text{Actual expenditure on the project} / \text{the total approved budget for the project}) \times 100\}$	% of budget spent by 30 June 2022	1 and 2	90%
TL33	Number of formal residential properties that receive piped water (credit) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2022	Number of residential properties which are billed for water as at 30 June 2022	All	6 651
TL34	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering) (Excluding Eskom areas) and billed for the service as at 30 June 2022	Number of residential properties which are billed for electricity or have pre-paid meters (Excluding Eskom areas) as at 30 June as at 30 June 2022	All	2 500
TL35	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2022	Number of residential properties which are billed for sewerage as at 30 June 2022	All	6 000
TL36	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2022	Number of residential properties which are billed for refuse removal as at 30 June 2022	All	6 592
TL41	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2022 $\{(\text{Amount actually spent on capital projects} / \text{Amount budgeted for capital projects}) \times 100\}$	% of capital budget spent on capital projects by 30 June 2022	All	90%



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL42	Conduct a study to determine the causes of the high percentage of water and electricity losses and submit a report with proposed corrective actions to Council by 31 December 2021	Study completed and report with corrective actions submitted to Council by 31 December 2021	All	1
TL54	90% spent of the total amount budgeted by 30 June 2022 to upgrade Ngqandu and Madikane to block paving {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	3	90%
TL55	90% spent of the total amount budgeted by 30 June 2022 to upgrade President Swarts and Niewenhuyzen streets {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	1 and 2	90%
TL56	90% spent of the total amount budgeted by 30 June 2022 to upgrade Qilo, Antoinette and Grey Street {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	4 and 5	90%
TL57	90% spent of the total amount budgeted by 30 June 2022 to upgrade Afrika street {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	6	90%
TL59	90% spent of the total amount budgeted by 30 June 2022 to upgrade the Noupoort sewerage network {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	1 and 2	90%

**Table 140:** Service Delivery Priorities - Provide quality and sustainable municipal infrastructure within available resources

### i) Strengthen community participation

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL18	Compile quarterly external newsletters	Number of external newsletters compiled	All	4
TL19	Submit the draft IDP to Council by 31 March 2022	Draft IDP submitted to Council by 31 March 2022	All	1

**Table 141:** Service Delivery Priorities - Provide quality and sustainable municipal infrastructure within available resources

### CHAPTER 4

#### 4.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organizational Development.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2019/20	2020/21
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	2	1
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.35%	1.32%

*Table 142: National KPIs – Municipal Transformation and Organisational Development*

#### 4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs **211** (excluding non-permanent positions) officials who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

##### 4.2.1 Employment Equity

The Employment Equity Act (1998) Chapter 3 Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan".

##### a) Employment Equity targets/actual

The tables below indicate the employment equity targets/actual:

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
106	155	82	22	0	0	22	3

*Table 143: 2020/21 EE Targets/Actual by Racial Classification*

## Chapter 4: Organisational Development Performance

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
121	147	No	89	64	No	2	1	0

**Table 144:** 2020/21 EE Targets/Actual by Gender Classification

### b) Specific Occupational Levels - Race

The table below categories the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	3	0	0	1	0	0	0	0	4
Senior Management	6	4	0	0	2	0	0	1	13
Professionally qualified and experienced specialists and mid-management	18	4	0	0	2	1	0	1	26
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	5	7	0	0	1	1	0	0	14
Semi-skilled and discretionary decision making	23	9	0	0	11	5	0	0	48
Unskilled and defined decision making	52	15	0	0	32	7	0	0	105
<b>Total</b>	<b>107</b>	<b>39</b>	<b>0</b>	<b>1</b>	<b>48</b>	<b>14</b>	<b>0</b>	<b>2</b>	<b>211</b>

**Table 145:** Occupational Levels

### c) Departments - Race

The following table categories the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager	5	2	0	0	1	0	0	0	8
Corporate Services	25	10	0	1	24	7	0	1	68
Financial Services	16	5	0	0	12	1	0	1	35
Technical Services/Electricity	61	22	0	0	11	6	0	0	100
<b>Total</b>	<b>107</b>	<b>39</b>	<b>0</b>	<b>1</b>	<b>48</b>	<b>14</b>	<b>0</b>	<b>2</b>	<b>211</b>

**Table 146:** Department – Race

### 4.2.2 Vacancy Rate

The approved organogram for the Municipality had **226** approved posts for the 2020/21 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. **15** posts were vacant at the end of 2020/21, resulting in a vacancy rate of **6.64%**.

## Chapter 4: Organisational Development Performance

Below is a table that indicates the vacancies within the Municipality:

Per Post Level		
Post level	Filled	Vacant
MSA Section 56 & 57	4	0
Middle Management and Admin Officers	118	6
General Workers	89	9
<b>Total</b>	<b>211</b>	<b>15</b>
Per Functional Level		
Functional area	Filled	Vacant
Executive and Council	8	0
Finance and Administration	109	3
Technical Services	94	12
<b>Total</b>	<b>211</b>	<b>15</b>

**Table 147: Vacancy Rate per Post and Functional Level**

The table below indicates the number of staff per level expressed as total positions and current vacancies expressed as full-time staff equivalents:

Salary Level	Number of current critical vacancies	Total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	1	N/A	0%
Chief Financial Officer	0	1	N/A	0%
Other Section 57 Managers	0	2	N/A	0%
Senior management	1	7	Section Head Corporate Services	14.29%
Highly skilled supervision	0	8	N/A	0%
<b>Total</b>	<b>1</b>	<b>19</b>	<b>N/A</b>	<b>5.26%</b>

**Table 148: Vacancy Rate per Salary Level**

### 4.2.3 Staff Turnover Rate

A high staff turnover may be costly to a municipality and might negatively affect productivity service delivery and institutional memory/organizational knowledge. Below is a table that shows the staff turnover rate within the Municipality. The staff turnover rate shows a decrease from **3.54%** in 2019/20 to **1.89%** in 2020/21.

## Chapter 4: Organisational Development Performance

The table below indicates the staff turnover rate over the last two years:

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2019/20	207	23	7	3.54%
2020/21	211	2	2	1.89%

Table 149: Turnover Rate

### 4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analysing and coordinating employee behaviour.

#### 4.3.1 Injuries

An occupational injury is a personal injury disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The table below indicates the total number of injuries within the different directorates:

Directorates	2019/20	2020/21
Office of the Municipal Manager	0	0
Financial Services	0	0
Corporate Services	0	1
Technical Services	0	2
<b>Total</b>	<b>0</b>	<b>3</b>

Table 150: Injuries

#### 4.3.2 Sick Leave

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified corrective action can be taken.

The total number of employees that have taken sick leave during the 2020/21 financial year shows a decrease when compared it with the 2019/20 financial year.

The table below indicates the total number sick leave days taken within the year:

Year	Total number of sick leave days taken within the year
2019/20	669
2020/21	471

Table 151: Sick Leave

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### 4.3.3 HR Policies and Plans

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the HR policies and plans that are approved and that still needs to be developed:

Approved policies	
Name of policy	Date approved/ revised
Recruitment Selection and Appointment Policy	27 September 2007
Leave Policy	27 September 2007
Study Assistance Policy	27 September 2007
Employee Wellness Policy	27 September 2007
Staff Performance Policy	27 September 2007
Union Support and Facilities Policy	27 September 2007
Sexual Harassment Policy	27 September 2007
Attendance and Punctuality Policy	27 September 2007
Termination of Contract Policy	27 September 2007
Training and Skills Development Policy	17 December 2015
Retrenchment Policy	27 September 2007
Bonus Policy	27 September 2007
Private Work Policy	27 September 2007
Job Evaluation Policy	17 December 2015
Performance Management System (PMS) Framework	30 May 2019
Travelling and Subsistence Allowance Policy	3 June 2016
Occupational Health and Safety Policy	17 December 2015
Advance and Micro Loans Policy	28 July 2015
Acting Policy	27 September 2007
Aids Policy	27 September 2007
Annual Leave Policy	27 September 2007
Communication Policy	31 March 2018
Dress Code Policy	27 September 2007
Essential Users Policy	27 September 2007
Delegation of Powers Policy	27 September 2007
Family Responsibility Policy	27 September 2007
Gifts and Gratuity Policy	27 September 2007
Language Policy	27 September 2007
Internet and E-Mail Policy	17 April 2018
Smoking Policy	27 September 2007
Substance Abuse Policy	27 September 2007
Uniform and Protective Clothing Policy	27 September 2007

## Chapter 4: Organisational Development Performance

Approved policies	
Human Resource Plan	23 November 2018
Social Media Policy	2 March 2021
Disaster Management Policy	4 August 2020
Naming and Re-Naming Policy	13 October 2020
Policies and plans that still need to be developed/reviewed	
Recruitment Policy	
Cost Containment Policy	
Contract Management Policy	
SCM Policy for Infrastructure Procurement	

**Table 152: HR Policies and Plans**

### 4.4 CAPACITATING THE MUNICIPAL WORKFORCE

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

#### 4.4.1 Skills Matrix

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2020/21)
MM and S57	Female	0	0
	Male	0	0
Legislators, senior officials and managers	Female	0	0
	Male	2	0
Associate professionals and Technicians	Female	1	0
	Male	4	0
Professionals	Female	1	0
	Male	5	0
Clerks	Female	2	0
	Male	2	0
Service and sales workers	Female	2	0
	Male	4	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	0	0



## Chapter 4: Organisational Development Performance

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2020/21)
Elementary occupations	Female	3	5
	Male	2	2
Sub total	Female	9	5
	Male	19	2
Total		28	7

Table 153: Skills Matrix

### 4.4.2 Skills Development - Budget Allocation

The table below indicates that a total amount of **R403 080** were allocated to the workplace skills plan in the 2020/21 financial year:

Year	Total Allocated (R)	Total Spend (R)	% Spent
2019/20	220 000	180 930	82%
2020/21	403 080	28 795	7.14%

Table 154: Budget Allocated and Spent for Skills Development

### 4.4.4 MFMA Competencies

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcome based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013, employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations."

## Chapter 4: Organisational Development Performance

The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>				
Accounting officer	1	Yes	1	1
Chief financial officer	1	Yes	1	1
Senior managers	2	Yes	2	2
Any other financial officials	9	Yes	0	6
<b>Supply Chain Management Officials</b>				
Heads of supply chain management units	1	Yes	0	0
Supply chain management senior managers	0	N/A	0	0
<b>Total</b>	<b>1</b>	<b>N/A</b>	<b>4</b>	<b>10</b>

**Table 155: Financial Competency Development: Progress Report**

### 4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

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

#### 4.5.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the Municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2019/20	48 513	189 689	26%
2020/21	55 668	192 741	29%

**Table 156: Personnel Expenditure as a percentage of Operating Expenditure**

## Chapter 4: Organisational Development Performance

Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2019/20	2020/21		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
<b>Councillors (Political Office Bearers plus Other)</b>				
Salary	3 433	3 859	3 859	3 321
Motor vehicle allowance	202	202	202	194
Cell phone allowance	493	557	557	481
<b>Sub Total</b>	<b>4 128</b>	<b>4 618</b>	<b>4 618</b>	<b>3 996</b>
<b>% increase/ decrease</b>	<b>N/A</b>	<b>11.87%</b>	<b>0.00%</b>	<b>(13.47%)</b>
<b>Senior Managers of the Municipality</b>				
Salary	3 867	5 648	5 648	3 924
Motor vehicle allowance	516	886	886	550
Housing allowance	0	0	0	0
Performance bonus	644	678	678	481
Other benefits or allowances	8	0	0	8
<b>Sub Total</b>	<b>5 034</b>	<b>7 212</b>	<b>7 212</b>	<b>4 955</b>
<b>% increase/ decrease</b>	<b>N/A</b>	<b>43.27%</b>	<b>0.00%</b>	<b>(31.30)</b>
<b>Other Municipal Staff</b>				
Basic Salaries and Wages	37 101	38 708	38 708	27 630
Pension Contributions	5 559	6 932	6 932	7 604
Medical Aid Contributions	919	1 369	1 369	3 867
Motor vehicle allowance	0	58	58	0
Housing allowance	365	434	434	382
Overtime	2 426	2 180	2 180	3 259
Other benefits or allowances	2 140	4 387	4 387	5 179
<b>Sub Total</b>	<b>48 510</b>	<b>54 068</b>	<b>54 068</b>	<b>47 920</b>
<b>% increase/ decrease</b>	<b>N/A</b>	<b>11.46%</b>	<b>0.00%</b>	<b>(11.37%)</b>
<b>Total Municipality</b>	<b>52 638</b>	<b>61 280</b>	<b>61 280</b>	<b>52875</b>
<b>% increase/ decrease</b>	<b>N/A</b>	<b>16.42%</b>	<b>0.00%</b>	<b>(13.72%)</b>

Table 157: Personnel Expenditure

### CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2020/21 financial year.

#### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The statement of financial performance provides an overview of the financial performance of the Municipality and focuses on the financial health of the Municipality.

#### 5.1 Financial Summary

##### 5.1.1 Overall Financial Summary

The table below indicates the summary of the financial performance for the 2020/21 financial year:

Financial Summary						
R'000						
Description	2019/20	2020/21		2020/21 %Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b>Financial Performance</b>						
Property rates	10 967	17 347	14 269	14 389	(20.56)	0.84
Service charges	58 208	69 428	71 729	61 972	(12.03)	(15.74)
Investment revenue	1 725	2 698	6 614	6 228	56.68	(6.20)
Transfers recognised - operational	79 611	71 891	79 833	86 864	17.24	8.09
Other own revenue	35 572	44 466	29 818	34 762	(27.91)	14.22
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>186 082</b>	<b>205 830</b>	<b>202 263</b>	<b>204 216</b>	<b>(0.79)</b>	<b>0.96</b>
Employee costs	49 981	61 280	61 280	56 729	(8.02)	(8.02)
Remuneration of Councillors	4 128	4 618	4 618	3 996	(15.56)	(15.56)
Depreciation & asset impairment	31 109	31 707	31 109	29 516	(7.43)	(5.40)
Finance charges	2 056	306	306	2 094	85.39	85.39
Materials and bulk purchases	27 397	34 135	31 248	32 116	(6.29)	2.70
Contracted services	3 354	5 564	5 686	3 418	(62.77)	(66.34)
Other expenditure	72 137	53 834	49 174	54 502	1.23	9.78
<b>Total Expenditure</b>	<b>190 163</b>	<b>191 445</b>	<b>183 421</b>	<b>182 371</b>	<b>(4.98)</b>	<b>(0.58)</b>
<b>Surplus/(Deficit)</b>	<b>(4 081)</b>	<b>14 385</b>	<b>18 842</b>	<b>21 845</b>	<b>34.15</b>	<b>13.74</b>
Transfers recognised - capital	26 235	16 348	27 910	29 404	44.40	5.08
Contributions recognised - capital & contributed assets	1 062	967	1 456	1 926	49.78	24.40
<b>Surplus/(Deficit) for the year</b>	<b>23 216</b>	<b>31 700</b>	<b>48 209</b>	<b>53 175</b>	<b>40.39</b>	<b>9.34</b>
<b>Capital expenditure &amp; funds sources</b>						

## Chapter 5: Financial Performance

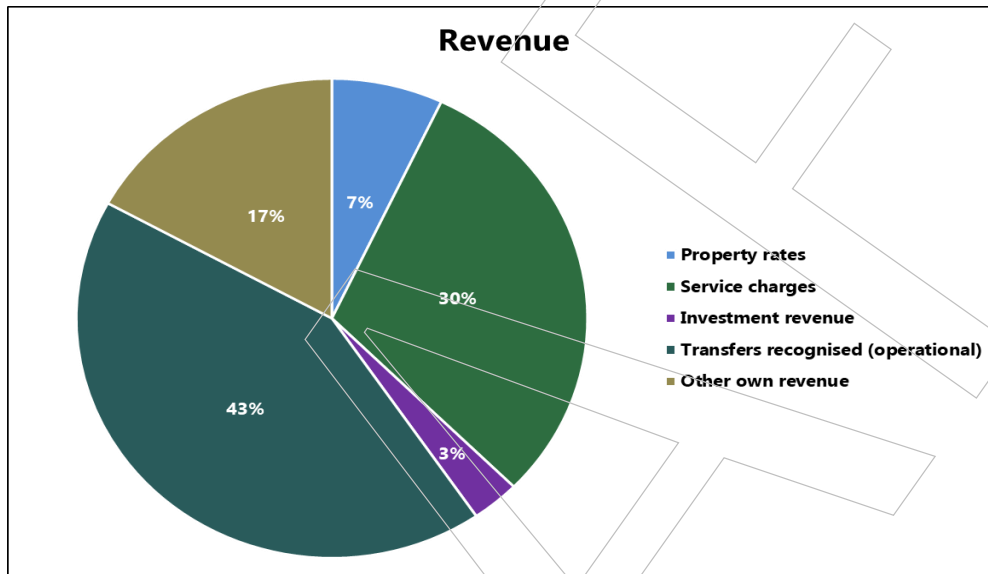
Financial Summary						
R'000						
Description	2019/20	2020/21		2020/21 %Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b>Capital expenditure</b>						
Transfers recognised – capital	26 235	16 348	27 910	29 404	44.40	5.08
Internally generated funds	1 062	967	1 456	1 926	49.78	24.40
<b>Total sources of capital funds</b>	<b>27 297</b>	<b>17 315</b>	<b>29 366</b>	<b>31 330</b>	<b>44.73</b>	<b>6.27</b>
<b>Financial position</b>						
Total current assets	70 029	94 614	127 456	83 633	(13.13)	(52.40)
Total non-current assets	521 814	518 669	518 669	528 182	1.80	1.80
Total current liabilities	71 359	19 136	24 506	65 735	70.89	62.72
Total non-current liabilities	17 957	19 727	16 823	21 709	9.13	22.51
Community wealth/Equity	502 527	574 420	604 797	528 182	(8.75)	(14.51)
<b>Cash flows</b>						
Net cash from (used) operating	29 883	48 422	40 479	29 693	(63.08)	(36.33)
Net cash from (used) investing	(27 379)	(16 348)	(12 647)	(31 330)	47.82	59.63
Net cash from (used) financing	(123)	56	56	28	(99.79)	(99.79)
<b>Cash/cash equivalents at the year end</b>	<b>2 380</b>	<b>32 130</b>	<b>27 888</b>	<b>6 967</b>	<b>(361.14)</b>	<b>(300.26)</b>
<b>Cash backing/surplus reconciliation</b>						
Cash and investments available	2 380	32 130	27 888	(1 609)	2 096.76	1 833.14
Application of cash and investments	4 401	5 816	6 900	6 782	14.23	(1.75)
<b>Balance - surplus (shortfall)</b>	<b>6 782</b>	<b>37 946</b>	<b>34 788</b>	<b>5 172</b>	<b>(633.63)</b>	<b>(572.58)</b>
<b>Asset management</b>						
Asset register summary (WDV)	518 208	518 669	518 669	528 182	1.80	1.80
Depreciation & asset impairment	31 807	31 707	31 109	29 516	(7.43)	(5.40)
Renewal of Existing Assets	0	16 348	27 910	29 404	44.40	5.08
Repairs and Maintenance	2 956	5 564	4 968	3 264	(70.46)	(52.20)
<b>Free services</b>						
Cost of Free Basic Services provided	10 300	11 000	11 000	11 913	7.67	7.67
Revenue cost of free services provided	11 202	11 000	11 000	11 913	7.67	7.67
<b>Households below minimum service level</b>						
Water	0	0	0	0	N/A	N/A
Sanitation/sewerage	54	54	54	54	0.00	0.00
Energy	0	0	0	0	N/A	N/A
Refuse	0	0	0	0	N/A	N/A

## Chapter 5: Financial Performance

Financial Summary						
R'000						
Description	2019/20	2020/21			2020/21 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

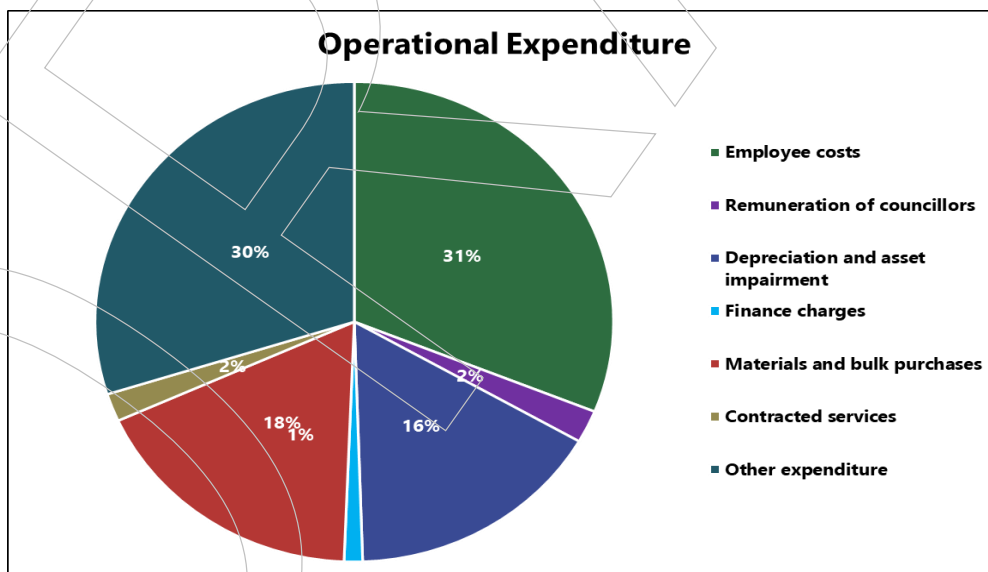
Table 158: Financial Performance 2020/21

The following graph indicates the various types of revenue items in the municipal budget for 2020/21



Graph 9: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2020/21



Graph 10: Operating Expenditure

## Chapter 5: Financial Performance

### 5.1.2 Total Financial Performance

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	(R'000)				(R'000)			
2019/20	171 774	186 082	14 308	8	191 334	190 163	(1 171)	1
2020/21	202 263	204 216	1 953	1	183 421	182 371	1 050	1

Table 159: Total Financial Performance

### 5.1.2 Revenue Collection by Vote

The table below indicates the revenue collection performance by vote:

Vote Description	2019/20	2020/21			2020/21 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Executive & Council	48 894	54 013	62 155	61 680	12.43	(0.77)
Finance & Admin	22 521	22 632	22 632	30 980	26.95	26.95
Community Services	33 355	25 275	15 275	23 820	(6.11)	35.87
Technical Services	80 483	103 910	102 201	87 736	(18.43)	(16.49)
<b>Total Revenue by Vote</b>	<b>186 253</b>	<b>205 830</b>	<b>202 263</b>	<b>204 216</b>	<b>(0.79)</b>	<b>(0.96)</b>

*Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.*

Table 160: Revenue by Vote

### 5.1.3 Revenue Collection by Source

The table below indicates the revenue collection performance by source for the 2020/21 financial year:

Description	2019/20	2020/21			2020/21 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Property rates	10 967	17 347	14 269	14 389	(20.56)	0.83
Service Charges - electricity revenue	28 008	35 659	27 744	29 756	(19.84)	6.76
Service Charges - water revenue	13 436	11 927	19 394	14 536	17.95	(33.42)
Service Charges - sanitation revenue	11 596	14 337	14 532	10 099	(41.96)	(43.89)
Service Charges - refuse revenue	4 978	7 506	10 060	6 649	(12.89)	(51.30)
Service Charges - other	358	0	0	932	0.00	0.00
Rentals of facilities and equipment	101	412	24	23	(1 686.18)	(4.05)
Interest earned - external investments	341	949	210	157	(502.55)	(33.34)
Interest earned - outstanding debtors	1 387	1 749	6 404	6 070	71.19	(5.49)

## Chapter 5: Financial Performance

Description	2019/20	2020/21			2020/21 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Fines	29 150	32 820	21 878	20 790	(57.87)	(5.24)
Licences and permits	382	2 803	375	525	(434.04)	28.55
Agency services	144	377	298	194	(94.33)	(53.61)
Transfers recognised - operational	79 611	57 510	65 452	86 864	33.79	24.65
Other revenue	733	8 053	7 242	8 678	7.20	16.54
Gains on disposal of PPE	5 063	0	0	4 554	N/A	N/A
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>186 253</b>	<b>191 449</b>	<b>187 882</b>	<b>204 216</b>	<b>6.25</b>	<b>8.00</b>

*Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.*

**Table 161: Revenue by Source**

### 5.1.4 Operational Services Performance

The table below indicates the operational services performance for the 2020/21 financial year:

Financial Performance of Operational Services						
R'000						
Description	2019/20	2020/21			2020/21 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<b>Operating Cost</b>						
Water	41 179	24 071	17 905	21 426	(12.34)	16.43
Waste Water (Sanitation)	31 216	13 753	13 753	21 949	37.34	37.34
Electricity	46 569	35 822	29 822	43 938	18.47	32.13
Waste Management	20 015	12 287	12 287	9 685	(26.87)	(26.87)
<b>Component A: sub-total</b>	<b>138 980</b>	<b>85 933</b>	<b>73 767</b>	<b>96 998</b>	<b>11.41</b>	<b>23.95</b>
Roads and Stormwater	6 896	40 014	40 014	8 711	(359.35)	(359.35)
<b>Component B: sub-total</b>	<b>6 896</b>	<b>40 014</b>	<b>40 014</b>	<b>8 711</b>	<b>(359.35)</b>	<b>(359.35)</b>
Planning	0	0	0	0	N/A	N/A
Local Economic Development	0	0	0	0	N/A	N/A
<b>Component C: sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>N/A</b>
Housing	1 286	1 600	1 600	876	(82.74)	(82.74)
Social services & community development	3 310	4 145	4 145	605	(584.89)	(584.89)
<b>Component D: sub-total</b>	<b>4 596</b>	<b>5 745</b>	<b>5 745</b>	<b>1 481</b>	<b>(287.97)</b>	<b>(287.97)</b>
Environment Protection (Pollution Control, Bio-Diversity, Landscape, Open Spaces, Parks and Coastal Protection)	0	0	0	0	N/A	N/A
<b>Component E: sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>N/A</b>



## Chapter 5: Financial Performance

Financial Performance of Operational Services						
R'000						
Description	2019/20	2020/21			2020/21 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<b>Operating Cost</b>						
Traffic & licensing	2 846	1 675	1 675	16 637	89.93	89.93
<b>Component F: sub-total</b>	<b>2 846</b>	<b>1 675</b>	<b>1 675</b>	<b>16 637</b>	<b>89.93</b>	<b>89.93</b>
Sport and Recreation	4 246	4 044	4 044	3 835	(5.46)	(5.46)
Cemeteries	0	0	0	755	N/A	N/A
Libraries	0	0	0	1 617	N/A	N/A
Museum	0	0	0	0	N/A	N/A
Community halls facilities Thusong centres	0	0	0	0	N/A	N/A
<b>Component G: sub-total</b>	<b>4 246</b>	<b>4 044</b>	<b>4 044</b>	<b>6 207</b>	<b>34.85</b>	<b>34.85</b>
Budget and Treasury Office	12 620	31 209	35 351	31 045	(0.53)	(13.87)
Executive and Council	18 161	18 924	18 924	15 749	(20.16)	(20.16)
Corporate Services	3 902	3 901	3 901	5 543	29.63	29.63
<b>Component H: sub-total</b>	<b>34 683</b>	<b>54 034</b>	<b>58 176</b>	<b>52 337</b>	<b>(3.24)</b>	<b>(11.16)</b>
<b>Total Expenditure</b>	<b>192 247</b>	<b>191 445</b>	<b>183 421</b>	<b>182 371</b>	<b>(4.98)</b>	<b>(0.58)</b>
<i>In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

**Table 162: Operational Services Performance**

## Chapter 5: Financial Performance

### 5.2 Financial Performance per Municipal Function

#### 5.2.1 Water Services

Description	2019/20		2020/21		
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>13 436</b>	<b>14 006</b>	<b>21 015</b>	<b>16 820</b>	<b>16.73</b>
<b>Expenditure:</b>					
Employees	4 032	5 151	6 351	5 340	3.53
Repairs and Maintenance	1 074	600	550	356	(68.70)
Other	5 836	24 614	23 184	3 364	(631.71)
<b>Total Operational Expenditure</b>	<b>10 942</b>	<b>30 366</b>	<b>30 085</b>	<b>9 060</b>	<b>(235.17)</b>
<b>Net Operational (Service) Expenditure</b>	<b>2 494</b>	<b>(16 360)</b>	<b>(9 070)</b>	<b>7 761</b>	<b>310.80</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

**Table 163:** Financial Performance: Water Services

#### 5.2.2 Waste Water (Sanitation)

Description	2019/20		2020/21		
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>11 596</b>	<b>18 008</b>	<b>19 115</b>	<b>12 482</b>	<b>(44.247)</b>
<b>Expenditure:</b>					
Employees	3 107	5 066	5 866	4 616	(9.75)
Repairs and Maintenance	827	510	450	420	(21.50)
Other	4 496	8 617	8 577	2 888	(198.31)
<b>Total Operational Expenditure</b>	<b>8 430</b>	<b>14 192</b>	<b>14 892</b>	<b>7 924</b>	<b>(79.11)</b>
<b>Net Operational (Service) Expenditure</b>	<b>3 166</b>	<b>3 816</b>	<b>4 223</b>	<b>4 559</b>	<b>16.30</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

**Table 164:** Financial Performance: Waste Water (Sanitation) Services

## Chapter 5: Financial Performance

### 5.2.3 Electricity

Description	2019/20	2020/21			Variance to Budget
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
<b>Total Operational Revenue</b>	<b>28 008</b>	<b>41 415</b>	<b>46 507</b>	<b>43 938</b>	<b>5.74</b>
<b>Expenditure:</b>					
Employees	1 968	2 785	3 485	3 050	8.68
Repairs and Maintenance	524	1 705	2 813	1 205	(41.45)
Other	2 848	40 400	40 133	32 202	(25.46)
<b>Total Operational Expenditure</b>	<b>5 340</b>	<b>44 890</b>	<b>46 431</b>	<b>36 457</b>	<b>(23.13)</b>
<b>Net Operational (Service) Expenditure</b>	<b>22 668</b>	<b>(3 475)</b>	<b>76</b>	<b>7 481</b>	<b>146.45</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

**Table 165: Financial Performance: Electricity**

### 5.2.4 Waste Management

Description	2019/20	2020/21			Variance to Budget
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
<b>Total Operational Revenue</b>	<b>4 978</b>	<b>0</b>	<b>5 697</b>	<b>8 588</b>	<b>100.00</b>
<b>Expenditure:</b>					
Employees	1 992	3 801	5 101	2 365	(60.68)
Repairs and Maintenance	531	135	135	65	(107.73)
Other	2 883	6 852	6 772	3 418	(100.47)
<b>Total Operational Expenditure</b>	<b>5 406</b>	<b>10 787</b>	<b>12 007</b>	<b>5 848</b>	<b>(84.46)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(428)</b>	<b>(10 787)</b>	<b>(6 310)</b>	<b>2 740</b>	<b>493.74</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

**Table 166: Financial Performance: Waste Management**

## Chapter 5: Financial Performance

### 5.2.5 Housing

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>1 286</b>	<b>881</b>	<b>881</b>	<b>876</b>	<b>(0.63)</b>
<b>Expenditure:</b>					
Employees	845	881	881	876	(0.63)
Repairs and Maintenance	0	0	0	0	N/A
Other	0	0	0	0	N/A
<b>Total Operational Expenditure</b>	<b>441</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>
<b>Net Operational (Service) Expenditure</b>	<b>1 286</b>	<b>881</b>	<b>881</b>	<b>876</b>	<b>(0.63)</b>

*Variances are calculated by dividing the difference between the actual and original budget by the actual.*

**Table 167: Financial Performance: Housing**

### 5.2.6 Roads and Stormwater

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>6 896</b>	<b>1 092</b>	<b>1 433</b>	<b>8 711</b>	<b>87.47</b>
<b>Expenditure:</b>					
Employees	4 744	5 652	7 658	6 986	19.09
Repairs and Maintenance	1 039	1 900	2 609	1 599	(18.86)
Other	1 114	8 552	8 105	7 360	(16.19)
<b>Total Operational Expenditure</b>	<b>6 896</b>	<b>16 104</b>	<b>18 372</b>	<b>15 944</b>	<b>(1.00)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(0)</b>	<b>(15 013)</b>	<b>(16 939)</b>	<b>(7 233)</b>	<b>(107.55)</b>

*Variances are calculated by dividing the difference between the actual and original budget by the actual.*

**Table 168: Financial Performance: Roads and Stormwater**

## Chapter 5: Financial Performance

### 5.2.7 Libraries

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>1 479</b>	<b>1 501</b>	<b>1 301</b>	<b>1 300</b>	<b>(15.44)</b>
<b>Expenditure:</b>					
Employees	1 461	1 595	1 718	1 609	0.91
Repairs and Maintenance	0	0	0	0	N/A
Other	123	13	13	8	(60.44)
<b>Total Operational Expenditure</b>	<b>1 584</b>	<b>1 607</b>	<b>1 731</b>	<b>1 617</b>	<b>0.61</b>
<b>Net Operational (Service) Expenditure</b>	<b>(105)</b>	<b>(106)</b>	<b>(430)</b>	<b>(317)</b>	<b>66.44</b>

*Variances are calculated by dividing the difference between the actual and original budget by the actual.*

**Table 169: Financial Performance: Libraries**

### 5.2.8 Community Facilities

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>98</b>	<b>54</b>	<b>204</b>	<b>24</b>	<b>(119.85)</b>
<b>Expenditure:</b>					
Employees	1 233	1 239	1 239	1 362	9.04
Repairs and Maintenance	7	0	0	0	N/A
Other	639	213	213	0	N/A
<b>Total Operational Expenditure</b>	<b>1 879</b>	<b>1 452</b>	<b>1 452</b>	<b>1 362</b>	<b>(6.61)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(1 781)</b>	<b>(1 398)</b>	<b>(1 248)</b>	<b>(1 337)</b>	<b>(4.55)</b>

*Variances are calculated by dividing the difference between the actual and original budget by the actual.*

**Table 170: Financial Performance: Community Facilities**

## Chapter 5: Financial Performance

### 5.2.9 Traffic and Law Enforcement

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>1 479</b>	<b>1 578</b>	<b>1 578</b>	<b>21 309</b>	<b>92.59</b>
<b>Expenditure:</b>					
Employees	1 461	1 454	1 454	2 307	36.96
Repairs and Maintenance	0	30	50	22	(33.43)
Other	123	2 416	2 182	36 819	93.44
<b>Total Operational Expenditure</b>	<b>1 584</b>	<b>3 901</b>	<b>3 686</b>	<b>39 148</b>	<b>90.04</b>
<b>Net Operational (Service) Expenditure</b>	<b>(105)</b>	<b>(2 323)</b>	<b>(2 108)</b>	<b>(17 839)</b>	<b>86.98</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

**Table 171: Financial Performance: Traffic and Law Enforcement**

### 5.2.10 Parks and Recreation

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>22</b>	<b>29</b>	<b>29</b>	<b>2</b>	<b>(1 712.50)</b>
<b>Expenditure:</b>					
Employees	3 000	3 000	3 000	3 836	21.80
Repairs and Maintenance	8	0	0	0	N/A
Other	36	0	0	0	N/A
<b>Total Operational Expenditure</b>	<b>3 044</b>	<b>3 000</b>	<b>3 000</b>	<b>3 836</b>	<b>21.80</b>
<b>Net Operational (Service) Expenditure</b>	<b>(3 022)</b>	<b>(2 971)</b>	<b>(2 971)</b>	<b>(3 835)</b>	<b>22.53</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

**Table 172: Financial Performance: Parks and Recreation**

## Chapter 5: Financial Performance

### 5.2.11 Office of the Municipal Manager

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>49 477</b>	<b>62 605</b>	<b>62 605</b>	<b>62 854</b>	<b>0.40</b>
<b>Expenditure:</b>					
Employees	8 658	17 436	17 279	9 984	(74.64)
Repairs and Maintenance	20	0	0	0	N/A
Other	9 249	11 846	8 996	6 527	(81.48)
<b>Total Operational Expenditure</b>	<b>17 927</b>	<b>29 282</b>	<b>26 275</b>	<b>16 511</b>	<b>(77.35)</b>
<b>Net Operational (Service) Expenditure</b>	<b>31 550</b>	<b>33 323</b>	<b>36 329</b>	<b>46 343</b>	<b>28.10</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 173: Financial Performance: Office of the Municipal Manager

### 5.2.12 Corporate Services

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>5 578</b>	<b>4 740</b>	<b>3 286</b>	<b>4 072</b>	<b>(16.40)</b>
<b>Expenditure:</b>					
Employees	2 197	2 600	2 216	3 138	17.14
Repairs and Maintenance	62	0	0	0	N/A
Other	3 319	2 140	1 070	934	(129.12)
<b>Total Operational Expenditure</b>	<b>5 578</b>	<b>4 740</b>	<b>3 286</b>	<b>4 072</b>	<b>(16.41)</b>
<b>Net Operational (Service) Expenditure</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>117.16</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 174: Financial Performance: Corporate Services

## Chapter 5: Financial Performance

### 5.2.13 Human Resources

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>7 344</b>	<b>1 156</b>	<b>1 136</b>	<b>1 513</b>	<b>23.60</b>
<b>Expenditure:</b>					
Employees	722	1 108	1 108	1 487	25.49
Repairs and Maintenance	0	0	0	0	N/A
Other	6 622	48	28	26	(84.77)
<b>Total Operational Expenditure</b>	<b>7 344</b>	<b>1 156</b>	<b>1 136</b>	<b>1 513</b>	<b>23.60</b>
<b>Net Operational (Service) Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>301.94</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 175: Financial Performance: Human Resources

### 5.2.14 Financial Services

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>16 006</b>	<b>12 807</b>	<b>19 331</b>	<b>18 032</b>	<b>28.98</b>
<b>Expenditure:</b>					
Employees	15 469	15 153	15 143	15 062	(0.61)
Repairs and Maintenance	323	200	90	13	(1 453.82)
Other	214	8 522	9 526	3 701	(130.28)
<b>Total Operational Expenditure</b>	<b>16 006</b>	<b>23 876</b>	<b>24 759</b>	<b>18 776</b>	<b>(27.16)</b>
<b>Net Operational (Service) Expenditure</b>	<b>0</b>	<b>(11 069)</b>	<b>(5 428)</b>	<b>(744)</b>	<b>(1 387.90)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 176: Financial Performance: Financial Services



## Chapter 5: Financial Performance

### 5.3 Grants

#### 5.3.1 Grant Performance

The Municipality had a total amount of **R91** million for infrastructure and other projects available that was received in the form of grants from the national and provincial governments during the 2020/21 financial year. The performance in the spending of these grants is summarised as follows:

Grant Performance						
R'000						
Description	2019/20	2020/21			2020/21 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<b>Capital Transfers and Grants</b>						
<b>National Government:</b>	<b>69 172</b>	<b>79 493</b>	<b>84 715</b>	<b>81 171</b>	<b>2.07</b>	<b>(4.37)</b>
Equitable share	49 477	61 680	61 680	61 513	(0.27)	(0.27)
INEP	6 366	3 510	10 310	11 778	70.20	12.46
EPWP: Roads	822	1 000	1 177	1 177	15.04	0.00
MIG – Project management unit	10 537	11 403	9 648	4 803	(137.41)	(100.88)
Finance management grant (FMG)	1 970	1 900	1 900	1 900	0.00	0.00
<b>Provincial Government:</b>	<b>1 479</b>	<b>1 500</b>	<b>1 300</b>	<b>1 300</b>	<b>(15.38)</b>	<b>0.00</b>
Library Grant	1 479	1 500	1 300	1 300	(15.38)	0.00
<b>Other grant providers:</b>	<b>8 960</b>	<b>3 300</b>	<b>7 900</b>	<b>8 590</b>	<b>61.58</b>	<b>8.03</b>
Water services operating subsidy	8 960	3 300	7 900	8 590	61.58	8.03
<b>Total Capital Transfers and Grants</b>	<b>79 611</b>	<b>84 293</b>	<b>93 915</b>	<b>91 061</b>	<b>7.43</b>	<b>(3.13)</b>
<i>Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 177: Grant Performance

#### 5.3.2 Conditional Grants

Grant Performance						
R'000						
Description	2019/20	2020/21			2020/21% Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
FMG	1 970	1 900	1 900	1 970	3.55	3.55
INEP	6 366	3 510	10 310	11 778	70.20	12.46
EPWP	822	1 000	1 177	1 177	15.04	0.00
Library grant	1 479	1 500	1 300	1 300	(15.38)	0.00
Regional Bulk Infrastructure Grant: Water Affairs	8 960	0	7 900	10 660	100.00	25.89
Equitable share	49 477	61 680	61 680	61 513	(0.27)	(0.27)

## Chapter 5: Financial Performance

Grant Performance						
R'000						
Description	2019/20	2020/21			2020/21% Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
MIG	10 537	10 916	10 916	10 537	(3.60)	(3.60)
<b>Total</b>	<b>79 611</b>	<b>80 506</b>	<b>95 183</b>	<b>98 935</b>	<b>18.63</b>	<b>3.79</b>

*Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.*

Table 178: Conditional Grant (excl. MIG)

### 5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'000	R'000	
2019/20	79 611	186 253	<b>42.74</b>
2020/21	86 864	204 216	<b>42.54</b>

Table 179: Reliance on Grants & Subsidies

## 5.4 Asset Management

### 5.4.1 Treatment of the Three Largest Assets

Asset 1		
Name	Upgrading VIP toilets into water borne system	
Description	Upgrading VIP toilets into water borne system	
Asset Type	Waste Water Management/Sanitation Infrastructure	
Key Staff Involved	Project Management Unit & Water & Sanitation Technician & other officials	
Staff Responsibilities	Monitoring the project & report on the progress of project regularly	
Asset Value as at 30 June 2021	2019/20 R million	2020/21 R million
	8 960	10 660
Capital Implications (R)	19 620	
Future Purpose of Asset	Community provided with flushing toilets or water borne system toilets	
Describe Key Issues	Improving and enhancing the community services by provide basic services	
Policies in Place to Manage Asset	Yes	
Asset 2		
Name	Nqgandu and Madikane block paving	
Description	Nqgandu and Madikane block paving roads	
Asset Type	Roads Infrastructure	
Key Staff Involved	Project Management Unit & Roads and Storm Water & other Officials	
Staff Responsibilities	Monitoring the project & report on the progress of project regularly	

## Chapter 5: Financial Performance

Asset Value as at 30 June 2021	2019/20 R million		2020/21 R million	
		1 603		5 606
Capital Implications	9 971			
Future Purpose of Asset	Community provided with clean/portable water on the regular basis			
Describe Key Issues	Improving and enhancing the community services by provide basic services			
Policies in Place to Manage Asset	Yes			
Asset 3				
Name	Upgrading electrical network at Noupoort			
Description	Upgrading electrical network at Noupoort			
Asset Type	Electricity infrastructure			
Key Staff Involved	Project Management Unit & Water & Sanitation Technician & other officials			
Staff Responsibilities	Monitoring the project & report on the progress of project regularly			
Asset Value as at 30 June 2021	2019/20 R million		2020/21 R million	
		6 366		11 778
Capital Implications	14 384			
Future Purpose of Asset	Households' connection into the municipal electrical network			
Describe Key Issues	Improving and enhancing community service delivery			
Policies in Place to Manage Asset	Yes			

**Table 180: Treatment of the Three Largest Assets**

### 5.4.1 Repairs and Maintenance

The table below indicates the repairs and maintenance as a % of total revenue:

Description	2019/20		2020/21		
	Actual (Audited Outcome)	Original Budget	Adjustment Budget	Actual	Budget variance
			R' 000		
Repairs and Maintenance Expenditure	2 956	5 564	4 968	3 264	(34.30)

**Table 181: Repairs & Maintenance**

## Chapter 5: Financial Performance

### 5.5 Financial Ratios Based on Key Performance Indicators

#### 5.5.1 Liquidity Ratio

Description	Basis of calculation	2019/20	2020/21
		Audited outcome	Audited outcome
Current Ratio	Current assets/current liabilities	1.06	1.27
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.92	0.32
Liquidity Ratio	Cash and equivalents/Trade creditors and short-term borrowings	1.05	1.00

Table 182: Liquidity Financial Ratio

#### 5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of calculation	2019/20	2020/21
		Audited outcome	Audited outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.05	1.00
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	1.13	1.21
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	2.27	1.50

Table 183: Financial Viability National KPIs

#### 5.5.3 Borrowing Management

Description	Basis of calculation	2019/20	2020/21
		Audited outcome	Audited outcome
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.00%	1.00%

Table 184: Borrowing Management

#### 5.5.4 Employee Costs

Description	Basis of calculation	2019/20	2020/21
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	28%	33%

Table 185: Employee Costs

## Chapter 5: Financial Performance

### 5.5.5 Repairs and Maintenance

Description	Basis of calculation	2019/20	2020/21
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total revenue - capital revenue)	2%	2%

Table 186: Repairs and Maintenance as Percentage of Total Revenue

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### 5.6 Capital Expenditure: Sources of Finance

The table below indicates the capital expenditure by funding source for the 2020/21 financial year:

Details	2019/20	2020/21				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
	R'000				%	
<b>Source of finance</b>						
Grants and subsidies	26 685	16 348	27 911	28 418	70.73	3.10
Own funding	1 062	2 883	2 883	1 202	0.00	(58.31)
<b>Total</b>	<b>27 747</b>	<b>19 231</b>	<b>30 794</b>	<b>29 620</b>	<b>60.13</b>	<b>(6.10)</b>
<b>Percentage of finance (%)</b>						
Grants and subsidies	96	85	91	0		
Own funding	0	15	9	0		
<b>Capital expenditure</b>						
Water and sanitation	19 497	27 236	27 236	10 660	0.00	(60.86)
Electricity	6 366	3 510	7 310	11 778	108.26	127.29
Roads and stormwater	822	10 971	10 541	5 980	(3.92)	(41.57)
Other	1 062	967	1 202	1 202	24.33	0.00
<b>Total</b>	<b>27 747</b>	<b>42 684</b>	<b>46 289</b>	<b>29 620</b>	<b>8.45</b>	<b>(39.05)</b>
<b>Percentage of expenditure (%)</b>						
Water and sanitation	66	64	59	36		
Electricity	21	8	16	40		
Roads and stormwater	3	26	23	20		
Other	4	2	3	4		

Table 187: Capital Expenditure by Funding Source

## Chapter 5: Financial Performance

### 5.7 Capital Expenditure on New Asset Programmes

The table below indicates the capital spending by new asset programmes:

Description	2019/20	2020/21			Planned Capital expenditure		
	<i>Audited outcome</i>	Original Budget	Adjust-ment Budget	Actual Expenditure	2021/22	2022/23	2023/24
<b>R'000</b>							
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	35 668	15 348	28 154	19 282	21 198	22 864	23 611
<b>Infrastructure: Road transport - Total</b>	531	9 971	10 541	4 606	12 368	11 864	12 206
<i>Roads, Pavements &amp; Bridges</i>	531	9 971	10 541	4 606	12 368	11 864	12 206
<b>Infrastructure: Electricity - Total</b>	9 300	3 510	7 310	8 018	0	3 000	3 000
<i>Transmission &amp; Reticulation</i>	9 300	3 510	7 310	8 018	0	3 000	3 000
<b>Infrastructure: Water - Total</b>	13 354	900	1 097	1 503	0	0	0
<i>Reticulation</i>	13 354	900	1 097	1 503	0	0	0
<b>Infrastructure: Sanitation - Total</b>	11 421	0	7 900	3 300	7 000	8 000	8 405
<i>Reticulation</i>	11 421	0	7 900	3 300	7 000	8 000	8 405
<b>Infrastructure: Other - Total</b>	1 062	967	1 306	1 856	1 830	0	0
<i>Other</i>	1 062	967	1 306	1 856	1 830	0	0
<b>Community - Total</b>	10	0	0	0	0	0	0
<i>Cemeteries</i>	10	0	0	0	0	0	0
<b>Capital expenditure by Asset Class</b>	27	200	1 052	0	280	0	0
<b>Other assets</b>	27	200	1 052	0	280	0	0
<i>General vehicles</i>	0	200	1 052	0	0	0	0
<i>Computers - hardware/equipment</i>	27	0	0	0	280	0	0
<b>Total Capital Expenditure on new assets</b>	35 706	15 548	29 206	19 282	21 478	22 864	23 611

Table 188: Capital Expenditure on New Assets

## Chapter 5: Financial Performance

### 5.8 Capital Spending

The table below indicates the capital spending on the largest projects:

Name of Project	2020/21				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Upgrading of VIP's and bucket system to sewer network	0	7 900	10 660	100.00	25.89
Noupoort electrification project	3 510	7 310	11 778	70.20	37.93
Ngqandu & Madikane block paving roads	10 971	10 541	5 980	(83.46)	(76.27)

**Table 189: Capital Spending of the Largest Projects**

### COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Cash flow management is critical to the municipality as it enables the organisation to assess whether enough cash is available at any point in time to cover the council's commitments. Cash flow is rigorously managed and monitored on a regular basis.

### 5.9 Cash Flow

Description	2020/21		
	Original Budget	Adjusted Budget	Actual
<b>Cash flow from operating activities</b>			
<b>Receipts</b>			
Ratepayers and other	98 068	91 763	64 619
Government - operating	63 685	50 914	47 210
Government - capital	16 348	27 910	31 330
Interest	2 348	6 281	157
<b>Payments</b>			
Suppliers and employees	(132 027)	(136 084)	(113 624)
Finance charges	0	(306)	0
<b>Net cash from/(used) operating activities</b>	<b>48 422</b>	<b>40 479</b>	<b>29 693</b>
<b>Payments</b>			
Capital assets	(16 348)	(27 910)	(31 358)
<b>Net cash from/(used) investing activities</b>	<b>(16 348)</b>	<b>(27 910)</b>	<b>(31 358)</b>
<b>Cash flows from financing activities</b>			
<b>Receipts</b>			
Increase(Decrease) in Consumer Debtors	56	56	28
<b>Net cash from/(used) financing activities</b>	<b>56</b>	<b>56</b>	<b>28</b>
<b>Net increase/ (decrease) in cash held</b>	<b>32 130</b>	<b>27 888</b>	<b>(1 637)</b>

## Chapter 5: Financial Performance

Description	2020/21		
	Original Budget	Adjusted Budget	Actual
Cash/cash equivalents at the year begin:	5 816	6 900	6 782
Cash/cash equivalents at the year-end:	37 946	34 788	5 144

Source: MBRR SA7

Table 190: Cash Flow

### 5.10 Gross Outstanding Debtors per Service

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
R'000						
2019/20	10 967	41 253	16 597	0	358	69 175
2020/21	14 389	44 292	16 748	0	932	76 361
Difference	3 422	3 039	151	0	574	7 186
% growth year on year	31	7	1	N/A	160	10

Note: Figures exclude provision for bad debt

Table 191: Gross Outstanding Debtors per Service

The following graph indicates the total outstanding debt per type of service for 2020/21

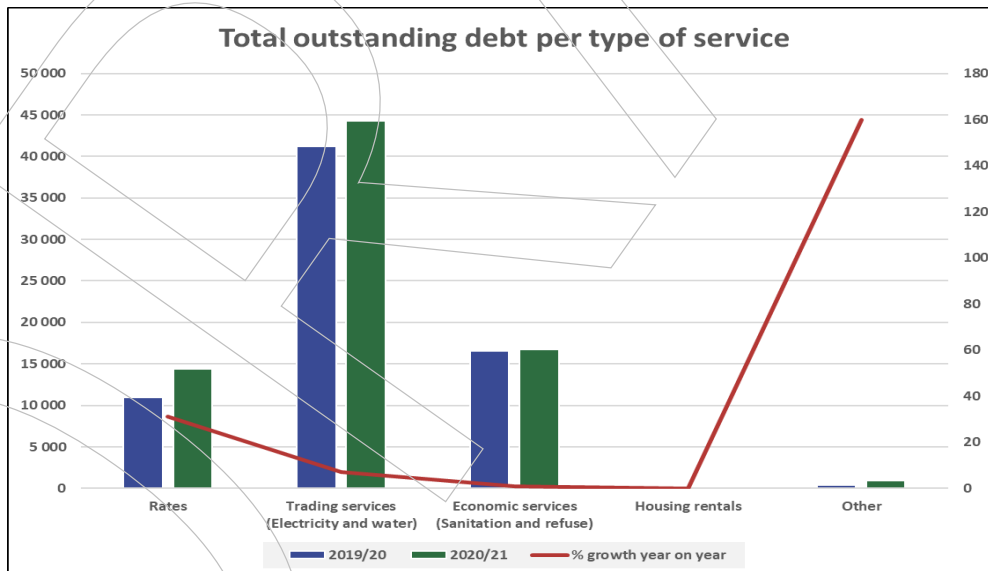


Table 192: Outstanding Debt per Type of Service



## Chapter 5: Financial Performance

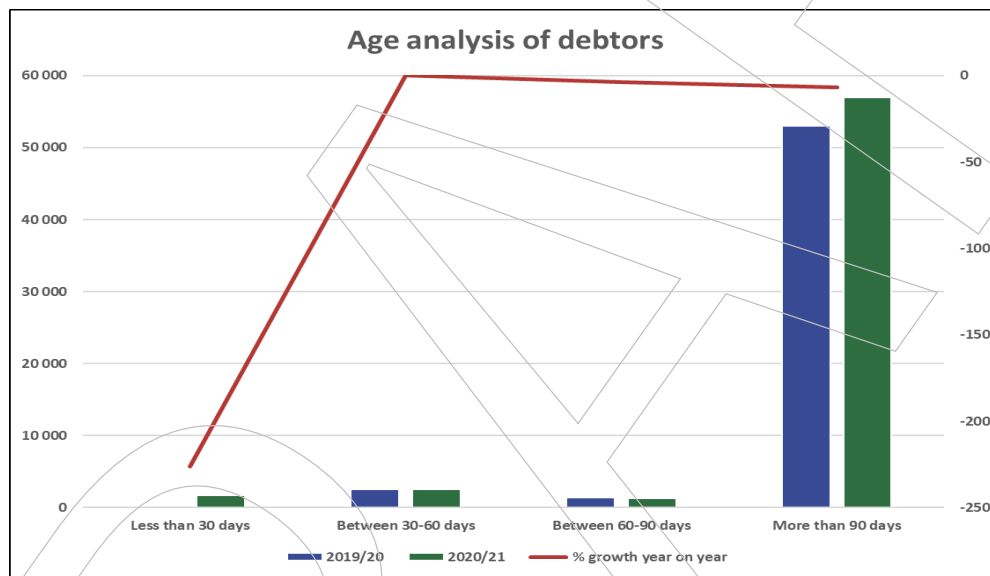
### 5.11 Total Debtors Age Analysis

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2019/20	(1 374)	2 499	1 377	53 028	55 530
2020/21	1 727	2 502	1 323	56 936	62 488
Difference	3 101	3	(54)	(3 908)	6 958
% growth year on year	(226)	0	(4)	(7)	13

*Note: Figures exclude provision for bad debt*

**Table 193: Outstanding Debtor Age Analysis**

The following graph indicates the total debtors age analysis for 2020/21



### 5.12 Borrowing and Investments

Infrastructure needs to be replaced and therefore borrowings for periods of 15 years are taken up to lessen the impact on consumers.

#### 5.12.1 Actual Borrowings

Actual Borrowings			
R' 000			
Instrument	2019/20	2020/21	
Financial leases	2 056	2 094	
<b>Total</b>	<b>2 056</b>	<b>2 094</b>	

**Table 194: Actual Borrowings**

## Chapter 5: Financial Performance

### 5.12.2 Municipal Investments

Actual Investments		
R'000		
Investment type	2019/20	2020/21
	Actual	Actual
Deposits - bank	157	341
<b>Total</b>	<b>157</b>	<b>341</b>

*Table 195: Municipal Investments*

### CHAPTER 6

#### COMPONENT A: AUDITOR-GENERAL OPINION 2019/20

##### 6.1 Auditor-General Report 2019/20

Details	
Audit Report Status:	Qualified
Issue raised	Corrective steps implemented
<p><b>Cash and Cash Equivalents</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG could not confirm cash and cash equivalents by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R6 967 492 in the financial statements</p>	<p>The Municipality has been in contact with the financial management system provider for them to assist with the correction of the system bank reconciliations. The Management and the System Vendor has agreed that the cash and cash equivalents will be resolved on or before 30 June 2021</p>
<p><b>Material impairments – trade debtors</b></p> <p>As disclosed in note 34 to the financial statements, material impairments for receivables from exchange transactions and receivables from non-exchange transactions to the amount of R46 862 108 (2018-19: R25 963 197) respectively were incurred as a result of non-payment by trade debtors</p>	<p>The Municipality will investigate the debtors age analysis to determine inactive accounts that needs to be closed and identify the debtors that have multiple municipal accounts.</p> <p>Furthermore, the Municipality has appointed DBSA to perform data cleansing of the municipal accounts. The Municipality will update the credit policy to enforce debt collections. The envisage date to start with data cleansing is 1 July 2021</p>
<p><b>Distribution losses – electricity</b></p> <p>As disclosed in note 49 to the financial statements, material electricity losses of R6 447 531 (2018-19: R7 237 122) was incurred, which represents 24.06% (2018-19: 30.48%) of total electricity purchased. Technical losses and non-technical losses were due dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering</p>	<p>The overall strategy will be to improve billing and invoicing on the electrical issues and furthermore the Municipality will address the technical losses through the following strategies:</p> <ul style="list-style-type: none"> <li>🔧 Replacement of electrical meters with smart meters</li> <li>🔧 Improve the reading of the electrical meters</li> <li>🔧 Municipality will strive to address incorrect and inaccurate electrical billing and issuing the accounts in early</li> <li>🔧 Improve public confidence in terms of billing system and issuing the accurate accounts. The data cleansing will assist in improving revenue collection on the electricity</li> </ul>
<p><b>Distribution losses – water</b></p> <p>As disclosed in note 49 to the financial statements, material water losses of R2 683 658 (2018-19: R1 051 064) was incurred, which represents 66.36% (2018-19: 33.68%) of total water purchased. Technical losses and non-technical losses were due to leakages, the tampering of meters, incorrect ratios used on bulk meters, faulty meters and illegal water connection</p>	<p>The overall strategy will be to improve billing and invoicing on the water issues and furthermore the municipality will address the technical losses through the following strategies-</p> <p>The municipality aim for efficient leakage recovery, that is the quick responses to the leaking pipes and equipment, due to pipe burst and breaks.</p> <p>Furthermore, the municipality will install the zonal meters, in the government facilities, schools, hospitals and big businesses, block of flats and this will be achieved by dividing the water network into sections.</p> <p>Municipality will embark on the quick assessment and repairs of network.</p> <p>Municipality will introduce the system called noise loggers as they help with picking up a sound of leaking water in short- monitoring network activities.</p>

## Chapter 6: Auditor-General Report

Details	
	Municipality will take control of the network pressure- through pressure management, it is also known as valves control management

Table 196: AG Report 2019/20

### COMPONENT B: AUDITOR-GENERAL OPINION 2020/21

#### 6.2 Auditor-General Report 2020/21

Details	
Audit Report Status:	Qualified
Issue raised	Corrective steps implemented
<p><b>Cash and Cash Equivalents</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG could not confirm cash and cash equivalents by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R5 172 398 (2020: R6 781 515) in the financial statements</p>	<p>Internal controls have been improved by implementing daily:</p> <ul style="list-style-type: none"> <li>👤 Daily system allocated cashbook reconciliation</li> <li>👤 Manual bank reconciliation also being implemented</li> <li>👤 Requesting bank to follow up on unallocated deposits with their ABC division to identify depositors</li> <li>👤 Retracing &amp; completing previous bank &amp; cashbook reconciliations</li> <li>👤 Supervision and controls escalated to the office of the CFO</li> </ul>
<p><b>Distribution losses – electricity</b></p> <p>As disclosed in note 48 to the financial statements, material electricity losses of R8 907 499 (2020: R6 447 531) was incurred, which represents 28.02% (2020: 24.06%) of total electricity purchased. Technical losses and non-technical losses were due dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering</p>	<ul style="list-style-type: none"> <li>👤 Distribution losses caused due to load-shedding cannot be anticipated and will form part of normal technical losses as long as this is part of operations</li> <li>👤 Additional allocation for improved capacity on maintenance of key areas being implemented</li> <li>👤 Already commenced with auditing bulk MVA uses tariff charges and implementing corrective measures where errors are identified</li> <li>👤 Intend to restructure tariff in the new financial year to ensure that demand charges are recovered even if not used</li> <li>👤 Looking for a service provider at risk to upgrade old meters to modern technology to mitigate illegal connections, tampering, theft and incorrect readings. Modern metering would also control the amount of allocation to indigent households on a daily basis</li> <li>👤 Identify all non-revenue electricity usage that may not be included in the reconciliation of the calculation of distribution losses</li> </ul>
<p><b>Distribution losses – water</b></p> <p>As disclosed in note 48 to the financial statements, material water losses of R9 489 410 (2020: R9 137 943) was incurred, which represents 59.23% (2020: 66.36%) of total water purchased. Technical losses and non-technical losses were due to leakages, the tampering of meters, incorrect ratios used on bulk meters, faulty meters and illegal water connection</p>	<ul style="list-style-type: none"> <li>👤 Distribution losses caused due to a sudden increase and drop in water pressure cannot be anticipated and will form part of normal technical losses as long as this is part of operations. As funding becomes available, the Municipality will upgrade old asbestos and earthen wear pipes with UPVC pipes to reduce leaks and breakages</li> <li>👤 Additional allocation for improved capacity on maintenance of key areas being implemented</li> <li>👤 As funding becomes available to introduce control bulk meters to identify areas with high losses so that specific actions can be undertaken</li> </ul>

## Chapter 6: Auditor-General Report

Details	
	<ul style="list-style-type: none"> <li>👤 Intend to restructure tariff in the new financial year to ensure that stepped tariffs recover higher amounts from larger uses</li> <li>👤 Looking for a service provider at risk to upgrade old meters to modern technology to mitigate illegal connections, tampering, theft and incorrect readings. Modern metering would also control the amount of allocation to indigent households on a daily basis</li> <li>👤 Identify all non-revenue water usage that may not be included in the reconciliation of calculation of distribution losses</li> </ul>
<p><b>Underspending of conditional grants</b></p> <p>As disclosed in note 26 to the financial statements, the Municipality materially underspent on the municipal infrastructure grant by R5 601 018. The underspending resulted to delays in the progress of the upgrading of Ngqandu and Madikane streets projects</p>	<ul style="list-style-type: none"> <li>👤 Lockdowns and unavailability of service providers were major contributing factors</li> <li>👤 Slow bid committee processes are being reviewed and improvements have already been implemented</li> <li>👤 The SCM process is being reviewed and already approval processes are being speeded-up</li> <li>👤 Late receipts and non-approval of roll-over of grants have caused delays and internal budget to be made available to start bid processes earlier and such funds are recovered when grants are received</li> <li>👤 Delegations have been reviewed to be implemented in the new financial year</li> </ul>

Table 197: AG Report 2020/21

## Abbreviations

<b>AC</b>	Asbestos Cement	<b>MM</b>	Municipal Manager
<b>AG</b>	Auditor-General	<b>MMC</b>	Member of Mayoral Committee
<b>ANC</b>	African National Congress	<b>MPAC</b>	Municipal Public Accounts Committee
<b>B-BBEE</b>	Broad Based Black Economic Empowerment	<b>MSA</b>	Municipal Systems Act No. 32 of 2000
<b>COGHSTA</b>	Cooperative Governance, Human Settlements and Traditional Affairs	<b>mSCOA</b>	Municipal Standard Chart of Accounts
<b>DA</b>	Democratic Alliance	<b>MTECH</b>	Medium Term Expenditure Committee
<b>DEA</b>	Department of Environmental Affairs	<b>NGO</b>	Non-governmental organisation
<b>DEDAT</b>	Department of Economic Development and Tourism	<b>NT</b>	National Treasury
<b>DMA</b>	Disaster Management (Act 57 of 2002)	<b>OPEX</b>	Operating expenditure
<b>DOH</b>	Department of Health	<b>PACA</b>	Participatory Appraisal Competitive Advantage
<b>DoRA</b>	Division of Revenue Act	<b>PMS</b>	Performance Management System
<b>DRDLR</b>	Department of Rural Development and Land Reform	<b>PPE</b>	Personal Protective Equipment
<b>EEDSM</b>	Energy Efficiency and Demand Side Management	<b>PRV</b>	Pressure Reducing Valve
<b>EFF</b>	Economic Freedom Fighters	<b>PT</b>	Provincial Treasury
<b>EME</b>	Exempt Micro Enterprises	<b>PVC</b>	Polyvinyl Chloride
<b>IDP</b>	Integrated Development Plan	<b>QSE</b>	Qualifying Small Enterprises
<b>IMATU</b>	Independent Municipal and Allied Trade Union	<b>SALGA</b>	South African Local Government Organisation
<b>INEP</b>	Integrated National Electrification Programme	<b>SAMDI</b>	South African Management Development Institute
<b>KI</b>	Kerb Inlet	<b>SAMWU</b>	South African Municipal Workers Union
<b>KPA</b>	Key Performance Area	<b>SASSA</b>	South African Social Security Agency
<b>KPI</b>	Key Performance Indicator	<b>SCM</b>	Supply Chain Management
<b>LED</b>	Local Economic Development	<b>SDBIP</b>	Service Delivery and Budget Implementation Plan
<b>LGS</b>	Local Government Support	<b>SDF</b>	Spatial Development Framework
<b>LGSETA</b>	Local Government Sector Education Authority	<b>SEDA</b>	Small Enterprise Development Agency
<b>MAYCOM</b>	Executive Mayoral Committee	<b>SMMEs</b>	Small, Medium and Macro Enterprises
<b>MCCR</b>	Municipal Cost Containment Regulations	<b>uPVC</b>	Un-plasticised Poly Vinyl Chloride
<b>MFMA</b>	Municipal Finance Management Act (Act No. 56 of 2003)	<b>VIP</b>	Ventilated Improved Pit
<b>MIG</b>	Municipal Infrastructure Grant	<b>VCP</b>	Vehicle Check Point
		<b>WWTP</b>	Waste Water Treatment Plant
		<b>WSIG</b>	Water Service Infrastructure Grant

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**ANNEXURE A:  
ANNUAL  
FINANCIAL  
STATEMENTS**



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



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Legal form of entity</b>	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
<b>Nature of business and principal activities</b>	A local authority providing municipal services and maintaining the best interest of the community in the Umsobomvu municipal area.
<b>Mayoral committee</b>	
Mayor	MS Toto
Councilors	NJ Batties SK Brown VP Harmse E Humpries MR Kafi JP Mathee W Minnie MA Sestile ND Stafa CM Williams
<b>Grading of local authority</b>	Grade 2
<b>Chief Finance Officer (CFO)</b>	TD Tshikundu
<b>Accounting Officer</b>	AC Mpela
<b>Business address</b>	21A Church Street Colesberg Northern Cape 9795
<b>Postal address</b>	Private Bag X6 Colesberg Northern Cape 9795
<b>Bankers</b>	ABSA Bank Limited Standard Bank of South Africa Limited First National Bank Limited
<b>Telephone number</b>	(051) 753 0777
<b>Fax number</b>	(051) 753 0574
<b>Website</b>	<a href="http://www.umsobomvumun.co.za">www.umsobomvumun.co.za</a>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Index

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

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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
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Responsibilities and Approval

---

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

The annual financial 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.

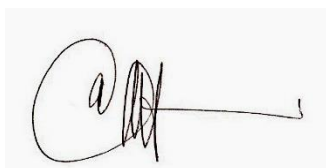
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

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

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

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Umsobomvu Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 6 to 83, 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:



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**AC Mpela**  
Accounting officer

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Umsobomvu municipal area.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment. Net surplus of the municipality was R 21,844,794 (2020: deficit R 5,994,270).

### 2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 524,371,647 and that the municipality's total assets exceed its liabilities by R 524,371,647. 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 government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cash flow of the municipality and where necessary procure funding for the ongoing operations of the municipality.

### 3. Subsequent events

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

### 4. Accounting officer's interest in contracts

The accounting officer had no interest in any contracts.

### 5. Accounting policies

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

### 6. Non-current assets

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

### 7. 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.

#### Internal audit

The municipality has outsourced its internal audit function to Pixley-ka-Seme District Municipality (i.e. shared services). This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### 8. Bankers

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

### 9. Auditors

Auditor General of South Africa (AGSA) will continue in office for the next financial period.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

Figures in Rand	Note	2021	2020
<b>Assets</b>			
Current Assets			
Inventories	3	405,268	406,381
Other debtors	4	1,703,706	820,626
Receivables from exchange transactions	5	59,580,169	47,942,286
Receivables from non-exchange transactions	5	2,117,223	-
Statutory receivables from non-exchange transactions	6	14,654,418	14,077,702
Cash and cash equivalents	7	5,172,398	6,781,515
		<b>83,633,182</b>	<b>70,028,510</b>
Non-Current Assets			
Investment property	8	16,698,999	12,144,899
Property, plant and equipment	9	511,418,202	509,571,692
Intangible assets	10	64,816	97,175
Operating lease asset	11	274	372
		<b>528,182,291</b>	<b>521,814,138</b>
<b>Total Assets</b>		<b>611,815,473</b>	<b>591,842,648</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	12	651,924	530,002
Trade payables	13	37,378,063	31,150,738
Payables from non-exchange transactions	14	977,943	1,016,392
VAT payable	15	13,728,194	17,393,942
Consumer deposits	16	745,124	767,081
Employee benefit obligation	17	708,000	631,000
Unspent conditional grants and receipts	18	11,545,447	19,869,543
		<b>65,734,695</b>	<b>71,358,698</b>
Non-Current Liabilities			
Finance lease obligation	12	2,519,283	2,269,878
Employee benefit obligation	17	10,978,460	9,841,460
Provisions	19	8,211,388	5,845,760
		<b>21,709,131</b>	<b>17,957,098</b>
<b>Total Liabilities</b>		<b>87,443,826</b>	<b>89,315,796</b>
<b>Net Assets</b>		<b>524,371,647</b>	<b>502,526,852</b>
Accumulated surplus		524,371,647	502,526,852

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Note	2021	2020
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	61,972,225	58,207,757
Rental of facilities and equipment	21	23,457	100,331
Agency services	22	719,458	524,629
Other income	23	987,730	733,662
Interest received	24	6,227,953	1,724,509
Fair value adjustments		4,554,100	5,063,001
<b>Total revenue from exchange transactions</b>		<b>74,484,923</b>	<b>66,353,889</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	14,389,004	10,966,986
<b>Transfer revenue</b>			
Government grants and subsidies	26	86,864,096	79,611,163
Fines, penalties and forfeits	27	20,789,543	29,149,670
Public contributions and donations	28	7,688,112	-
<b>Total revenue from non-exchange transactions</b>		<b>129,730,755</b>	<b>119,727,819</b>
<b>Total revenue</b>		<b>204,215,678</b>	<b>186,081,708</b>
<b>Expenditure</b>			
Employee related costs	29	(56,729,144)	(49,981,429)
Remuneration of councilors	30	(3,996,005)	(4,128,432)
Depreciation and amortisation	31	(29,515,831)	(31,109,122)
Impairment loss	32	-	(697,727)
Finance costs	33	(2,094,091)	(2,055,555)
Debt impairment	34	(32,765,896)	(43,904,229)
Bulk purchases	35	(32,115,789)	(27,397,052)
Contracted services		(3,418,375)	(3,354,364)
Loss on disposal of assets and liabilities		-	(2,340,685)
General expenses	36	(17,865,878)	(18,655,818)
Auditors remuneration	37	(3,134,160)	(2,222,350)
Fines and penalties		(186,752)	(3,098,260)
Travel and subsistence		(548,963)	(1,217,495)
<b>Total expenditure</b>		<b>(182,370,884)</b>	<b>(190,162,518)</b>
<b>Surplus (deficit) for the year</b>		<b>21,844,794</b>	<b>(4,080,810)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	508,472,729	508,472,729
Adjustments		
Correction of errors (refer to Note 42)	(1,865,067)	(1,865,067)
<b>Balance at 01 July 2019 as restated*</b>	<b>506,607,662</b>	<b>506,607,662</b>
Changes in net assets		
Surplus for the year	(4,080,810)	(4,080,810)
Total changes	(4,080,810)	(4,080,810)
<b>Balance at 01 July 2020</b>	<b>502,526,853</b>	<b>502,526,853</b>
Changes in net assets		
Surplus for the year	21,844,794	21,844,794
Total changes	21,844,794	21,844,794
<b>Balance at 30 June 2021</b>	<b>524,371,647</b>	<b>524,371,647</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand	Note	2021	2020
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		64,619,272	51,417,862
Government grant and subsidies		78,540,000	84,133,999
Interest income		157,498	340,635
		<u>143,316,770</u>	<u>135,892,496</u>
<b>Payments</b>			
Employee costs		(59,907,953)	(55,749,269)
Suppliers paid		(53,715,982)	(50,260,580)
		<u>(113,623,935)</u>	<u>(106,009,849)</u>
<b>Net cash flows from operating activities</b>	38	<b><u>29,692,835</u></b>	<b><u>29,882,647</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(31,329,981)	(27,351,578)
Purchase of other intangible assets	10	-	(27,430)
<b>Net cash flows from investing activities</b>		<b><u>(31,329,981)</u></b>	<b><u>(27,379,008)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		28,029	(123,492)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(1,609,117)</u></b>	<b><u>2,380,147</u></b>
Cash and cash equivalents at the beginning of the year		6,781,515	4,401,374
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>5,172,398</u></b>	<b><u>6,781,521</u></b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	69,427,986	2,301,250	<b>71,729,236</b>	61,972,225	<b>(9,757,011)</b>	Note 51
Rental of facilities and equipment	412,161	(388,000)	<b>24,161</b>	23,457	<b>(704)</b>	
Agency services	3,179,736	(2,506,664)	<b>673,072</b>	719,458	<b>46,386</b>	
Other income	8,043,510	(800,000)	<b>7,243,510</b>	987,730	<b>(6,255,780)</b>	Note 51
Interest received	2,697,799	3,916,095	<b>6,613,894</b>	6,227,953	<b>(385,941)</b>	
Fair value adjustments	-	-	-	4,554,100	<b>4,554,100</b>	Note 51
<b>Total revenue from exchange transactions</b>	<b>83,761,192</b>	<b>2,522,681</b>	<b>86,283,873</b>	<b>74,484,923</b>	<b>(11,798,950)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	17,347,496	(3,078,819)	<b>14,268,677</b>	14,389,004	<b>120,327</b>	
<b>Transfer revenue</b>						
Government grants and subsidies	71,891,150	7,942,000	<b>79,833,150</b>	86,864,096	<b>7,030,946</b>	Note 51
Fines, penalties and forfeits	32,830,320	(10,952,600)	<b>21,877,720</b>	20,789,543	<b>(1,088,177)</b>	
Public contributions and donations	-	-	-	7,688,112	<b>7,688,112</b>	Note 51
<b>Total revenue from non-exchange transactions</b>	<b>122,068,966</b>	<b>(6,089,419)</b>	<b>115,979,547</b>	<b>129,730,755</b>	<b>13,751,208</b>	
<b>Total revenue</b>	<b>205,830,158</b>	<b>(3,566,738)</b>	<b>202,263,420</b>	<b>204,215,678</b>	<b>1,952,258</b>	
<b>Expenditure</b>						
Employee related costs	(61,280,424)	-	<b>(61,280,424)</b>	(56,729,144)	<b>4,551,280</b>	Note 51
Remuneration of councilors	(4,617,844)	-	<b>(4,617,844)</b>	(3,996,005)	<b>621,839</b>	Note 51
Contracted services	(5,564,035)	(122,016)	<b>(5,686,051)</b>	(3,418,375)	<b>2,267,676</b>	Note 51
Loss on disposal of assets	(25,000)	-	<b>(25,000)</b>	-	<b>25,000</b>	Note 51
Depreciation and amortisation	(31,707,466)	598,778	<b>(31,108,688)</b>	(29,515,831)	<b>1,592,857</b>	Note 51
Finance costs	(306,000)	-	<b>(306,000)</b>	(2,094,091)	<b>(1,788,091)</b>	Note 51
Debt impairment	(28,378,599)	3,055,480	<b>(25,323,119)</b>	(32,765,896)	<b>(7,442,777)</b>	Note 51
Bulk purchases	(34,135,405)	2,887,000	<b>(31,248,405)</b>	(32,115,789)	<b>(867,384)</b>	
General expenses	(25,430,344)	1,604,932	<b>(23,825,412)</b>	(21,735,753)	<b>2,089,659</b>	Note 51
<b>Total expenditure</b>	<b>(191,445,117)</b>	<b>8,024,174</b>	<b>(183,420,943)</b>	<b>(182,370,884)</b>	<b>1,050,059</b>	
<b>Surplus before taxation</b>	<b>14,385,041</b>	<b>4,457,436</b>	<b>18,842,477</b>	<b>21,844,794</b>	<b>3,002,317</b>	

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	1,062,000	-	<b>1,062,000</b>	405,268	<b>(656,732)</b>	Note 51
Other debtors	5,583,000	-	<b>5,583,000</b>	1,703,706	<b>(3,879,294)</b>	Note 51
Consumer debtors	74,035,401	11,987,000	<b>86,022,401</b>	76,351,810	<b>(9,670,591)</b>	Note 51
Cash and cash equivalents	13,934,000	20,854,742	<b>34,788,742</b>	5,172,398	<b>(29,616,344)</b>	Note 51
	<b>94,614,401</b>	<b>32,841,742</b>	<b>127,456,143</b>	<b>83,633,182</b>	<b>(43,822,961)</b>	
<b>Non-Current Assets</b>						
Investment property	2,061,000	-	<b>2,061,000</b>	16,698,999	<b>14,637,999</b>	Note 51
Property, plant and equipment	514,593,787	-	<b>514,593,787</b>	511,418,202	<b>(3,175,585)</b>	
Intangible assets	2,014,000	-	<b>2,014,000</b>	64,816	<b>(1,949,184)</b>	Note 51
Operating lease asset	-	-	-	274	<b>274</b>	Note 51
	<b>518,668,787</b>	-	<b>518,668,787</b>	<b>528,182,291</b>	<b>9,513,504</b>	
<b>Total Assets</b>	<b>613,283,188</b>	<b>32,841,742</b>	<b>646,124,930</b>	<b>611,815,473</b>	<b>(34,309,457)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Trade payables	17,640,003	5,370,000	<b>23,010,003</b>	63,629,647	<b>40,619,644</b>	Note 51
Consumer deposits	803,000	-	<b>803,000</b>	745,124	<b>(57,876)</b>	Note 51
Provisions	692,543	-	<b>692,543</b>	1,359,924	<b>667,381</b>	Note 51
	<b>19,135,546</b>	<b>5,370,000</b>	<b>24,505,546</b>	<b>65,734,695</b>	<b>41,229,149</b>	
<b>Non-Current Liabilities</b>						
Provisions	19,727,245	(2,904,540)	<b>16,822,705</b>	21,709,131	<b>4,886,426</b>	Note 51
<b>Total Liabilities</b>	<b>38,862,791</b>	<b>2,465,460</b>	<b>41,328,251</b>	<b>87,443,826</b>	<b>46,115,575</b>	
<b>Net Assets</b>	<b>574,420,397</b>	<b>30,376,282</b>	<b>604,796,679</b>	<b>524,371,647</b>	<b>(80,425,032)</b>	
<b>Net Assets</b>						
<b>Reserves</b>						
Accumulated surplus	574,420,397	30,376,282	<b>604,796,679</b>	524,371,647	<b>(80,425,032)</b>	



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	66,819,000	(2,510,973)	<b>64,308,027</b>	64,619,272	<b>311,245</b>	Note 51
Government grants and subsidies	80,032,850	(1,208,000)	<b>78,824,850</b>	78,540,000	<b>(284,850)</b>	
Interest income	2,348,000	3,933,336	<b>6,281,336</b>	157,498	<b>(6,123,838)</b>	Note 51
Other receipts	31,249,161	(3,794,671)	<b>27,454,490</b>	-	<b>(27,454,490)</b>	Note 51
	<b>180,449,011</b>	<b>(3,580,308)</b>	<b>176,868,703</b>	<b>143,316,770</b>	<b>(33,551,933)</b>	
<b>Payments</b>						
Suppliers and employee cost	(132,027,000)	(4,056,780)	<b>(136,083,780)</b>	(113,623,935)	<b>22,459,845</b>	Note 51
Finance costs	-	(306,000)	<b>(306,000)</b>	-	<b>306,000</b>	Note 51
	<b>(132,027,000)</b>	<b>(4,362,780)</b>	<b>(136,389,780)</b>	<b>(113,623,935)</b>	<b>22,765,845</b>	
<b>Net cash flows from operating activities</b>	<b>48,422,011</b>	<b>(7,943,088)</b>	<b>40,478,923</b>	<b>29,692,835</b>	<b>(10,786,088)</b>	
<b>Cash flows from investing activities</b>						
Capital assets	(16,347,850)	(11,562,600)	<b>(27,910,450)</b>	(31,329,981)	<b>(3,419,531)</b>	Note 51
Decrease (increase) in investments	-	15,263,742	<b>15,263,742</b>	-	<b>(15,263,742)</b>	
<b>Net cash flows from investing activities</b>	<b>(16,347,850)</b>	<b>3,701,142</b>	<b>(12,646,708)</b>	<b>(31,329,981)</b>	<b>(18,683,273)</b>	
<b>Cash flows from financing activities</b>						
Increase (decrease) in consumer deposits	56,000	-	<b>56,000</b>	28,029	<b>(27,971)</b>	Note 49
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>32,130,161</b>	<b>(4,241,946)</b>	<b>27,888,215</b>	<b>(1,637,146)</b>	<b>(29,642,856)</b>	
Cash and cash equivalents at the beginning of the year	5,816,264	1,084,000	<b>6,900,264</b>	6,781,515	<b>(118,749)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>37,946,425</b>	<b>(3,157,946)</b>	<b>34,788,479</b>	<b>5,144,369</b>	<b>(29,761,605)</b>	

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Special Report Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2021</b>											
<b>Financial Performance</b>											
Property rates	17,347,496	(3,078,819)	14,268,677	-	-	14,268,677	14,389,004	-	120,327	101 %	83 %
Service charges	69,427,529	2,301,707	71,729,236	-	-	71,729,236	61,972,225	-	(9,757,011)	86 %	89 %
Investment revenue	2,697,799	3,916,095	6,613,894	-	-	6,613,894	6,227,953	-	(385,941)	94 %	231 %
Transfers recognised - operational	107,523,960	(19,819,338)	87,704,622	-	-	87,704,622	64,880,000	-	(22,824,622)	74 %	60 %
Other own revenue	8,832,767	(1,266,776)	7,565,991	-	-	7,565,991	34,762,400	-	27,196,409	459 %	394 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>205,829,551</b>	<b>(17,947,131)</b>	<b>187,882,420</b>	-	-	<b>187,882,420</b>	<b>182,231,582</b>	-	<b>(5,650,838)</b>	<b>97 %</b>	<b>89 %</b>
Employee costs	(61,280,424)	-	(61,280,424)	-	-	(61,280,424)	(56,729,144)	-	4,551,280	93 %	93 %
Remuneration of councillors	(4,617,844)	-	(4,617,844)	-	-	(4,617,844)	(3,996,005)	-	621,839	87 %	87 %
Debt impairment	(28,378,599)	3,055,480	(25,323,119)	-	-	(25,323,119)	(32,765,896)	-	(7,442,777)	129 %	115 %
Depreciation and asset impairment	(31,707,466)	598,778	(31,108,688)	-	-	(31,108,688)	(29,515,831)	-	1,592,857	95 %	93 %
Finance charges	(306,250)	250	(306,000)	-	-	(306,000)	(2,094,091)	-	(1,788,091)	684 %	684 %
Materials and bulk purchases	(34,135,405)	2,887,000	(31,248,405)	-	-	(31,248,405)	(32,115,789)	-	(867,384)	103 %	94 %
Other expenditure	(30,994,379)	1,482,916	(29,511,463)	-	-	(29,511,463)	(25,154,128)	-	4,357,335	85 %	81 %
<b>Total expenditure</b>	<b>(191,420,367)</b>	<b>8,024,424</b>	<b>(183,395,943)</b>	-	-	<b>(183,395,943)</b>	<b>(182,370,884)</b>	-	<b>1,025,059</b>	<b>99 %</b>	<b>95 %</b>
<b>Surplus/(Deficit)</b>	<b>14,409,184</b>	<b>(9,922,707)</b>	<b>4,486,477</b>	-	-	<b>4,486,477</b>	<b>(139,302)</b>	-	<b>(4,625,779)</b>	<b>(3)%</b>	<b>(1)%</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-	-	-	21,984,096	-	21,984,096	- %	- %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>14,409,184</b>	<b>(9,922,707)</b>	<b>4,486,477</b>	-	-	<b>4,486,477</b>	<b>21,844,794</b>	-	<b>17,358,317</b>	<b>487 %</b>	<b>152 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>14,409,184</b>	<b>(9,922,707)</b>	<b>4,486,477</b>	-	-	<b>4,486,477</b>	<b>21,844,794</b>	-	<b>17,358,317</b>	<b>487 %</b>	<b>152 %</b>
<b>Cash flows</b>											
Net cash from (used) operating	40,280,011	198,942	40,478,953	-	-	40,478,953	29,692,835	-	(10,786,118)	73 %	74 %
Net cash from (used) investing	(16,347,880)	3,701,142	(12,646,738)	-	-	(12,646,738)	(31,329,981)	-	(18,683,243)	248 %	192 %
Net cash from (used) financing	56,000	-	56,000	-	-	56,000	28,029	-	(27,971)	50 %	50 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>23,988,131</b>	<b>3,900,084</b>	<b>27,888,215</b>	-	-	<b>27,888,215</b>	<b>(1,609,117)</b>	-	<b>(29,497,332)</b>	<b>(6)%</b>	<b>(7)%</b>
Cash and cash equivalents at the beginning of the year	5,816,264	1,084,000	6,900,264	-	-	6,900,264	6,781,515	-	(118,749)	98 %	117 %
<b>Cash and cash equivalents at year end</b>	<b>29,804,395</b>	<b>4,984,084</b>	<b>34,788,479</b>	-	-	<b>34,788,479</b>	<b>5,172,398</b>	-	<b>29,616,081</b>	<b>15 %</b>	<b>17 %</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2020</b>				
<b>Financial Performance</b>				
Property rates				10,966,986
Service charges				58,207,757
Investment revenue				1,724,509
Transfers recognised - operational				52,926,345
Other own revenue				35,571,293
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>159,396,890</b>
Employee costs	-	(52,500,804)	52,500,804	(49,981,429)
Remuneration of councillors	-	(4,354,095)	4,354,095	(4,128,432)
Debt impairment	(26,620,175)	(20,241,933)	(6,378,242)	(43,904,229)
Depreciation and asset impairment	-	(31,138,647)	31,138,647	(31,806,849)
Finance charges	(212,863)	-	(212,863)	(2,055,555)
Materials and bulk purchases	-	(27,890,750)	27,890,750	(27,397,052)
Other expenditure	(3,018,412)	(34,760,308)	31,741,896	(30,888,972)
<b>Total expenditure</b>	<b>(29,851,450)</b>	<b>(170,886,537)</b>	<b>141,035,087</b>	<b>(190,162,518)</b>
<b>Surplus/(Deficit)</b>				<b>(30,765,628)</b>
Transfers recognised - capital				26,684,818
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>(4,080,810)</b>
Share of surplus (deficit) of associate				-
<b>Surplus/(Deficit) for the year</b>				<b>(4,080,810)</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				27,430
<b>Cash flows</b>				
Net cash from (used) operating				29,882,647
Net cash from (used) investing				(27,379,008)
Net cash from (used) financing				)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>2,380,147</b>
Cash and cash equivalents at the beginning of the year				4,355,387
<b>Cash and cash equivalents at year end</b>				<b>6,735,534</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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 Significant judgements and sources of estimation uncertainty

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

#### Trade receivables and loans and receivables

The municipality assesses its trade receivables 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 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.

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

#### 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 19 - Provisions.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of waste and water network and other assets

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

#### Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17 - Employee benefit obligation.

#### Effective interest rate

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

#### Allowance for doubtful debts

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

### 1.4 Investment property

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

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

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

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.4 Investment property (continued)

#### Fair value

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

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:

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Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	20 - 25 years
Roads and paving	Straight line	10 - 15 years
Electricity	Straight line	5 - 50 years
Water	Straight line	15 - 100 years
Sewerage	Straight line	15 - 60 years
Landfill sites	Straight line	23 - 25 years
Recreational facilities	Straight line	20 - 25 years
Security measures	Straight line	20 - 25 years
Specialist vehicles	Straight line	1 - 5 years
Other vehicles	Straight line	1 - 5 years
Office equipment	Straight line	3 - 7 years
Furniture and fittings	Straight line	7 - 10 years
Plant and equipment	Straight line	2 - 10 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.



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 29 - Repairs and maintenance).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8 - Property, plant and equipment).

### 1.6 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.

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Computer software	Straight line	3 - Indefinite
Website	Straight line	5 years

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# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.7 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest 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 favorable to the entity.

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.7 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
Receivables from exchange transactions	financial asset measured at amortised cost
Receivables from non-exchanges transactions	financial asset measured at amortised cost
Statutory receivables from non-exchange transactions	financial asset measured at amortised cost
Operating lease receivables	financial asset measured at amortised cost
Consumer debtor's	financial asset measured at amortised cost
Cash and cash equivalents	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
Payables from exchange transactions	financial liability measured at amortised cost
Payables from non-exchange transactions	financial liability measured at amortised cost
Consumer deposits	financial liability measured at amortised cost
VAT payable	financial liability measured at amortised cost
Bank overdraft	financial liability measured at amortised cost
Other financial liabilities	financial liability measured at fair value

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

Financial assets measured at cost:

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

### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Financial liabilities

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

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

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

#### Presentation

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

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

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

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

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

### 1.8 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.

The transaction amount (for purposes of this Standard) 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.8 Statutory receivables (continued)

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Impairment losses

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

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 another 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

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### 1.8 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.

### 1.9 Leases

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

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

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### 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 municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

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

#### Operating leases - lessee

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

### 1.10 Inventories

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Inventories (continued)

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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

# Umsobomvu Local Municipality

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## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

#### Identification

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

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

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

#### Value in use

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

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### 1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

# Umsobomvu Local Municipality

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## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### 1.13 Employee benefits

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

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 1.13 Employee benefits (continued)

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### multi-employer plans

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

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

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

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

#### Post-employment benefits: Defined contribution 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.

#### 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 1.13 Employee benefits (continued)

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

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.

# Umsobomvu Local Municipality

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## Accounting Policies

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### 1.13 Employee benefits (continued)

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

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

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

### Actuarial 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.



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Other post retirement obligations

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

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

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

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

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

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

#### Termination benefits

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

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

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

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

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

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

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

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

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.

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.

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 41.

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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

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.

### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 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.

#### 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.

#### Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

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.

### 1.16 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.

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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

#### Transfers

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

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

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

#### Fines

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

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

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

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.17 Investment income

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

### 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 Accounting by principals and agents

#### Identification

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

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.19 Accounting by principals and agents (continued)

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

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

### 1.20 Comparative figures

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

### 1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.22 Fruitless and wasteful expenditure

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.24 Segment information

A segment is an activity of an entity:

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

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

### 1.25 Budget information

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

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

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

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



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.25 Budget information (continued)

The budget for the economic entity includes all the entities approved budgets under its control.

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

### 1.26 Related parties

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

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

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

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

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

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

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

### 1.27 Events after reporting date

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

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

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

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

### 1.28 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.28 Capital commitments (continued)

Capital commitments are not recognised in the Statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific Standard of GRAP;
- Approved but not yet contracted commitments, where expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date;
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources; or
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>IGRAP 20: Accounting for adjustments to Revenue</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 18: Segment Reporting</li></ul>	01 April 2020	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

#### 2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>Guideline on Accounting for landfill sites</li></ul>	To be determined	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>The application of materiality to Financial Statements</li></ul>	To be determined	Unlikely there will be a material impact

### 3. Inventories

Water	34,968	36,081
Property stock	370,300	370,300
	<b>405,268</b>	<b>406,381</b>

Inventories are held for own use and measured at the lower of cost or current replacement value.

The cost of water production for the year amounted to R3.38 (2020: R5.47) per kilolitre.

#### Inventory pledged as security

No inventory was pledged as security for overdraft facilities of the municipality.

### 4. Other debtors

Other taxes	901	-
Sundry debtors	1,294,761	816,836
Payments made in advance	408,044	3,790
	<b>1,703,706</b>	<b>820,626</b>

#### Other debtors pledged as security

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>4. Other debtors (continued)</b>		
<b>Credit quality of other debtors</b>		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
<b>Fair value of other debtors</b>		
Management is of the opinion that the carrying value of the other receivables from non-exchange transactions recorded at amortised cost in the financial statements approximate their fair values.		
<b>Other debtors past due but not impaired</b>		
Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 1,265,550 (2020: R 820,626) were past due but not impaired.		
<b>5. Consumer debtors</b>		
<b>Consumer debtors included in receivables from exchange transactions</b>		
Electricity	8,226,157	6,701,880
Water	24,245,087	18,484,119
Sewerage	13,388,957	10,820,296
Refuse	12,740,638	10,244,065
Other (exchange)	979,330	1,691,926
	<b>59,580,169</b>	<b>47,942,286</b>
<b>Consumer debtors included in receivables from non-exchange transactions</b>		
Other (non-exchange)	2,117,223	-
<b>Consumer debtors included in statutory receivables</b>		
Rates	11,223,398	8,702,095
<b>Gross balances</b>		
Rates	28,284,753	22,717,035
Electricity	18,206,083	15,331,522
Water	91,634,274	80,858,771
Sewerage	47,455,221	40,523,393
Refuse	50,108,588	44,111,206
Other (exchange)	4,147,516	4,158,579
Other (non-exchange)	7,458,577	1,448,777
	<b>247,295,012</b>	<b>209,149,283</b>
<b>Less: Allowance for impairment</b>		
Rates	(17,061,355)	(14,014,940)
Electricity	(9,979,926)	(8,629,642)
Water	(67,389,187)	(62,374,652)
Sewerage	(34,066,264)	(29,703,097)
Refuse	(37,367,950)	(33,867,141)
Other (exchange)	(3,168,186)	(2,466,653)
Other (non-exchange)	(5,341,354)	(1,448,777)
	<b>(174,374,222)</b>	<b>(152,504,902)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Consumer debtors (continued)</b>		
<b>Net balance</b>		
Rates	11,223,398	8,702,095
Electricity	8,226,157	6,701,880
Water	24,245,087	18,484,119
Sewerage	13,388,957	10,820,296
Refuse	12,740,638	10,244,065
Other (exchange)	979,330	1,691,926
Other (non-exchange)	2,117,223	-
	<b>72,920,790</b>	<b>56,644,381</b>
<b>Rates</b>		
Current (0 -30 days)	46,510	(97,648)
31 - 60 days	2,100,782	471,617
61 - 90 days	245,793	218,158
91 - 120 days	215,254	188,103
121 - 365 days	1,915,053	1,114,494
> 365 days	6,700,006	6,807,371
	<b>11,223,398</b>	<b>8,702,095</b>
<b>Electricity</b>		
Current (0 -30 days)	66,978	(201,974)
31 - 60 days	1,242,313	892,938
61 - 90 days	445,007	466,395
91 - 120 days	373,504	258,346
121 - 365 days	2,041,487	1,799,361
> 365 days	4,056,868	3,486,814
	<b>8,226,157</b>	<b>6,701,880</b>
<b>Water</b>		
Current (0 -30 days)	1,330,625	(836,711)
31 - 60 days	457,065	497,085
61 - 90 days	455,028	295,411
91 - 120 days	344,549	271,086
121 - 365 days	3,017,970	2,233,348
> 365 days	18,639,850	16,023,900
	<b>24,245,087</b>	<b>18,484,119</b>
<b>Sewerage</b>		
Current (0 -30 days)	4,868	(36,090)
31 - 60 days	427,180	381,831
61 - 90 days	332,013	251,697
91 - 120 days	313,237	222,982
121 - 365 days	2,038,496	1,498,639
> 365 days	10,273,163	8,501,237
	<b>13,388,957</b>	<b>10,820,296</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Consumer debtors (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	(31,540)	(192,156)
31 - 60 days	189,677	182,577
61 - 90 days	161,647	149,023
91 - 120 days	154,758	140,596
121 - 365 days	1,379,453	1,078,734
> 365 days	10,886,643	8,885,291
	<b>12,740,638</b>	<b>10,244,065</b>
<b>Housing rental</b>		
Current (0 -30 days)	4,313	(9,969)
31 - 60 days	6,286	6,358
61 - 90 days	3,743	61,499
91 - 120 days	1,402	752
121 - 365 days	19,902	30,052
> 365 days	943,684	1,603,234
	<b>979,330</b>	<b>1,691,926</b>
<b>Other (specify)</b>		
Current (0 -30 days)	262,480	-
31 - 60 days	279,908	-
61 - 90 days	277,421	-
91 - 120 days	274,566	-
121 - 365 days	(154,661)	-
> 365 days	1,177,509	-
	<b>2,117,223</b>	<b>-</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	1,726,776	(1,373,847)
31 - 60 days	2,502,287	2,498,885
61 - 90 days	1,322,764	1,376,688
91 - 120 days	1,256,340	1,049,821
121 - 365 days	8,019,025	7,459,218
> 365 days	47,661,093	44,519,309
	<b>62,488,285</b>	<b>55,530,074</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	6,548	(701)
31 - 60 days	242,905	(96,181)
61 - 90 days	27,221	39,485
91 - 120 days	26,717	6,761
121 - 365 days	148,167	80,297
> 365 days	296,434	974
	<b>747,992</b>	<b>30,635</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Consumer debtors (continued)</b>		
<b>National and provincial government</b>		
Current (0 -30 days)	(18,064)	-
31 - 60 days	1,958,019	29,565
61 - 90 days	570,669	26,010
91 - 120 days	394,213	25,282
121 - 365 days	2,090,518	204,457
> 365 days	4,720,596	803,776
	<b>9,715,951</b>	<b>1,089,090</b>
<b>Total</b>		
Current (0 -30 days)	(1,442,570)	(1,374,549)
31 - 60 days	9,148,025	5,822,234
61 - 90 days	5,080,011	3,890,058
91 - 120 days	4,838,951	3,204,685
121 - 365 days	31,019,946	25,186,339
> 365 days	198,650,648	172,420,515
	247,295,011	209,149,282
Less: Allowance for impairment	(174,374,221)	(152,504,901)
	<b>72,920,790</b>	<b>56,644,381</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(152,504,902)	(135,608,084)
Contributions to allowance	(21,869,320)	(16,896,818)
	<b>(174,374,222)</b>	<b>(152,504,902)</b>
<b>Consumer debtors pledged as security</b>		
None of the consumer debtors have been pledged as security for the municipality's financial liabilities.		
<b>Credit quality of consumer debtors</b>		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
In determining the recoverability of Consumer debtors, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the consumer debtors have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.		
<b>Fair value of consumer debtors</b>		
Management is of the opinion that the carrying value of the other receivables from non-exchange transactions recorded at amortised cost in the financial statements approximate their fair values.		
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 72,920,789 (2020: R 56,644,381) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	1,684,232	2,443,299
2 months past due	4,703,211	1,399,845
3 months past due	66,533,346	53,049,702

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>6. Statutory receivables from exchange transactions</b>		
<b>Gross balances</b>		
Rates	28,284,753	22,717,035
Traffic fines	27,698,050	46,859,703
	<b>55,982,803</b>	<b>69,576,738</b>
<b>Less: Allowance for impairment</b>		
Rates	(17,061,355)	(14,014,940)
Traffic fines	(24,267,030)	(41,484,096)
	<b>(41,328,385)</b>	<b>(55,499,036)</b>
<b>Net balance</b>		
Rates	11,223,398	8,702,095
Traffic fines	3,431,020	5,375,607
	<b>14,654,418</b>	<b>14,077,702</b>
<b>Traffic fines</b>		
Current (0-30 days)	89,667	2,234
31-60 days	151,659	3,037
61-90 days	227,262	1,557
91-120 days	187,760	117,363
> 120 days	2,774,672	5,251,416
	<b>3,431,020</b>	<b>5,375,607</b>
<b>Reconciliation of allowance for traffic fines impairment</b>		
Balance at beginning of the year	(41,484,097)	(45,444,861)
Unused amounts reversed	17,217,067	3,960,764
	<b>(24,267,030)</b>	<b>(41,484,097)</b>

Traffic fines are charged in accordance with the National Road Traffic Act, 1996 (Act No. 93 of 1996) on road traffic offences as permitted by the legislation. The initial transaction is recorded as per GRAP 23. The receivable includes all fines, interest and penalties permitted by the relevant law.

Property rates are charged based on the Municipal Properties Rate Act, 2004 (Act No.6 of 2004) on all applicable properties under the demarcation of the municipality. The initial transaction is recorded as per GRAP 23. The receivable includes fines, interest and penalties permitted by the relevant law.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3,750	3,750
Bank balances	4,893,004	6,448,118
Short-term deposits	275,644	329,647
	<b>5,172,398</b>	<b>6,781,515</b>



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 7. Cash and cash equivalents (continued)

#### Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

<b>Credit rating</b>		
AAA	2,743,948	4,352,165

#### Cash and cash equivalents pledged as collateral

A bank guarantee has been issued to Eskom	6,000	6,000
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In addition to the above, the municipality has issued a bank guarantee in favours of Eskom for an increased electricity demand to 40 MVA required to meet the consumers' increasing electricity demand.

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA - Current account - 2440000005	1,271,592	7,040,362	1,249,542	6,386,006	(10,534,325)	1,227,929
ABSA - Current account - 4052875289	1,028,117	63,675	1,862,169	(2,261,123)	15,962,748	1,862,169
Standard Bank - Current Account 280412835	117,265	176,907	229,864	(323,529)	(284,076)	229,563
ABSA - Current Account - 4061642031	108,212	328,728	120,768	1,092,239	1,312,615	120,768
Standard Bank - Notice Deposit - 288901606001	83,637	83,637	83,637	83,637	83,637	83,637
Standard Bank - Notice Deposit 28890541001	151,485	151,485	151,485	151,485	151,485	151,485
First National Bank - Notice Deposit - 741047295062	24,356	24,220	24,356	24,356	24,356	24,356
ABSA Bank - Notice Deposit - 2063506922	-	-	152,830	-	-	152,830
ABSA Bank - Notice Deposit - 2069495799	-	-	13,453	-	-	13,453
ABSA Bank - Notice Deposit - 2073468449	-	-	485,497	-	-	485,497
ABSA Bank - Deposit Plus - 9355227534	16,166	70,169	-	16,166	70,169	-
<b>Total</b>	<b>2,800,830</b>	<b>7,939,183</b>	<b>4,373,601</b>	<b>5,169,237</b>	<b>6,786,609</b>	<b>4,351,687</b>

### 8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	16,698,999	-	16,698,999	12,144,899	-	12,144,899

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 8. Investment property (continued)

#### Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	12,144,899	4,554,100	16,698,999

#### Reconciliation of investment property - 2020

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	7,341,898	(260,000)	5,063,001	12,144,899

#### Pledged as security

All of the municipality's investment property is held under freehold interests and investment property had been pledged as security for any liabilities for the municipality.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

#### Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

The following criteria was used to determine whether a property should be classified as an investment property:

- A building owned by the municipality and leased out to third parties under one or more operating leases.
- Land held for a current undeterminable future use.
- Property being constructed or developed for future use as investment property.

#### Amounts recognised in surplus or deficit

No repairs and maintenance were incurred in the running of these property for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

#### Under construction and capital commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33,889,098	-	33,889,098	33,889,098	-	33,889,098
Buildings	38,929,472	(17,005,794)	21,923,678	38,929,472	(15,943,760)	22,985,712
Infrastructure	989,829,327	(541,588,971)	448,240,356	960,392,990	(516,160,605)	444,232,385
Other property, plant and equipment	28,820,779	(21,455,709)	7,365,070	26,397,159	(17,932,662)	8,464,497
<b>Total</b>	<b>1,091,468,676</b>	<b>(580,050,474)</b>	<b>511,418,202</b>	<b>1,059,608,719</b>	<b>(550,037,027)</b>	<b>509,571,692</b>

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Land	33,889,098	-	-	33,889,098
Buildings	22,985,712	-	(1,062,034)	21,923,678
Infrastructure	444,232,385	29,404,473	(25,396,502)	448,240,356
Other property, plant and equipment	8,464,497	1,925,508	(3,024,935)	7,365,070
	<b>509,571,692</b>	<b>31,329,981</b>	<b>(29,483,471)</b>	<b>511,418,202</b>

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land	34,709,906	-	(820,808)	-	-	-	33,889,098
Buildings	24,092,956	-	(19,575)	(1,087,669)	-	-	22,985,712
Infrastructure	448,216,612	26,234,805	(991,875)	(28,436,896)	(790,261)	-	444,232,385
Other property, plant and equipment	9,035,875	1,062,239	(240,887)	(1,485,258)	(4,885)	97,413	8,464,497
	<b>516,055,349</b>	<b>27,297,044</b>	<b>(2,073,145)</b>	<b>(31,009,823)</b>	<b>(795,146)</b>	<b>97,413</b>	<b>509,571,692</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>9. Property, plant and equipment (continued)</b>		
<b>Pledged as security</b>		
None of the tangible assets were pledged as security during the current and previous financial years.		
<b>Compensation received for losses on property, plant and equipment – included in operating profit.</b>		
Other property, plant and equipment	-	27,343
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Road signs	-	7,887
Project development costs were incurred, but due to funding problems, the project was stopped.		
Noupoort cemeteries	-	20,660
Project development costs were incurred, but due to funding problems, the project was stopped. Project commenced in the current year and project no longer slow moving.		
Noupoort electrification project	5,205,133	9,299,984
Project development costs were incurred, but due to funding problems, the project was stopped. Project commenced in the current year and project no longer slow moving.		
Upgrading of VIP's and bucket system to sewer network	4,981,111	11,420,915
Project development costs were incurred, but due to funding problems, the projects was stopped. Project commenced in the current year and project no longer slow moving.		
Van der Waltsfontein pipeline	334,991	13,354,389
Project completion was delayed by Covid-19 pandemic.		
Upgrading of Murray Street traffic Circle in Noupoort	-	523,039
Project completion was delayed by Covid-19 pandemic.		
Upgrading of Madikane and Nqandu Streets	12,812,835	-
Project implementation was delayed due to the tender process.		
	<b>23,334,070</b>	<b>34,626,874</b>

### Reconciliation of work-in-progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	35,461,913	20,660	35,482,573
Additions/capital expenditure	20,005,362	-	20,005,362
Transferred to completed items	(15,564,331)	-	(15,564,331)
	<b>39,902,944</b>	<b>20,660</b>	<b>39,923,604</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 9. Property, plant and equipment (continued)

#### Reconciliation of work-in-progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	11,980,615	10,360	11,990,975
Additions/capital expenditure	23,481,298	10,300	23,491,598
	<b>35,461,913</b>	<b>20,660</b>	<b>35,482,573</b>

#### 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

Buildings	-	140,146
Infrastructure	84,110	230,327
Other property, plant and equipment	1,843,271	1,319,308
	<b>1,927,381</b>	<b>1,689,781</b>

### 10. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,042,345	(1,977,529)	64,816	2,042,345	(1,945,170)	97,175

#### Reconciliation of intangible assets - 2021

	Opening balance	Disposals	Total
Computer software	97,175	(32,359)	64,816

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	122,044	27,430	(52,299)	97,175

#### Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

#### Other information

The municipality amortizes all its intangible assets and no intangible assets are regarded as having indefinite useful lives. The amortisation expense has been included in the line item depreciation and amortisation in the Statement of Financial Performance. Amortisation is charged on a straight-line basis over the intangible assets' useful lives.

No impairment losses have been recognised on intangible assets at the reporting date.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>11. Operating lease asset (accrual)</b>		
<b>Minimum lease payments due</b>		
- within one year	141	98
- in second to fifth year inclusive	133	274
	<b>274</b>	<b>372</b>
Non-current assets	274	372
	<b>274</b>	<b>372</b>

The lease relates to property owned by the municipality with lease terms of between 1 to 10 (2020: 1 to 10 years), and an option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period.

### 12. Finance lease obligation

<b>Minimum lease payments due</b>		
- within one year	923,426	975,950
- in second to fifth year inclusive	2,924,183	3,662,512
	3,847,609	4,638,462
less: future finance charges	(676,402)	(1,838,579)
<b>Present value of minimum lease payments</b>	<b>3,171,207</b>	<b>2,799,883</b>
<b>Present value of minimum lease payments due</b>		
- within one year	651,924	530,002
- in second to fifth year inclusive	2,519,283	2,269,881
	<b>3,171,207</b>	<b>2,799,883</b>
Non-current liabilities	2,519,283	2,269,878
Current liabilities	651,924	530,002
	<b>3,171,207</b>	<b>2,799,880</b>

The average lease term was 5 years (2020: 5 years) and the average effective borrowing rate was between 9% and 18% (2020: 13% and 48%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

### 13. Trade payables

Trade payables	18,477,961	21,817,719
Unallocated deposits	8,493,778	-
Accrued leave pay	4,054,307	3,514,279
Accrued bonus	1,043,500	978,376
Retentions	2,197,965	1,696,557
Other creditors	207,080	213,704
Performance bonus provision	610,836	602,238
Consumer debtors with credit balances (exchange)	2,166,685	2,192,763
Wellness programme	82,700	86,880
Sports programme	43,251	48,222
	<b>37,378,063</b>	<b>31,150,738</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>14. Payables from non-exchange transactions</b>		
Salary control accounts	-	23,403
Sundry deposits	145,514	145,514
Consumer debtors with credit balances (non-exchange)	832,429	847,475
	<b>977,943</b>	<b>1,016,392</b>
<b>15. VAT payable</b>		
VAT	13,728,194	17,393,942
<b>16. Consumer deposits</b>		
Electricity	367,381	367,381
Water	377,743	399,700
	<b>745,124</b>	<b>767,081</b>

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilize the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximates their amortised cost. The fair value of consumer deposits was determined after considering the standard terms of conditions of agreements entered into between the municipality and its consumers.

### 17. Employee benefit obligations

#### Defined benefit plan

#### Post retirement benefit plan

#### Post retirement medical aid plan

The municipality provides for certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to those employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2020 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service and past service costs, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for medical aid to the following medical aid schemes:

- Bonitas
- Hosmed
- LA Health
- Samwumed

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

The members of the post-employment medical aid benefit obligation are made up as follows:

In-service members (employees)	24	24
Continuation members (retirees, widowers and orphans)	5	5
	<hr/>	<hr/>
	<b>29</b>	<b>29</b>

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# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

	2021	2020
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### 17. Employee benefit obligations (continued)

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

In-service members (employees)	3,956,000	3,412,000
Continuation members (retirees, widowers and orphans)	5,232,000	4,792,000
	<b>9,188,000</b>	<b>8,204,000</b>

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	8,204,000	9,285,609
Current service cost	219,000	290,635
Interest cost	824,000	858,045
Benefits paid	(395,000)	(361,953)
Actuarial gains / (losses)	336,000	(1,868,336)
	<b>9,188,000</b>	<b>8,204,000</b>

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

Current service cost	219,000	290,635
Interest cost	824,000	858,045
Benefits paid	(395,000)	(361,953)
Actuarial gains / (losses)	336,000	(1,868,336)
	<b>984,000</b>	<b>(1,081,609)</b>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current services and interest cost	1,209,000	1,723,100
Fair value of plan assets	10,449,000	11,114,000
Decrease:		
Effect on the aggregate of the current services and interest cost	909,000	1,168,000
Effect on the defined obligation	8,140,000	8,533,000

The current service cost of the year ending 30 June 2021 is estimated to be R (219,000), whereas the cost for the ensuing year is estimated to be R (4381,000).

### Long service award

The municipality operates an unfunded defined benefit plan for all of its employees. Under the plan, a long service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter. The provision is an estimate of the long service award based on the historical staff turnover. No other long service benefits are provided to employees.

Movement in the long service award provision was as follows:

Balance at the beginning of the year	2,269,000	2,224,769
Current service cost	250,000	233,956
Interest cost	154,000	168,231
Actuarial gains / (losses)	62,000	(66,898)
Expected employer benefit payments	(236,000)	(291,058)
	<b>2,499,000</b>	<b>2,269,000</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>17. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial performance are as follows:</b>		
Current service cost	250,000	233,956
Interest cost	154,000	168,231
Benefits paid	62,000	(291,058)
Actuarial gains / (losses)	(236,000)	(66,898)
	<b>230,000</b>	<b>44,231</b>
<b>The effect of a 1% movement in the assumed rate of long award cost inflation is as follows:</b>		
Increase:		
Effect on the aggregate of the current services and interest cost	432,000	430,200
Effect on the defined obligation	2,634,000	2,399,000
Decrease:		
Effect on the aggregate of the current services and interest cost	482,000	378,000
Effect on the defined obligation	2,375,000	2,150,000
The current service cost of the year ending 30 June 2021 is estimated to be R (233 956), whereas the cost for the ensuing year is estimated to be R (250 000).		
<b>Non-current liabilities</b>		
Post-employment medical aid benefit liability	(8,772,460)	(7,808,460)
Long service award	(2,206,000)	(2,033,000)
	<b>(10,978,460)</b>	<b>(9,841,460)</b>
<b>Current liabilities</b>		
Post-employment medical aid benefit liability	(415,000)	(395,000)
Long service award	(293,000)	(236,000)
	<b>(708,000)</b>	<b>(631,000)</b>
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Post-employment medical aid benefit liability	(9,188,000)	(8,204,000)
Long service award	(2,498,460)	(2,268,460)
	<b>(11,686,460)</b>	<b>(10,472,460)</b>
Non-current liabilities	(10,978,460)	(9,841,460)
Current liabilities	(708,000)	(631,000)
	<b>(11,686,460)</b>	<b>(10,472,460)</b>
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	(8,204,001)	(9,285,609)
Net expense recognised in the statement of financial performance	(984,000)	1,081,608
	<b>(9,188,001)</b>	<b>(8,204,001)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>17. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	(219,000)	(290,635)
Interest cost	(824,000)	(858,045)
Actuarial (gains) losses	(336,000)	1,868,335
Settlement	395,000	361,953
	<b>(984,000)</b>	<b>1,081,608</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Post employment medical aid benefit liability	10.04 %	10.47 %
Discount rate used: long service award	9.35 %	7.14 %
Healthcare cost inflation rate	6.72 %	6.51 %
General salary inflation	5.81 %	3.84 %
Net discount rate: Post employment medical aid benefit liability	3.11 %	3.72 %
Net discount rate: long service award	3.35 %	3.18 %
Maximum subsidy inflation rate	4.81 %	2.84 %
Net discount rate: Maximum subsidy inflation rate	3.35 %	3.18 %
Expected retirement age (in years)	62	60

### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Department Housing	130,852	130,852
Department Safety	124,919	124,919
Department Water Affairs and Forestry	1,519,388	1,519,388
Department Water Affairs and Forestry (2)	942,072	942,072
Development Bank of South Africa	6,337	6,337
Electricity Efficiency Demand Side Management Grant (EEDSM)	1,258,581	1,258,581
Expanded Public Works Programme (EPWP)	318,131	495,131
Institutional Re-organisation Grant	226,712	226,712
Integrated National Electrification Programme (INEP)	1,137,179	6,405,123
Municipal Infrastructure Grant (MIG)	5,601,018	953,003
National Lottery Development Trust Fund (NLDTF)	280,258	280,258
Disaster Management Grant	-	167,000
Water Services Infrastructure Grant (WSIG)	-	7,360,167
	<b>11,545,447</b>	<b>19,869,543</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

### 19. Provisions

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Unwinding of interest	Total
Environmental rehabilitation	5,845,760	1,711,001	654,627	8,211,388

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 19. Provisions (continued)

#### Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	5,221,604	624,156	5,845,760

#### Environmental rehabilitation provision

The provision of landfill sites relates to the obligation, in terms of the National Environmental: Waste Management Act, 2008 (Act No. 59 of 2008), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Colesberg, Novalspont and Noupport to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2021 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on the bond rate that measures as close as possible to the future date of the rehabilitation. The final rehabilitation of the landfill sites is expected to be at the end of the useful lives of the individual landfill sites. No uncertainties were listed in the engineer's report.

The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality insures as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

Key assumptions used:

Total area expected to be rehabilitated: 123 047 square meters.

Average rate per square metre: R184.67 (excl. VAT)

The area to be rehabilitated can be reconciled to the different sites as follows:

Colesberg:	45 856 square metres
Novalspont:	19 129 square metres
Noupport:	20 054 square metres

The Novalspont landfill site has adequate footprint and airspace available for the disposal of solid waste until the end of its useful life in 14 years (2034). Colesberg is estimated to reach capacity during the 20th year of operation (2040). Noupport is estimated to reach capacity during the 17th year of operation (2037).

### 20. Service charges

Sale of electricity	29,756,159	28,111,478
Sale of water	14,535,654	13,141,191
Sewerage and sanitation charges	10,099,576	9,861,794
Refuse removal	6,648,875	6,735,205
Other service charges	931,961	358,089
	<b>61,972,225</b>	<b>58,207,757</b>

### 21. Rental of facilities and equipment

#### Facilities and equipment

Halls	19,838	97,619
Machinery	3,228	2,364
	<b>23,066</b>	<b>99,983</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>21. Rental of facilities and equipment (continued)</b>		
Included in the above rentals are operating lease rentals at straight-lined amounts of R 98 (2020: R 58).		
<b>22. Agency services</b>		
Department of Transport, Safety and Liaison	719,458	524,629
<b>23. Other income</b>		
Building plan fees	12,263	10,027
Cemetery fees	23,401	21,653
Commission earned	129,957	191,122
Connection and re-connection fees	53,268	58,673
Insurance claims	925	27,343
Other income	704,211	390,152
Photocopies	2,547	3,687
Sand, gravel and soil sales	7,484	23,614
Tender documents	30,435	7,391
Transaction fees	23,239	-
	<b>987,730</b>	<b>733,662</b>
<b>24. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	157,498	340,635
Consumer debtors	6,070,455	1,383,874
	<b>6,227,953</b>	<b>1,724,509</b>
<b>25. Property rates</b>		
<b>Rates received</b>		
Rates	15,123,421	11,530,228
Less: Income forgone	(734,417)	(563,242)
	<b>14,389,004</b>	<b>10,966,986</b>
<b>Valuations</b>		
Residential	693,844,300	681,693,120
Commercial	297,037,400	203,445,000
State	2,566,713,667	1,282,958,490
Agricultural	-	80,199,500
	<b>3,557,595,367</b>	<b>2,248,296,110</b>

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.

The new general valuation will be implemented on 1 July 2024.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	61,680,000	49,477,345
Finance Management Grant (FMG)	1,900,000	1,970,000
Library Development Grant	1,300,000	1,292,923
	<b>64,880,000</b>	<b>52,740,268</b>
<b>Capital grants</b>		
Expanded Public Works Programme (EPWP)	1,000,000	822,000
Municipal Infrastructure Grant (MIG)	4,605,985	10,536,997
Integrated National Electrification Programme (INEP)	8,017,944	6,365,989
Library Development Grant	-	186,077
Water Services Infrastructure Grant (WSIG)	8,360,167	8,959,832
	<b>21,984,096</b>	<b>26,870,895</b>
	<b>86,864,096</b>	<b>79,611,163</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R - (2020: R 166), which is funded from the grant. All registered indigent households receive 6kl water and 50kWh electricity free every month. Unspent MIG and WSIG grants from the prior year was withheld from equitable share.

### National: Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	495,131	200,131
Current-year receipts	1,000,000	1,117,000
Conditions met - transferred to revenue	(1,000,000)	(822,000)
Repayments	(177,000)	-
	<b>318,131</b>	<b>495,131</b>

Conditions still to be met - remain liabilities (see note 18).

The Expanded Public Works Programme (EPWP) Grant is allocated to incentivize municipalities to expand work creation efforts through the use of Labour incentive delivery methods in the identified focus areas on compliance with the EPWP guidelines.

R177,000 was withheld from the equitable share in the 2021 financial period due to grant conditions not being met in the previous period.

### National: Finance Management Grant (FMG)

Current-year receipts	1,900,000	1,970,000
Conditions met - transferred to revenue	(1,900,000)	(1,970,000)
	-	-

The Finance Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The FMG also pays for the cost of the Financial Management Internship Programme (e.g., salary costs).

All conditions attached to the grant were met.

No funds were withheld.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>26. Government grants and subsidies (continued)</b>		
<b>National: Integrated National Electrification Programme (INEP)</b>		
Balance unspent at beginning of year	6,405,123	2,771,112
Current-year receipts	6,510,000	10,000,000
Conditions met - transferred to revenue	(8,017,944)	(6,365,989)
Repayments	(3,760,000)	-
	<b>1,137,179</b>	<b>6,405,123</b>

Conditions still to be met - remain liabilities (see note 18).

The grant is paid by National Treasury in order to implement the Integrated National Electrification Programme by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

R3,760,000 was withheld from the equitable share in the 2021 financial period due to grant conditions not being met in the previous period.

### National: Department of Water Affairs and Forestry

Balance unspent at beginning of year	1,519,388	1,519,388
--------------------------------------	-----------	-----------

Conditions still to be met - remain liabilities (see note 18).

The grant was used for the operation and maintenance of sewerage and water schemes transferred from the Department of Water Affairs and Forestry to the municipality, the refurbishment of water infrastructure, the Olifants River Water Resource Project and the payment of salaries of the staff transferred from the department.

No funds have been withheld.

### National: Energy Efficiency and Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	1,258,581	1,258,581
--------------------------------------	-----------	-----------

Conditions still to be met - remain liabilities (see note 18).

The Energy Efficiency and Demand Side Management Grant (EEDSM) is allocated to the municipality for the implementation of energy efficiency and demand side management initiatives within the municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

No funds were withheld.

### Provincial: Library Development Grant

Current-year receipts	1,300,000	1,479,000
Conditions met - transferred to revenue	(1,300,000)	(1,479,000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant is paid to the municipality by the Provincial Department of Sports, Arts and Culture for the maintenance and operations of the libraries within its municipal area.

No funds were withheld.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>26. Government grants and subsidies (continued)</b>		
<b>National: Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	953,003	1,322,480
Current-year receipts	9,451,000	11,490,000
Conditions met - transferred to revenue	(4,605,985)	(10,536,997)
Other	(197,000)	(1,322,480)
	<b>5,601,018</b>	<b>953,003</b>

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated by National Treasury for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

R197,000 was withheld from the equitable share in the 2021 financial period due to grant conditions not being met in the previous period.

### National: Department of Water Affairs and Forestry (2)

Balance unspent at beginning of year	942,072	942,072
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Conditions still to be met - remain liabilities (see note 18).

The grant was allocated to the municipality for the development of new, refurbish, upgrade and replace ageing water and sanitation infrastructure.

### National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	7,360,167	6,563,865
Current-year receipts	3,300,000	16,320,000
Conditions met - transferred to revenue	(8,360,167)	(8,959,833)
Other	(2,300,000)	(6,563,865)
	-	<b>7,360,167</b>

Conditions still to be met - remain liabilities (see note 18).

To facilitate the planning and implementation of various water projects water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services, especially in rural areas.

R2 300 000 was withheld from the equitable share in the 2021 financial period due to grant conditions not being met.

### Other: National Lottery Development Trust Fund

Balance unspent at beginning of year	280,258	280,258
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Conditions still to be met - remain liabilities (see note 18).

This grant was allocated to the municipality for the upgrading of the sport stadiums within the municipal area.

No funds were withheld.



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>26. Government grants and subsidies (continued)</b>		
<b>Disaster Management Grant</b>		
Balance unspent at beginning of year	167,000	-
Current-year receipts	-	167,000
Repayments	(167,000)	-
	<u>-</u>	<u>167,000</u>

None of the conditions associated with the Disaster Management Grant has been met.

Funds made available to the municipality by National Treasury to respond to the COVID-19 pandemic.

R167,000 was withheld from the equitable share in the 2021 financial period due to the grant conditions not being met in the previous period.

### Provincial: Department of Housing

Balance unspent at beginning of year	<u>130,852</u>	<u>130,852</u>
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Conditions still to be met - remain liabilities (see note 18).

This grant was allocated to the municipality for the construction and maintenance of low cost housing in the district.

No funds were withheld.

### Provincial: Department of Safety

Balance unspent at beginning of year	<u>124,919</u>	<u>124,919</u>
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Conditions still to be met - remain liabilities (see note 18).

This grant was allocated to the municipality for the construction of a taxi rank.

No funds were withheld.

### Other: Development Bank of South Africa

Balance unspent at beginning of year	<u>6,337</u>	<u>6,337</u>
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Conditions still to be met - remain liabilities (see note 18).

This grant was allocated to the municipality for the purchase of water meters.

No funds were withheld.

### Other: Institutional Re-organizational Grant

Balance unspent at beginning of year	<u>226,712</u>	<u>226,712</u>
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Conditions still to be met - remain liabilities (see note 18).

This grant was allocated to the municipality to assist financially with the re-organisation of the municipality after 1994, for which the funds were used.

No funds were withheld.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>27. Fines, penalties and forfeits</b>		
Law enforcement (traffic) fines	20,779,193	29,132,290
Other	10,350	17,380
	<b>20,789,543</b>	<b>29,149,670</b>

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with iGRAP 1.

### 28. Public contributions and donations

Property, plant and equipment	7,688,112	-
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Donations are represented by internal roads that was paved by the Northern Cape Department of Roads and Public Works in terms of the Root-out-of-the-dust programme. The completion date respectively was 31 March 2019 and 31 March 2020.

### 29. Employee related costs

Basic	41,286,244	37,786,364
Performance bonus	560,366	602,238
Bonus	2,428,407	2,145,612
Medical aid fund: Council contributions	924,404	924,928
Leave pay provision charge	487,451	864,244
Pension fund: Council contributions	5,984,301	5,243,220
Long-service awards	120,343	130,839
Allowances	1,246,165	1,207,813
Housing benefits and allowances	393,851	370,677
Skills development levy (SDL)	412,415	-
Unemployment insurance fund (UIF): Council contributions	336,131	314,746
Overtime payments	2,284,672	2,426,115
Group scheme: Council contribution	3,723	6,010
Defined benefit plan expenses	236,000	(2,063,654)
Industrial Council	24,671	22,278
	<b>56,729,144</b>	<b>49,981,430</b>

### Remuneration of the Municipal Manager

Annual remuneration	1,135,567	1,135,567
Performance bonus	179,139	174,260
Car allowance	144,000	144,000
Contributions to UIF, medical and pension funds	1,932	1,896
	<b>1,460,638</b>	<b>1,455,723</b>

### Remuneration of the Chief Finance Officer

Annual remuneration	736,752	833,021
Performance bonus	101,747	156,586
Car allowance	232,268	188,993
Contributions to UIF, medical and pension funds	1,932	1,896
	<b>1,072,699</b>	<b>1,180,496</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>29. Employee related costs (continued)</b>		
<b>Remuneration of the Manager: Corporate Services</b>		
Annual remuneration	1,086,878	1,033,154
Performance bonus	173,937	156,586
Car allowance	155,530	147,843
Contributions to UIF, medical and pension funds	1,932	1,896
	<b>1,418,277</b>	<b>1,339,479</b>

The Manager: Community Services resigned at the end of September 2012, whereafter the post was replaced with the Manager: Corporate Services. Mr. Kapp is acting as the manager in this post without any additional compensation.

### Remuneration of the Manager: Technical Services

Annual remuneration	752,117	864,863
Performance bonus	96,945	156,586
Car allowance	120,000	34,880
Contributions to UIF, medical and pension funds	1,932	2,203
	<b>970,994</b>	<b>1,058,532</b>

### 30. Remuneration of councilors

Major Councilors	851,300	854,736
	3,144,705	3,273,696
	<b>3,996,005</b>	<b>4,128,432</b>

### 31. Depreciation and amortisation

Property, plant and equipment	29,483,472	31,056,823
Intangible assets	32,359	52,299
	<b>29,515,831</b>	<b>31,109,122</b>

### 32. Impairment of assets

#### Impairments

Property, plant and equipment	-	697,727
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Property, plant and equipment (buildings, infrastructure - and movable assets) have been impaired due to condition assessments that indicated a decrease in the value in use since the last assessment.

#### Value in use

Provide: A description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

The period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

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### 32. Impairment of assets (continued)

The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market to which the unit (group of units) is dedicated.

The discount rate(s) applied to the cash flow projections was -% (2020: 19%).

#### Fair value less cost to sell

Provide: A description of the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:

A description of each key assumption on which management has based its determination of fair value less costs to sell.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

For the purposes of determining discounted cash flow projections, management have projected the cash flows over xx years.

The growth rate used to extrapolate cash flow projections was -%, and a discount rate of 9% was applied.

### 33. Finance costs

Non-current borrowings	978,000	1,026,276
Overdue creditors	118,166	-
Finance leases	343,298	405,123
Rehabilitation of landfill sites	654,627	624,156
	<b>2,094,091</b>	<b>2,055,555</b>

### 34. Debt impairment

Debt impairment	(3,582,624)	17,776,208
Bad debts written off	36,348,520	26,128,021
	<b>32,765,896</b>	<b>43,904,229</b>

### 35. Bulk purchases

Electricity	31,787,593	26,796,313
Water	328,196	600,739
	<b>32,115,789</b>	<b>27,397,052</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>36. General expenses</b>		
Advertising	214,266	132,430
Bank charges	502,163	405,369
Cleaning	33,512	52,113
Computer expenses	866,701	815,407
Consulting and professional fees	3,733,586	4,300,557
Consumables	290,786	742,286
Furniture and office equipment	2,130,336	174,263
Entertainment	102,217	117,963
Fuel and oil	1,271,472	1,072,595
Insurance	1,464,590	831,596
Registration fees	147,128	173,083
Outsourced services	1,133,684	1,658,306
Library expenditure	-	84,449
Licence fees	610,324	371,834
Management fees	735,914	394,868
Other expenses	1,308,773	3,804,124
Postage and courier	127,716	264,233
Printing and stationery	73,702	164,629
Protective clothing	317,743	373,205
Special programme - Community participation	800,297	706,994
Workmen's Compensation	266,635	296,071
Subscriptions and membership fees	646,292	618,115
Telephone and fax	892,662	832,757
Title deed search fees	32,148	649
Training	-	5,870
Uniforms	43,206	131,655
Materials and supplies	120,025	130,397
	<b>17,865,878</b>	<b>18,655,818</b>
<b>37. Auditors' remuneration</b>		
Fees	3,134,160	2,222,350

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>38. Cash generated from operations</b>		
Surplus (deficit)	21,844,794	(3,130,292)
<b>Adjustments for:</b>		
Depreciation and amortisation	29,515,831	31,109,122
Fair value adjustments	(4,554,100)	(5,063,001)
Finance costs	343,298	405,123
Impairment deficit	-	697,727
Movements in provisions	2,365,628	624,156
Gain with disposal of assets and liabilities	-	2,340,685
<b>Changes in working capital:</b>		
Inventories	1,113	(8,647)
Receivables from exchange transactions	(11,637,883)	(4,321,932)
Other receivables from non-exchange transactions	(2,117,223)	598,523
Other receivables from exchange transactions	(883,080)	(306,798)
Statutory receivables from non-exchange transactions	-	(419,699)
Pre-payments	(576,716)	-
Trade payables	6,227,325	(532,280)
VAT	(3,665,748)	3,926,887
Payables from non-exchange transactions	(38,449)	624,475
Unspent conditional grants and receipts	(8,324,096)	4,522,836
Consumer deposits	(21,957)	(52,458)
Employee benefit obligation	1,214,000	(1,131,838)
Operating lease asset	98	58
	<b>29,692,835</b>	<b>29,882,647</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 39. Financial instruments disclosure

#### Categories of financial instruments

#### 2021

##### Financial assets

	<b>At amortised cost</b>	<b>Total</b>
Other receivables from non-exchange transactions	1,294,761	1,294,761
Receivables from exchange transactions	59,580,169	59,580,169
Cash and cash equivalents	5,172,398	5,172,398
	<b>66,047,328</b>	<b>66,047,328</b>

##### Financial liabilities

	<b>At amortised cost</b>	<b>Total</b>
Payables from exchange transactions	20,675,926	20,675,926

#### 2020

##### Financial assets

	<b>At amortised cost</b>	<b>Total</b>
Other receivables from non-exchange transactions	816,836	816,836
Receivables from exchange transactions	47,942,286	47,942,286
Cash and cash equivalents	6,781,515	6,781,515
	<b>55,540,637</b>	<b>55,540,637</b>

##### Financial liabilities

	<b>At amortised cost</b>	<b>Total</b>
Trade payables from exchange transactions	23,514,276	23,514,276

### 40. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	20,224,022	18,122,974
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##### Total capital commitments

Already contracted for but not provided for	20,224,022	18,122,974
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This committed expenditure relates to plant and equipment and will be financed by government grants. The commitment amounts disclosed are inclusive of VAT.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 41. Contingencies

#### Contingent liabilities

Litigation is in the process against the municipality relating to a dispute with a supplier who alleges that it suffered financial loss and stock on a housing project, and is seeking damages of R7,070,000 (2020: R7,070,000). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

The following insurance claim is still pending at year end:

- Three children swam in the municipal quarry and drowned. Damages of R256,000 (2020: R256,000) is claimed by the family and is still in progress.

#### Contingent assets

The municipality has an on-going investigation relating to fraud that was committed by a former employee. The municipality suffered a financial loss and is seeking damages of R2,246,550 (2020: R2,246,550). The likelihood of action against the former employee being successful is dependent on the outcome of the court case.

The issue was reported to the South African Police Service and the Auditor-General of South Africa, as required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### 42. Related parties

#### Relationships

NJ Batties (Councillor)	Bongata Trading 533 CC Mighty Warrior Transport Services Living World Spiritual Faith Ministries CGB Consultants (Pty) Ltd Sakhisizwe Colesberg Tours
JP Mathee (Councillor)	Sakhisizwe Tours and events manager (Pty) Ltd
MB Kafi (Councillor)	Meals on Wheels
BJ Kapp (Corporate Services Manager)	Birtus Kapp Beleggings CC Kapp Family Trust
S Nkcithiso (Technical Manager)	Umsobomvu Industrial Development (Pty) Ltd Masilakhe Consulting CC Iviwe Engineering Solutions CC Uhamboluhle Construction CC Sida Engineering Solutions (Pty) Ltd S.E.A.T Solutions
S Buka (Bid specification committee)	Mako Accounting Academy (Pty) Ltd
TD Tshikundu (Chief Financial Officer)	Bokone Stylish Clothing (Pty) Ltd Joylou Boutique (Pty) Ltd

#### Related party transactions

##### Property rates levied against related parties

Councillors	16,698	13,395
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##### Service charges rendered to related parties

councillors	64,042	40,667
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##### Other charges levied against related parties

councillors	(863)	(277)
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#### Remuneration of management

##### councillors

##### 2021



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 42. Related parties (continued)

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
MS Toto	806,066	44,400	834	851,300
SE Humphries	255,091	44,400	139	299,630
MA Sestile	327,367	44,400	417	372,184
MR Kafi	327,367	44,400	-	371,767
VP Harmse	338,909	44,400	-	383,309
W Minnie	327,367	44,400	-	371,767
ND Staffa	255,091	44,400	139	299,630
NJ Batties	255,091	44,400	-	299,491
JP Matthee	255,091	44,400	-	299,491
SK Brown	255,091	44,400	-	299,491
CM Williams	127,545	20,400	-	147,945
	<b>3,530,076</b>	<b>464,400</b>	<b>1,529</b>	<b>3,996,005</b>

### 2020

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
MS Toto	604,549	40,800	209,387	854,736
SE Humphries	255,091	40,800	4,136	300,027
MA Sestile	327,367	40,800	4,270	372,437
MR Kafi	327,367	40,800	4,404	372,571
VP Harmse	315,825	40,800	4,538	361,163
W Minnie	327,367	40,800	4,270	372,437
ND Staffa	255,091	40,800	4,404	300,295
NJ Batties	255,091	40,800	3,600	299,491
JP Matthee	255,091	40,800	3,600	299,491
SK Brown	255,091	40,800	3,600	299,491
CM Williams	255,091	40,800	402	296,293
	<b>3,433,021</b>	<b>448,800</b>	<b>246,611</b>	<b>4,128,432</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 42. Related parties (continued)

#### Executive management

##### 2021

Name	Basic salary	Bonuses and performance related payments	Allowances	Other benefits received	Total
AC Mpela	1,135,567	179,139	144,000	1,932	1,460,638
TD Tshikundu	736,752	101,747	232,268	1,932	1,072,699
S Nkcithiso	752,117	96,945	120,000	1,932	970,994
BJ Kapp	1,086,878	173,937	155,530	1,932	1,418,277
	<b>3,711,314</b>	<b>551,768</b>	<b>651,798</b>	<b>7,728</b>	<b>4,922,608</b>

##### 2020

Name	Basic salary	Performance bonus	Allowances	Other benefits received	Total
AC Mpela	1,135,567	174,260	144,000	1,896	1,455,723
TD Tshikundu	571,920	-	154,845	1,422	728,187
S Nkcithiso	635,670	-	20,000	1,422	657,092
BJ Kapp	1,033,154	156,586	147,843	1,896	1,339,479
DT Visagie	261,101	156,586	34,148	474	452,309
P Mosompha	229,192	156,586	14,880	781	401,439
	<b>3,866,604</b>	<b>644,018</b>	<b>515,716</b>	<b>7,891</b>	<b>5,034,229</b>

### 43. Prior period adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		46,890,075	1,039,457	12,752	47,942,288
Statutory receivables from non-exchange transactions		10,763,776	3,313,925	-	14,077,701
Cash and cash equivalents		6,967,492	(185,977)	-	6,781,515
Property, plant and equipment		505,965,792	3,605,900	-	509,301,692
Payables from exchange transactions		(26,325,005)	(4,812,981)	(12,752)	(31,150,738)
Payables from non-exchange transactions		(1,178,519)	162,127	-	(1,016,392)
VAT payable		(12,875,741)	(4,518,201)	-	(17,393,942)
Unspent conditional grants		(19,702,543)	(167,000)	-	(19,869,543)
Other receivables from non-exchange transactions		705,485	115,141	-	820,626
Accumulated surplus		(502,478,458)	1,865,066	-	(500,613,392)
Employee benefit obligations		(11,337,460)	1,496,000	-	(9,841,460)
		<b>(2,605,106)</b>	<b>1,913,457</b>	<b>-</b>	<b>(961,645)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 43. Prior period adjustments (continued)

#### Statement of financial performance

##### 2020

	Note	As previously reported	Correction of error	Restated
Service charges		(58,375,510)	167,753	(58,207,757)
Rental of facilities and equipment		(100,555)	224	(100,331)
Interest received		(1,727,495)	2,987	(1,724,508)
Agency services		(525,798)	1,169	(524,629)
Other income		(732,738)	(924)	(733,662)
Debt impairment		46,862,108	(2,957,879)	43,904,229
Bulk expenditure		27,460,547	(63,495)	27,397,052
General expenditure		19,719,703	(1,063,884)	18,655,818
Fines and penalties		1,192,130	1,906,131	3,098,261
Finance cost		2,212,863	(157,308)	2,055,555
Employee related costs		49,729,661	251,768	49,981,429
<b>Surplus for the year</b>		<b>85,714,916</b>	<b>(1,913,458)</b>	<b>83,801,457</b>

#### Errors

The following prior period errors adjustments occurred:

##### Consumer debtors

In the prior year the VAT of the consumer debtors was not correctly allocated and was subsequently corrected in the current period.

The effect of the correction is as follows:

Receivables from exchange transactions	1,039,462	1,039,462
Statutory receivables from non-exchange transactions	356,046	356,046
Cash and cash equivalents	(352,977)	(352,977)
Property plant and equipment	3,605,900	3,605,900
Payables from exchange transactions	(100,603)	(100,603)
Payables from non-exchange transactions	162,127	162,127
VAT payable	(5,156,965)	(5,156,965)
Accumulated surplus	447,010	160,661
Service charges	-	282,894
Rental of facilities and equipment	-	224
Interest received	-	2,986
Agency fees	-	1,169
Other income	-	(924)
	-	-

##### Statutory receivables

Impairment balance of traffic fines was not disclosed correctly in the prior period and subsequently corrected in the current period.

The effect of the correction is as follows:

Statutory receivables from non-exchange transactions	2,957,879	2,957,879
Accumulated surplus	(2,957,879)	-
Debt impairment	-	(2,957,879)
	-	-

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 43. Prior period adjustments (continued)

#### Conlog debtor

In the prior financial year, a debtor for Conlog pre-paid electricity sales for June was not correctly accounted for. This error was subsequently corrected.

The effect of the correction is as follows:

Other receivables from non-exchange transactions	115,141	115,141
Accumulated surplus	(115,141)	-
Service charges	-	(115,141)
	<u>-</u>	<u>-</u>

#### Unspent grants

Disaster Management Grant received in the prior period not disclosed separately and has been corrected in the current period.

The effect of the correction is as follows:

Cash and cash equivalents	167,000	167,000
Unspent conditional grants	(167,000)	(167,000)
	<u>-</u>	<u>-</u>

#### Trade payables

Correction of the closing balance of Department of Water & Sanitation, Traffic Violation Solutions (Pty) Ltd and Vesta creditors at year end

The effect of the correction is as follows:

Payables from exchange transactions	(4,712,378)	(4,712,378)
VAT payables	624,951	624,951
Accumulated surplus	4,087,429	3,294,865
Bulk purchases	-	(63,495)
General expenditure	-	(1,050,072)
Fines and penalties	-	1,906,131
	<u>2</u>	<u>2</u>

#### Cash and cash equivalents

Accounting for the correction of the cash book balances at year end

The effect of the correction is as follows:

Cash and cash equivalents	2,429,350	2,429,350
Accumulated surplus	(2,429,350)	(2,429,350)
	<u>-</u>	<u>-</u>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 43. Prior period adjustments (continued)

#### Post employment benefits

Correction of the closing balance of the of post-employment benefits at year end.  
The effect of the correction is as follows:

Employee benefit obligation	1,496,000	1,496,000
Accumulated surplus	(1,496,000)	(1,590,460)
Employee related cost	-	251,768
Finance cost	-	(157,308)
	-	-

#### Reclassification

For purposes of the presentation and disclosure of the annual financial statements, the traffic fines debtor was reclassified from Other receivables from non-exchange transactions to Receivables from non-exchange transactions.

### 44. Comparative figures

Certain comparative figures have been reclassified.

### 45. Unauthorised expenditure

Opening balance	28,969,086	6,979,433
Add: Unauthorised expenditure - current year	27,818,818	21,989,653
	<b>56,787,904</b>	<b>28,969,086</b>
Vote 1 - Governance and administration	-	773,212
Vote 2 - Finance & admin	10,844,816	-
Vote 3 - Community services	16,973,994	19,251,264
Vote 4 - Technical services	-	1,965,177
	<b>27,818,810</b>	<b>21,989,653</b>

### 46. Fruitless and wasteful expenditure

There was no fruitless and wasteful expenditure incurred in the current period. Included in the payments made in advance is an amount of R404,253 that was paid by the municipality for the supply of paving bricks. This matter is still being investigated by the municipality if the paving bricks will be delivered or if the transaction should be classified as fruitless and wasteful expenditure.

### 47. Irregular expenditure

Opening balance	7,436,735	5,446,476
Add: Irregular expenditure - current year	3,212,812	1,990,259
Add: Irregular expenditure (additionally identified)	7,503,660	-
Less: Amounts written off by council	(5,203,071)	-
	<b>12,950,136</b>	<b>7,436,735</b>

Full extent of irregular expenditure identified during the audit will be fully investigated by senior management of the municipality.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 48. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organized local government

Current year subscription / fee	620,691	582,228
Amount paid - current year	(620,691)	(582,228)
	-	-

#### Audit fees

Current year subscription / fee	3,134,160	2,306,259
Amount paid - current year	(2,021,398)	(2,306,259)
	<b>1,112,762</b>	-

#### PAYE, UIF and SDL

Current year subscription / fee	8,404,417	7,485,157
Amount paid - current year	(8,404,417)	(7,485,157)
	-	-

#### Pension and medical aid deductions

Current year subscription / fee	10,409,436	9,277,255
Amount paid - current year	(10,409,436)	(9,277,255)
	-	-

#### VAT

VAT payable	13,728,194	17,393,942
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VAT output payables and VAT input receivables are shown in note.

All VAT returns have been submitted by the due date throughout the year.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Distribution losses

Electricity	8,907,499	6,447,531
Water	9,489,410	9,137,943
	<b>18,396,909</b>	<b>15,585,474</b>

#### Electricity losses

The municipality purchased 25 669 795 (2020: 23 394 780) units during the financial year. It sold / billed 18 475 865 (2020: 17 765 702) units during the year and has calculated its distribution losses to be an estimated 28.02% (2020: 24.06%) at an average cost of R1.1454 (2020: R1.0028) per unit.

The main reasons for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

#### Water losses

The municipality pumped 2 367 155 (2020: 2 710 955) units during the financial year. It sold / billed 965 086 (2020: 911 866) units during the year and has calculated its distribution losses to be an estimated 59.23% (2020: 66.36%) at an average cost of R1.9179 (2020: R1.4917) per unit.

These losses occur due to inter alia, leakages, the tampering of meters, incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for less than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MS Toto	2,091	2,643	4,734
MR Kafi	1,311	2,794	4,105
E Humphries	1,738	927	2,665
MA Sestile	1,360	212	1,572
W Minnie	1,606	5,486	7,092
VP Harmse	1,411	1,454	2,865
CM Williams	516	7,866	8,382
SK Brown	372	-	372
JP Mathee	1,358	-	1,358
NJ Batties	2,557	27,874	30,431
	<b>14,320</b>	<b>49,256</b>	<b>63,576</b>

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MS Toto	1,780	1,004	2,784
E Humphries	1,423	989	2,412
MA Sestile	1,320	277	1,597
MR Kafi	2,421	1,093	3,514
VP Harmse	1,321	2,004	3,325
NJ Batties	2,036	24,913	26,949
MJ Williams	2,043	602	2,645
W Minnie	1,455	4,183	5,638
J Mathee	6,762	46	6,808
	<b>20,561</b>	<b>35,111</b>	<b>55,672</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2021	Highest outstanding amount	Aging (in days)
MS Toto	1,245	180
MR Kafi	1,679	330
E Humphries	822	30
MA Sestile	612	180
W Minnie	797	180
VP Harmse	516	180
MJ Williams	1,047	330
SK Brown	371	30
JP Mathee	3,267	180
NJ Batties	1,465	120
	<b>11,821</b>	<b>1,740</b>



# Umsobomvu Local Municipality

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## Notes to the Annual Financial Statements

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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2020

	Highest outstanding amount	Aging (in days)
MS Toto	646	90
MR Kafi	1,486	30
E Humphries	530	30
MA Sestile	467	30
W Minnie	4,208	360
VP Harmse	571	30
MJ Williams	945	270
J Mathee	4,724	360
N Batties	1,116	180
	<b>14,693</b>	<b>1,380</b>

### Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

The expenses incurred as listed hereunder have been condoned.

### Incident

Exceptional cases	2,143,258	958,909
Sole provider	555,824	629,814
Emergency cases	1,096,814	557,745
	<b>3,795,896</b>	<b>2,146,468</b>

### 49. Segment information

#### General information

#### Identification of segments

The municipality is organized and reports to management on the basis of three major functional areas: Community and Social Services, Energy Sources, Executive Council, Finance and Administration, Road Transport, Waste Water Management, Water Management, Waste Management. The segments were organized around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2021

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>Revenue</b>									
Agency services	-	-	-	-	719,458	-	-	-	719,458
Fines, Penalties and Forfeits	194	10,156	-	-	20,779,193	-	-	-	20,789,543
Government Grants and Subsidies	1,300,000	8,017,944	61,680,000	1,900,000	1,000,000	8,360,167	4,605,985	-	86,864,096
Interest received	-	6,078,619	-	149,335	-	-	-	-	6,227,954
Other Income	25,953	47,203	402,958	462,565	42,985	2,301	3,765	-	987,730
Rental of Facilities and Equipment	-	-	-	20,230	3,228	-	-	-	23,458
Service charges	-	29,756,159	931,961	-	-	10,099,576	14,535,654	6,648,874	61,972,224
Property Rates	-	-	-	14,389,005	-	-	-	-	14,389,005
Public contributions and donations	-	-	-	-	7,688,112	-	-	-	7,688,112
Fair value adjustment	-	-	-	4,554,100	-	-	-	-	4,554,100
<b>Total segment revenue</b>	<b>1,326,147</b>	<b>43,910,081</b>	<b>63,014,919</b>	<b>21,475,235</b>	<b>30,232,976</b>	<b>18,462,044</b>	<b>19,145,404</b>	<b>6,648,874</b>	<b>204,215,680</b>
<b>Entity's revenue</b>									<b>204,215,680</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>49. Segment information (continued)</b>									
<b>Expenditure</b>									
Bulk purchases	-	31,787,593	-	-	-	-	328,196	-	32,115,789
Contracted services	-	1,153,095	(6,000)	52,304	1,630,851	419,760	103,376	64,988	3,418,374
Debt Impairment	-	-	-	32,765,897	-	-	-	-	32,765,897
Depreciation	-	-	-	32,359	128,819	29,354,653	-	-	29,515,831
Employee Related Costs	7,682,881	3,050,304	4,132,904	20,043,416	9,291,916	3,918,262	6,181,337	2,428,124	56,729,144
Finance cost	-	-	1,632,627	118,166	-	-	-	343,298	2,094,091
General expenses	7,940	979,667	6,778,970	6,087,274	1,533,712	302,276	1,818,871	357,168	17,865,878
Remuneration of councilors	-	-	3,996,005	-	-	-	-	-	3,996,005
Auditors remuneration	-	-	-	3,134,160	-	-	-	-	3,134,160
Fines and penalties	-	-	-	186,752	-	-	-	-	186,752
Travel and substance	-	4,785	286,879	227,240	23,907	181	5,971	-	548,963
<b>Total segment expenditure</b>	<b>7,690,821</b>	<b>36,975,444</b>	<b>16,821,385</b>	<b>62,647,568</b>	<b>12,609,205</b>	<b>33,995,132</b>	<b>8,437,751</b>	<b>3,193,578</b>	<b>182,370,884</b>
<b>Total segmental surplus/(deficit)</b>									<b>21,844,796</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>49. Segment information (continued)</b>									
<b>Assets</b>									
Cash and cash equivalents	-	-	-	5,172,398	-	-	-	-	5,172,398
Intangible Assets	-	-	-	64,816	-	-	-	-	64,816
Inventory	-	-	-	370,300	-	-	34,968	-	405,268
Investment Property	-	-	-	16,698,999	-	-	-	-	16,698,999
Property, plant and equipment	-	5,108,635	-	177,193,607	188,059,908	27,628,111	113,324,441	103,500	511,418,202
Receivables from exchange transactions	-	-	-	59,580,167	-	-	-	-	59,580,167
Receivables from non-exchange transactions	-	-	-	2,117,223	-	-	-	-	2,117,223
Statutory receivables from non-exchange transactions	-	-	-	14,654,417	-	-	-	-	14,654,417
Other receivables from exchange transactions	-	-	-	1,703,706	-	-	-	-	1,703,706
Operating lease asset	-	-	-	274	-	-	-	-	274
<b>Total segment assets</b>	-	<b>5,108,635</b>	-	<b>277,555,907</b>	<b>188,059,908</b>	<b>27,628,111</b>	<b>113,359,409</b>	<b>103,500</b>	<b>611,815,470</b>
<b>Total assets as per Statement of financial Position</b>									<b>611,815,470</b>
<b>Liabilities</b>									
Accounts Payable	-	-	-	37,378,059	-	-	-	-	37,378,059
Payables from non-exchange transactions	-	-	-	977,942	-	-	-	-	977,942
Other Financial Liabilities	-	-	-	3,171,206	-	-	-	-	3,171,206
Provisions	-	-	-	8,211,388	-	-	-	-	8,211,388
Unspent Grants	124,919	-	-	11,420,528	-	-	-	-	11,545,447
VAT Payable	-	-	-	13,728,194	-	-	-	-	13,728,194
Consumer deposits	-	-	-	745,124	-	-	-	-	745,124
Employee benefits	-	-	-	11,685,460	-	-	-	-	11,685,460
<b>Total segment liabilities</b>	<b>124,919</b>	-	-	<b>87,317,901</b>	-	-	-	-	<b>87,442,820</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>49. Segment information (continued)</b>									
<b>Total liabilities as per Statement of financial Position</b>									<b>87,442,820</b>

### 50. Principal-Agent arrangements

#### Principal in Principle-Agent arrangement

The municipality is the Principal in the Principal-Agent arrangement with Conlog. Conlog undertakes pre-paid electricity sales through the use of third-party vendors on behalf of Umsobomvu Local Municipality. No significant judgements were applied in determining if the municipality was the principal. No changes have been made to the terms and conditions for the arrangement during the reporting period. No significant risks and benefits associated with the arrangement have been identified.

#### Compensation paid for agency activities

##### Statement of Financial Performance

Commission income paid

272,789      307,238

##### Statement of Financial Position

Conlog debtor included in trade and other receivables

1,038,992      478,927

Umsobomvu Local Municipality paid 4.2% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year.

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 50. Principal-Agent arrangements (continued)

#### Agent in Principle-Agent arrangement

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.87% and 5.75%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There have been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal-agent arrangements.

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers' licenses on behalf of the Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement.

#### Compensation received for agency activities

##### Statement of Financial Performance

Commission (Payroll deductions)	118,872	191,184
Commission (Department of Transport, Safety and Liaison)	44,409	525,798
	<b>163,281</b>	<b>716,982</b>

##### Statement of Financial Position

Commission (Payroll deductions) included in trade and other payables	-	11,232
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Umsobomvu Local Municipality was paid 2.87% commission by Metropolitan lives, Old Mutual, Avbob, Legal Wise, African Life Assurance, Comforting Funerals, Regent (Pty) Ltd and the African National Congress for acting as an agent on its behalf during the financial year.

Umsobomvu Local Municipality was paid 5.75% commission by Dohne & Fourie Attorneys, CJ Bouwer Attorney, Minaar & De Kock Attorneys and Gerhard van der Merwe Attorneys for acting as an agent on its behalf during the financial year.

Umsobomvu Local Municipality was paid 12% commission by the Department of Transport, Safety and Liaison for acting as an agent on its behalf during the financial year.

Resources under the custodianship of agent

There are no resources of the principal under the custodianship of Umsobomvu Local Municipality, nor have they been recognised as such.

### 51. Budget differences

#### Material differences between budget and actual amounts

Material differences are deemed material were the differences differ with 10% or more of the final budget.

#### Statement of financial performance

**Service charges:** The municipality billed less services than budgeted for. The decrease is also as a result of customers who are tempering with their electricity meters as it can be witnessed in the increase of distribution losses.

**Rental in facilities and equipment:** The municipality expected an increase in the income from rental facilities, unfortunately the anticipated increase was not achieved in the financial year due to the COVID -19 pandemic.

**Agency services:** This is attributable to the increase in collection of license fees.

**Other income:** Management expected an increase in other income, unfortunately the anticipated increase was not achieved. Licence and permits have been included as other income, as it is immaterial.

**Interest received:** Increase in interest received is due to the municipality continuous attempt to monthly levy interest against long outstanding debtors this is also indicated by the increase in the consumer debtors.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 51. Budget differences (continued)

**Government grants and subsidies:** This is attributed to the fact that according to the DoRA letter the municipality was not intended to receive a Water Services Infrastructure Grant and after revaluation the municipality did receive the Grant.

**Fines, penalties and interest:** Decrease in fines revenue can be attributed to the ongoing Covid-19 pandemic. Due to the pandemic individuals do not travel as regularly as past periods and thus the opportunity to gain revenue through the issue of traffic fines has decreased.

**Fair value adjustment:** As stated with the investment property, management did not budget for the fair value adjustment to investment property due to the implementation of the new valuation roll.

**Public contributions and donations:** Management was not aware of the Department of Roads and Public Works completion of the project would fall within the current year additionally the cost of the project could not be estimated.

**Remuneration of councilors:** The municipality made provision for an increase in councilors remuneration for the current period but there was never a Government Gazette issued to indicate that the councilors remuneration is to be adjusted and thus stayed consistent from the prior period.

**Debt impairment:** Increase in the debt impairment can also be attributed to the increase in consumer debtors. Due to the consumer debtors balance increasing a larger amount was taken into consideration for the debt impairment calculation.

**Contracted services:** The decrease is as a result of underspending of grants, this can be seen in unspent conditional grants in the financial year.

**General expenses:** Management increased the budget from the prior year to prepare for unforeseen expenditure, however during the current period the general expenditure decreased.

**Finance cost:** Due to cashflow constraints experienced during the period the municipality incurred interest on creditor accounts that was not budgeted for.

**Debt impairment:** Increase in impairment of debtors is due to the increase in aging of customer debt that is not being settled by customers. Management also ensured that all fines issued have been accounted for in terms of iGRAP 1 and have provided for the portion deemed irrecoverable, which was not budgeted for.

### Statement of financial position

**Inventory:** Due to a decrease in the water stock at yearend (volume and price).

**Other receivables from non-exchange transactions:** Due to the reclassification of certain receivables from non-exchange transactions the difference led to a material difference. The salary control account was previously disclosed as part other receivables from non-exchange transactions. However, the account is now viewed as a contingent asset.

**Cash and cash equivalents:** Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

**Operating lease asset:** Immaterial balance and therefore not budgeted for.

**Trade payables:** Due to the cashflow constraints experienced during the period the creditor accounts could not be settled in the required period of 30 days and thus the Trade payables amount increased

**Unspent conditional grants:** Management planned to exhaust all grant funding due to the COVID-19 pandemic, there were delays in spending of projects. Therefore, the municipality did not realise the revenue from qualifying expenditure.

**VAT payable:** Not budgeted for separately.

**Finance lease obligation:** Municipality did not budget for the finance lease liability.

### 52. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 53. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 524,371,647 and that the municipality's total assets exceed its liabilities by R 524,371,647.

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

Management considered the following matters relating to the going concern assumption:

- The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is 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 municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- Surplus of R9,850,392 (2020: deficit of R3,130,292) was realised, Government grants and subsidies contributed R86,864,096 (2020: R79,611,163).
- The municipality's unspent conditional grants for the current year amounted to R11,545,447 (2020: R19,702,543). This is an indication that monies received are not utilized for the specific projects under construction and should be paid back to the relevant parties.
- The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
- Debt collection period has not improved during the current financial year.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R174 374 222 (2020: R152 504 902) has been disclosed in the financial statements.
- As at 30 June 2020 the municipality's current liabilities amounted to R61,524,777 (2020: R66,952,079), whilst the current assets amounted to R80,766,576 (2020: R67,599,160).
- The current and acid test ratios are below the required ratio of 1.11:1 and 1.00:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The Umsobomvu Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2020 financial year, the allocated Equitable Share allocation amounts to R53 603 000 and the Financial Management Improvement Grant to R1 970 000.



# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 53. Going concern (continued)

- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2018 furthermore disclosed government's proposed allocation of the 2021 and 2022 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.
- The municipality has not been placed under administration for the 12 months ending 30 June 2020.

# Umsobomvu Local Municipality

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### 54. Risk management

#### Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyses the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these annual financial statements.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The table below analyses the municipality's remaining contractual maturity for its non-derivative financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cashflows.

# Umsobomvu Local Municipality

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### 54. Risk management (continued)

Description	Note ref in AFS	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years
<b>At 30 June 2021</b>							
<b>Fixed interest rate instruments</b>							
Nashua	12	Various	6,704,538	513,970	536,280	1,161,940	4,492,346
Non-interest-bearing instruments							
• Payables from exchange transactions	13	0.00%	15,200,063	15,200,063	-	-	-
<b>At 30 June 2020</b>							
Fixed interest rate investments							
• Nashua	12	Various	4,420,309	484,250	491,700	1,073,545	2,370,814
Non-interest bearing instruments							
• Payables from exchange transactions	13	0.00%	17,105,340	17,105,340	-	-	-

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.

The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.

The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.

Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

# Umsobomvu Local Municipality

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### 54. Risk management (continued)

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

#### Market risk

##### Interest rate risk

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.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 54. Risk management (continued)

#### Price risk

The municipality does not hold any shares.

# **ANNEXURE B: AG REPORT**

# Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Umsobomvu Local Municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Umsobomvu Local Municipality set out on pages page 1 to 95, 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 information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Umsobomvu Local Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2020 (Act No. 4 of 2020) (Dora).

### Basis for qualified opinion

#### Cash and cash equivalents

3. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I could not confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R5 172 398 (2020: R6 781 515) in the financial statements.

### Context for the 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 qualified opinion.

### **Emphasis of matters**

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

### **Restatement of corresponding figures**

8. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the municipality at, and for the year ended 30 June 2021.

### **An uncertainty relating to the future outcome of exceptional litigation**

9. With reference to note 41 to the financial statements, the municipality is the defendant in a number of claims against them. The municipality is opposing the claims, as it believes that the claims are fraudulent. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

### **Material losses – electricity**

10. As disclosed in note 48 to the financial statements, material electricity losses of R8 907 499 (2020: R6 447 531) were incurred, which represent 28.02% (2020: 24.06%) of total electricity purchased. These losses was due dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering.

### **Material losses – water**

11. As disclosed in note 48 to the financial statements, material water losses of R9 489 410 (2020: R9 137 943) were incurred, which represent 59.23% (2020: 66.36%) of total water purchased. These losses occur due to inter alia, leakages, the tampering of meters and illegal water connections.

### **Underspending of conditional grants**

12. As disclosed in note 26 to the financial statements, the municipality materially underspent on the municipal infrastructure grant by R5 601 018. The underspending resulted to delays in the progress of the upgrading of Ngqandu and Madikane streets projects.

### **Other matters**

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

### **Unaudited disclosure notes**

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



## Unaudited supplementary schedule

15. The municipality provided supplementary information in the financial statements on whether resources were obtained and used according to the legally adopted budget. The supplementary budget information set out on pages 12 to 14 does not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion on it.

### **Responsibilities of the accounting officer for the financial statements**

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
17. 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**

18. 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.
19. 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**

20. 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.
21. 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.

22. 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 objectives presented in the municipality’s annual performance report for the year ended 30 June 2021:

Objectives	Pages in the annual performance report
Objective 5 - Ongoing maintenance of municipal infrastructure.	11 – 12
Objective 6 - Provide appropriate services to all households	12–14
Objective 7 - Provide quality and sustainable municipal infrastructure within available resources	14 – 17

23. 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.

24. I did not identify any material findings on the usefulness and reliability of the reported performance information for these objectives:

- Objective 5 - Ongoing maintenance of municipal infrastructure.
- Objective 6 - Provide appropriate services to all households.
- Objective 7 - Provide quality and sustainable municipal infrastructure within available resources.

**Other matters**

25. I draw attention to the matters below.

**Achievement of planned targets**

26. Refer to the annual performance report on pages 11 to 17 for information on the achievement of planned targets for the year of targets.

**Adjustment of material misstatements**

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Objective 5 –

Ongoing maintenance of municipal infrastructure, Objective 6 – Provide appropriate services to all households and Objective 7 – Provide quality and sustainable municipal infrastructure within available resources. 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

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

#### Annual financial statements

30. 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 asset, current liabilities, non-current liabilities, expenditure and disclosure notes identified by the auditors in the submitted financial statements were subsequently corrected but the supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

#### Expenditure management

31. Reasonable steps were not taken to prevent irregular expenditure amounting to R10 716 472 as disclosed in note 47 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management regulations.
32. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R27 818 818 as disclosed in note 45 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the vote for community services.

#### Strategic planning and performance management

33. Amendments to the IDP were made without consultation with the district municipality, as required by municipal planning and performance management regulation 3(6)(a).

#### Procurement and contract management

34. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by supply chain management (SCM) Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

35. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).
36. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1).
37. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2). This non-compliance was identified in the procurement processes for the upgrading of Mdikane and Ngqandu Street to block paving.
38. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.
39. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). This non-compliance was identified in the procurement processes for the electrification of Ezimbacweni.
40. Some of the tenders which achieved the minimum qualifying score for functionality criteria were not evaluated further in accordance with 2017 Preferential Procurement Regulation 5(7). This non-compliance was identified in the procurement processes for the Upgrading of Noupoot Sewer Network and Upgrading of President Swartz and Niewenhuizen Street to Paving.
41. Invitation to tender for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).
42. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.
43. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

#### **Utilisation of conditional grants**

44. Performance in respect of programmes funded by the Municipal Infrastructure Grant and Water Services Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 4 of 2020).

<b>Other information</b>
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45. 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.

46. 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.
47. 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.
48. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

#### Internal control deficiencies

49. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.
50. The matters above, as they relate to the basis for the qualified opinion, and findings on compliance with legislation, will be summarised in the auditor's report as follows:
51. The municipality did not effectively exercise their oversight responsibility in respect of financial statements and compliance with applicable legislation by ensuring that daily and monthly reports are prepared and adequately reviewed to ensure credibility of the financial statements.
52. The municipality developed an audit plan to address issues that were raised by the internal and external auditors in the prior financial year, however, management did not adequately address prior year issues. This is evident from repeat findings identified in the current year in the financial statements as well as compliance with legislation.
53. Management has not implemented adequate controls to ensure that accurate, complete and reliable financial statements and performance reports can be prepared on a regular basis. Management makes use of consultants to prepare the financial statements, but has not implemented the required controls to ensure that effective oversight over the review of the quality, completeness and accuracy of this work can be assured.
54. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

55. The municipality did not implement appropriate risk management activities to ensure that regular risk assessments, are conducted and that a risk strategy to address the risks is developed and monitored. As a result, internal controls were not designed and implemented to address risks that are present at the municipality.

### Other reports

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

### Investigations

57. In the 2018-19 financial year, the Hawks conducted an investigation on alleged fraudulent activities in salaries. The matter has been referred to the Colesberg Magistrate Court for prosecution with no outcome at the date of this report.

58. National treasury and COGSTA conducted an investigation on maladministration and SCM matters at the municipality. A report was issued to the municipal council and the accounting officer, however, the municipality are disputing the outcome of the report resulting in the matter being referred to the court of law with no outcome at the date of this report.

Kimberley

02 December 2021



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general’s responsibility for the audit**

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

### **Financial statements**

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

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.