

DIKGATLONG LOCAL MUNICIPALITY



ANNUAL REPORT FINANCIAL YEAR 2020/2021

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INTRODUCTION

The Annual Report is one of the three (3) strategic documents tabled before Council. The others are the Integrated Development Plan (IDP), which is a 5-year long-term strategic planning document of Council and the Annual Budget, which provides for the allocation of financial resources to the IDP programmes and projects. Both the IDP and budget are forward-looking documents as they set out what the municipality intends to achieve in future whilst the annual report looks backward on the actual performance at the end of financial year previous financial year in terms of how the Municipality has implemented its Integrated Development Plan and the Budget.

The annual report provides a record of the municipal activities, both financial (*budget implementation*) and non-financial information (*service delivery performance*) as report back to the community and other key community stakeholders about the performance of the municipality for the financial year 2020/2021 (01 July 2020 to 30 June 2021).

The Annual Report is prepared and handled in terms of Chapter 12 of the Local Government: Municipal Finance Management Act, 2003. The annual performance report, which is prepared in terms of Section 46 of the Local Government: Municipal Systems Act, 2000 and must form part of the Municipality's annual report, must comprise of the following:

- *Performance of the Municipality and of each service provider during the financial year.*
- *Comparison of the performance of the financial year of reporting with the performance of the previous financial year.*
- *Measures taken to correct and improve the performance where under-performance was identified.*

The oversight process on quality assurance and integrity of the annual report is done by the Municipal Public Accounts Committee (MPAC) and Audit Committee. The Auditor-General has audited the annual financial statements and performance report. The annual report is presented to Council for consideration in terms of the applicable policy and legislative framework *en route* towards the adoption of the oversight report and the final annual report.

CHAPTER 1

MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

1. MAYOR'S FOREWORD

INTRODUCTION



In terms of section 121 of the Local Government: Municipal Finance Management Act all municipalities must prepare the annual reports for every financial year. The purpose of the Annual Report is to record for the Municipality the performance targets against the budget and IDP of the Municipality during the financial year.

The annual report also indicates how the Municipality as an institution has lived up to its vision, mission and core values because this assists in the determination and realisation of organisational strategic objectives of the municipality.

As the Mayor of Dikgatlong Municipality it is an honour to present the annual report for 2020/21 financial year. The municipality has not experienced any political changes in the political leadership. Political stability was maintained during the year under review.

It is further an honour to present to the community the Municipal Annual Report for the 2020/2021 financial year, which also includes annual performance of the Municipality on the priorities that were identified in its approved Integrated Development Programme (IDP) and Service delivery Implementation Plan (SDBIP). The report does not only contain achievements, but also challenges that the Municipality might have faced during the financial year during the implementation of its strategic objectives.

We continue to address service delivery challenges and the municipality continues to receive support from other spheres of government including Frances Baard District Municipality. We will report on projects and the support we receive from different departments.

The Municipality continues to struggle to implement the financial recovery plan due to scarcity of resources and lack of capacity both financial (funds) and non-financial (personnel and infrastructure).

PUBLIC PARTICIPATION

The strength of the Municipal comes from its ability to mobilise and engage with its community and its diverse stakeholders. Every year, the Municipality conducts the IDP and Budget consultation meetings for the community to have opportunity to identify its service delivery priorities and budgetary allocation. As a result of the COVID 19 pandemic the municipality could not have consultation meetings and consulted ward committees for IDP and budget. The Municipality also engaged sector Departments in the spirit of inter-governmental relations to discuss sector issues affecting our communities. The issue of communication need urgent attention to support the municipal programme of public participation.

AUDIT BY AUDITOR GENERAL

The municipality submitted the Annual Financial Statements to the Auditor General. We will report on the Audit Opinion for the financial year 2020/2021; the report will include the Audit Report.

CONCLUSION

We continue to strive to implement the Financial Recovery Plan and address service delivery gaps despite challenges that we have as a result of limited resources. I convey my sincere gratitude to the community of Dikgatlong for the opportunity that was given to Council to serve its citizens for a period of five years. With 2020/2021 behind us, the municipality will strive to work hard and face challenges that the new financial year will bring.

“Ditau tsa go tlhoka seboka, di tholwa ke nare e tlhotsa”.

CLLR D D MBIZENI

EXECUTIVE SUMMARY: MUNICIPAL MANAGER'S OVERVIEW

INTRODUCTION



The beginning of the financial year in the Local Government calendar provides the Municipality with an opportunity to report on the performance and achievements recorded in implementing the IDP strategic objectives.

The Municipality continues to plan by reviewing its IDP through consultation of others spheres of government and different stakeholders within the municipality. The COVID 19 pandemic altered the way consultation processes were conducted in the past years to avoid the spread of the disease. The annual report will highlight on service delivery challenges and the support received from other spheres of government.

We have implemented projects during the year under review. Water and Sanitation remain number priority in Dikgatlong Municipality. The report will highlight implementation of projects within the municipality.

The Municipality still faced several challenges of slow non-economic growth, high unemployment, low revenue collection and shortage of capacity. We are gradually addressing shortage of capacity by filling only critical vacancies identified with suitably qualified staff especially in the directorate of Finance and Technical Services. The report will indicate positions filled. The position of the Municipality Manager remains vacant. The Council that will be newly elected in the next financial year will have an opportunity to appoint the Municipal Manager for duration of five (5) years that will be aligned to their term of office.

We continue to create temporary jobs through EPWP and other programmes supported by provincial departments. The report on Local Economic Development will highlight number of jobs created.

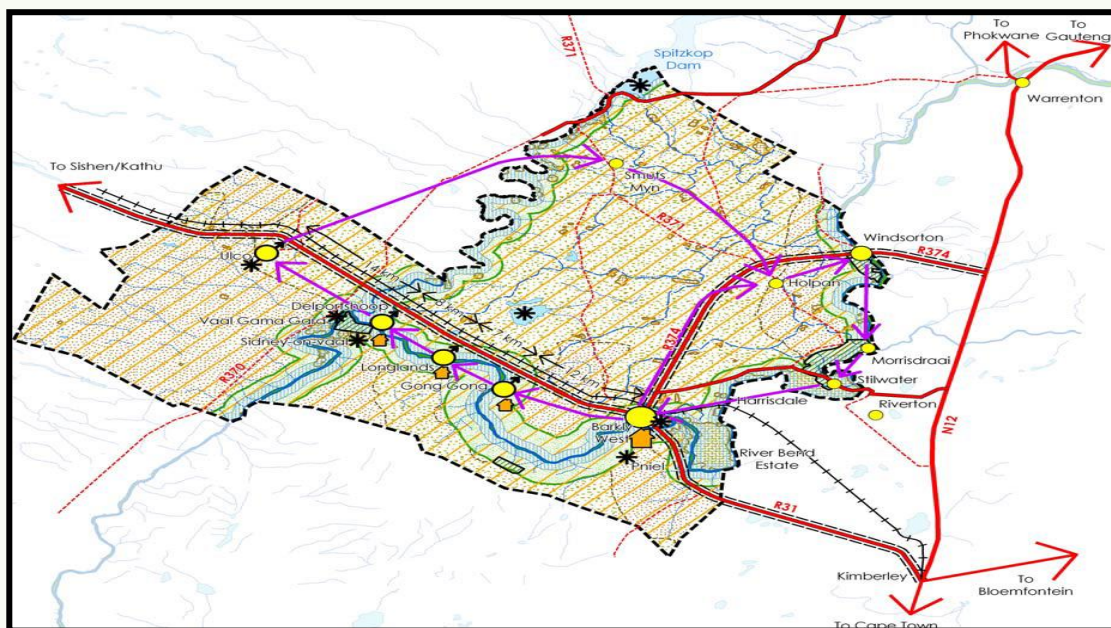
The report will indicate the financial performance of the municipality and the audit opinion for 2020/2021. The municipality continues to receive support from Frances Baard District Municipality through shared service for Internal Audit and Risk Management.

The municipality continues to strive to implement the Financial Recovery Plan with the aim of improving the overall performance of the municipality.

We convey our sincere gratitude to all departments that supported us in 2020/21 financial year. Appreciation is also extended to the political arm and the staff of Dikgatlong Municipality. We present 2020/2021 Annual Report.

B. TSINYANE
ACTING MUNICIPAL MANAGER

3. LOCALITY MAP OF DIKGATLONG LOCAL MUNICIPALITY



Dikgatlong Local Municipality, which falls under the Frances Baard District Municipality, covers a geographical area of 237 749.2 hectares. The Head Office of the Municipality is located in the Town of Barkly West, approximately 32km from Kimberley. The area of the Municipality also includes Mataleng, Delpoortshoop, Ulco, Longlands, Gong-Gong, Holpan, Smith Mine, Pniel, Vaal Gama Gara, Stilwater, Morrisdraai and the former District Municipal Management Area (*Koopmasfontein, Blikfontein, Klipfontein and Dancarl*).

4. MUNICIPAL COMMITTEES AND FUNCTIONS

| MUNICIPAL COMMITTEES AND FUNCTIONS | | | |
|------------------------------------|----------------|------------------|--|
| DEPARTMENT / PORTFOLIO | HEAD | | FUNCTIONS |
| | ADMINISTRATIVE | POLITICAL | |
| FINANCIAL ADMINISTRATION | Mr. C Mokeng | Clr MA Mahutie | <ul style="list-style-type: none"> ▪ Revenue + Expenditure Management. ▪ Supply Chain Management. ▪ Budgets and reporting. ▪ Assets + Fleet Management. ▪ Customer Relations. ▪ Investments. |
| CORPORATE SERVICES | Ms. B Tsinyane | Clr MP Chupologo | <ul style="list-style-type: none"> ▪ Strategic Management (PMS). ▪ Human Resource Management + Development. ▪ Library Services. ▪ Council Support + Secretariat. ▪ Security + Records Management. ▪ Integrated Development Plan (IDP). |
| Community Services | Vacant | Vacant | <ul style="list-style-type: none"> ▪ Vacant |
| TECHNICAL | | | <ul style="list-style-type: none"> ▪ Water + Sanitation. |

| MUNICIPAL COMMITTEES AND FUNCTIONS | | | |
|------------------------------------|----------------|-------------------|--|
| DEPARTMENT / PORTFOLIO | HEAD | | FUNCTIONS |
| | ADMINISTRATIVE | POLITICAL | |
| SERVICES | Mr. M Duba | Clr Thomas Saul | <ul style="list-style-type: none"> ▪ Electricity. ▪ Roads + Storm Water. ▪ Parks and Cemetery |
| MUNICIPAL PUBLIC ACCOUNTS (MPAC) | N/A | Clr AJ Mafofololo | Oversight over Spending of the Public or Municipal Funds (compliance). |

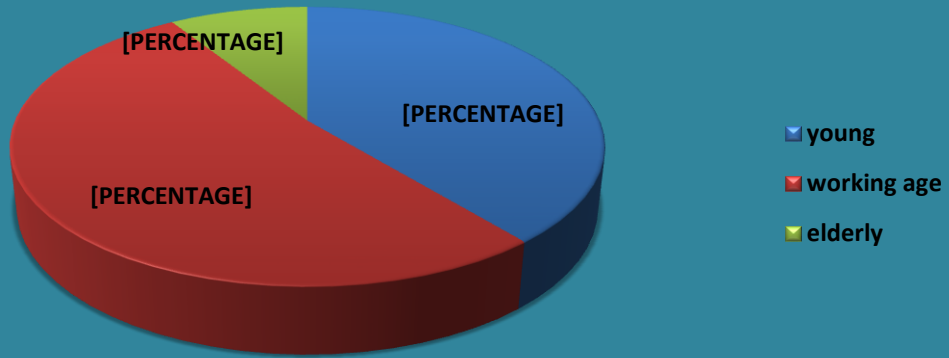
5. POPULATION DEMOGRAPHICS AND GENDER DISTRIBUTION

| RACIAL DIMENSIONS | | LANGUAGE PREFERENCES | |
|-------------------|-------------|----------------------|-------------|
| CATEGORY | % TOTAL | CATEGORY | % TOTAL |
| Africans | 58.5% | Setswana | 52.7% |
| Coloureds | 28.5% | Afrikaans | 39.2% |
| Whites | 3.6% | English | 2.1% |
| Indians / Asians | 0.6% | Sesotho | 1.7% |
| Others | 8.8% | Others | 4.3% |
| TOTAL | 100% | TOTAL | 100% |

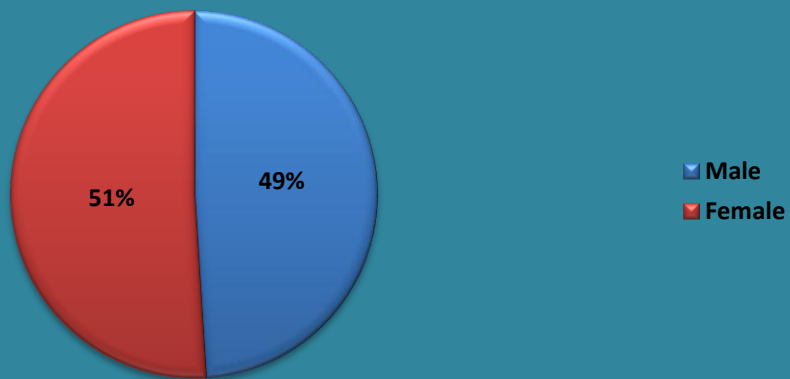
Dikgatlong Local Municipality's population is slightly aging, with a decline of 7.6% in the 20-34 age category and older age categories is increasing. The 35-39 age category increased by 8.8%, the 40-64 age category increased by 9% and the 65 and older age category increasing by 54.1% between 2011 and 2016. The decline in the 20-34 age category can be attributed to people leaving the municipal area for better education and job opportunities elsewhere. There has been a **2 254** increase in the population older than 40 years of age between 2011 and 2016, which has an impact on provision of services and housing as persons older than 40 years of age are given preference in the provision of housing.

| POPULATION DETAILS (GENDER + AGE) | | | | | | | | | | | | | | | |
|--------------------------------------|------|-------|-------|--------|-------|---------|-------------|--------|-------|-------------|------------|-------|-------|-------|--|
| AGE | 0-14 | | 15-19 | | 20-34 | | 35-39 | | 40-64 | | 65 + OLDER | | TOTAL | | |
| GENDER | M | F | M | F | M | F | M | F | M | F | M | F | M | F | |
| 2011 | 7484 | 7341 | 2137 | 2162 | 5966 | 5974 | 1479 | 1546 | 4987 | 5303 | 1009 | 1452 | 23062 | 23778 | |
| 2016 | 7571 | 7197 | 2244 | 2127 | 5731 | 5308 | 1825 | 1465 | 5479 | 5733 | 1443 | 2350 | 24293 | 24180 | |
| VARIATION FROM 2011 TO 2016 | | | | | | | | | | | | | | | |
| # | 87 | (144) | 107 | (35) | (236) | (666) | 346 | (81) | 491 | 430 | 434 | 898 | 1231 | 402 | |
| % | 1.2% | (2%) | 5% | (1.6%) | (4%) | (11.2%) | 23.4% | (5.2%) | 9.9% | 8.1% | 43% | 61.8% | 5.3% | 1.7% | |
| RATIOS | | | | | | | | | | | | | | | |
| Sex Ratio (males / 100 females) | | | | | | | 97 (2011) | | | 97.3 (2001) | | | | | |
| Dependency Ratio (<15 + <65 / 15-64) | | | | | | | 58.5 (2011) | | | 58.1 (2001) | | | | | |

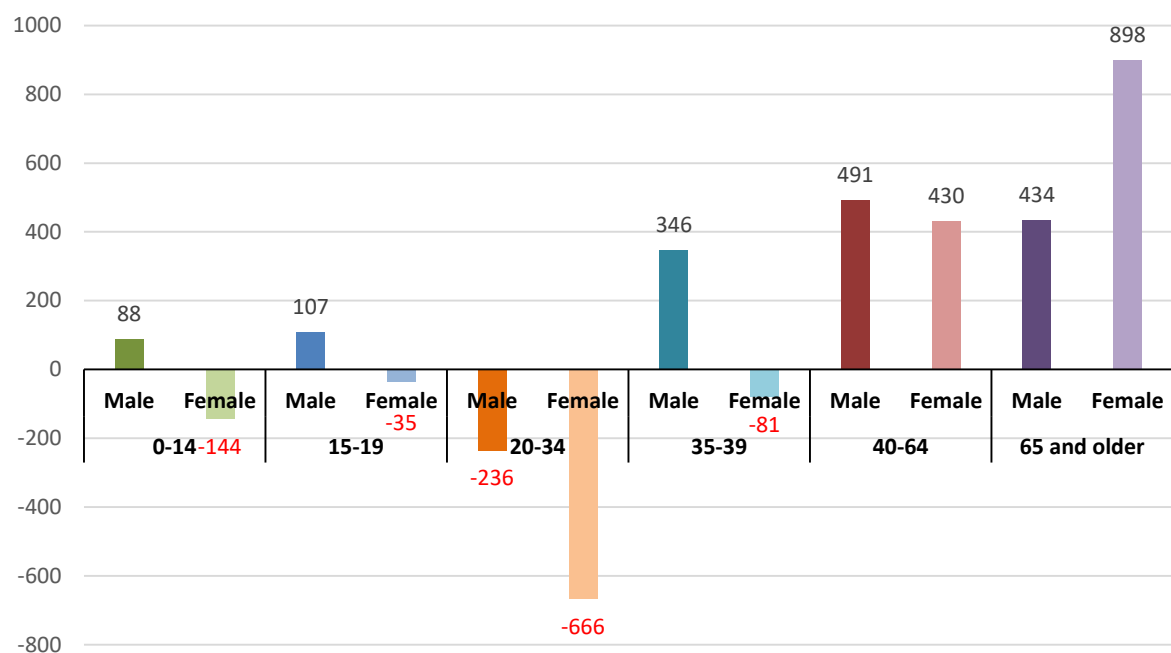
POPULATION DETAILS



GENDER DIMENSIONS



DIKGATLONG LOCAL MUNICIPALITY AGE/GENDER CHANGE 2011-2016



Another interesting trend is the general decline in the female population with 11, 2% decline in the ages of 20–34 between 2011 and 2016. This decline would be due to better opportunities outside the area of Dikgatlong. However, the decline in the female population is high and it can also be ascribed to the local female population maybe getting married to males from outside the area of Dikgatlong Local Municipality.

EDUCATION + LITERACY STATISTICS: PRE-SCHOOL ATTENDANCE: (AGED 0 – 5)

| PERIOD | STATS SA CENSUS 2011 | COMMUNITY SURVEY 2016 |
|---|----------------------|-----------------------|
| PERCENTAGE | 2.5% | 0.3% |
| <p>PRE-SCHOOL: The attendance has seriously declined between 2011 and 2016, but not clear what the cause might be.</p> | | |

EDUCATION + LITERACY STATISTICS: (AGED 6 – 14)

| PERIOD | STATS SA CENSUS 2011 | | COMMUNITY SURVEY 2016 | |
|--|----------------------|-------------------|-----------------------|-------------------|
| CATEGORY | No Education | Completed Grade 4 | No Education | Completed Grade 4 |
| PERCENTAGE | 1.3% | 9.4% | 0.6% | 13.9% |
| <ul style="list-style-type: none"> ▪ NO SCHOOLING: The percentage of the population with no education has declined from 1.3% in 2011 to 0.6% in 2016. ▪ AGE GROUP 6 -14 YEARS: There is an increase in the percentage of the population that has completed Grade 4 from 9.4% in 2011 to 13.9% in 2016. | | | | |

EDUCATION + LITERACY STATISTICS (AGED 15 – 19)

| PERIOD | STATS SA CENSUS 2011 | | COMMUNITY SURVEY 2016 | |
|----------|----------------------|-------------------|-----------------------|-------------------|
| CATEGORY | No Education | Completed Grade 4 | No Education | Completed Grade 4 |

| EDUCATION + LITERACY STATISTICS (AGED 15 – 19) | | | | |
|---|----------------------|-------|-----------------------|-----|
| PERIOD | STATS SA CENSUS 2011 | | COMMUNITY SURVEY 2016 | |
| PERCENTAGE | 1.1% | 35.5% | 0.8% | 18% |
| <p>AGE GROUP 15 - 19 YEARS: There is a decline in the percentage of individuals with only primary school as their highest educational achievement, from 35.5% in 2011 to 18% in 2016. Read in conjunction with the increased percentage of individuals with Matric and other higher forms of education, it can be assumed that more individuals are continuing on with their education and completing high school.</p> | | | | |

| EDUCATION + LITERACY STATISTICS (AGED 20 – 34) | | | | | | |
|--|--------------|----------------|-------------------------|--------|--|--------------------|
| CATEGORY | No Education | Primary School | High school (no matric) | Matric | NTC 1-6 + Certificates + Diplomas with less than gr 12 | Tertiary Education |
| 2011 | 4.3% | 9.5% | 50% | 32.7% | 1.6% | 3.1% |
| 2016 | 0.3% | 10.2% | 44.9% | 38.7% | 3.5% | 2.3% |
| <p>AGE GROUP 20 – 34: There is an increase in the percentage of individuals with matric and some type of tertiary education, with the percentage of individuals with matric increasing from 32.7% in 2011 to 28.7% in 2016. The decline in percentage of individuals with some type of NTC and tertiary education can be attributed to the general decline in the 20-34 age category.</p> | | | | | | |

| EDUCATION + LITERACY STATISTICS (AGED 35 – 39) | | | | | | |
|--|--------------|----------------|-------------------------|--------|--|--------------------|
| CATEGORY | No Education | Primary School | High school (no matric) | Matric | NTC 1-6 + Certificates + Diplomas with less than gr 12 | Tertiary Education |
| 2011 | 11% | 24.7% | 39.1% | 21.4% | 1.6% | 3% |
| 2016 | 3.7% | 20% | 41.6% | 24.6% | 1.5% | 5.2% |
| <p>AGE GROUP 35 – 39: The consequences of a lack of access to education in this group due to apartheid is still evident, with 20% with only primary school, 41.6% with some high school and 24.6% with matric in 2016. There is, however, some improvement in education levels between 2011 and 2016.</p> | | | | | | |

| EDUCATION + LITERACY STATISTICS (AGED 40 – 64) | | | | | | |
|--|--------------|----------------|-------------------------|--------|--|--------------------|
| CATEGORY | No Education | Primary School | High school (no matric) | Matric | NTC 1-6 + Certificates + Diplomas with less than gr 12 | Tertiary Education |
| 2011 | 17.8% | 28.0% | 33.9% | 17.2% | 2.1% | 2.7% |
| 2016 | 17.5% | 33.4% | 35.5% | 10.7% | 0.9% | 6% |
| <p>AGE GROUP 40 – 64: The consequences of a lack of access to education due to apartheid is still evident, with 17.5% of the age group with no education, 33.4% with only primary school, 35.5% with some high school, and 10.7% with matric in 2016.</p> | | | | | | |

| EDUCATION + LITERACY STATISTICS (AGED 65 + OLDER) | | | | | | |
|---|--------------|----------------|-------------------------|--------|--|--------------------|
| CATEGORY | No Education | Primary School | High school (no matric) | Matric | NTC 1-6 + Certificates + Diplomas with less than gr 12 | Tertiary Education |
| 2011 | 21.3% | 23.9% | 38.8% | 3.8% | 4.5% | 5.8% |
| 2016 | 21.7% | 45.3% | 23.7% | 7.7% | 0% | 4% |
| <p>AGE GROUP 64 + HIGHER: In this age group, the consequences of a lack of access to education due to apartheid is the most evident, with 21.7% of the age group with no education, 45.3% with primary</p> | | | | | | |

| EDUCATION + LITERACY STATISTICS (AGED 65 + OLDER) | | | | | | |
|--|--------------|----------------|-------------------------|--------|--|--------------------|
| CATEGORY | No Education | Primary School | High school (no matric) | Matric | NTC 1-6 + Certificates + Diplomas with less than gr 12 | Tertiary Education |
| school, 23.7% with some high school, and 7.7% with matric in 2016. | | | | | | |

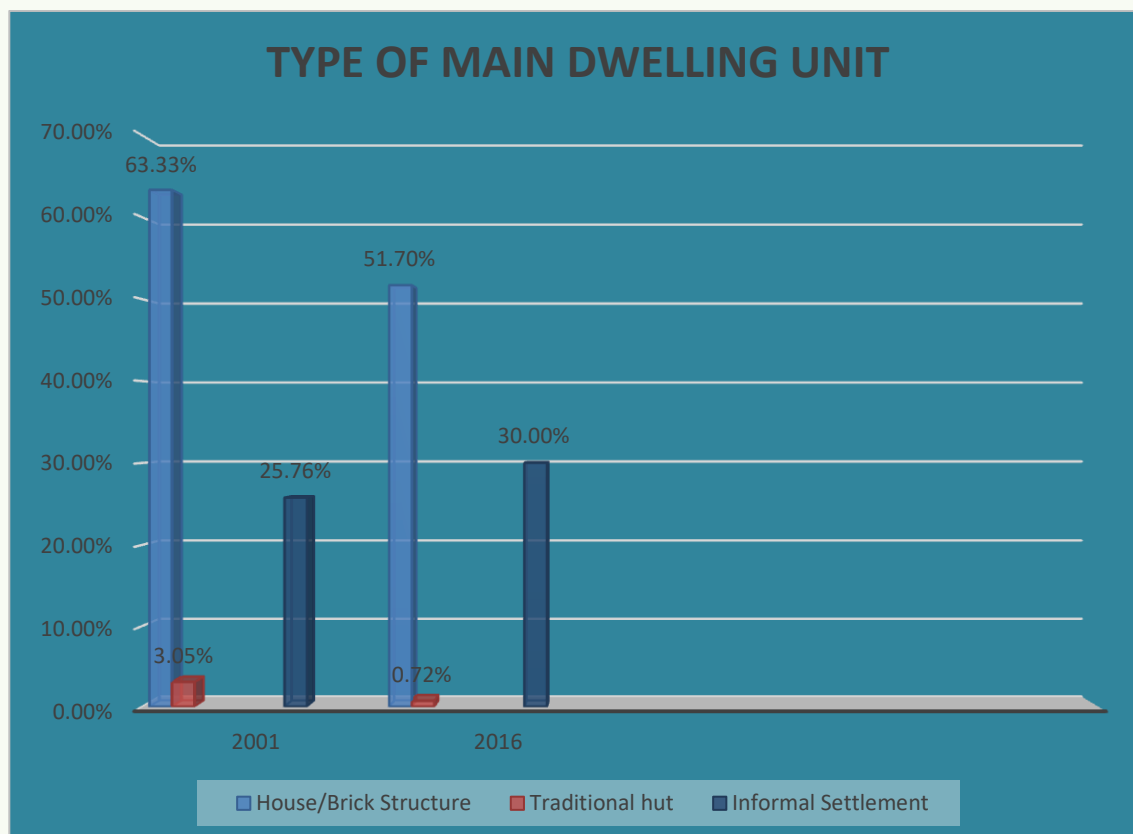
| OVERVIEW OF NEIGHBOURHOODS WITHIN DIKGATLONG LOCAL MUNICIPALITY | | |
|---|---------------|---------------|
| TYPE OF SETTLEMENT | HOUSEHOLDS | POPULATION |
| TOWNS | | |
| Barkly West | 3 222 | 8 258 |
| Delportshoop | 2 278 | 4 788 |
| Windsorton | 1 939 | 2 291 |
| SUB-TOTAL: TOWNS | 7439 | 15 337 |
| TOWNSHIPS | | |
| Kutlwano | 935 | 3 959 |
| Longlands | 702 | 2 933 |
| Mataleng | 2251 | 11 847 |
| Tidimalo | 1153 | 5 558 |
| SUB-TOTAL: TOWNSHIPS | 5041 | 24 297 |
| RURAL / INFORMAL SETTLEMENTS | | |
| Gong-Gong | 384 | 1 045 |
| Holpan | 187 | 646 |
| Pniel | 271 | 695 |
| Sydney on Vaal | 12 | 33 |
| Ulco | 40 | 860 |
| Vaal Gamagara | 64 | 198 |
| SUB-TOTAL | 958 | 3 477 |
| Others | - | 3 727 |
| GRAND-TOTAL | 13 438 | 46 848 |

| NATURAL RESOURCES | |
|---------------------------|--|
| NAME OF NATURAL RESOURCES | RELEVANCE TO THE COMMUNITY |
| Vaal River | Supply of raw water and job creation |
| Minerals (Diamonds) | Development of local economy + Job creation |
| Sun Light | Renewable Energy |
| Land | Human Settlement, Agriculture + Job Creation |

6. DWELLING

There has not been a significant change in the dwellings indicators of Dikgatlong Local Municipality. The people living in the formal structures constitute 78.5% compared to the 73.2% in 2001. Those living in the informal settlements constitute 11.5% of the total number of households.

| TYPE OF MAIN DWELLING UNIT | 2011 | 2016 |
|--|-------------|-------------|
| House or brick/concrete block structure on a separate stand/farm | 9 390 | 11 182 |
| Traditional dwelling/hut/structure made of traditional materials | 169 | 117 |
| Informal dwelling (shack in an informal settlement or on a farm) | 2 018 | 3 204 |
| TOTAL | 100% | 100% |



7. SERVICE DELIVERY OVERVIEW

TECHNICAL SERVICES

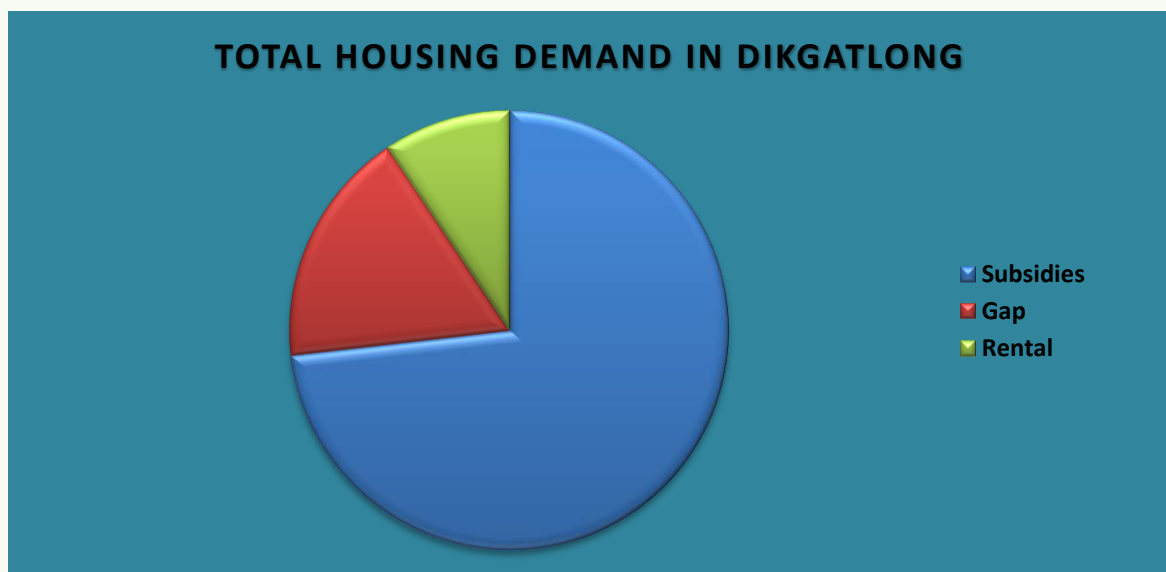
The provision of municipal services is the core business of municipalities, and being responsive to citizens' needs and concerns is the key to effective and efficient service delivery. Among more critical services is solid waste management, roads and storm water, electricity, water management and sanitation. The Technical Services Department is also responsible for provision of basic services and implementation of Municipal Infrastructure projects and it is divided into the following sections:

- Water Services
- Sanitation Services
- Roads and Storm water
- Electricity Services (Eskom and Municipal supply)
- Cemeteries and Maintenance Services
- Solid Waste Management

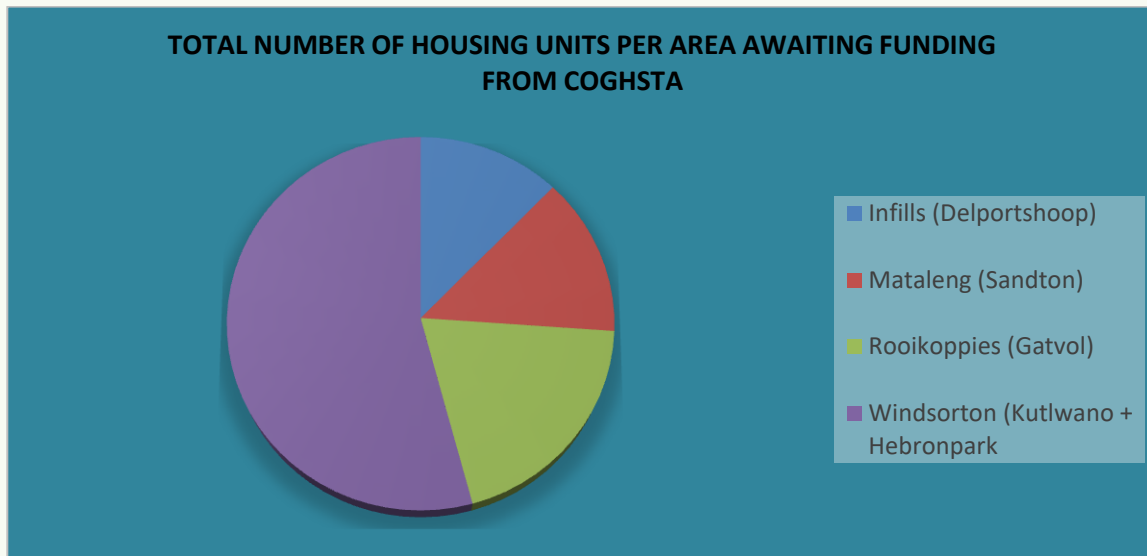
HOUSING AND HUMAN SETTLEMENTS

Section 26 of the Constitution of the Republic of South Africa provides that everyone has the right to have access to adequate housing. The Government must take all reasonable legislative and other measures within its available resources to achieve the progressive realization of this right. Thus the Constitution creates legal obligation for government to take all reasonable measures to ensure that all its citizens have access or the opportunity to acquire a home. Municipalities have become the implementing agency for the roll-out of housing projects in the Republic and considering that the housing program is an under-funded mandate, it creates an additional burdens and challenges on the already strained resources.

The total demand for housing in Dikgatlong Local Municipality is 13 083, which is broken down as follows:



There are registered Housing Project that are awaiting funding from Department of Corporate Governance, Human Settlements and Traditional Affairs (CoGHSTA) and are as follows:



CHALLENGES IN HUMAN SETTLEMENTS AND HOUSING DEVELOPMENT

- ⇒ Weak economic activity in certain areas resulting in disproportioning rural and urban migration to rural stagnation.
- ⇒ Council failure to address human settlements issues within reasonable time frames.
- ⇒ Rapid population growth and lack of affordable housing.
- ⇒ Poor transport infrastructure and linkages.
- ⇒ Inability of the Municipality to respond positively to service delivery issues.
- ⇒ Resettlement stress, backlog in low middle and gap markets.
- ⇒ Inconsistencies between the project budget and funds allocation.

8.

ORGANISATIONAL DEVELOPMENT OVERVIEW

During the Financial Year 2020/21, Council and Council Committees established in terms of Section 79 of Municipal Structures Act, 117 of 1998 continued to perform their functions.

The Corporate Services Committee has played an oversight role on matters pertaining to Organisational Development. It has on a quarterly basis reported to Council on the performance of the municipality in terms of the Service Delivery Implementation Plan (SDBIP) and the Financial Recovery Plan (FRP).

The resolution register is a standing item in Ordinary Council meetings. The register is updated on a quarterly basis. All departments are required on a Quarterly basis to report on the implementation of council resolutions. Implementation of Council resolutions has been incorporated in the SDBIP.

The municipality still has its own challenges in terms of the implementation of the Organisational Structure. There are critical vacancies that will be filled in the next financial year. The positions could not be filled in 2020/21 as a result of budget constraints. Only critical positions already identified will be filled in the next financial year.

The municipality has reviewed and developed policies. Human Resource Policies that were approved by Council went through a consultative process with the unions at the Local Labour Forum.

Safety measures had to be taken towards the end of the financial year to protect the employees from COVID 19 Pandemic. We had to purchase protecting clothing including masks and sanitizers to curb the spread of COVID 19 amongst our employees. We had seven (7) employees who tested positive to COVID 19 by 30 June 2021. No councillor was reported to have contracted the disease. All seven (7) employees who tested positive survived the disease.

We continue to work together with Local Government SETA to ensure that staff receives the required skills through skills programmes, bursaries and learnerships. The Study Assistance Policy was reviewed and adopted by Council.

The Annual Report will indicate in detail our achievements and the activities that occurred during 2020/21 Financial Year.

AUDITOR GENERAL REPORTS (AUDIT OPINIONS)

The constitutional mandate of the Auditor-General of South Africa, as the Supreme Audit Institution of South Africa, is intended to strengthen our constitutional democracy through oversight, accountability and governance and to build public confidence. The Auditor-General annually checks whether the spending of public funds and resources has been used for the intended purposes. The process examine all the municipal spending in the following three (3) areas:

- Fair presentation and absence of significant misstatements in financial statements.
- Reliable and credible performance information for predetermined objectives.
- Compliance with all laws and regulations governing financial matters.

| PERVIOUS 5-YEARS AUDIT OUTCOMES: DIKGATLONG LOCAL MUNICIPALITY | |
|--|---------------|
| FINANCIAL YEAR | AUDIT OPINION |
| 2016/2017 | Qualified |
| 2017/2018 | Disclaimer |
| 2018/2019 | Disclaimer |
| 2019/2020 | Qualified |
| 2020/2021 | Qualified |

10. FINANCIAL HEALTH OVERVIEW

The municipality has always strived to maintain a healthy financial position and continues to monitor its financial status. The improved results will afford the municipality an opportunity to co-fund capital projects at our local municipalities as well as maintain our infrastructure assets. The following initiatives were embarked on to improve the financial management of the municipality during the financial year under review:

- The implementation of the National Treasury issued Municipal Cost Containment Regulations No. 41445 dealing with cost containment measures. The municipality has adopted its own cost containment policy with the issued draft regulations in the current financial year and has now further strengthened policies in support of cost containment. Cost cutting measures must become a rooted principle and part of our organisational culture for long-term; and
- Investments: cashflow was needed to cover the operational cost as the municipality is 64% grant dependent,
- Payables: measures were put in place to reduce the payables balance at year end by ensuring that payments are done before year-end and also introducing payment agreement.

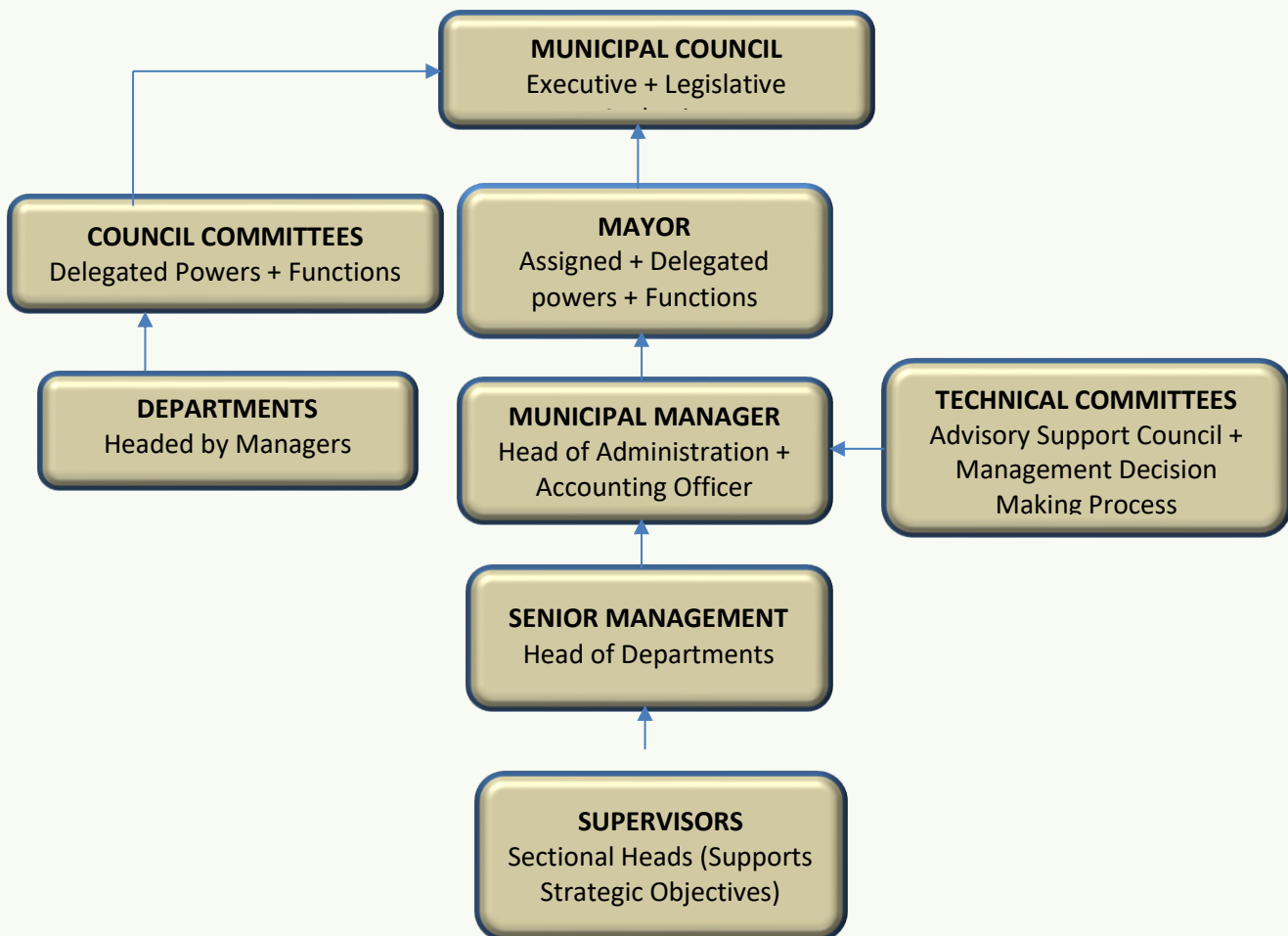
It is crucial that the municipality continues to increase its cash collection rate to ensure that the municipality remains financially viable, despite challenges experienced.

CHAPTER 2: GOVERNANCE

1. INTRODUCTION TO GOVERNANCE

Dikgatlong Local Municipality is a Grade 2, Plenary Executive System type of Municipality in terms of the Local Government: Municipal Structures Act. All executive and legislative powers are reserved for Council, subject to the system of delegation in terms of section 59 of the Local Government: Municipal Systems Act where Council can exercise some of its powers through delegation to Council Committees, Mayor, Municipal Manager and other Senior Managers. Delegations assist to promote good governance, accountability—and Council functionaries delegated with authority are expected to report back to Council regularly about the decisions taken through the exercise delegated powers.

LEVEL OF AUTHORITY OF COUNCIL AND ITS STRUCTURES OR FUNCTIONARIES



POLITICAL GOVERNANCE

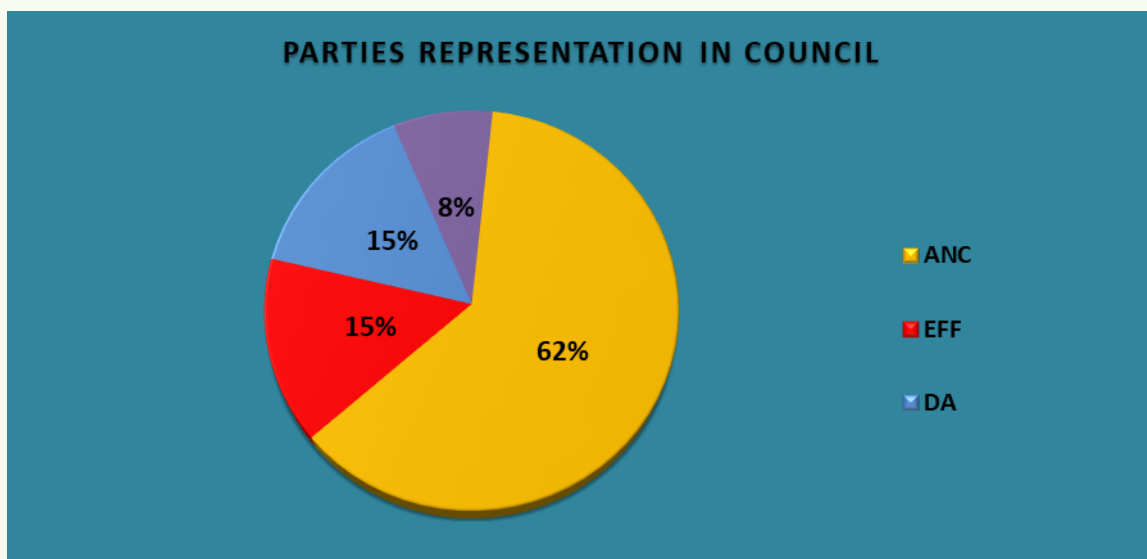
In the Executive Plenary type Municipality, the exercise of executive and legislative powers and functions are reserved for Council and the Mayor also performs the role of the Speaker (*Chairperson of Council*) in terms of Council system of delegations in terms of section 59 of the Local Government: Municipal Systems Act. The position of the Chief Whip is not legislated in local government, the incumbent chairs the political caucus of the majority party and exercises the political leadership in Council.

2. COMPOSITION OF COUNCIL DURING 2020/2021 FINANCIAL YEAR

Council of Dikgatlong Local Municipality, which consists of thirteen (13) councillors, is led by the African National Council (ANC). Twelve (12) are part-time and the position of the Mayor is the only one full-time. Members of Council were elected by a mixed-member proportional representation. It is a mixed electoral system in which each candidate standing for Local Government Municipal Elections receives two votes, one to determine a single ward seat representative and the other one for a political party representative.

The seats in Council were first filled by the successful ward candidates (*ward councillors*) and thereafter by party representatives (*proportional representative councillors*) based on the percentage of the total votes each party has received in the elections. After the Local Government Municipal Elections, the parties are represented in Council as follows:

| # | POLITICAL PARTY | MEMBERS IN COUNCIL | STATUS IN COUNCIL |
|--------------|---------------------------------|--------------------|-------------------|
| 1 | African National Congress (ANC) | 8 | Ruling Party |
| 2 | Democratic Alliance (DA) | 2 | Opposition |
| 3 | Economic Freedom Fighters (EFF) | 2 | Opposition |
| 4 | Independent | 1 | Opposition |
| TOTAL | | 13 | N/A |

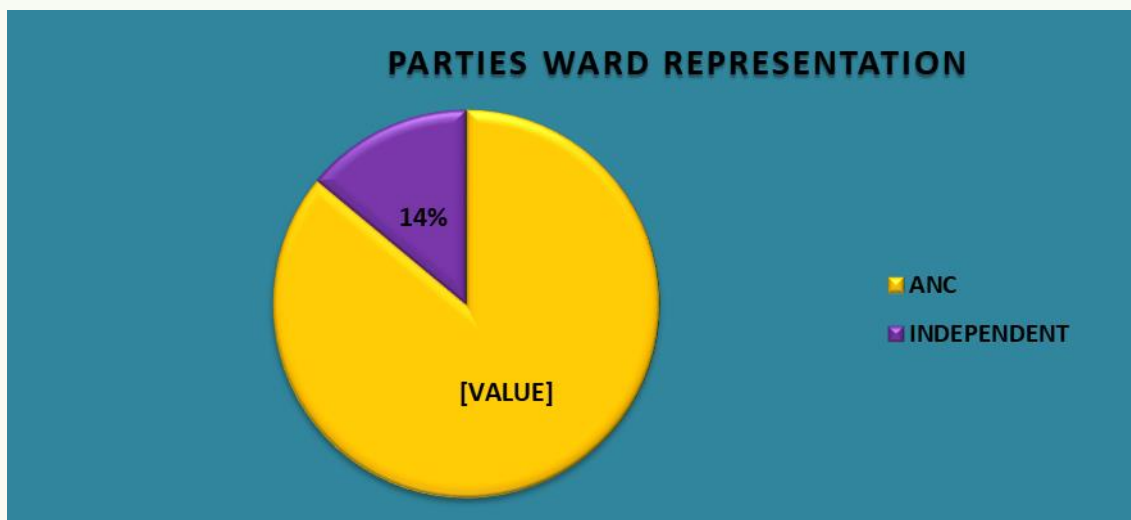


There were no changes in the Council structure of Dikgatlong Local Municipality during the 2020/2021 financial year.

3. COUNCIL COMPOSITION: PR + WARD COUNCILLORS: 2020/2021 FINANCIAL YEAR

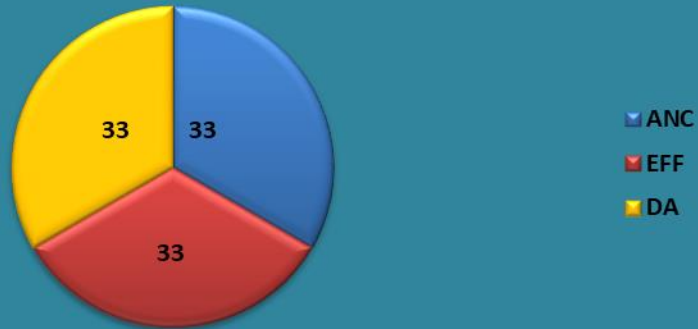
In Dikgatlong, seven (7) ward councillors were directly elected by the community and the other six (6) are proportional representation councillors, chosen from party lists to ensure the total number of party representatives is proportional to the number of votes received:

| 7 = WARD COUNCILLORS (6 ANC + 1 INDEPENDENT) | | |
|--|-----------------------------------|-----------------|
| WARD | WARD COUNCILLOR | POLITICAL PARTY |
| 1 | Cllr Matlhomola Patrick Chupologo | ANC |
| 2 | Cllr. Mently Mondrow Bezuidenhout | Independent |
| 3 | Cllr Amogelang Jimmy Mafololo | ANC |
| 4 | Cllr Thomas Saul | ANC |
| 5 | Cllr Daniel Mashack Macinga | ANC |
| 6 | Cllr Pulanyana Sannah Combrink | ANC |
| 7 | Cllr Othositse Eric Makoko | ANC |



| 6 = PROPORTIONAL REPRESENTATION COUNCILLORS (2 ANC, 2 DA + 2 EFF) | | |
|---|--|-----------------|
| # | COUNCILLOR | POLITICAL PARTY |
| 1 | Cllr Dorothy Dimakatso Mbizeni (Mayor) | ANC |
| 2 | Cllr Makading Angeline Mahutie | |
| 3 | Cllr Daisy Patricia Hendriks | DA |
| 4 | Cllr Milly Ellen Kleinjan | |
| 5 | Cllr Mooketsi Kenneth Konote | EFF |
| 6 | Cllr Keadimilwe Evenlyn Motshabi | |

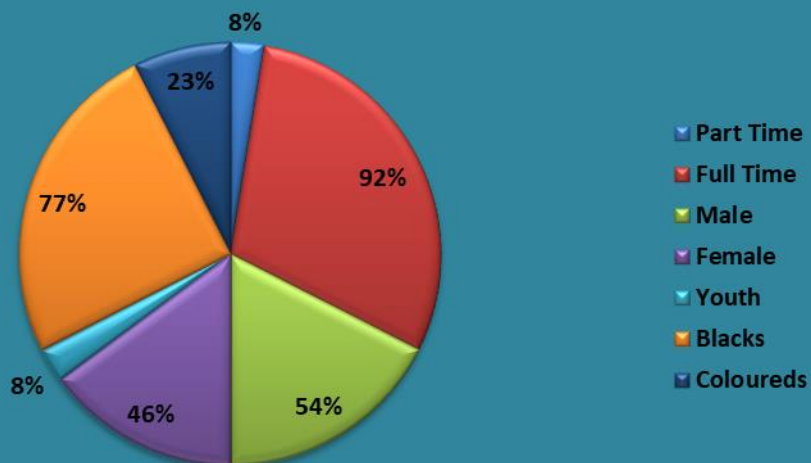
PARTIES PROPORTIONAL REPRESENTATION



EQUITY REPRESENTATION IN COUNCIL

| DESIGNATION | | GENDER BALANCE | | EQUITY BALANCE | | YOUTH | DISABLED |
|---------------|-----------------|----------------|----------------|------------------|--------|---------------|---------------|
| FULL-TIME | PART-TIME | MALE | FEMALE | RACE | NUMBER | NUMBER | NUMBER |
| 1 | 12 | 7 | 6 | BLACKS | 10 | 1 | 0 |
| 0 | 0 | 0 | 0 | WHITES | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | INDIANS | 0 | 0 | 0 |
| 0 | 3 | 1 | 2 | COLOURED S | 3 | 1 | 0 |
| 1 (8%) | 12 (92%) | 7 (54%) | 6 (46%) | 13 (100%) | | 2 (8%) | 0 (0%) |

EQUITY REPRESENTATION IN COUNCIL



FUNCTIONALITY OF COUNCIL AND ITS COMMITTEES

| COUNCIL MEETINGS | | | |
|---------------------------|-----------------|--------------------------|-------------------|
| ORDINARY COUNCIL MEETINGS | | SPECIAL COUNCIL MEETINGS | |
| NO | DATE | NO | DATE |
| 1 | 30 July 2020 | 1 | 30 September 2020 |
| 2 | 28 January 2020 | 2 | 26 February 2021 |
| 3 | 31 March 2021 | 3 | 30 April 2021 |
| 4 | 30 June 2021 | 4 | 31 May 2021 |

Four ordinary Council meetings held and there were 4 special Council meetings held during the financial year. It may be an indicator of planning or delayed decision making process, making implementation or finalisation of critical issues difficult or leave issues pending for some time, which may call for so many special Council meetings.

During the current financial year, Council convened 8 times (04 ordinary council + 04 special council meetings) and took a total of 89 resolutions of which 62 have been implemented and 27 are still pending or outstanding:

| STATUS OF COUNCIL RESOLUTIONS FOR 2020/2021 FINANCIAL YEAR | | | |
|--|-----------|-----------|-----------|
| DEPARTMENT/OFFICE | TOTAL | COMPLETED | PENDING |
| MUNICIPAL MANAGER | 35 | 31 | 04 |
| CORPORATE SERVICES | 06 | 05 | 01 |
| TECHNICAL MANAGEMENT | 05 | 02 | 03 |
| FINANCIAL SERVICES | 06 | 05 | 01 |
| COMMUNITY SERVICES /HOUSING | 32 | 14 | 18 |
| MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) | 05 | 05 | 00 |
| TOTAL | 89 | 62 | 27 |

| MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) MEETINGS | | | |
|---|---------------|-----------------------|------|
| ORDINARY MPAC MEETINGS | | SPECIAL MPAC MEETINGS | |
| NO | DATE | NO | DATE |
| 1 | 26 March 2021 | | |
| 2 | 25 May 2021 | | |

| STATUS OF MPAC RESOLUTIONS FOR 2020/2021 FINANCIAL YEAR | | | |
|---|-------|-----------|---------|
| DEPARTMENT/OFFICE | TOTAL | COMPLETED | PENDING |
| MUNICIPAL MANAGER | 0 | 0 | 0 |
| CORPORATE SERVICES | 0 | 0 | 0 |
| FINANCIAL MANAGEMENT | 03 | 03 | 03 |
| TECHNICAL SERVICES | 00 | 00 | 00 |

| STATUS OF MPAC RESOLUTIONS FOR 2020/2021 FINANCIAL YEAR | | | |
|--|--------------|------------------|----------------|
| DEPARTMENT/OFFICE | TOTAL | COMPLETED | PENDING |
| COMMUNITY SERVICES | 00 | 00 | 0 |
| TOTAL | 03 | 03 | 03 |

| COUNCIL COMMITTEE MEETINGS DURING 2020/2021 | | | | |
|--|-----------------|---------------|-----------------|------------------|
| NAME OF COUNCIL COMMITTEE | ORDINARY | ACTUAL | VARIANCE | STATUS |
| FINANCE COMMITTEE | 4 | 4 | 4 | 23 July 2020 |
| | | | | 03 December 2020 |
| | | | | 26 March 2021 |
| | | | | 21 June 2021 |
| CORPORATE SERVICE COMMITTEE | 4 | 4 | 4 | 22 July 2020 |
| | | | | 01 December 2020 |
| | | | | 19 March 2021 |
| | | | | 17 June 2021 |
| COMMUNITY SERVICES | N/A | N/A | N/A | N/A |
| TECHNICAL/INFRASTRUCTURE COMMITTEE | 4 | 4 | 4 | 20 July 2020 |
| | | | | 03 December 2020 |
| | | | | 26 March 2021 |
| | | | | 14 June 2021 |
| MUNICIPAL PUBLIC ACCOUNTS (MPAC) | 4 | 2 | 2 | 26 March 2021 |
| | | | | 25 May 2021 |

ADMINISTRATIVE GOVERNANCE





In terms of the approved organisational structure, Dikgatlong Local Municipality has the following four (4) Departments:

- Corporate Services
- Technical Services
- Finance
- Community Services

The Municipal Manager as the Head of Administration and performing the roles and responsibilities outlined in Section 55 of the Local Government: Municipal Systems Act. Each Department is led by a Senior Manager, who has signed a Performance Agreement to fulfil functions attached to that department, except for the position of the Director: Community Services because it is vacant . The functions of Community Services are currently shared between Corporate and Technical Services Directorates.

Internal Audit, Audit Committee and Risk Management is a shared service located at Frances Baard District Municipality. The district municipality is assisting the Municipality with such as Legal Services.

SENIOR MANAGEMENT STRUCTURE

| | | |
|---|---|---|
|  MUNICIPAL MANAGER VACANT |  MANAGER: COMMUNITY SERVICES VACANT | |
|  MANAGER: CORPORATE SERVICES MS B TSINYANE | ACTING MANAGER: TECHNICAL SERVICES MR D MAKALENI |  ACTING CHIEF FINANCIAL OFFICER MR C MOKENG |

MUNICIPAL OFFICIAL WHO PASSED ON DURING THE 2020/2021 FINANCIAL YEAR

| | | | |
|------------------------------------|-----------|--------------------|-------------------|
| 1 | M Mthetho | Technical Services | 06 December 2020 |
| 2 | A Maseng | Technical Services | 30 September 2020 |
| <i>May his soul rest in peace.</i> | | | |

STRATEGIC MANAGEMENT TEAM (SENIOR MANAGEMENT) MEETINGS

| ORDINARY SMT MEETINGS | | SPECIAL SMT MEETINGS | |
|-----------------------|-------------------|----------------------|------|
| NO | DATE | NO | DATE |
| 1 | 13 August 2020 | 0 | None |
| 2 | 17 September 2020 | | |
| 3 | 21 December 2020 | | |
| 4 | 01 February 2021 | | |
| 5. | 20 April 2021 | | |

Holding of one senior management meeting for the entire financial year does not support the principles of good governance. It may also compromise the collective nature of decision making process at senior management level.

LOCAL LABOUR FORUM (LLF) MEETINGS

| ORDINARY LLF MEETINGS | | SPECIAL LLF MEETINGS | |
|-----------------------|------------------|----------------------|------|
| NO | DATE | NO | DATE |
| 1 | 22 July 2020 | 0 | None |
| 2 | 01 December 2020 | 0 | None |
| 3 | 26 April 2021 | | |

CHANGES IN SENIOR ADMINISTRATIVE STRUCTURE IN 2020/2021 FINANCIAL YEAR

| DESIGNATION | VARIATIONS | STATUS |
|-----------------------------|--------------------------|------------------|
| MUNICIPAL MANAGER | Manager Resigned | Vacant |
| CHIEF FINANCIAL OFFICER | Manager on special leave | Filled by acting |
| MANAGER: CORPORATE SERVICES | None | Filled |
| MANAGER: TECHNICAL SERVICES | Manager on special leave | Filled by acting |
| MANAGER: COMMUNITY SERVICE | None | Vacant |

▪ INTERGOVERNMENTAL RELATIONS (*Local, District, Provincial National, etc*)

Any organisation can derive benefit from both individual and collective or shared experiences with others, especially those similarly positioned. There are opportunities created for institutions like Municipalities to share ideas and learn from each other to develop effective skills and strategies deal with day to day challenges. Inter-governmental Relations Framework Relations Act has laid a platform at all the three spheres of government to promote cooperation and intergovernmental relations amongst Local Municipalities, between the District Municipality and Local Municipalities within the District and between Municipalities and the Provincial and National Government.

In the exercise of its executive and legislative responsibilities, the Municipality required to conform to the provisions of the Local Government: Municipal Systems Act and the Constitutional principle of cooperative government provided for in the Constitution of the Republic of South Africa. Dikgatlong Local Municipality is no exception to the rule and must interact other spheres of government, other municipalities and the private institutions.

Dikgatlong Local Municipality, through its officials or political office bearers, attended the following Inter-governmental Relations Forums:

| NATIONAL INTERGOVERNMENTAL RELATIONS FORUMS | |
|---|---|
| DEPARTMENT / INSTITUTION | FORUMS |
| Municipal Manager | Institute of Municipal Administrators of South Africa (IMASA) |
| Technical Services | Engineering Council of South Africa |
| Corporate Services | Institute for Municipal Personnel Practitioners |
| Finance | Institute for Municipal Finance Officers |
| Planning and Development | South African Planning Institute |

| PROVINCIAL INTERGOVERNMENTAL RELATIONS FORUMS | |
|---|---|
| DEPARTMENT / INSTITUTION | FORUMS |
| Mayor + Councillors | SALGA Working Groups (HR, Intergovernmental & International Relations, Municipal Services & Infrastructure) Provincial Coordinating Forum. |

| PROVINCIAL INTERGOVERNMENTAL RELATIONS FORUMS | |
|--|---|
| DEPARTMENT / INSTITUTION | FORUMS |
| Municipal Manager | Technical Munmec, National Municipal Managers Forum and Institute of Municipal Administrators of SA (IMASA). |
| Corporate Services | SALGA Human Resource Forum, Provincial Skills Development Forum and Records Management Forum. |
| Finance | Institute for Municipal Finance Officers. |
| Planning and Development | South African Planning Institute, SALGA Working Group: Economic Development & Planning and COGHSTA Technical Forum. |

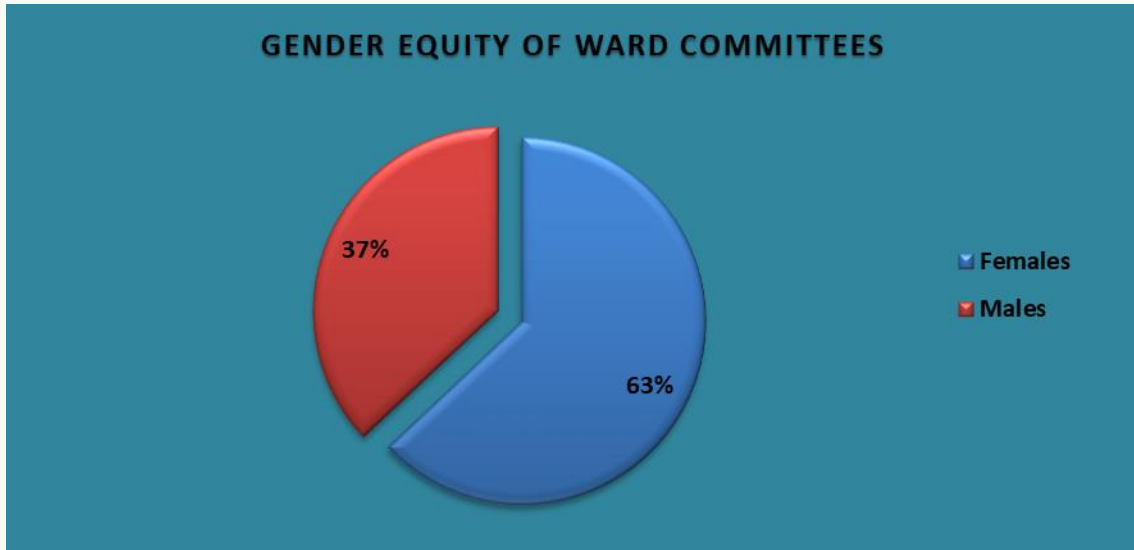
| DISTRICT INTERGOVERNMENTAL RELATIONS FORUMS | |
|--|--|
| DEPARTMENT | FORUMS |
| Mayor, Councillors and Municipal Manager | District Intergovernmental Relations. |
| Technical Services | IDP Co-ordinating Committees, District Water Monitoring Forum. Human Settlement Forum, Infrastructure Committee and Project Management Steering Committee. |
| Corporate Services | Records Management Forum and Skills Development Facilitator Forum. |
| Planning and Development | LED forum, Tourism forum, Agriculture Forum, SMME Forum and SPLUMA Steering Committee. |

PUBLIC PARTICIPATION

FUNCTIONALITY AND EFFECTIVENESS OF THE WARD COMMITTEES

- Ward committees were established in all the seven (7) wards of Dikgatlong Local Municipality and should meet at least once a month. Members receive R1 000 stipend for attending meetings and other business of the committee. A ward committee should ideally have between 7 and 10 members, excluding a ward councillor, who is the chairperson. The total compliment of the membership of the ward committees was 66 as at the end of the 2020/2021 financial year, comprising of the following gender equity representation:

| MALES | FEMALES | TOTAL |
|--------------|----------------|--------------|
| 24 | 42 | 66 |



- The annual statistical breakdown of the numbers of members per ward committee, vacancies and the number of ward and community meetings held is outlined as follows:

| WARD # | WARD COUNCILLOR | NUMBER OF | |
|--------|----------------------|-----------|-----------|
| | | MEMBERS | VACANCIES |
| 01 | CLLR M P CHUPOLOGO | 10 | 0 |
| 02 | CLLR MM BEZUIDENHOUD | 10 | 0 |
| 03 | CLLR A J MAFOFOLOLO | 10 | 0 |
| 04 | CLLR THOMAS SAUL | 10 | 0 |
| 05 | CLLR D M MACINGA | 8 | 2 |
| 06 | CLLR P S COMBRINK | 8 | 2 |
| 07 | CLLR O E MAKOKO | 10 | 0 |

The composition of ward committees was 10 members, except for wards 5 and 6, which had 2 members less. The replacement of members who have resigned or had their membership terminated ensures that all ward committees maintain a threshold of at least 7 members minimum each to improve their chances of quorating, because failure by any ward committee to meet regularly or respond to the issues raised by the community will call for intervention and political oversight to ensure accountability of ward councillors.

- In order to ensure the effectiveness of ward committees, capacity building intervention was provided to support ward committees to ensure that they function effectively and execute their mandate. Council adopted a ward committee policy to provide for a standard and uniform approach to ward committee administration, *amongst others*, public consultation with community and report-back on ward developmental issues, attendance of ward committee and community meetings, handling of community complaints.
- Ward committees meetings discuss various issues of governance and service delivery. The following is a list of the issues that are frequently raised at the ward committee and ward community meetings:

| WARD COMMITTEE MEETINGS + WARD COMMUNITY MEETINGS | | | |
|--|--|----------|--|
| # | DESCRIPTION OF ISSUES RAISED | # | DESCRIPTION OF ISSUES RAISED |
| 1 | (Access) roads, Water + Sanitation | 8 | Repairs + Maintenance of facilities |
| 2 | Lack of sports activities/facilities | 9 | Backlog in services removal. |
| 3 | (Youth) Unemployment | 10 | Grazing land for small farmers. |
| 4 | Refuse removal/Removal of illegal dumping sites. | 11 | Leaking water meters + Speed humps |
| 5 | Health services not reaching areas rural areas | 12 | Foreign national businesses not paying services. |
| 6 | No Local Economic Development | 13 | Electricity: No street lights/high mast |
| 7 | Allocation of erfs to the needy | 14 | Housing + cracked houses |

- After the meetings, ward secretaries submitted monthly ward reports, minutes and attendance registers to the Mayor, including all the issues raised, which were consolidated and submitted to the Municipal Manager for attention and respond back to the Mayor to enable ward councillors to provide feedback to the community. The Municipal Manager submits quarterly progress reports to Council on the following issues to give it the opportunity to exercise political oversight over the effectiveness and functionality of ward committees:
 - ⇒ Regular meetings conducted as per the pre-approved schedule.
 - ⇒ Regular attendance of ward committee meetings by members.
 - ⇒ Progress report on issues raised by the community (attended v outstanding).
 - ⇒ Regular submission of ward progress reports and minutes of meetings.
 - ⇒ Level of complies with the applicable policy and legislative requirement.
 - ⇒ Progress / status report on any relevant issue affecting ward committees.
- Ward committees remains the face of public participation programme for Dikgatlong Local Municipality in terms of the public participations processes such as Integrated Development Plan, Budget, Annual Reports processes and Mayoral Outreach Programmes to raise awareness about the importance of community participation in the affairs of the Municipality.

10. IDP PUBLIC PARTICIPATION PROCESS (WARD LEVEL MEETINGS)

Council approved the 2020/2021 IDP Process Plan to review the Municipality's IDP on the 15 June 2020. It is legislative to give the community and stakeholders the opportunity to review their IDP priority needs as part of the process to review the 5-year IDP to improve the document to ensure it respond to the changing circumstances of community dynamics.

As per the approved process plan the public participation process was to commence in October 2020. A notice of the scheduled IDP Public Participation Meetings was published in the DFA Local Newspaper in October 2010 but meetings did not materialise. Subsequently, it was advertised in the newspaper on the February 2021. Posters were also sent out to the

communities through ward councillors. Others were placed on the notice boards at the satellite offices and libraries within the Municipality.

IDP consultation meetings were re- scheduled to take place as follows for a period of the 16th March 2021 until 13th May 2021 before the final IDP is approved and held an IDP Forum on the 20th March 2021. Below are the dates and venues where the meetings were held:

| IDP WARD PUBLIC PARTICIPATION MEETINGS SCHEDULE: 2020/2021 FINANCIAL YEAR | | | | |
|--|-------------|-----------------------|--------------------------------|-------------|
| DATE | WARD | WARD COUNCILOR | VENUE | TIME |
| 16 March 2021 | 02 | Cllr M Buizendenhout | Rolbaal Hall | 10h00 |
| 17 March 2021 | 05 | Cllr D M Macinga | Rolbaal Hall | 10h00 |
| 16 April 2021 | 1 | Cllr P. Chupologo | Barkly west Library | 10h00 |
| 06 May 2021 | 3 | Cllr A J Mafofololo | Rolbaal Hall | 10h00 |
| 11 May 2021 | 6 | Cllr P.S.Combrink | Delportshoop Municipal Offices | 11h00 |
| 12 May 2021 | 7 | Cllr E.Makoko | Delportshoop Municipal Offices | 11h00 |
| 13 May 2021 | 5 | Cllr Saul | Hebronpark Community Hall | 11h00 |
| 20 May 2021 | All | IDP Forum | Rolbaal Hall | 10h00 |

Only Five (5) meeting out of Seven (7) meetings took place due to the non-attendance of Ward Committee members and the councillors. Therefore, the municipality decided to use the previous priorities with the new once from the wards received. Taken account the above-mentioned process produced the following 6 municipal wide IDP priority needs outcomes:

| MUNICIPAL WIDE PRIORITY NEEDS |
|--------------------------------------|
| Water & Sanitation |
| Roads & Stormwater |
| |

| |
|--------------------------------------|
| MUNICIPAL WIDE PRIORITY NEEDS |
| Land & Housing |
| Electricity |
| Social & Community Services |
| Local Economic Development |

MPAC OVERSIGHT PROCESS: ANNUAL REPORTS FOR 2019/2020 FINANCIAL YEAR

- The annual report for 2019/2020 financial year was tabled in Council on the 31 March 2021 in line with the nine (9) months prescribed by section 127(2) by the Local Government: Municipal Finance Management Act. This part is also reported under the report of the Chairperson of the Municipal Public Accounts Committee (MPAC) on page 30 above. It is not an ideal to repeat the same content and reference can be made to the above-mentioned report.
- The publication of the annual report in the DFA Local Newspaper of the 08 February 2020 was not sufficient to solicit public comments as required by section 127 (5) of the Local Government: Municipal Finance Management Act and the Municipality received no representation from the community. MPAC compiled an Oversight Report that was submitted to Council with remedial actions to the issues that were identified by MPAC to improve municipal performance.

BUDGET PUBLIC CONSULTATION MEETINGS

- Council adopted the 2020/2021 Budget Schedule of Key Deadlines on the 31 August 2020 which outlined the following issues:
 - ⇒ The preparation, tabling and approval of the municipal annual budget.
 - ⇒ The annual review of the IDP and budget-regulated policies.
 - ⇒ Tabling/adoption of amendments to the IDP and budget-related policies.
 - ⇒ Consultative processes forming part of the budget preparation processes.
- The adoption of the Budget Schedule of Key Deadlines provided the Accounting Officer and Senior Managers with the basis for the planning of the three-year budget. The process of preparation of 2020/2021 annual budget started with consultation with Frances Baard District Municipality, Provincial Treasury and National Departments of Water and Sanitation, National Treasury.
- Council adopted the 2020/2021 Annual budget on the 15 June 2020 in terms of Section 16 of Local Government: Municipal Financial Management Act

This annual report is intended to provide information on how well the financial performance of the municipality, upcoming changes projected for the next year, and the administration of the municipality. Concerned parties can use this information to make important decisions.

The IDP is a strategic document that clearly outlines the development objectives and provides a policy framework that guides management in decision-making relating to budgeting and planning.

The IDP of the municipality is aligned to the budget through programmes and action plans to give operational effect to the objectives. The alignment of the IDP, budget, performance plans of directors, line managers and project management are creating the benefit of ensuring that the organisation has an effective system of performance management.

RISK MANAGEMENT

Section 62(1)(c)(i) of the Local Government: Municipal Finance Management Act, 2003 provides a guideline on the management of risk, *in particular*, maintenance of effective, efficient and transparent financial and risk management system in the Municipality.

Dikgatlong Local Municipality does not have a functional risk management unit but assisted by Frances Baard District Municipality (FBDM) through a memorandum of understanding. The FBDM established a dedicated risk management function in terms of MFMA Act of 1999, Section 62(1)(c)(i) which is providing shared and support services to Dikgatlong Local Municipality. The risk management unit is positioned under the office of the Municipal Manager and is therefore providing strategic direction on the management of risks.

The FBDM assisted Dikgatlong Local Municipality to develop a fraud and risk management policies and strategies, however, the municipal council has not adopted these documents yet. The policies will be adopted in the next financial year. These policies and strategies were aligned to King Code IV of Corporate Governance, International Standards Organisation (ISO) 31 000, Committee Of Sponsoring Organisations (COSO) Framework and Public Sector Risk Management Framework. The strategic risk register of the municipality have been completed timeously and allowed unit managers to take control of action plans to mitigate identified risks. The municipality is continuously embarked in a process of finalising the development of operational risk registers which are envisaged to be completed by the end of 2020/2021 financial year.

There is a long way to go in reducing all identified risks to acceptable levels and to create an environment that is free from maladministration, inadequate internal controls, fraud and corruption.

Although risk management is not a new concept in the municipality, the implementation thereof is still maturing into a fully-fledged unit that will provide strategic direction through effective risk management processes. Oversight is vested with the Audit, Performance and Risk Management Committee (APRC) at the current moment and the quarterly meetings include feedback on risk assessment. Once unit managers take full control over risk management and report as risk owners

on the effectiveness of mitigating strategies, eventually the municipality will have a full circle in the implementation of an effective and efficient risk management unit.

The following are the top ten (10) strategic risks were identified in the financial year 2019/2020. Management and the unit managers were tasked in ensuring that these risks are reduced to be within tolerable levels:

- Emerging incidents of irregular, fruitless and wasteful expenditure.
- Incidents of fraud and corruption within the municipality.
- Inadequate reporting on performance information.
- Poor internal and external communication and loss of municipal information in general.
- Non-alignment of the IDP and SDBIP with the approved budget.
- Adverse cash flow - Poor revenue collection or low payment for services rendered.
- Instability at top management level.
- Poor safeguarding of assets and possible damage to municipal property/assets during political unrest.
- Internal controls in finance section might not be fully adequate.
- Ineffective management and monitoring of overtime.

14. SUPPLY CHAIN MANAGEMENT

In terms of part 1 of chapter 11: Goods and Services of the Local Government: Municipal Finance Management, the Municipality must establish the supply chain management system in line with the regulatory and policy framework. The organisational structure of the Municipality makes provision for the supply chain management unit though its system is not fully effective to meet the procurement needs of the Municipality, including compliance with the regulatory and policy framework. The unit also has challenges of capacity and skill. It is only functioning with two supply chain management practitioner and an intern. The current organisational restructuring is intended to address both the existing structural and capacity challenges experienced by the supply chain management processes in the Municipality.

The supply chain management process of the Municipality should follow an integrated approach that add value to all the phases of the supply chain process from demand for goods and services to the disposal of redundant or used goods to address any deficiency in the current procurement practices. The Municipality has a supply chain management policy, which was adopted in June 2020, but the system is still poor due to capacity and poor

implementation. It is imperative that the position of the Head of Supply Chain Unit be filled in the next financial year.

All the suppliers of goods and services are registered on the Central Supplier Database administered by the National Treasury as required before they can provide any procurement service to the Municipality. The other challenge is that not all the orders are issued from supply chain management unit and officials/management do not follow the processes when procuring goods and services. In the next financial year, focus will be on the following factors to ensure that the supply chain management unit and processes are effective to address all the procurement needs of the Municipality:

- Annual review of supply chain management policy as part of the budget process.
- Development or improvement of the supply chain management system.
- Centralisation of the procurement process and avoid procurement deficiencies.
- Give preference to the local suppliers as part of local economic development.

CHAPTER 3

SERVICE DELIVERY PERFORMANCE REPORT

1. INTRODUCTION

Dikgatlong Local Municipality's mandate is to deliver to the local community the services such as water & sanitation, electricity, cemeteries, roads and Stormwater, refuse collection, local economic development, etc. The function includes the operations and maintenance of the service delivery infrastructure necessary to provide basic services to the community.

Some of the functions are provided with the assistance and support from the other spheres of Government (Frances Baard District Municipality, National and Provincial government). The assistance normally comes in the form of inter-governmental grants directed to the Municipality to address economic and infrastructure development backlogs. Issues of development in this regard are originally part of the Municipality's IDP programmes and capital projects that are implemented through the Service Delivery & Budget Implementation Plan (SDBIP) that outlines quarterly financial and performance targets with specific role players.

Frances Baard District Municipality has also in this 2020/2021 financial year provided support to the Municipality by providing an official to act as the Director: Technical Services for seven (7) months of the financial year. The District Municipality made provision in their budget for 2020/2021 to assist Dikgatlong Municipality with funds for Operation and Maintenance.

The Municipal Infrastructure Support Agency which is part of the Department of Cooperative Government also supported the municipality during the year under review. The support rendered is through support of business plans and ensuring that the municipality is notified of its progress in terms of grant expenditure.

2. WATER SERVICES

Provision of water supply to the residents of Dikgatlong Local Municipality is supplied from the 3 main sources, which are the following:

- **Sedibeng Water Waterboard:** Supply areas for Koopmansfontein, Delportshoop and Longlands. These settlements cover wards 5, 6 and 7 in terms of the service level agreement for potable bulk water. The current monthly account is R596,206.00, but the account may vary from month to month depending on the level of consumption. Since inception, Dikgatlong Local Municipality has historically struggled to service Sedibeng Water account primarily because of poor or non-payment of services by consumers. If the Municipality fails to pay its account, Sedibeng Water cuts or restricts the supply of water and other or all run out of water.

- **Vaalharts Water User Association (Vaalharts Water Scheme):** The scheme supplies raw water through a canal to Windsorton. There are also 3 farm portions that receives water supply from the Vaalharts Water Scheme, namely Leiwater in Delportshoop, a school in portion 2: Gong-Gong 283, portion 1: Gordonia 97 (Rooibult South) and portion 4 (Rooibult). The farm portions receive water for irrigation purposes.
- **Water Affairs Scheme (Barkly West, Mataleng, Rooirand and Debeershoogte).** Dikgatlong abstract water from the Vaal River which we then purify at our Water Treatment Plant. Dikgatlong then supplies to the residents or consumers of Barkly West. There is no formal service level agreement with the Department of Water Affairs, but there is water authority number 43/16/1/1982 with the Department to abstract a maximum of 1 050 000 cubic metres of water from the Vaal River per annum, minus 314 400 cubic metres per annum for a municipal servitude.

Communal Property Association Areas (CPAs) gets water from boreholes. There are no formal agreements with the CPA managements regarding services to these areas, but Dikgatlong assist these areas with pumping water and maintaining the boreholes.

From time to time, the water providers, in particular, Sedibeng Water and the Vaalharts Water User Association issue and implement water cuts or restrictions due to none-payment by the municipality. This actions sometimes causes community protests and unrest. Sometimes the Municipality supply water with water tankers until the water supply is restored. Water tankers are not only unsustainable, but also inefficient and costly method to supply the community with water.

There has been a lot of pipe bursts experienced during the financial year and our maintenance personnel addressed the problems with the assistance and support from Frances Baard District Municipality in terms of availability of the technician as well as the operations and maintenance budget. These unplanned water interruptions inconvenience the community and it is the responsibility of the Municipality to ensure that the interruptions are very short. It is also important to look at the possibility of replacing the asbestos part of the water pipeline from the Barkly West Water Purification Plant to minimise incidents of pipe bursts due to the aging and quality of the pipeline. Due to maintenance backlogs, the water infrastructure has aged and need upgrading.

Below is a table indicating the water use by household. The figures have not changed much, except for a few water tanks that was connected to the water stand pipes.

| WATER USE BY HOUSEHOLDS | |
|---|------------|
| DESCRIPTION | 2020/2021 |
| | ACTUAL No. |
| WATER: (above minimum level) | |
| Piped water inside dwelling | 3 804 |
| Piped water inside yard (but not in dwelling) | 5 980 |
| | 1 332 |

| WATER USE BY HOUSEHOLDS | |
|---|---------------|
| DESCRIPTION | 2020/2021 |
| | ACTUAL No. |
| Using public tap (stand pipes) | |
| Other water supply (within 200m) | |
| <i>Minimum Service Level and Above sub-total</i> | 11 116 |
| <i>Minimum Service Level & Above Percentage</i> | 92.6 |
| WATER: (below minimum level) | |
| Other water supply (more than 200m from dwelling) | 466 |
| No water supply | 428 |
| <i>Below Minimum Service Level sub-total</i> | 894 |
| <i>Below Minimum Service Level Percentage</i> | 7.4 |
| TOTAL NUMBER OF HOUSEHOLDS (to include informal settlements) | 12 010 |

| WATER SERVICE POLICY OBJECTIVES TAKEN FROM IDP | | | | | | | | | |
|--|--|---------------|--------|---------------|--------------|--------------|---------------|--------------|----------------|
| SERVICE OBJECTIVES | OUTLINE SERVICE TARGETS | 2019/20 | | 2020/21 | | | 2021/22 | | |
| | | TARGET | ACTUAL | TARGET | | ACTUAL | TARGET | | |
| | | PREVIOUS YEAR | | PREVIOUS YEAR | CURRENT YEAR | CURRENT YEAR | PREVIOUS YEAR | CURRENT YEAR | FOLLOWING YEAR |
| (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) | (viii) | (ix) | (x) |
| Improve Water Quality | 95% water quality level achieved as per SANS 241 criteria | 95% | 75,5% | 95% | 95% | 65,38% | 95% | 95% | 95% |
| To upgrade and storm water services | Water Reticulation and Connection to existing water Networks (Phase 1) | 0 | 0 | 0 | 100% | 100% | 100% | 0 | 0 |
| To upgrade and maintain water services | Review of Water Service Development Plan (WSDP) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

During the 2020/21 financial year, the municipality was able to connect 10 water tanks (Jo-jo's) to the internal water network and to standpipes. These 10 water tanks are part of the 60 water tanks provided by the Department of Water and Sanitation at the beginning of the national lockdown due to the COVID 19 epidemic to service communities with minimal to no water infrastructure. These tanks were placed throughout the Dikgatlong area including CPA's. Dikgatlong has since provided water tankers (trucks) to replenish the water tanks (Jo-jo's). This has been an ongoing process but is very expensive and not cost effective.

Currently municipal employees are required to pump water manually in different water treatment plants including during Saturdays and Sunday which makes the operations very expensive. Sometimes when the water levels are low due to high consumption, it takes time to fill up the storage dams after pumping has commenced. The municipality has completed a business plan for phase 2 of the boreholes system that will serve as an alternative water supply

to Longlands, Windsorton and other areas of Dikgatlong Local Municipality. Beside the boreholes system, the Municipality also did the feasibility study for the water purification plant for Delportshoop, Longlands and surrounding areas for implementation in future, if funding is available.

Provision has been made for access to water and sanitation (sewer reticulation) for 600 households in ward 4, Windsorton in previous years. The upgrading of the bulk water supply in Windsorton/Holpan (ward 4) has stopped and both projects are still in progress.

3. WASTE WATER (SANITATION)

The Municipality has 5 sewer pump stations of which 3 is based in Barkly West (Mataleng Four-Way, Iris Street and Spitskopweg), 1 in Longlands and 1 in Delportshoop. Barkly West town is running with septic tanks system, which need to be drained by sewer trucks at certain intervals. This method very costly and unsustainable due to the insufficient number of sewer trucks, constant breakdowns and unwanted household items and other items into the drains. Due to financial constraints the Municipality experienced, the process of maintaining and repairing of sewer trucks was very slow.

Most of the sewer problems were caused by blockages due to community members of throwing unwanted items or objects into the sewer system. Although, the issue is constantly highlighted to the communities, the problem persists.

The municipality is experiencing challenges in relation to fleet in general. Most of the fleet owned by the municipality has aged and need maintenance on a frequent basis. As part of the implementation of the Financial Recovery Plan the municipality will prioritize purchasing of a sewer truck in the next financial year.

| SANITATION SERVICE DELIVERY LEVELS (*Households) | |
|--|--------------|
| DESCRIPTION | 2020/21 |
| | Actual no. |
| SANITATION/SEWERAGE: (above minimum level) | |
| Flush toilet (connected to sewerage) | 7672 |
| Flush toilet (with septic tank) | 1232 |
| Cheminal toilet | 22 |
| Pit toilet (ventilated) | 1067 |
| Other toilet provisions (above min. service level) | 0 |
| Minimum service level and above sub-total | 9 993 |
| Minimum service level and above percentage | 78,05 |
| SANITATION /SEWERAGE: (below minimum level) | |
| Bucket toilet | 0 |
| Other toilet provisions (below min. service level) | 1 422 |
| No toilet provisions | 1 389 |
| Below minimum service level sub-total | 2 811 |

| SANITATION SERVICE DELIVERY LEVELS (*Households) | |
|--|---------------|
| DESCRIPTION | 2020/21 |
| | Actual no. |
| <i>Below minimum service level percentage</i> | 21.95 |
| TOTAL HOUSEHOLDS | 12 804 |

| HOUSEHOLDS-SANITATIO SERVICE DELIVERY BELOW MINIMUM SERVICE LEVEL | | | | | | |
|---|------------|------------|------------|-----------------|-----------------|------------|
| DESCRIPTION | 2017/18 | 2018/19 | 2019/20 | 2020/21 | | |
| | ACTUAL NO. | ACTUAL NO. | ACTUAL NO. | ORIGINAL BUDGET | ADJUSTED BUDGET | ACTUAL NO. |
| FORMAL SETTLEMENTS | | | | | | |
| Total households | 23 949 | 23 949 | 23 949 | 93 487 | 93 487 | 93 487 |
| Households below minimum service level | 2 395 | 2 395 | 2 395 | 4 674 | 4 674 | 4 674 |
| Proportion of households below minimum service level | 10% | 10% | 0% | 5% | 5% | 5% |
| INFORMAL SETTLEMENTS | | | | | | |
| Total households | 5 638 | 5 638 | 5 638 | 49 720 | 49 720 | 49 720 |
| Households below minimum service level | 1 187 | 1 187 | 1 187 | 9 944 | 9 944 | 9 944 |
| Proportion of households below minimum service level | 80% | 80% | 80% | 80% | 70% | 70% |

| WASTE WATER (SANITATION) SERVICE POLICY OBJECTIVES TAKEN FROM IDP | | | | | | | | | |
|---|--|---------------|--------|---------------|--------------|--------|---------------|--------------|----------------|
| SERVICE OBJECTIVES | OUTLINE SERVICE TARGETS | 2019/20 | | 2020/21 | | | 2021/22 | | |
| | | TARGET | ACTUAL | TARGET | | ACTUAL | TARGET | | |
| | | PREVIOUS YEAR | | PREVIOUS YEAR | CURRENT YEAR | | PREVIOUS YEAR | CURRENT YEAR | FOLLOWING YEAR |
| (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) | (viii) | (ix) | (x) |
| Develop and Refurbish Infrastructural services | Provision of toilets Dikgatlong Area (Phase 1) | 0 | 0 | 0 | 400 | 196 | 400 | 500 | 0 |

4. ELECTRICITY (ENERGY)

INTRODUCTION TO ELECTRICITY SERVICES

Dikgatlong Local Municipality is licensed to distribute electricity in the following areas: Barkly West, Debeershoogte, part of Mataleng and part of Delportshoop. It constitutes about 72% of the entire electricity area of supply in Dikgatlong. The remaining areas within the Municipality (28%) are licensed to ESKOM Holdings SOC Limited. In the areas where the Municipality supply electricity to consumers, bulk electricity is still purchased from Eskom Holdings SOC Limited.

The municipality was funded by Department of Mineral Resources and Energy (DMRE) under the INEP programme for the electrification of 100 households in Sewendelaan Phase 3. The project commenced in the current financial year. There were regular meetings held with the representation of Sewendelaan with regard to the implementation of the project to ensure its success. By the end of June 2021, the project has not reached the completion stage but the municipality made remarkable progress. The municipality anticipates completing the project in the next financial year, which an update will be reported in the financial year 2021/22.

During the year under review the municipality implemented the high mast lights funded through MIG. The municipality preferred high mast lights project over streetlights because the high mast lights cover a wide area and maintenance thereof is economical or cost effect compared to that of street lights. The municipality has erected 16 high mast lights during the year under review. The project completion is dependent on ESKOM approving connection points in the areas of supply. The high mast lights in De Beershoogste and Delporthoop are already in operation since they are in an area where the municipality is supplying electricity.

Vandalism of property is also a problem and the high mast lights are not spared. Stealing of cables by criminals has occurred and reported to law enforcement agencies during the year under review. Incidents of vandalism and theft interrupt much needed services to the community, but also drain the public resources that are already limited.

The bulk electrical infrastructure of the municipality is aged and dilapidated and they require urgent attention. This results in electrical outages during storms and wind. In the financial year 2021/2022, the municipality has compiled several business plans and were submitted in order to source funding for implementation in the 2022/23 financial year.

| ELECTRICITY SERVICE DELIVERY LEVELS ABOVE THE MINIMUM (HOUSEHOLDS) | |
|---|-------------------|
| DESCRIPTION | 2020/2021 |
| | ACTUAL NO. |
| FORMAL SETTLEMENTS | |
| Total households | 11967 |
| Households above minimum service level | 8269 |
| Proportion of households above minimum service level | 69 |
| INFORMAL SETTLEMENTS | |
| Total households | 0 |
| Households is above minimum service level | 0 |
| Proportion of households is above minimum service level | 0 |

ELECTRICITY SERVICE DELIVERY LEVELS BELOW THE MINIMUM (HOUSEHOLDS)

| DESCRIPTION | 2019/2020 |
|---|------------|
| | ACTUAL NO. |
| FORMAL SETTLEMENTS | |
| Total households | 11 967 |
| Households below minimum service level | 877 |
| Proportion of households below minimum service level | 7.3 |
| INFORMAL SETTLEMENTS | |
| Total households | 0 |
| Households is below minimum service level | 0 |
| Proportion of households is below minimum service level | 0 |

| ELECTRICITY SERVICE POLICY OBJECTIVES TAKEN FROM IDP | | | | | | | | | |
|--|---|---------------|--------|---------------|--------------|-----------|--------------|--------------|----------------|
| SERVICE OBJECTIVES/SE RVIC INDICATORS | OUTLINE SERVICE TARGETS | 2018/2019 | | 2019/2020 | | 2020/2021 | | 2021/2022 | |
| | | TARGET | ACTUAL | TARGET | | ACTUAL | | TARGET | |
| | | PREVIOUS YEAR | | PREVIOUS YEAR | CURRENT YEAR | | CURRENT YEAR | CURRENT YEAR | FOLLOWING YEAR |
| (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) | (viii) | (ix) | (x) |
| Ensuring all households have access to electricity | Household electricity connections done in Seven de-Laan | 51 | 51 | 51 | 65 | 0 | 0 | 100 | 50 |

5. REFUSE COLLECTION

Dikgatlong Local Municipality renders a weekly refuse collection services to a total of 11 967 households. We experience challenges with waste collection since we have a shortage of waste collection vehicles and we also experience breakdown with such vehicles . This leads to regular disruption of refuse collection services in certain areas. The municipality already commenced of replacing old vehicles to improve refuse removal with Dikgatlong Municipality. Council has in the 2021/22 financial year planned to purchase a refuse truck in Barkly-West to ensure the improvement of refuse removal.

| REFUSE COLLECTION SERVICE DELIVERY LEVELS | |
|---|------------|
| DESCRIPTION | 2020/21 |
| | ACTUAL NO. |
| SOLID WASTE REMOVAL: (minimum level) | |
| Removed at least once a week | 5 936 |
| <i>Minimum service level and above sub-total</i> | 5 936 |
| <i>Minimum service level & above percentage</i> | 49.6 |
| SOLID WASTE REMOVAL: (below minimum level) | |
| Removed less frequently than once a week | 981 |
| Using communal refuse dump | 108 |
| Using own refuse dump | 3 231 |
| Other rubbish disposal | 299 |

| REFUSE COLLECTION SERVICE DELIVERY LEVELS | |
|---|---------------|
| DESCRIPTION | 2020/21 |
| | ACTUAL NO. |
| No rubbish disposal | 1 412 |
| <i>Below minimum service level sub-total</i> | 6 031 |
| <i>Below minimum service level percentage</i> | 50.4 |
| TOTAL HOUSEHOLDS | 11 967 |

PERFORMANCE OF REFUSE COLLECTION SERVICES

The refuse collection service in Dikgatlong is not at the level where it is supposed to, if one considers the number of complaints against refuse collection from the residents. The number of complaints is so high that it is in fact negatively affecting the implementation of the Financial Recovery Plan in terms of collection of revenue from the service. Most of the residents complain that refuse was not collected, but they are charged for it. Refuse removal needs urgent attention. The municipality must ensure that resources are made available in the financial year and also ensure if the right number of staff is available to render this service.

| EMPLOYEES: 2019/2020: TOTAL TECHNICAL SERVICES | | | | | |
|--|---------------|------------|---------------|-----------------------------------|----------------------------------|
| JOB LEVEL | 2018/2019 | 2019/2020 | | | |
| | EMPLOYEES NO. | POSTS NO. | EMPLOYEES NO. | VACANCIES (FULL TIME EQUIVALENTS) | VACANCIES (AS A % OF TOTAL POST) |
| BAND 6 | 0 | 1 | 0 | 1 | 100% |
| BAND 5 | 2 | 2 | 2 | 0 | 0% |
| BAND 4 | 9 | 15 | 9 | 6 | 40% |
| BAND 2 | 27 | 35 | 27 | 8 | 30% |
| BAND 1 | 62 | 82 | 62 | 24 | 30% |
| TOTAL | 100 | 135 | 100 | 39 | 29% |

6. ROADS AND STORM WATER

The Municipality implemented a project for construction of a four (4) kilometer road and storm water in Proteahof in ward 4 to the value of R25 million. The project was funded by the Municipal Infrastructure Grant (MIG). The project was completed, but for the snag list that was still outstanding at 30 June 2020.

It must, however, be recognised that Dikgatlong Local Municipality has also a huge backlog on roads and storm water. During heavy rains, some of the houses are flooded due to non or poor storm water. Some of these challenges are historical whilst some are the result of poor planning and implementation of capital projects in previous years. It is important that monitoring and evaluation mechanisms must be put in place to ensure that roads projects, in particular, storm water are properly implemented.

There is also backlogs with regard scrapping or regravelling of roads and tarring of certain roads because most of the roads in our towns and townships are still gravel and causes problems

during heavy rains. Where there are tarred roads, there are minor maintenance requirements of patching of pothole, which is sometimes also delayed by lack of materials.

The municipality was funded by MIG to implement the construction of 3.1 km in Stilwater. The project is at 85% complete and was halted due to the covid 19 pandemic. The project will see the communities of Stilwater and Killarney fully paved once project is completed.

The municipality is still experiencing storm water problems especially in Mataleng, Rooirand, Tidimalo and Rooikoppies. Municipality busy with the drafting the business plans for application of funding to assist with addressing the stormwater issues.

| EMPLOYEES: 2019/2020: ROADS + STORMWATER | | | | | |
|--|---------------|-----------|---------------|-----------------------------------|----------------------------------|
| JOB LEVEL | 2019/2020 | 2020/2021 | | | |
| | EMPLOYEES NO. | POSTS NO. | EMPLOYEES NO. | VACANCIES (FULL TIME EQUIVALENTS) | VACANCIES (AS A % OF TOTAL POST) |
| BAND 4 | 1 | 1 | 1 | 0 | 100% |
| BAND 1 | 3 | 4 | 3 | 1 | 25% |
| TOTAL | 4 | 5 | 4 | 1 | 20% |

7. HOUSING AND LAND ADMINISTRATION

Introduction:

The challenges included:

1. Non enforcement of By-laws;
2. The Lack of building control personnel which resulted in failure of the Housing Unit verifying construction specifications detailed on building plans. The building construction process as per the National Building Regulations needs to be inspected as it unfolds to ensure that the approved building plan complies with the construction work;
3. Council delays on approving applications for land resulting in a stall on development;
4. Land invasions.

PERFORMANCE OF THE HOUSING AND LAND ADMINISTRATION

There are two (2) housing projects currently running namely Bufferzone 220 (Barkly West) and Proteahof 217 (Delportshoop).

PERFORMANCE OF THE HOUSING AND LAND ADMINISTRATION

There are two (2) housing projects currently running namely Bufferzone 220 (Barkly West) and Proteahof 217 (Delportshoop). These projects are implemented by the Department of Cooperative Government, Human Settlements and Traditional Affairs.

BUFFER-ZONE 220

COGHSTA has started to complete 56 houses that should be completed by February 2022. V3 is the consulting engineers and project managers on the project.

PROTEAHOF 217

COGHSTA has started to complete 50 houses that should be completed by February 2022. Vakunda Trust is the consulting engineers and project managers on the project.

STATUS OF LAND INVASIONS

| LAND DESCRIPTION | LOCATION/OWNERSHIP | NOTICE DATES | PROGRESS |
|------------------|---|--|---|
| COLOUR BLOCK | Land is owned by Municipality + is situated in Rooirand. The settlement is next to the water purification plant and asbestos water pipes. | Occupants not yet told of intention to evict, but will be informed and moved when a site for relocation has been identified. | The area where the municipality plan to relocate residents settlements (Sonderwater) is still being surveyed + investigated to determine suitability for human settlement |
| VUKUZENZELA | MATALENG: Settlement next to the waste plant and not save to settle in the area. | Residents of settlement have been served with eviction notice but not executed. | |

PERFORMANCE OF TOWN (PHYSICAL) PLANNING SERVICES

| DETAILS | FORMALIZATION OF TOWNSHIPS | REZONING | BUILT ENVIRONMENT |
|-------------------------------------|--|----------|-------------------|
| TOWN PLANNING APPLICATIONS RECEIVED | One (1) application was received for Town Planning services: Erf 1378 Barkly West | | |
| REVENUE RECEIVED | 3598.90 | | |

BUILDING CONTROL REGULATION SERVICES

| ACTIVITIES | ACTUAL PERFORMANCE |
|-------------------------------|--------------------|
| BUILDING PLANS SUBMITTED | 19 |
| OCCUPATION CERTIFICATE ISSUED | 1 |
| BUILDING INSPECTION PERFORMED | 19 |
| CONTRAVENTION NOTICES ISSUED | 0 |
| REVENUE RECEIVED | R26 805.75 |

| EMPLOYEES: 2020/2021: HOUSING + LAND ADMINISTRATION | | | | | |
|---|---------------|-----------|----------------|-----------------------------------|----------------------------------|
| JOB LEVEL | 2019/2020 | 2020/2021 | | | |
| | EMPLOYEES NO. | POSTS NO. | EMPLOYEE S NO. | VACANCIES (FULL TIME EQUIVALENTS) | VACANCIES (AS A % OF TOTAL POST) |
| BAND 6 | 1 | 1 | 1 | 0 | 0 |
| BAND 4 | 1 | 2 | 1 | 1 | 50% |
| BAND 2 | 4 | 6 | 4 | 2 | 33% |
| TOTAL | 6 | 9 | 6 | 3 | 33% |

8. LOCAL ECONOMIC DEVELOPMENT, TOURISM & AGRICULTURE (LED)

9. LOCAL ECONOMIC DEVELOPMENT, TOURISM & AGRICULTURE (LED)

INTRODUCTION

Local Economic Development (LED) at the Municipality identifying and using local resources to create opportunities for economic growth and employment creation. The function also focuses on forming local partnerships with key and relevant stakeholders such as National government, Provincial government, District government and Private sector structures. This is done to promote and support local economic development initiatives aimed to enhance Economic Growth and to provide infrastructure for investment attraction and promotion of Dikgatlong as a tourism destination.

ECONOMIC GROWTH (INCLUDING TOURISM AND MARKET PLACES)

The purpose of the Economic Growth and Tourism Division is to provide an enabling and conducive environment to grow the economy in order to create sustainable jobs and eradicate poverty. The division consists of two sub-sections namely Economic Growth and Tourism.

Our Tourism Section's function is to provide the relevant strategic tourism pillars to promote Dikgatlong Municipality as a major tourist destination of choice in the Northern Cape where visitors can explore the scenic natural beauty and still experience vintage as a way of life.

The Economic Growth Section focuses on developing enabling policies and strategies, which inform the implementation of key initiatives, projects and programmes to grow the economy in our area. In January 2016, the unit embarked on a process to develop an Integrated Economic Development Strategy, which will become one of the key strategic plans that will give effect to the implementation of intervention to achieve the NDP's Vision 2030, i.e. for Dikgatlong Municipality to become a strong rural town with Economic development opportunities of excellence" within the next fifteen years. Council adopted the Local Economic Growth and Development Strategy, which forms the foundation of a more integrated approach to respond to the socio-economic challenges of our Municipality. The Strategy will be reviewed based on new challenges and the growth of population.

SMME Support

We have built a relationship with the National Department of Small Business and a number of community outreach programs were implemented. SMME's also received extensive training through SEDA and NYDA.

SUPPORT SERVICES

The Municipality gave lease agreements on municipal commonage land to emerging farmers in Dikgatlong with regard to the food support and animal farming programmes. And the provincial department of Land reform and Agriculture is giving support on training and infrastructure upgrading.



Visit on the products of an SMME in Mataleng – SMME received funding for equipment through partnership with FBDM. And appointed by SALGA as service provider to manufacture protective masks for COVID-19.

8.2.1. Economic Growth

The Local Economic Development Strategy adopted by Council in 2018 highlights four key strategic pillars on which our economic vision is based namely:

- A diversified economy;
- Thriving small business sector;
- Providing skills for the future; and
- Building strong institutions

The Division has already commenced with the implementation of key initiatives to address each pillar as highlighted above.



SMME Outreach programme during SMME Week

8.2.2. Economic Growth Environment

The strategic interventions we focused on included:

- Provision of suitable critical infrastructure to small and informal businesses to grow SMMEs in Dikgatlong Municipality
- Building strategic partnerships with the private sector and other spheres of Government to implement key skills development initiatives so that the unemployed can access meaningful employment;
- Facilitate access to finance for small businesses through the Frances Baard District Entrepreneurial fund;
- Facilitate an enabling policy environment to ensure the growth of the Second Economy; and
- Positioning Dikgatlong Municipality as a preferred destination to host world-class sports and leisure events such as the Dikgatlong Annual Heritage festival.

8.2.4 Economic Growth Challenges

- Lack of sufficient built infrastructure to facilitate access to trading spaces;
- Too much red tape which prevents the acceleration of sustainable economic growth in the municipality;
- Vandalism of economic infrastructure built to enable economic growth; and
- External economic shocks because of the lack of a diversified economy.

8.2.5. EPWP Job Creation

The Expanded Public Works Program is a program designed in order to provide temporary work opportunities for the unemployed in order to make them more employable in the formal job market. The Municipality obtains a conditional grant from the National Department of Public Works and tops up this grant to reach more beneficiaries. Since 2016, the EPWP grant allocation is R1,000,000 . As a result 60 more job opportunities are created each financial year.

| TOTAL EMPLOYMENT PER ECONOMIC SECTOR (DIKGATLONG V FRANCES BAARD) | | |
|--|------------------|---------------|
| ECONOMIC SECTOR | 2020/2021 | |
| | DLM | FBDM |
| AGRICULTURE, FORESTRY & FISHING | 536 | 3 279 |
| MINING | 1 260 | 5 956 |
| MANUFACTURING | 360 | 2 844 |
| ELECTRICITY | 41 | 911 |
| TRANSPORT | 248 | 3 048 |
| WHOLESALE & RETAIL TRADE | 1 370 | 17 022 |
| FINANCE, PROPERTY, ETC | 683 | 11 480 |
| COMMUNITY + SOCIAL SERVICES | 2 140 | 32 660 |
| INFRASTRUCTURE SERVICES + CONSTRUCTION | 437 | 5 528 |
| HOUSEHOLDS | 895 | 7 982 |
| TOTAL | 7 980 | 90 708 |



Certificate Ceremony in Pretoria Head Office EPWP – Training on EPWP implementation model

INCOME DISTRIBUTION

A total of 20 368, which constitute 43.48% and the majority of the population in the area of Dikgatlong do not receive an income. They are followed by those who receive below R400 per month at 9 013, which represent 19% of the total population. Approximately 63% of the population of Dikgatlong live below the poverty line (R500). This is based on the following income variables that measure individual/household welfare and the indicators for poverty and development.

| INCOME | POPULATION | PERCENTAGE (%) |
|---------------------|---------------|----------------|
| No income | 20 368 | 43.48% |
| R1 - R400 | 9 013 | 19.24% |
| R401 - R800 | 1 596 | 3.41% |
| R801 - R1 600 | 7 750 | 16.55% |
| R1 601 - R3 200 | 2 188 | 4.67% |
| R3 201 - R6 400 | 1 248 | 2.66% |
| R6 401 - R12 800 | 883 | 1.89% |
| R12 801 - R25 600 | 435 | 0.93% |
| R25 601 - R51 200 | 110 | 0.23% |
| R51 201 - R102 400 | 23 | 0.05% |
| R102 401 - R204 800 | 15 | 0.03% |
| R204 801 or more | 14 | 0.03% |
| Unspecified | 2 936 | 6.27% |
| Not applicable | 262 | 0.56% |
| TOTAL | 46 841 | 100% |

The employment status of Dikgatlong is consistent with the local economic status of the Municipality, viz. the economy that has been stagnant for many years or that has been in recession for a very long time. It shows that the current local economy is unable to carry or cope with the current economic demands of its residents, *in particular*, demand for employment.

JOB CREATION THROUGH EXPANDED PUBLIC WORKS PROGRAMME (EPWP) PROJECTS

| JOB CREATION THROUGH EXPANDED PUBLIC WORKS PROGRAMME (EPWP) PROJECTS | | |
|--|----------------------------|------------------------|
| DETAILS | EPWP PROJECTS | NUMBER OF JOBS CREATED |
| 2019/2020 | Operations and Maintenance | 105 |
| 2020/2021 | Operations and Maintenance | 165 |

The Municipality also employed a total number of twenty (22) youths from around the area of Dikgatlong on a 1-Year Programme, working on waste management (WESSA). The Expanded Public Works Programme (EPWP) has also employed a total of fifty (50) employees.

LOCAL JOB OPPORTUNITIES RELATING TO VARIOUS SECTORS

In terms of job opportunities in other various sectors of the Economy, a total number of 7 980 people within its local municipal area. The economic sector that recorded the largest number of employment was community services sector with a total of 2 140 employed people in the local municipality area. The trade sector with a total of 1 370 employs the second highest number of people relative to the rest of the sectors. The electricity sector with 412 employees was the sector that employed the least number of people, followed by the transport sector with 248 people employed.

| EMPLOYEES: 2020/2021: DEPARTMENT OF LOCAL ECONOMIC DEVELOPMENT | | | | | |
|---|----------------------|------------------|----------------------|--|---|
| JOB LEVEL | 2019/2020 | 2020/2021 | | | |
| | EMPLOYEES NO. | POSTS NO. | EMPLOYEES NO. | VACANCIES (FULL TIME EQUIVALENTS) | VACANCIES (AS A % OF TOTAL POST) |
| BAND 5 | 1 | 1 | 1 | 0 | 0% |
| BAND 4 | 1 | 1 | 1 | 0 | 0% |
| TOTAL | 2 | 2 | 2 | 0 | 0% |

CHAPTER 4

MUNICIPAL CORPORATE SUPPORT SERVICES

1. OFFICE OF THE MUNICIPAL MANAGER

INTEGRATED DEVELOPMENT PLANNING (IDP)

The IDP unit provides the process to manage the development and review of Council strategic planning process through the following 3 main strategic documents:

- **INTEGRATED DEVELOPMENT PLAN:** *Forward-looking* and strategic planning document, which guides and informs the planning and development process through which the Municipality prepares a 5-Year strategic Planning and development plan.
- **ANNUAL BUDGET:** Also a *forward-looking* document that serves as a multi-year financial plan to appropriate financial resources to Council programmes/projects in terms of the Medium Term Revenue and Expenditure Framework, and
- **ANNUAL REPORT,** a *backward-looking* document that provides a record of activities of the Municipality in terms of financial and non-financial information on how Council's service delivery programme (*IDP and Budget*) were implemented. It gives feedback on service delivery to the local community as a form of accountability.

The IDP Process Plan produced the following IDP Priority needs for the Municipality as a whole and per wards:

| DIKGATLONG 2020/2021 MUNICIPAL WIDE + WARDS IDP PRIORITY NEED | | |
|--|----------------------------------|----------------------------------|
| # | MUNICIPAL WIDE IDP PRIORITY NEED | WARD 1 – MATALENG PRIORITY NEEDS |
| 1 | Water and Sanitation | Social & Community Services |
| 2 | Roads and Storm Water | Local Economic Development |
| 3 | Land and Housing | Roads and Storm Water |
| 4 | Electricity | Land and Housing |
| 5 | Social & Community Services | Water and Sanitation |
| 6 | Local Economic Development | Electricity |
| # | WARD 2: DE BEERSHOOGTE | WARD 3: ROOIRAND |
| 1 | Land and Housing | Water and Sanitation |
| 2 | Roads and Storm Water | Roads and Storm Water |
| 3 | Electricity | Land and Housing |
| 4 | Social & Community Services | Social & Community Services |
| 5 | Roads & Stormwater | Electricity |
| 6 | | Local Economic Development |
| # | WARD 4: WINDSORTON | WARD 5: LONGLANDS + GONG-GONG |
| 1 | Electricity | Water + Sanitation |
| 2 | Water and Sanitation | Roads and Storm Water |
| 3 | Land and Housing | Electricity |
| 4 | Social & Community Services | Local Economic Development |

| DIKGATLONG 2020/2021 MUNICIPAL WIDE + WARDS IDP PRIORITY NEED | | |
|---|--|--|
| 5 | Local Economic Development | Land and Housing |
| 6 | Roads and Storm Water | Social & Community Services |
| # | WARD 6: ROOIKOPPIES (DEPORTSHOOP) | WARD 7: TIDIMALO (DELPORTSHOOP) |
| 1 | Social & Community Services | Roads and Storm Water |
| 2 | Water and Sanitation | Land and Housing |
| 3 | Land and Housing | Social & Community Services |
| 4 | Electricity | Water and Sanitation |
| 5 | Roads and Storm Water | Local Economic Development |
| 6 | Local Economic Development | |

The IDP unit coordinated the process, with the assistance and support from the Department of Finance and the Performance Management unit to ensure that the annual budget process and the service delivery & budget implementation plan are aligned to Council IDP and the National Development Plan Vision 2030.

| NO | IDP PARTICIPATION AND ALIGNMENT | YES/NO |
|----|--|--------|
| 1 | Does the municipality have impact, outcome, input, output indicators? | YES |
| 2 | Does the IDP have priorities, objectives, KPIs, development strategies? | YES |
| 3 | Does the IDP have multi-year targets? | YES |
| 4 | Are the above aligned and can they calculate into a score? | YES |
| 5 | Does the budget align directly to the KPIs in the strategic plan? | YES |
| 6 | Do the IDP KPIs align to the Section 57 Managers | YES |
| 7 | Do the IDP KPIs lead to functional area KPIs as per the SDBIP? | YES |
| 8 | Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes | YES |
| 9 | Were the indicators communicated to the public? | YES |
| 10 | Were the four quarter aligned reports submitted within stipulated time frames? | YES |

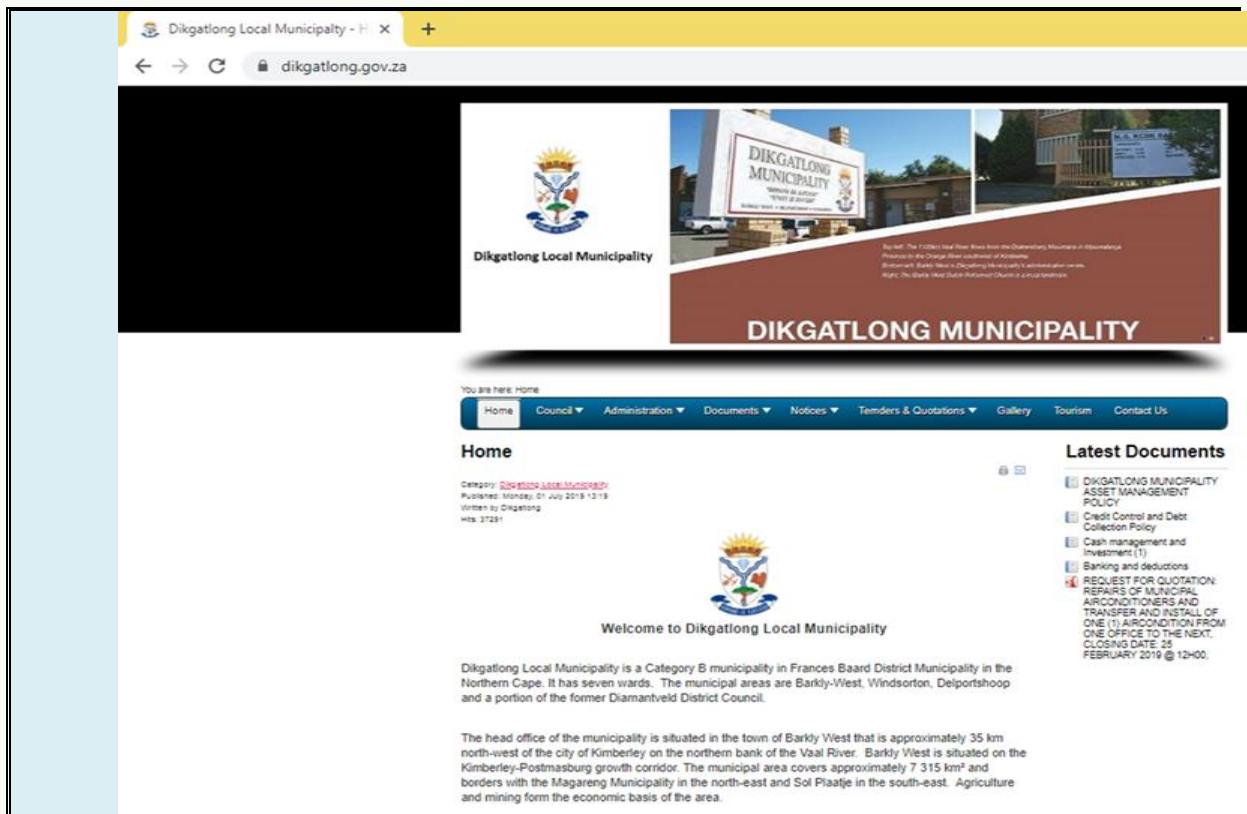
2. MARKETING + COMMUNICATIONS

MEDIA RELATIONS AND RE-BRANDING THE IDENTITY OF DIKGATLONG LOCAL MUNICIPALITY

The Municipality has still not established the communications unit to handle all marketing and communications issues, including promotion of good relations with the local and national media. The absence of a dedicated communications officer or unit is also a handicap because it means the most important function like communications is handled informally and on *ad hoc* basis, including brand marketing of the Municipality. However, the process of organisational restructuring has prioritised the establishment of the communications unit.

DEVELOPMENT OF THE MUNICIPAL WEBSITE

The Municipality is required to run and maintain a website where community stakeholders and potential investors may upload the information about the affairs of the Municipality. Dikgatlong Local Municipality has a functional municipal website.



3. CORPORATE SERVICES

HUMAN RESOURCE MANAGEMENT

The directorate of Corporate Services continues to render support to other directorates through Records Management, Human Resource, Legal Services, Information Technology and Council Secretarial Services. The directorate has reviewed the Organisational Structure through consultation with the unions. The Strategy one of the Financial Recovery Plan is implemented through this directorate.

The approved organizational structure provides for the four (4) Departments, each headed by the senior manager and as follows:

- Corporate Services
- Finance
- Community Services
- Technical Services

Human Resource

Staff Compliment

At the end of the financial year 2020/2021, the municipality had a staff compliment of 191. The number includes interns and employees appointed on a fixed term basis. Technical Services Department has a total number of 86 employees which constitutes 45% of the total staff complement. This department is responsible for service delivery.

| STAFF COMPLIMENT AND STAFFING LEVELS | | | | | | |
|--------------------------------------|---------------|--------------------|--------------------|---------------|---------------|-------------|
| DESCRIPTION | 2019/2020 | | 2020/2021 | | | |
| | EMPLOYEES NO. | APPROVED POSTS NO. | APPROVED POSTS NO. | EMPLOYEES NO. | VACANCIES NO. | VACANCIES % |
| MUNICIPAL MANAGER | 2 | 2 | 14 | 5 | 9 | 64% |
| CORPORATE SERVICES | 22 | 54 | 43 | 19 | 24 | 56% |
| POLITICAL OFFICE | 5 | 6 | 6 | 5 | 1 | 17% |
| FINANCIAL MANAGEMENT | 32 | 51 | 45 | 23 | 30 | 67% |
| PLANNING & DEVELOPMENT | 6 | 12 | N/A | N/A | N/A | N/A |
| COMMUNITY SERVICES | N/A | N/A | 103 | 47 | 64 | 62% |
| TECHNICAL SERVICES | 147 | 191 | 136 | 86 | 90 | 66% |
| TOTALS | 204 | 319 | 347 | 191 | 218 | 63% |

STAFF TURN OVER

Recruitment

The municipality recruited new employees during the year under review. We are under the Financial Recovery Plan and only recruited critical skills. We have recruited suitably qualified employees in the following positions:

- Civil Technician;
- Town and Regional Planner;
- Asset and Fleet Officer;
- Supply Chain Management Officer

Although positions of IT Technician and Account Budget were advertised, the municipality has not filled these positions as a result of suitable candidates not applying. These positions will be re-advertised and filled in the next financial year.

The following are new appointments for the financial year 2020/21:

| NEW APPOINTMENTS | | | | |
|------------------|------------|-------------------------|------------------|--------|
| EMPLOYEE NAME | DEPARTMENT | POSITION | APPOINTMENT DATE | GENDER |
| MALOKA KA | Finance | Fleet and Asset Officer | 01-Dec-20 | Female |

| | | | | |
|----------------|-----------|-------------------------------------|-----------|--------|
| STENEKAMP C | Finance | Supply Chain Officer | 04-Jan-21 | Female |
| SHITLHAVANI T | Technical | Assistant Town and Regional Planner | 04-Jan-21 | Female |
| MAKALENI D | Technical | Civil Engineering Technician | 11-Jan-21 | Male |
| LEEUW C | Finance | Finance Intern | 14-Jun-21 | Female |
| GALEBOE TK | Finance | Finance Intern | 14-Jun-21 | Female |
| MEREKOPANE EP | Finance | Finance Intern | 14-Jun-21 | Male |
| CARELSE ZW | Finance | Finance Intern | 14-Jun-21 | Female |
| NKATLHOLANG CN | Finance | Finance Intern | 14-Jun-21 | Female |
| | | | | |

TERMINATIONS

The following are terminations of service for the financial year 2020/21:

| TERMINATIONS | | | | |
|----------------|------------|-----------------|------------------|------------------------|
| EMPLOYEE NAME | DEPARTMENT | POSITION HELD | TERMINATION DATE | REASON FOR TERMINATION |
| MTHETHO M | TECHNICAL | GENERAL WORKER | 06-Dec-20 | DECEASED |
| MOTLHWARING KK | TECHNICAL | GENERAL WORKER | 31-May-21 | RETIRED |
| BROWN J | TECHNICAL | GENERAL WORKER | 30-Dec-20 | RETIRED |
| MOITSE S | FINANCE | INDEGENT CLERK | 31-May-21 | CONTRACT EXPIRED |
| PELEMA K | CORPORATE | HR PRACTITIONER | 31-May-21 | CONTRACT EXPIRED |
| NYATYOWA M | CORPORATE | CLEANER | 26-Aug-20 | RESIGNED |
| MESS S | TECHNICAL | GENERAL WORKER | 31-May-21 | CONTRACT EXPIRED |
| NYIRENDA MME | TECHNICAL | GENERAL WORKER | 31-May-21 | CONTRACT EXPIRED |
| GEMBA S | CORPORATE | GENERAL WORKER | 31-May-21 | CONTRACT EXPIRED |
| MOKHELE L | FINANCE | FLEET CLERK | 31-May-21 | CONTRACT EXPIRED |

| | | | | |
|--------------|-----------|----------------|-----------|------------------|
| KEAMOLANE AK | FINANCE | CASHIER | 31-May-21 | CONTRACT EXPIRED |
| KGOSI B | CORPORATE | IT INTERN | 31-May-21 | CONTRACT EXPIRED |
| MOKWA B | FINANCE | FINANCE INTERN | 30-Sep-20 | CONTRACT EXPIRED |
| KGORO M | FINANCE | FINANCE INTERN | 30-Sep-20 | CONTRACT EXPIRED |
| MODISE T | FINANCE | FINANCE INTERN | 30-Sep-20 | CONTRACT EXPIRED |
| PHAKISA K | FINANCE | FINANCE INTERN | 30-Sep-20 | CONTRACT EXPIRED |
| MASENG A | TECHNICAL | GENERAL WORKER | 30-Sep-20 | DECEASED |
| MEREMETSI J | TECHNICAL | WATER OPERATOR | 15-Jul-20 | RESIGNED |
| | | | | |

The table below indicates information regarding staff turn-over for three (3) consecutive financial years.

| STAFF TURN-OVER RATE | | | |
|----------------------|--|--|----------------|
| DETAILS | TOTAL APPOINTMENTS AS OF BEGINNING OF FINANCIAL YEAR | TERMINATIONS DURING THE FINANCIAL YEAR | TURN-OVER RATE |
| 2018/2019 | 0 | 7 | 3.4% |
| 2019/2020 | 0 | 5 | 2.5% |
| 2020/2021 | 9 | 18 | 4.3% |
| | | | |

4. MUNICIPAL POLICY DEVELOPMENT PROGRAMME

During 2020/21 Financial year there were policies that were developed or revised:

| MUNICIPAL POLICIES / PLANS / STRATEGIES | | | | |
|---|-----------------------------------|----------|------------------------|----------------------|
| # | NAME | STATUS ✓ | | |
| | | DRAFT | ADOPTED IN PREV. YEARS | DEVELOPED & APPROVED |
| 1 | Overtime policy | | ✓ | ✓ |
| 2 | Occupational Health & Safety | | ✓ | ✓ |
| 3 | Sports and Recreation Policy | | ✓ | ✓ |
| 4 | Attendance and Punctuality Policy | | ✓ | ✓ |
| 5 | Induction Policy | | ✓ | ✓ |
| 6 | Bursary Policy | | ✓ | ✓ |
| 7 | Acting Policy | | | ✓ |
| 8 | Leave Policy | | ✓ | ✓ |

| MUNICIPAL POLICIES / PLANS / STRATEGIES | | | | | |
|---|---|----------|------------------------|----------------------|---------------|
| # | NAME | STATUS ✓ | | | |
| | | DRAFT | ADOPTED IN PREV. YEARS | DEVELOPED & APPROVED | ADOPTION DATE |
| 9 | Cash Management Policy | | | ✓ | 15 June 2020 |
| 10 | Credit Control and Debt Collection policy | | | ✓ | 15 June 2020 |
| 11 | Banking and Deduction | | | ✓ | 15 June 2020 |
| 12 | Assets Management Policy | | | ✓ | 15 June 2020 |
| 13 | Budget Implementation Policy | | | ✓ | 15 June 2020 |
| 14 | Fleet Management Policy | | | ✓ | 15 June 2020 |
| 15 | Pay Day Policy | | | ✓ | 15 June 2020 |
| 16 | Indigent Policy | | | ✓ | 15 June 2020 |
| 17 | Supply Chain Management Policy | | | ✓ | 15 June 2020 |
| 18 | Petty cash policy | | | ✓ | 15 June 2020 |
| 19 | Short term Risk and Liabilities | | | ✓ | 15 June 2020 |
| 20 | Stock Management Policy | | | ✓ | 15 June 2020 |
| 21 | Tariff Services Policy | | | ✓ | 15 June 2020 |
| 22 | Unclaim Monies Policy | | | ✓ | 15 June 2020 |
| 23 | Travelling and Subsistence Policy | | | ✓ | 15 June 2020 |
| 24 | Bonus Policy | | | ✓ | 15 June 2020 |
| 25 | Property rates Policy | | | ✓ | 15 June 2020 |

OCCUPATIONAL HEALTH & SAFETY (INCLUDING INJURIES ON DUTY & SICK LEAVES)

Under section 6A (b) and 40(1) of the Compensation for Occupational Injuries and Diseases Act, 1993 Compensation Commissioner published the regulation on Injury on duty / Occupational Disease. The regulation published on the 8th November 2018 defines Injury on Duty or Occupational Disease as an unexpected occurrence, at a specific date, time and place arising out of and in the course of employee’s employment resulting in personal injury or death, or when an occupational disease is contracted due to exposure in the workplace.

There were no cases for injury on duty reported in the workplace for the financial year 2020/2021.

5. CAPACITATING THE MUNICIPAL WORKFORCE (SKILLS DEVELOPMENT & TRAINING)

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

Section 68 (1) of the Local Government: Municipal Systems Act indicates that the Municipality must develop its human resource capacity to the level that it enables them to perform its functions and powers economically, effective, efficient and accountable way. For this purpose the Municipality is required to comply with the Skills Development Act, 1998 and Skills Development Levies Act, 1999. Dikgatlong Municipality complied with the statutory submission of the Workplace Skills Development Plan to Local Government SETA.

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

| SKILLS DEVELOPMENT: 2020/2021: TRAINING INTERVENTIONS (BURSARIES) | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| OCCUPATIONAL CATEGORY | MALE | | | | FEMALE | | | |
| | A | C | I | W | A | C | I | W |
| SENIOR MANAGEMENT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PROFESSIONALLY QUALIFIED AND EXPERIENCED SPECIALISTS AND MID-MANAGEMENT | 4 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |
| SKILLED TECHNICAL, ACADEMICALLY QUALIFIED WORKERS, JUNIOR MANAGEMENT, SUPERVISORS, FOREMEN + SUPERINTENDENTS | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 |
| SEMI-SKILLED AND DISCRETIONARY DECISION MAKING | 0 | 0 | 0 | 0 | 1 | 4 | 0 | 0 |
| TOTAL | 4 | 0 | 0 | 0 | 7 | 7 | 0 | 0 |

| SKILLS DEVELOPMENT: BENEFICIARIES: OCCUPATION CATEGORY + GENDER 2020/2021 (EMPLOYED) | | | | | | | | | | |
|--|-----------|----------|----------|----------|----------|----------|----------|----------|-----------|----------|
| OCCUPATION CATEGORY | FEMALE | | | | MALE | | | | TOTAL | NON-SA |
| | A | C | I | W | A | C | I | W | 0 | |
| SENIOR MANAGEMENT | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 0 |
| PROFESSIONALLY QUALIFIED AND EXPERIENCED SPECIALISTS AND MID-MANAGEMENT | 1 | 0 | 0 | 0 | 3 | 1 | 0 | 0 | 5 | 0 |
| SKILLED TECHNICAL, ACADEMICALLY QUALIFIED WORKERS, JUNIOR MANAGEMENT, SUPERVISORS, FOREMEN + SUPERINTENDENTS | 5 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 7 | 0 |
| SEMI-SKILLED AND DISCRETIONARY DECISION MAKING | 0 | 2 | 0 | 0 | 1 | 0 | 0 | 0 | 3 | 0 |
| UNSKILLED AND DEFINED DECISION MAKING | 3 | 1 | 0 | 0 | 0 | 5 | 3 | 0 | 12 | 0 |
| SUB-TOTAL | 10 | 2 | 0 | 0 | 7 | 6 | 0 | 0 | 29 | 0 |

SKILLS DEVELOPMENT & RELATED EXPENDITURE ON FINANCIAL COMPETENCY REGULATIONS

| # | BURSARIES | DEPARTMENT |
|---|---|--------------------|
| 1 | Diploma in Management | Mayor's Office |
| 2 | Diploma in Local Government Finance | Mayor's Office |
| 3 | System Administration | Corporate Services |
| 4 | Public Management N4-N6 | Corporate Services |
| 5 | Higher Certificate Economics and Management Sciences | Corporate Services |
| 6 | Bachelor of Administration | Corporate Services |
| 7 | Higher Certificate in Archives and records Management | Corporate Services |
| 8 | Senior Certificate (Matric) | Corporate Services |
| 9 | Masters in Public Sector Monitoring and Evaluation | Corporate Services |

| SKILLS DEVELOPMENT: LEARNERSHIPS (WASTE MANAGEMENT NQF LEVEL 5) | | | | | | | | |
|---|------|---|---|---|--------|---|---|---|
| UNEMPLOYED YOUTH | MALE | | | | FEMALE | | | |
| | A | C | I | W | A | C | I | W |
| 18.2 LEARNERS | 8 | 1 | 0 | 0 | 10 | 1 | 0 | 0 |
| TOTAL | 8 | 1 | 0 | 0 | 10 | 1 | 0 | 0 |

| SKILLS DEVELOPMENT: LEARNERSHIPS (ENVIRONMENT MANAGEMENT NQF LEVEL 5) | | | | | | | | |
|---|------|---|---|---|--------|---|---|---|
| UNEMPLOYED YOUTH | MALE | | | | FEMALE | | | |
| | A | C | I | W | A | C | I | W |
| 18.2 LEARNERS | 12 | 3 | 0 | 0 | 9 | 2 | 0 | 0 |
| TOTAL | 12 | 3 | 0 | 0 | 9 | 2 | 0 | 0 |

6. PERFORMANCE MANAGEMENT SYSTEM

INTRODUCTION OR BACKGROUND

Performance Management process measures the implementation of the organizational strategy and also a management tool to plan, monitor, measure and review the performance at individual and organizational level. Service Delivery & Budget Implementation Plan (SDBIP) monitors and implements Integrated Development Plan (IDP) and Budget as an assurance that the Municipality continuously improves the quality of their services.

The Municipality has a performance management policy and framework in terms of which the following milestones are in place:

| PERFORMANCE MANAGEMENT FRAMEWORK | ALL SECTION 54A/56 PERFORMANCE CONTRACTS SIGNED | AUDIT, RISK + PERFORMANCE COMMITTEE | MUNICIPAL PUBLIC ACCOUNTS COMMITTEE(MPAC) | QUARTERLY PERFORMANCE REPORTING | ANNUAL REPORTING TO COUNCIL |
|----------------------------------|---|-------------------------------------|---|---------------------------------|-----------------------------|
| Yes | Yes | Yes | Yes | Yes | Yes |

The Mayor signed the High Level Service Delivery & Budget Implementation Plan (SDBIP) for the 2020/2021 financial year on the 09 July 2020, within a period of 28 days after approval of the IDP and Budget. The Performance Management System of the Municipality currently caters for Senior Managers and middle managers, the Municipal Manager, Departmental Managers and Middle Managers all have signed the performance agreements on the 28 July 2020, in terms of the Local Government: Performance Management Regulations for Senior Managers.

The performance management system is not yet applied to officials below the level of middle managers and the system will be gradually cascaded to lower levels from the next financial year.

- Align the performance management system with other internal municipal systems to assure integrated systems support:

| KEY PERFORMANCE AREA | HUMAN RESOURCES | PERFORMANCE MANAGEMENT |
|-----------------------|---------------------|--------------------------|
| Policy and Procedures | Human Resource Plan | PMS Policy Framework |
| Incentives / Rewards | Remuneration System | Performance Bonus System |

| KEY PERFORMANCE AREA | HUMAN RESOURCES | PERFORMANCE MANAGEMENT |
|--------------------------|-------------------------|--------------------------------|
| Capacity Building | Workplace Skills Plan | Personal Development Plans |
| Labour Relations Process | Incapacity Procedures | Management of Poor Performance |
| Decision-Making Process | Delegation of Functions | Cascading of the PMS System |
| Managing Performance | Job Descriptions | Individual Performance Plans |

The Management submits quarterly performance progress reports to Council through the Council Committee for political oversight. Internal Audit conducts verification of the performance information and the final report is submitted to the Audit and Risk Committee.

The report went through the process of oversight by the Municipal Public Accounts Committee (MPAC), which recommended to Council the adoption of the 2019/2020 oversight report with corrections and be submitted to the Legislature in terms of section 132(2) of the Local Government: Municipal Finance Management Act and the submission was made on the 12 July 2021.

| STATUTORY ANNUAL REPORT PROCESS | | |
|---------------------------------|---|-----------|
| NO | ACTIVITY DESCRIPTION | TIMEFRAME |
| 1 | Submission of the annual performance report in terms of section 46 of the Local Government: Municipal Systems to Council + the Auditor General. | AUGUST |
| 2 | Draft annual report submitted to the Auditor-General for verification of the audit + other information. | DECEMBER |
| 3 | Tabling of the draft annual report in Council and referral to the Municipal Public Accounts Committee (MPAC). | JANUARY |
| 4 | Municipal Public Accounts Committee (MPAC) adopts and implement the public participation programme to solicit the comments of the community on the annual report. | FEBRUARY |
| 5 | Municipal Public Accounts Committee (MPAC) considers the comments received from the community on the annual report, adopts its oversight report and refer it to Council for adoption. | MARCH |
| 6 | Council considers and adopts the Municipal Public Accounts Committee (MPAC) oversight report on the annual report. | MARCH |
| 7 | Publication of the oversight report on a local newspaper within 7 days of its adoption by Council. | APRIL |
| 8 | Submission of the oversight report and the final annual report to the Provincial Legislature and Government. | APRIL |

7. LEGAL SERVICES

Legal Services is one of the strategic functions that provides an internal legal advisory and support services to different directorates, Council and its structures. Legal Services should provide legal opinions and advices, contract management and facilitation of litigation. The role of Legal Services is also to

manage the performance of firms of attorneys appointed to initiate or defend cases on behalf of the municipality.

The municipality has a position in the Organisational Structure for a Legal Officer. However, the position is vacant and the municipality is using the services provided by the District Municipality when a need arises.

| EMPLOYEES: 2020/2021: CORPORATE SERVICES | | | | | |
|---|----------------------|------------------|----------------------|--|---|
| JOB LEVEL | 2018/2019 | 2019/2020 | | | |
| | EMPLOYEES NO. | POSTS NO. | EMPLOYEES NO. | VACANCIES (FULL TIME EQUIVALENTS) | VACANCIES (AS A % OF TOTAL POST) |
| BAND 5 | 5 | 6 | 5 | 1 | 17% |
| BAND 4 | 1 | 1 | 1 | 0 | 0% |
| BAND 3 | 2 | 2 | 2 | 0 | 0% |
| BAND 2 | 15 | 26 | 15 | 11 | 42% |
| BAND 1 | 12 | 21 | 12 | 9 | 43% |
| TOTAL | 35 | 56 | 35 | 21 | 38% |

CHAPTER 5

MUNICIPAL FINANCIAL PERFORMANCE

5.1 Introduction

As the global economic uncertainty and rising costs places inflationary pressure on the municipality, due care is exercised in order to ensure that effective financial management is maintained. In this regard, every effort is made to ensure that systems and procedures are in place so as to ensure that there are sound fiscal controls and an environment that promotes effective financial management and minimizes fruitless and wasteful expenditure. In addition, the municipality takes appropriate steps to ensure that operations are properly controlled – thereby maintaining efficient and effective service delivery to our consumers.

The 2020/21 financial year has been particularly successful for Dikgatlong Municipality in so as the financial management and the audit outcome. To verify this statement, it must be noted that Dikgatlong Municipality has been awarded Qualified Audit Opinion from a Qualified in 2019/20 financial year.

It must be noted that Dikgatlong Municipality is on mSCOA since the beginning of July 2020. All aspects relating to mSCOA preparation are being incorporated within the municipality and our operating system – ensuring that the financial and support system integrate with mSCOA requirements and performance reporting.

The OPCA project (Operation Project Clean Audit) has progressed exceptionally well and the challenge moving forward is to ensure that this achievement is maintained.

With the introduction of GRAP, information has become more readily available and this allows information to be presented correctly in most instances. That being said, difficulties are experienced in respect of information required for property, plant and equipment, inventory and external valuation of employee benefits.

Regular reporting and reporting of compliant and useful information is required from each directorate and should be regarded as mandatory.

5.2 STANDARD PRACTICES TO FACILITATE ACCURATE INFORMATION PROVISION

It is required that there is compliance regarding all financial reporting and in particular regarding the predetermined objectives – ensuring that they are written in accordance with the SMART principles.

- Issues identified in terms of the Audit Action Plan are required to be addressed and appropriate “follow ups” must be conducted.
- The quality of quarterly and monthly reports are to be assessed and suitable and timeous action must be taken to rectify issues identified (financial, pre-determined targets or otherwise). Oversight from managers and the Internal Audit/ Audit Committee is required; and
- Zero tolerance will be implemented in respect of unauthorized, irregular, fruitless and wasteful expenditure and in respect of the potential qualification, due to the failure to detail and report on predetermined objectives and National Treasury views on non-priority spending.
- The Internal Audit and the Audit Committee work together to review the Strategic and Annual Performance Plans - ensuring that these are correctly addressed, and that appropriate and valuable reporting occurs.

5.3 FINANCIAL INDICATORS

The following dashboard information and tables indicate the municipality’s performance in terms of 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 Areas.

A high-level overview of the municipality’s financial viability as at the 30 June 2020 includes indicators of the municipality financial viability. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. It will also highlight to management those issues that may require corrective action and the urgency and magnitude of the reforms and decisions necessary to maintain operations. The information should be used to complement, rather than substitute, management’s own financial assessment

As an overall assessment, the following indicators are highlighted:

| 10. FINANCIAL VIABILITY ASSESSMENT | | |
|------------------------------------|------------------------|------------------------|
| 11. | 12. As at 30 June 2021 | 13. As at 30 June 2020 |

| 10. FINANCIAL VIABILITY ASSESSMENT | | | |
|---|--|--------------------------------------|--------------------------------------|
| 11. | | 12. As at 30 June 2021 | 13. As at 30 June 2020 |
| 14. Expenditure management | | | |
| 15.1 | 16. Creditor-payment period | 17. 888 Days | 18. 1142 Days |
| 19. Revenue management | | | |
| 20.2 | 21. Debt-collection period (after impairment) | 22. 221 Days | 23. 565 Days |
| 24.2 | 25. Debt-impairment provision as a percentage of accounts receivable | 26. 87.0% | 27. 82.9% |
| | <ul style="list-style-type: none"> • Amount of debt-impairment provision • Amount of accounts receivable | 28. R505 243 775 29. R580 785 757 | 30. R367 492 731 31. R443 226 793 |
| 32. Asset and liability management | | | |
| 33.3 | 34. A deficit for the year was realized (total expenditure exceeded total revenue) | 35. Yes | 36. Yes |
| | <ul style="list-style-type: none"> • Amount of the surplus / (deficit) for the year | 37. R16 595 175 | 38. R29 107 585 |
| 39.3 | 40. A net current liability position was realized (total current liabilities exceeded total current assets) | 41. Yes | 42. Yes |
| | <ul style="list-style-type: none"> • Amount of the net current assets / (liability) position | 43. R40 676 941 | 44. R46 581 708 |
| 45.3 | 46. A net liability position was realized (total liabilities exceeded total assets) | 47. No | 48. No |
| | <ul style="list-style-type: none"> • Amount of the net asset / (liability) position | 49. R596 373 565 | 50. R628 156 476 |
| 51. Cash management | | | |
| 52.4 | 53. The year-end bank balance was in overdraft | 54. No | 55. No |
| | <ul style="list-style-type: none"> • Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft) | 56. R4 656 954 | 57. R7 725 434 |
| 58.4 | 59. Net cash flows for the year from operating activities were negative | 60. No | 61. No |
| | <ul style="list-style-type: none"> • Amount of net cash in / (out)flows for the year from operating activities | 62. R16 289 656 | 63. R31 995 106 |
| 64.4 | 65. Creditors as a percentage of cash and cash equivalents | 66. 4 294 % | 67. 2 520 % |
| | <ul style="list-style-type: none"> • Amount of creditors (accounts payable) | 68. R199 988 939 | 70. R234 160 599 |
| | <ul style="list-style-type: none"> • Amount of cash and cash equivalents / (bank overdraft) at year-end | 69. R4 656 954 | 71. R7 725 434 |
| 72.4 | 73. Current liabilities as a percentage of next year's budgeted resources ** | 74. 99.5% | 75. 71.3% |
| | <ul style="list-style-type: none"> • Amount of current liabilities | 76. R237 256 972 | 78. R181 174 036 |
| | <ul style="list-style-type: none"> • Amount of next year's budgeted income ** | 77. R238 507 000 | 79. R152 362 000 |

| 10. FINANCIAL VIABILITY ASSESSMENT | | |
|--|--|--|
| 11. | 12. As at 30 June 2021 | 13. As at 30 June 2020 |
| 80. Overall assessment | | |
| 81. Overall, the financial viability is assessed as: | 82. Unfavourable – intervention required | 83. Unfavourable – intervention required |
| 84. * This (these) amount(s) has (have) been adjusted for uncorrected misstatements that resulted in the modification of the audit opinion and will therefore not agree with the financial statement amounts. ⁱ | | |
| 85. ** This amount excludes the portion of next year's budgeted resources that is budgeted to be spent on employee costs and remuneration of councillors. | | |

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

5.4 INTRODUCTION TO FINANCIAL STATEMENTS

This component provides an overview of financial performance of the municipality and focuses on its financial health.

| Dikgatlong Local Municipality (Registration number NC092) Annual Financial Statements for the year ended 30 June 2021 | | | |
|---|---------|----------------------|----------------------|
| Statement of Financial Performance | | | |
| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 21 | 124 080 975 | 59 621 271 |
| Interest received (trading) | | 26 776 131 | 32 105 338 |
| Commissions received | 22 | 167 573 | 146 432 |
| Rental income | 22 | 707 615 | 614 141 |
| Other income | 23 | 976 660 | 209 617 |
| Interest received - investment | 24 | 743 899 | 695 040 |
| Total revenue from exchange transactions | | 153 452 853 | 93 391 839 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 25 | 33 494 442 | 8 589 159 |
| Transfer revenue | | | |
| Government grants & subsidies | 27 | 139 464 906 | 119 507 735 |
| Public contributions and donations | | 561 185 | - |
| Fines, Penalties and Forfeits | 28 | 4 145 | 86 480 |
| Interest received (trading) | | 4 823 038 | 5 580 777 |
| Total revenue from non-exchange transactions | | 178 347 716 | 133 764 151 |
| Total revenue | 26 | 331 800 569 | 227 155 990 |
| Expenditure | | | |
| Employee related costs | 29 | (66 778 476) | (63 730 025) |
| Remuneration of councillors | 30 | (4 362 982) | (4 355 126) |
| Depreciation and amortisation | 31 | (24 929 253) | (25 777 621) |
| Finance costs | 32 | (8 929 541) | (15 568 726) |
| Lease rentals on operating lease | 33 | (372 960) | (1 328 136) |
| Debt Impairment | 34 | (158 992 790) | (62 876 525) |
| Bulk purchases | 35 | (44 658 424) | (40 899 319) |
| General Expenses | 36 | (37 561 926) | (33 830 725) |
| Total expenditure | | (346 586 352) | (248 366 203) |
| Operating deficit | | (14 785 783) | (21 210 213) |
| Loss on disposal of assets and liabilities | | (1 527 139) | (730 430) |
| Fair value adjustments | | - | (3 622) |
| Actuarial gains/(losses) | 18 | (166 838) | (151 797) |
| Impairment loss | | (115 415) | (4 047 862) |
| | | (1 809 392) | (4 933 711) |
| Deficit for the year | | (16 595 175) | (26 143 924) |

The municipality has always strived to maintain a healthy financial position and continues to monitor its financial status and as such in 2020/21 the municipality showed a deficit of R16 million from a deficit of R26 million in 2019/20. The results afford the municipality to correct the financial performance of the municipality by increasing its revenue. The following initiatives were embarked on to improve the financial management of the municipality during the financial year under review:

- The implementation of the National Treasury issued Municipal Cost Containment Regulations No. 41445 dealing with cost containment measures. The municipality has adopted its own cost containment policy with the issued draft regulations in the current financial year and has now further strengthened policies in support of cost containment. Cost cutting measures must become a rooted principle and part of our organisational culture for long-term; and
- The municipality showed a decrease in the revenue management compared to the previous financial year (2019/20). The municipality had a deficit of R16 595 175 million for the year under review which was a decrease in deficit from the previous year's deficit of R26 143 924. The municipality must ensure that its deficit decreases tremendously and have plans to ensure that we are financially sustainable. The decrease in the afore-mentioned is as a result of:
 - Employee related cost: The municipality has ensured that some of the critical positions are filled. The municipality managed to fill the following position of Asset Officer, Technician and Assistant Town Planner. The position of the Budget Officer and IT Technician is still vacant and the municipality is looking at filling them; and
 - Transfers and subsidies paid: allocations to from the Division of Revenue Act also increased in income during 2020/21 to improve the cashflow position of the municipality and to align to the cost containment measures put in place by the municipality. Government grants & subsidies also increased from R119 507 735 to R139 464 906 in 2020/21 financial year.

The statement of financial performance, which indicates that the municipality incurred a net deficit of R16 595 175 during the year ended 30 June 2021 and, as of that date the municipality's current liabilities exceeded its current assets by R40 469 941 These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Statement of Comparison of Budget and Actual Amounts for Financial Performance for the year ended 30 June 2021

Budget on Accrual Basis

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 59 832 547 | 79 241 400 | 139 073 947 | 124 080 975 | (14 992 972) | 53, X1 |
| Interest received (trading) | 37 487 711 | 1 872 000 | 39 359 711 | 26 776 131 | (12 583 580) | 53, X2 |
| Dividends received (trading) | 750 000 | - | 750 000 | - | (750 000) | 53, X3 |
| Agency services | 7 080 000 | - | 7 080 000 | - | (7 080 000) | 53, X4 |
| Commissions received | - | - | - | 167 573 | 167 573 | 53, X5 |
| Rental income | 588 849 | - | 588 849 | 707 615 | 118 766 | 53, X6 |
| Other income - (rollup) | 532 323 | - | 532 323 | 976 660 | 444 337 | 53, X7 |
| Interest received - investment | - | - | - | 743 899 | 743 899 | 53, X8 |
| Total revenue from exchange transactions | 106 271 430 | 81 113 400 | 187 384 830 | 153 452 853 | (33 931 977) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 21 220 553 | - | 21 220 553 | 33 494 442 | 12 273 889 | 53, X9 |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 139 942 000 | 2 000 000 | 141 942 000 | 139 464 906 | (2 477 094) | 53, X10 |
| Public contributions and donations | - | - | - | 561 185 | 561 185 | |
| Fines, Penalties and Forfeits | - | - | - | 4 145 | 4 145 | 53, X11 |
| Other transfer revenue | - | - | - | 4 823 038 | 4 823 038 | 53, X12 |
| Total revenue from non-exchange transactions | 161 162 553 | 2 000 000 | 163 162 553 | 178 347 716 | 15 185 163 | |
| Total revenue | 267 433 983 | 83 113 400 | 350 547 383 | 331 800 569 | (18 746 814) | |
| Expenditure | | | | | | |
| Personnel | (61 937 369) | (7 884 739) | (69 822 108) | (66 778 476) | 3 043 632 | 53, X13 |
| Remuneration of councillors | (4 037 208) | 112 501 | (3 924 705) | (4 362 982) | (438 277) | 53, X14 |
| Depreciation and amortisation | (31 453 239) | 8 152 879 | (23 300 360) | (24 929 253) | (1 628 893) | 53, X15 |
| Impairment loss/ Reversal of impairments | - | - | - | (115 415) | (115 415) | 53, X16 |
| Finance costs | (562 940) | (500 000) | (1 062 940) | (8 929 541) | (7 866 601) | 53, X17 |
| Lease rentals on operating lease | - | - | - | (372 960) | (372 960) | 53, X17 |
| Debt Impairment | (8 999 998) | (26 506 393) | (35 506 391) | (158 992 790) | (123 486 399) | 53, X18 |
| Bulk purchases | (37 247 747) | (15 147 264) | (52 395 011) | (44 658 424) | 7 736 587 | 53, X19 |
| Contracted Services | (56 871 220) | (3 839 676) | (60 710 896) | - | 60 710 896 | 53, X20 |
| General Expenses | (17 801 082) | (2 252 277) | (20 053 359) | (37 561 926) | (17 508 567) | 53, X21 |
| Total expenditure | (218 910 801) | (47 864 969) | (266 775 770) | (346 701 767) | (79 925 997) | |
| Operating deficit | 48 523 182 | 35 248 431 | 83 771 613 | (14 901 198) | (98 672 811) | |
| Loss on disposal of assets and liabilities | - | - | - | (1 527 139) | (1 527 139) | 53, X22 |
| Actuarial gains/losses | - | - | - | (166 838) | (166 838) | 53, X23 |
| | - | - | - | (1 693 977) | (1 693 977) | |

The municipality expected the electricity tariffs increase to have an impact on the consumption of electricity. Management did not anticipate that there would be a pandemic that will be after the performance of companies.

It is crucial that the municipality continues to increase its cash collection rate to ensure that the municipality remains financially viable, despite challenges experienced.

| FINANCIAL OVERVIEW | | | |
|---------------------------|--------------------|--------------------|--------------------|
| | 2018/2019 | 2019/2020 | 2021/2021 |
| Income: | 200 510 929 | 227 155 990 | 331 800 569 |
| Grants | 112 764 011 | 119 507 735 | 139 464 906 |
| Taxes, Levies and tariffs | 78 161 709 | 68 210 430 | 157 575 417 |
| Other | 9 585 209 | 39 437 825 | 34 760 246 |

| | | | |
|-------------------|--------------------|--------------------|--------------------|
| SUB TOTAL | 200 510 929 | 227 155 990 | 331 800 569 |
| Less: Expenditure | -224 492 565 | -248 366 203 | -346 586 352 |
| NET TOTAL | -23 981 636 | -29 107 585 | -14 785 783 |

| OPERATING RATIOS | | | |
|-------------------------|------------------|------------------|------------------|
| FINANCIAL YEAR | 2018/2019 | 2019/2020 | 2020/2021 |
| DETAILS | % | % | % |
| Employee Cost | 28.51 | 25.7 | 19.3 |
| Bulk purchases | 15 | 16.5 | 12.9 |
| Finance Charges | 3 | 6.3 | 3 |

The employee costs currently stand at 19% of the total budget of the municipality. This is very good as this is still below National Treasury expectation. It is also important to highlight that the municipality salary bill is sustainable as it is below the norm of 30% for municipality.

Government Grants

APPENDIX D - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 1 JULY 2019 | Correction of Error | Balance 1 JULY 2019 | Grants Received | Forfeited to National Revenue Fund | Transferred to Funds to be Surrendered | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Balance 30 JUNE 2020 | Unspent 30 JUNE 2020 (Creditor) | Unpaid 30 JUNE 2020 (Debtor) |
|--|------------------------|------------------------|------------------------|--------------------|--|--|--|--|-------------------------|---------------------------------------|------------------------------------|
| National Government Grants | | | | | | | | | | | |
| Equitable Share | - | - | - | 81 417 000 | (3 690 084) | - | 85 107 084 | - | - | - | - |
| Local Government Financial Management Grant | - | - | - | 2 880 000 | - | - | 2 880 000 | - | - | - | - |
| Water Services Infrastructure Grants (WSIG and RBIG) | 3 690 085 | - | 3 690 085 | - | 3 690 084 | - | - | - | 1 | 1 | - |
| Municipal Infrastructure Grant | - | - | - | 25 714 000 | - | - | - | 24 646 689 | 1 067 311 | 1 067 311 | - |
| Municipal Disaster Relief Grant | - | - | - | 119 000 | - | - | - | 119 000 | 119 000 | 119 000 | - |
| National Electrification Programme (NEP) | 470 | - | 470 | 1 500 000 | - | - | - | 1 497 499 | 2 971 | 2 971 | - |
| Expanded Public Works Program (EPWP) | - | - | - | 1 000 000 | - | - | 1 000 000 | - | - | - | - |
| Total National Government Grants | 3 690 555 | - | 3 690 555 | 112 630 000 | - | - | 88 987 084 | 26 144 188 | 1 189 283 | 1 189 283 | - |
| Provincial Government Grants | | | | | | | | | | | |
| Library Grant | 82 426 | - | 82 426 | 1 020 000 | - | - | 892 415 | - | 190 011 | 190 011 | - |
| Local Government Sector and Training Authority Grant | 109 417 | - | 109 417 | 178 823 | - | - | 5 135 | - | 283 105 | 283 105 | - |
| Total Provincial Government Grants | 171 843 | - | 171 843 | 1 198 823 | - | - | 897 550 | - | 473 116 | 473 116 | - |
| District Municipality Grants | | | | | | | | | | | |
| FBDM Grant | - | - | - | 3 478 914 | - | - | 1 974 563 | 1 504 351 | - | - | - |
| Total District Municipality Grants | - | - | - | 3 478 914 | - | - | 1 974 563 | 1 504 351 | - | - | - |
| Total | 3 862 398 | - | 3 862 398 | 117 307 737 | - | - | 91 859 197 | 27 648 539 | 1 662 399 | 1 662 399 | - |

APPENDIX D - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
MUNICIPAL VOTES CLASSIFICATION

| 2018 Actual Income R | 2018 Actual Expenditure R | 2018 Surplus/ (Deficit) R | | 2019 Actual Income R | 2019 Actual Expenditure R | 2019 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|---------------------------------|-------------------------------|------------------------------------|------------------------------------|
| 681 597 | -8 559 705 | -5 878 107 | ADMINISTRATION | 892 414 | -7 569 307 | -6 676 893 |
| 11 084 332 | -11 662 331 | -627 999 | ASSESSMENT RATES | 9 344 948 | -9 933 695 | -588 747 |
| 140 575 292 | -7 237 562 | 133 337 700 | BILLING SECTION | 153 116 770 | -5 297 782 | 147 818 988 |
| 111 088 | -807 660 | -496 602 | BUDGET & TREASURY OFFICE | 88 422 | -411 489 | -343 067 |
| - | -521 131 | -521 131 | BUILDING & MAINTENANCE SECTION | - | -1 030 053 | -1 030 053 |
| 26 908 | -1 113 187 | -1 086 280 | CEMETERIES SECTION | 32 154 | -1 206 399 | -1 174 245 |
| - | -1 029 593 | -1 029 593 | CORPORATE SERVICE MANAGER | - | -1 443 604 | -1 443 604 |
| - | -8 256 009 | -8 256 009 | COUNCIL GENERAL | - | -5 387 882 | -5 387 882 |
| - | -1 269 493 | -1 269 493 | CUSTOMER CALL & OPERATIONS CEN | - | -1 378 868 | -1 378 868 |
| 13 931 602 | -33 387 255 | -19 455 653 | ELECTRICITY - BARKLY WEST | 14 367 288 | -40 974 811 | -26 607 523 |
| - | -800 440 | -800 440 | ELECTRICITY - DELPORTSHOOP | - | -175 695 | -175 695 |
| - | -3 477 230 | -3 477 230 | EXPENDITURE SECTION | - | -3 355 735 | -3 355 735 |
| 1 608 248 | -71 032 387 | -69 424 140 | FINANCE MANAGEMENT | 878 063 | -73 453 835 | -72 575 772 |
| - | - | - | HEALTH,ENVIRONMENT&DISASTER MAN | - | - | - |
| - | -271 479 | -271 479 | HOUSING SECTION | - | -229 942 | -229 942 |
| - | -967 262 | -967 262 | HUMAN RESOURCE MANAGEMENT | - | -968 198 | -968 198 |
| - | -878 161 | -878 161 | INTERNS | - | -452 232 | -452 232 |
| 1 777 | -1 795 973 | -1 794 196 | LIBRARIES | 1 913 | -1 729 454 | -1 727 541 |
| - | -1 241 376 | -1 241 376 | MAYOR SUPPORT OFFICE | - | -1 757 911 | -1 757 911 |
| - | - | - | OFFICE OF THE MAYOR | - | -261 533 | -261 533 |
| - | -1 282 225 | -1 282 225 | OFFICE OF THE MUNICIPAL MANAGE | - | -779 274 | -779 274 |
| - | -3 631 727 | -3 631 727 | PLANNING & DEVELOPMENT | - | -4 326 270 | -4 326 270 |
| 9 573 487 | -14 272 408 | -4 699 921 | REFUSE REMOVAL - BARKLY WEST | 10 395 033 | -22 049 768 | -11 654 735 |
| - | -4 356 694 | -4 356 694 | REFUSE REMOVAL - DELPORTSHOOP | - | -1 356 581 | -1 356 581 |
| - | -1 959 417 | -1 959 417 | REFUSE REMOVAL - WINDSORTON | - | -1 070 580 | -1 070 580 |
| - | -551 808 | -551 808 | ROADS & PARKS SECTION | - | -596 190 | -596 190 |
| - | -990 518 | -990 518 | SENIOR ACCOUNTANT | - | -961 890 | -961 890 |
| 3 414 941 | -4 477 678 | -1 062 737 | SEWERAGE - BARKLY WEST | 3 209 155 | -8 975 528 | -3 766 374 |
| - | -696 | -696 | SEWERAGE - DELPORTSHOOP | - | - | - |
| 78 744 | -1 304 | 77 441 | SEWERAGE - WINDSORTON | 1 853 | - | 1 853 |
| - | -301 150 | -301 150 | SPORTS , ARTS & CULTURE | - | -622 047 | -622 047 |
| 1 081 279 | -8 829 287 | -5 748 008 | TECHNICAL MANAGEMENT | 2 520 698 | -4 329 221 | -1 808 522 |
| 1 084 000 | -12 064 | 1 071 936 | TECHNICAL SERV. BARKLEY WEST | - | - | - |
| - | -138 081 | -138 081 | TECHNICIAN | - | - | - |
| - | - | - | TRAFFIC | - | - | - |
| - | -3 022 | -3 022 | TRAINING AND DEVELOPMENT | 9 | -268 618 | -268 609 |
| 22 692 356 | -36 306 670 | -13 614 313 | WATER SERV. BARKLY WEST | 22 993 997 | -50 399 983 | -27 405 987 |
| - | -2 292 831 | -2 292 831 | WATER SERV. DELPORTSHOOP | - | -427 325 | -427 325 |
| - | -3 388 976 | -3 388 976 | WATER SERV. WINDSORTON | - | -659 345 | -659 345 |
| 205 925 651 | (230 732 849) | (24 807 198) | Sub Total | 217 822 718 | (251 841 042) | (34 018 323) |
| - | - | - | | - | - | - |
| 205 925 651 | (230 732 849) | (24 807 198) | Total | 217 822 718 | (251 841 042) | (34 018 323) |

5.5 ASSET MANAGEMENT

Introduction to Asset Management

The Municipal Finance Management Act No. 56 of 2003 clearly states in Section 62 [1][a] that 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 resources of the municipality are used effectively, efficiently and economically.

It is acknowledge that the Accounting Officer of a municipality is responsible for the management, safeguarding and maintenance of assets and liabilities and must for his purpose, take all reasonable step to ensure that the municipality has and implements the following:

- Maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
- Ensure that assets and liabilities are valued in accordance with the standards of Generally Recognized Accounting Practice; and
- Maintains a system of internal control of assets and liabilities, including an Asset an Liabilities Register.

5.5.2 Roles & Responsibilities

a. Role of the Municipal Manager

As the Accounting Officer of the Municipality, the Municipal Manager is regarded as the principal custodian of the entire municipality’s fixed assets. Accordingly, the Municipal Manager is responsible for ensuring that the Fixed Asset Management Policy is scrupulous;y applied and adhered to. The Municipal Manager may in terms of section 79 of the Municipal Finance Management Act, No 56 of 2003 delegate this responsibility.

b. Role of the Chief Financial Officer

The Chief Financial Officer shall maintain the fixed asset register of the municipality and is required to ensure that a complete, accurate and up-to-date computerized fixed asset register is maintained. No amendments, deletions, additions or transfers between department to the fixed asset register shall be made other than by the Chief Financial Officer, or by an official acting under the written instruction of the Chief Financial Officer.

The Chief Financial Officer shall:

- Ensure implementation of the Asset Management and Insurance Policy;
- Ensure the verification of all assets in possession of council annually, as at 30 June each year, within the last three months of that specific financial year;
- Keep a complete and balance record (assets register) of all assets in possession of the council; and
- Report in writing on all asset losses to the council.

The Municipal Asset Management Policy was adopted by council on the 28 May 2019 as part of the budget related policies.

Although capacity within the municipality’s asset management section is limited due to our size, capacitation programmes have been identified and increased internal control over assets is observed. This clearly shows the commitment from management to ensure that capacity is improved.

During the Audit process there were no findings identified by the Auditor General on assets. Furthermore the municipality also hired an Asset Officer to ensure that the asset register is always maintained and updated.

Material Losses

- **Electricity Losses**

As disclosed in the financial statements, material electricity losses of R7 059 009 (2020: R10 054 823) which represents 21% (2020:36%) of the total electricity purchased.

Water Losses

As disclosed in note 51 to the financial statements, material water losses of R907 156 (2020: R1 143 332) was incurred, which represents 11% (2020:18%) of the total water entering the municipality's system.

Receivable's impairments (Allowance)

Material impairments allowance of R505 243 775 (2020: R367 492 731) were applied against receivables from exchange and non-exchange transactions, as disclosed in notes 5 and 7 to the financial statements

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|---|---------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 1 136 981 | (7 851 061) |
| Grants | | 142 706 456 | 117 307 736 |
| Interest income | | 32 343 068 | 38 381 155 |
| | | <u>176 186 505</u> | <u>147 837 830</u> |
| Payments | | | |
| Employee costs | | (70 580 296) | (67 574 948) |
| Suppliers | | (80 387 012) | (32 710 669) |
| Finance costs | | (8 929 541) | (15 568 726) |
| | | <u>(159 896 849)</u> | <u>(115 854 343)</u> |
| Net cash flows from operating activities | 38 | <u>16 289 656</u> | <u>31 983 487</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 11 | (19 217 360) | (28 201 074) |
| Purchase of other intangible assets | 12 | (25 797) | - |
| Movement in investments | | - | 3 622 |
| Net cash flows from investing activities | | <u>(19 243 157)</u> | <u>(28 197 452)</u> |
| Cash flows from financing activities | | | |
| Repayment of other financial liabilities | | (122 902) | (116 769) |
| Operating lease movements | | 7 923 | (18 442) |
| Net cash flows from financing activities | | <u>(114 979)</u> | <u>(135 211)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(3 068 480)</u> | <u>3 650 824</u> |
| Cash and cash equivalents at the beginning of the year | | 7 725 434 | 4 074 610 |
| Cash and cash equivalents at the end of the year | 9 | <u>4 656 954</u> | <u>7 725 434</u> |

5.6 BORROWING AND INVESTMENTS

The Municipality has only one loan with the DBSA. The outstanding loan amount is R780 301. The long-term loan is amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% and accrues monthly.

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

5.4 INTRODUCTION TO FINANCIAL STATEMENTS

This component provides an overview of financial performance of the municipality and focuses on its financial health.

The municipality has always strived to maintain a healthy financial position and continues to monitor its financial status and as such in 2020/21 the municipality showed a deficit of R34 million from a deficit of R24 million in 2019/20. The results afford the municipality to correct the financial performance of the municipality by increasing its revenue. The following initiatives were embarked on to improve the financial management of the municipality during the financial year under review:

- The implementation of the National Treasury issued Municipal Cost Containment Regulations No. 41445 dealing with cost containment measures. The municipality has adopted its own cost containment policy with the issued draft regulations in the current financial year and has now further strengthened policies in support of cost containment. Cost cutting measures must become a rooted principle and part of our organisational culture for long-term; and
- The municipality showed a decrease in the cash flow management compared to the previous financial year (2019/20). The municipality had a deficit of R34 018 323 for the year under review which was a increase in deficit from the previous year's deficit of R24 807 206. The municipality must ensure that its deficit decreases tremendously and have plans to ensure that we are financially sustainable. The decrease in the afore-mentioned is as a result of:
- Employee related cost: The municipality has ensured that some of the critical positions are filled. The municipality managed to fill the following position of Asset Officer, Technician and Assistant Town Planner. The position of the Budget Officer and IT Technician is still vacant and the municipality is looking at filling them; and
- Transfers and subsidies paid: allocations to from the Division of Revenue Act also increased in income during 2020/21 to improve the cashflow position of the municipality and to align to the cost containment measures put in place by the municipality. Government grants & subsidies also increased from R112 764 011 to R119 507 735 in 2020/21 financial year.

4. The statement of financial performance, which indicates that the municipality incurred a net deficit of R34 018 323 during the year ended 30 June 2021 and, as of that date the municipality's current liabilities exceeded its current assets by R 46 581 708. These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

The municipality expected the electricity tariffs increase to have an impact on the consumption of electricity. Management did not anticipate that there would be a pandemic that will after the performance of companies.

It is crucial that the municipality continues to increase its cash collection rate to ensure that the municipality remains financially viable, despite challenges experienced.

| FINANCIAL OVERVIEW | | | |
|---------------------------|--------------------|--------------------|--------------------|
| | 2018/2019 | 2019/2020 | 2020/2021 |
| Income: | 191 995 902 | 200 510 929 | 216 481 690 |
| Grants | 107 356 674 | 112 764 011 | 119 507 735 |
| Taxes, Levies and tariffs | 47 737 870 | 78 161 709 | 88 298 316 |
| Other | 36 901 358 | 9 585 209 | 8 675 639 |
| SUB TOTAL | 191 995 902 | 200 510 929 | 216 481 690 |
| Less: Expenditure | -202 657 407 | -224 492 565 | -245 589 275 |
| NET TOTAL | -10 661 505 | -23 981 636 | -29 107 585 |

| OPERATING RATIOS | | | |
|------------------------------|------------------|------------------|------------------|
| FINANCIAL YEAR | 2018/2019 | 2019/2020 | 2020/2021 |
| DETAILS | % | % | % |
| Employee Cost | 28.51 | 26.7 | 25.9 |
| Repairs & Maintenance | 1.24 | 2.6 | 2.1 |
| Finance Charges & Impairment | 26.20 | 29.4 | 20.7 |

The employee costs currently stands at 25.9% of the total budget of the municipality. This is very good as this is still below National Treasury expectation. It is also important to highlight that the municipality salary bill is sustainable as it is below the norm of 30% for municipality.

5.5 ASSET MANAGEMENT

Introduction to Asset Management

The Municipal Finance Management Act No. 56 of 2003 clearly states in Section 62 [1][a] that 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 resources of the municipality are used effectively, efficiently and economically.

It is acknowledge that the Accounting Officer of a municipality is responsible for the management, safeguarding and maintenance of assets and liabilities and must for his purpose, take all reasonable step to ensure that the municipality has and implements the following:

- Maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
- Ensure that assets and liabilities are valued in accordance with the standards of Generally Recognized Accounting Practice; and
- Maintains a system of internal control of assets and liabilities, including an Asset an Liabilities Register.

5.5.2 Roles & Responsibilities

c. Role of the Municipal Manager

As the Accounting Officer of the Municipality, the Municipal Manager is regarded as the principal custodian of the entire municipality's fixed assets. Accordingly, the Municipal Manager is responsible for ensuring that the Fixed Asset Management Policy is scrupulous; applied and adhered to. The Municipal Manager may in terms of section 79 of the Municipal Finance Management Act, No 56 of 2003 delegate this responsibility.

d. Role of the Chief Financial Officer

The Chief Financial Officer shall maintain the fixed asset register of the municipality and is required to ensure that a complete, accurate and up-to-date computerized fixed asset register is maintained. No amendments, deletions, additions or transfers between department to the fixed asset register shall be made other than by the Chief Financial Officer, or by an official acting under the written instruction of the Chief Financial Officer.

The Chief Financial Officer shall:

- Ensure implementation of the Asset Management and Insurance Policy;
- Ensure the verification of all assets in possession of council annually, as at 30 June each year, within the last three months of that specific financial year;
- Keep a complete and balance record (assets register) of all assets in possession of the council; and
- Report in writing on all asset losses to the council.

The Municipal Asset Management Policy was adopted by council on the 28 May 2019 as part of the budget related policies.

Although capacity within the municipality's asset management section is limited due to our size, capacitation programmes have been identified and increased internal control over assets is observed. This clearly shows the commitment from management to ensure that capacity is improved.

During the Audit process there were no findings identified by the Auditor General on assets. Furthermore the municipality also hired an Asset Officer to ensure that the asset register is always maintained and updated.

5. Material Losses

Electricity Losses

As disclosed in the financial statements, material electricity losses of R10 054 823 (2019: R7 169 068) which represents 36.24% (2019: 29.48%) of the total electricity purchased.

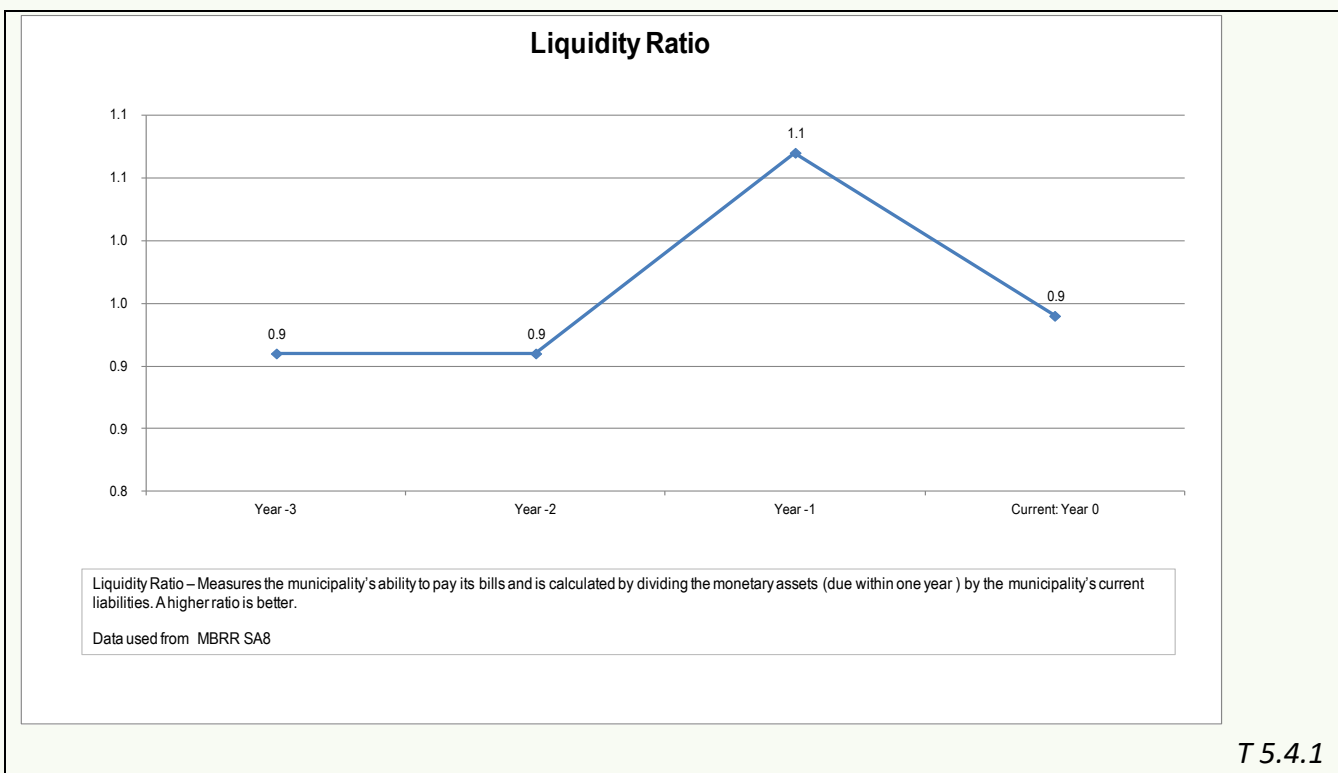
Water Losses

As disclosed in note 51 to the financial statements, material water losses of R1 143 332 (2019: R978 512) was incurred, which represents 17.58% (2019: 14.33%) of the total water entering the municipality's system.

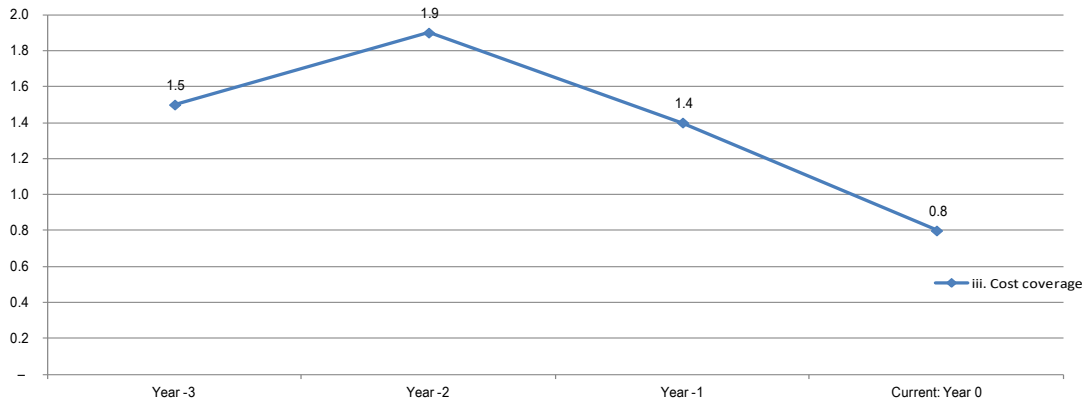
5. receivables impairments

Material impairments of R422 253 182 (2019: R283 368 971) were applied against receivables from exchange and non-exchange transactions, as disclosed in notes 5 and 7 to the financial statements.

FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



Cost Coverage

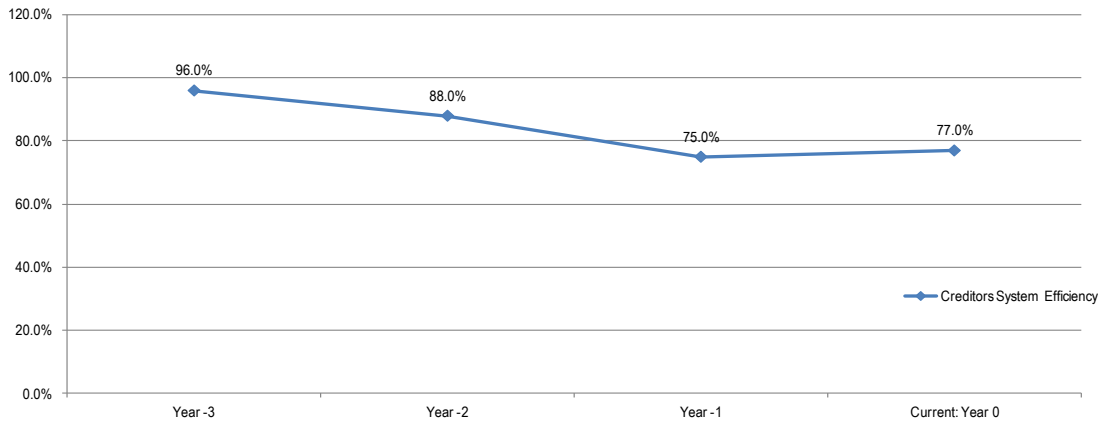


Cost Coverage— It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

T 5.4.2

Creditors System Efficiency

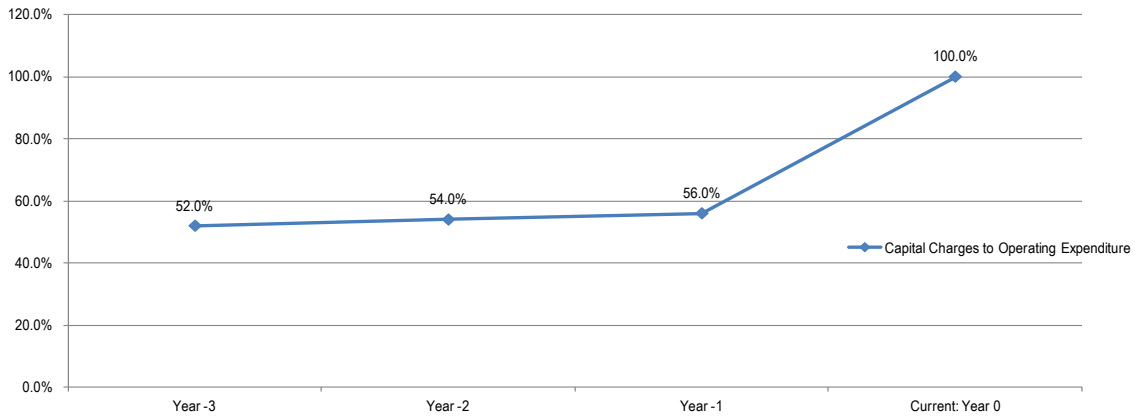


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

T 5.4.5

Capital Charges to Operating Expenditure

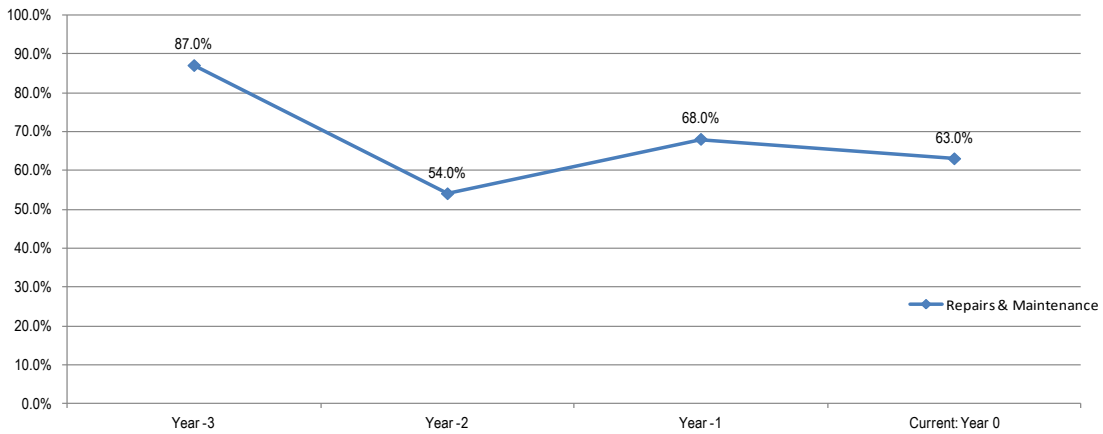


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

T 5.4.6

Repairs & Maintenance



Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.

Data used from MBRR SA8

T 5.4.8

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and

surpluses. Capital spending indicating where the funding comes from and whether the Municipality is able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

| Figures in Rand | Note(s) | 2020 | 2019 Restated* |
|---|-----------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 81 390 459 | 66 942 773 |
| Grants | | 117 307 736 | 116 502 084 |
| Interest income | | 38 381 350 | 32 790 587 |
| | | <u>237 079 545</u> | <u>216 235 444</u> |
| Payments | | | |
| Employee costs | | (67 574 948) | (63 777 111) |
| Suppliers | | (124 493 409) | (90 360 764) |
| Finance costs | | (13 016 082) | (12 684 557) |
| | | <u>(205 084 439)</u> | <u>(166 822 432)</u> |
| Net cash flows from operating activities | 38 | (205 084 439) | (166 822 432) |
| Cash flows from investing activities | | | |
| | | <u>31 995 106</u> | <u>49 413 012</u> |
| Purchase of property, plant and equipment | 10 | (28 209 074) | (33 249 288) |
| Purchase of other intangible assets | 11 | - | (32 461) |
| | | <u>(28 209 074)</u> | <u>(33 281 749)</u> |
| Net cash flows from investing activities | | (28 209 074) | (33 281 749) |
| Cash flows from financing activities | | | |
| Repayment of other financial liabilities | | (116 769) | (111 237) |
| Finance lease movements | | (18 439) | 10 201 |
| | | <u>(135 208)</u> | <u>(101 036)</u> |
| Net cash flows from financing activities | | (135 208) | (101 036) |
| Net increase/(decrease) in cash and cash equivalents | | 3 650 824 | 16 030 227 |
| Cash and cash equivalents at the beginning of the year | | 4 074 610 | (11 955 617) |
| Cash and cash equivalents at the end of the year | 8 | <u>7 725 434</u> | <u>4 074 610</u> |

BORROWING AND INVESTMENTS

The Municipality has only one loan with the DBSA. The outstanding loan amount is R1 046 852. The long term loan at amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% and accrues monthly.

APPENDICES

APPENDIX A: COUNCILLORS, COMMITTEES ALLOCATED + COUNCIL / COMMITTEE ATTENDANCE

| COUNCILLOR NAME | WARD/PR | COUNCIL COMMITTEE ALLOCATED | COMMITTEE MEETINGS ATTENDANCE | | | | COUNCIL MEETINGS ATTENDANCE | | | |
|--------------------|---------|--|-------------------------------|--------|----|-----|-----------------------------|--------|----|------|
| | | | TOTAL | ACTUAL | NO | % | TOTAL | ACTUAL | NO | % |
| Clr DD Mbizeni | PR | Mayor | - | - | - | - | 9 | 9 | | 100 |
| Clr OE Makoko | Ward 7 | Infrastructure, | 4 | 2 | | 100 | 9 | 1 | | 98% |
| Clr MP Chupologo | Ward 1 | Administration + | 4 | 3 | | 100 | 9 | 6 | | 70% |
| | | LLF | 4 | 4 | | 100 | | | | |
| Clr M Bezuidenhout | Ward 2 | MPAC | 4 | 3 | | 100 | 9 | 6 | | 70% |
| Clr AJ Mafololo | Ward 3 | MPAC | 4 | 3 | | 100 | 9 | 4 | | 40% |
| Clr Thomas Saul | Ward 5 | Infrastructure | 4 | 2 | | 100 | 9 | 6 | | 60% |
| Clr DM Macinga | Ward 4 | Finance | 4 | 1 | | 100 | 9 | 6 | | 70% |
| Clr PS Combrink | Ward 6 | MPAC | 4 | 3 | | 90 | 9 | 7 | | 80% |
| Clr MA Mahutie | PR | Administration | 4 | 3 | | 100 | 9 | 4 | | 50% |
| | | Finance | 4 | 1 | | 100 | | | | |
| | | LLF | 4 | 4 | | 100 | | | | |
| Clr DP Hendriks | PR | Administration | 4 | 3 | | | 9 | 9 | | 100% |
| | | Infrastructure | 4 | 2 | | | | | | |
| | | LLF | 4 | 4 | | | | | | |
| Clr ME Kleinjan | PR | Finance | 4 | 1 | | 00 | 9 | 4 | | 40% |
| Clr MK Konote | PR | Finance | 4 | 1 | | 100 | 9 | 7 | | 80% |
| Clr KE Motshabi | PR | IDP/LED – <i>Committee do not exist</i> | 00 | 00 | 00 | 00 | 9 | 4 | | 40% |

APPENDIX B: COUNCIL COMMITTEES AND THEIR PURPOSES

| # | NAME OF THE COMMITTEES | PURPOSE OF COMMITTEE |
|---|----------------------------------|--|
| 1 | AUDIT COMMITTEE | COUNCIL EXTERNAL + TECHNICAL ADVISORY COMMITTEE |
| 2 | CORPORATE SERVICE COMMITTEE | OVERSEE CORPORATE + ADMINISTRATIVE AFFAIRS |
| 3 | INFRASTRUCTURE COMMITTEE | OVERSEE INFRASTRUCTURE DEVELOPMENT AFFAIRS |
| 5 | FINANCE COMMITTEE | OVERSEE FINANCIAL AND RELATED MATTERS OF COUNCIL |
| 6 | RULES AND POLICY COMMITTEE | ENFORCE RULES OF ORDER/CODE OF CONDUCT FOR COUNCILLORS |
| 7 | MUNICIPAL PUBLIC ACCOUNTS (MPAC) | OVERSIGHT COMMITTEE OF COUNCIL |

APPENDIX C: THIRD LEVEL MANAGEMENT / TIER ADMINISTRATIVE STRUCTURE

| DIRECTORATE / OFFICE | NAME | DESIGNATION / DIVISION |
|----------------------|---------------------|---|
| MUNICIPAL MANAGER | NORMATHEMBA MASENGE | MANAGER: OFFICE OF THE MAYOR |
| | MARVELLOUS SEELE | IDP OFFICER/HOUSING + TOWN PLANNING MANAGER |
| | GEORGE SHERENI | MONITORING AND EVALUATION OFFICER |
| | THABO SWARTS | UNIT HEAD DELPORTSHOOP |
| | EDDIE MANUEL | LOCAL ECONOMIC DEVELOPMENT OFFICER |
| | THALITA LETSIE | PRINCIPLE TOURISM CLERK |
| | SIMON ROOI | UNIT HEAD WINDSOTON |
| FINANCIAL MANAGEMENT | TEBOGO MOGOROSI | BUDGET OFFICER |
| | CHRIS MOKENG | SENIOR ACCOUNTANT |
| | TEBOGO SELEKA | INCOME ACCOUNTANT |
| | PALESA LEGODI | EXPENDITURE ACCOUNTANT |
| CORPORATE SERVICES | ABRAHAM KESEKILE | HUMAN RESOURCE OFFICER |
| | BRIDGET SEBOLAI | ADMINISTRATION OFFICER |
| | PEACE TSHEKOENG | PRINCIPLE REGISTRY CLERK |
| | BETTA DEMANDI | LIBRARIAN |
| TECHNICAL SERVICES | JOSEPH MARUPELO | SUPERINTENDENT ELECTRICITY |
| | ISHMAEL SOLOMON | SUPERVISOR WATER MAINTENANCE DELPORTSHOOP |
| | JOHN OLIPHANT | SUPERVISOR ROADS AND PARKS |
| | JOHN BARKER | SUPERVISOR WATER |
| | LEBOGANG MOLOTO | SUPERVISOR CALL CENTRE |
| | JOHANNES PHYFFER | SUPERVISOR REFUSE AND SANITATION WINDSORTON |
| | MZOLI DUBE | SUPERVISOR WATER AND WASTE WATER |
| | BEN JAMMER | SUPERVISOR WATER MAINTENANCE BARKLY WEST |
| COMMUNITY SERVICE | | |

APPENDIX D: MUNICIPAL POWERS AND FUNCTIONS

| ALLOCATED POWERS AND FUNCTIONS | FUNCTIONS ALLOCATED TO THE MUNICIPALITY BUT CURRENTLY NOT BEING PERFORMED | FUNCTIONS BELONGING TO THE OTHER DEPARTMENTS BUT PERFORMED BY THE MUNICIPALITY ON AGENCY BASIS |
|--------------------------------|---|--|
| Billboards and Advertisements | Air Pollution | Library Services |
| Building Regulations | Control of Public Nuisance | Housing |
| Cemeteries | Fire Fighting | Agriculture |
| Sports Facilities | Funeral Parlours and Crematoria | |
| Electricity + Street Lighting | Liquor Licensing | |
| Street Trading + Regulations | Facilities for Accommodation | |
| Water + Sanitation | Fencing and Fences | |
| Amusement Facilities | Licensing of Dogs | |

APPENDIX D: MUNICIPAL POWERS AND FUNCTIONS

| ALLOCATED POWERS AND FUNCTIONS | FUNCTIONS ALLOCATED TO THE MUNICIPALITY BUT CURRENTLY NOT BEING PERFORMED | FUNCTIONS BELONGING TO THE OTHER DEPARTMENTS BUT PERFORMED BY THE MUNICIPALITY ON AGENCY BASIS |
|--------------------------------|---|--|
| Local Tourism + Markets | Local Amenities | |
| Refuse Removal + Solid Waste | Municipal Abattoir | |
| Parks + Recreation facilities | Noise Pollution | |
| Municipal Planning | Pounds | |
| Municipal Roads + Storm Water | Child Care Facilities | |
| Public Works | Traffic + Law enforcement | |

APPENDIX E: WARD COMMITTEES REPORTING

| WARD | WARD COUNCILLOR | COMMITTEE MEMBERSHIP | | WARD COMMITTEE MEETINGS HELD | | |
|----------------|---------------------|----------------------|------------|------------------------------|----------|--------------|
| | | # MEMBERS | VACANCIES | TOTAL | # NUMBER | % PERCENTAGE |
| 1 | CLR M P CHUPOLOGO | 10 | 0 | 12 | 8 | |
| 2 | CLR MM BEZUIDENHOUD | 10 | 0 | 12 | 8 | |
| 3 | CLR A J MAFOFOLOLO | 10 | 0 | 12 | 8 | |
| 4 | CLR THOMAS SAUL | 10 | 0 | 12 | 8 | |
| 5 | CLR D M MACINGA | 8 | 0 | 12 | 8 | |
| 6 | CLR P S COMBRINK | 8 | 0 | 12 | 8 | |
| 7 | CLR O E MAKOKO | 10 | 0 | 12 | 8 | |
| AVERAGE | | 8 | 0.0 | 12 | 8 | |

APPENDIX F(1): WARD INFORMATION: SEVEN (7) LARGEST CAPITAL PROJECTS

| # | WARD | PROJECT NAME + DETAILS | START DATE | END DATE | TOTAL VALUE |
|---|------|--|-------------|-----------|-------------|
| 1 | All | Installation of High Mast Lights | 1 July 2020 | Ongoing | R15 678 136 |
| 2 | 4 | Upgrading of roads and stormwater in Stilwater | 1 July 2020 | Completed | R1 886 785 |
| 3 | All | Provision of toilets Dikgatlong Area (Phase 1) | 1 July 2020 | Ongoing | R7 000 000 |
| 4 | All | Water Reticulation and Connection to existing water Networks | 1 July 2020 | Ongoing | R1 857 079 |
| 5 | 4 | Household electricity connections in Seven de-laan | 1 July 2020 | Ongoing | R 2 000 000 |

APPENDIX I – PERFORMANCE SCHEDULE OF MUNICIPAL ENTITIES / SERVICE PROVIDERS

Appendix attached separately as *ANNEXURE B* to the Annual Report.

APPENDIX J: DISCLOSURES OF FINANCIAL INTEREST (01 JULY 2020 - 30 JUNE 2021)

| DESIGNATION | NAME | DESCRIPTION OF FINANCIAL INTEREST |
|------------------------------------|---------------------|-----------------------------------|
| MAYOR | CLR DD MBIZENI | None |
| COUNCILLORS | CLR MP CHUPOLOGO | None |
| | CLR MM BEZUIDENHOUD | None |
| | CLR AJ MAFOFOLOLO | None |
| | CLR T SAUL | None |
| | CLR DM MACINGA | None |
| | CLR PS COMBRINK | None |
| | CLR OE MAKOKO | None |
| | CLR MA MAHUTIE | None |
| | CLR DP HENDRIKS | None |
| | CLLR ME KLEINJAN | None |
| CLLR MK KONOTE | None | |
| MUNICIPAL MANAGER | MS B TSINYANE | None |
| CHIEF FINANCIAL OFFICER | MR C MOKENG | None |
| MANAGER: CORPORATE SERVICES | MS B TSINYANE | None |
| MANAGER: TECHNICAL SERVICES | MR M DUBA | None |
| MANAGER: COMMUNITY SERVICES | VACANT | N/A |

ANNEXURES TO THE 2020 + 2021 ANNUAL REPORT

THE MUNICIPAL ANNUAL PERFORMANCE REPORT (ANNEXURE A)

QUANTITATIVE REPORTING METHOD USED

ANNUAL PERFORMANCE REPORT FOR 2020/2021: SECTION 46 (1) OF THE LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT 32 OF 2000

| KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT | | | | | | | | | | | | | | |
|---|--|---------|-----|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|---|--|--|---|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | UOM | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| To provide Human Resources Management | Review of Municipal organogram and submission to Council for approval | 1 | # | 1 | 1 | 1 | 1 | 1 | (1) | 0 | consultation with employee reps delayed the process | Achieved | N/A | Revised organogram and Council resolution |
| To promote positive employee climate & sound labour relations | Submission of the Employment Equity Annual Report to the Department of Labour | 2 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Employment Equity Annual Report and proof of submission |
| To develop and retain skills | Positions filled as per the approved funded structure (excluding senior management posts) | 3 | % | 68% | 75% | 75% | 68% | 65% | (7%) | (10%) | Only 68% of posts filled. Challenges of filling the posts are due to delays in approval of the placement policy | The municipality is filling only critical positions in terms of the FPR | Review of the Organogram (review number of positions in the Organizational Structure). | Appointment letters |
| To develop and retain skills | Critical positions filled as per approved Financial Recovery Plan (Municipal Manager, Water & Electrical Technician, Manager SCM, Legal Officer, ICT Officer and Budget Officer) | 4 | # | 0 | 6 | 7 | 0 | 4 | (6) | (3) | Positions are still yet to be advertised due to delays in approval of the placement policy | ICT Officer and Budget Officer were re-advertised since, suitable candidates did not apply. Legal Service is currently a shared service. | To filled in the next financial year | Appointment letters |
| To develop and retain skills | Appointment of people from EE groups in the three highest levels of management in compliance with Council's approved EE | 5 | # | 0 | 2 | 2 | 0 | 2 | (2) | 0 | Positions are still yet to be advertised due to delays in approval of the | Achieved | N/A | Employment Equity Plan and appointment letters. |

KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | UOM | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
|--|---|---------|-----|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|--|--|--|--|
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| | Plan | | | | | | | | | | | placement policy | | |
| To promote positive employee climate & sound labour relations | Conducting of employee satisfaction surveys | 6 | # | 0 | 1 | 1 | 0 | 0 | (1) | 1 | Was planned for the fourth quarter and was affected by Covid-19 | Achieved | N/A | Employee satisfaction survey report |
| To promote positive employee climate & sound labour relations | Implement identified Sport and Recreation activities for wellness of municipal employees and Councillors. | 7 | # | 1 | 1 | 1 | 1 | 0 | Achieved | (1) | Achieved | Sport and Recreation activities could not be implemented due to Covid-19 | Implement Sports and Recreation activities subject to the Regulations related to COVID 19. | Programme signed by the Municipal Manager and close out report |
| Promote Positive Employee climate and sound labour relations | Review of the Human Resource Plan | 8 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | N/A | Achieved | None | Human Resource Plan and Council resolution |
| Promote Positive Employee climate and sound labour relations | Timeous completion of disciplinary cases in terms of the Disciplinary Code | 9 | % | 100% | 100% | 100% | 100% | 100% | 0 | 0 | N/A | Achieved | None | Register of disciplinary cases |
| Ensure Occupational Health and Safety | Occupational Health Safety inspections conducted | 10 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | N/A | Achieved | None | OHS inspection report |
| Provide Human Resources Management/ To develop & retain skills | Submission of the 2020/2021 Annual Training Report (ATR) & 2021/2022 WSP | 11 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | N/A | Achieved | None | ATR, WSP and proof of submission to LGSETA |
| To develop and retain skills/To provide Human Resources Management | Municipal budget (operating - excluding staff expenditure) actually spent on implementing Workplace Skills Plan | 12 | % | 15% | 97% | 97% | 2.87% | 33.21% | (94.13%) | (63.79%) | Trainings planned could not materialize due to lockdown caused by Covid-19 | COVID 19 pandemic affected training programmes | Virtual training be considered and staff encouraged to apply for bursaries in the next financial year. | Expenditure report |
| Promote Positive | Development of the Job | 1 | % | 40% | 100% | 100% | 10% | 50% | (90%) | (50%) | Draft JDs are in | Consultation | To be finalized in the | Signed |

KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | UOM | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
|--|---|---------|-----|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|---|--|--|----------------------------------|
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| Employee climate and sound labour relations | Descriptions | 3 | | | | | | | | | place Consultation is still ongoing | with staff is taking place | next financial year | copies of JDs |
| Promote Positive Employee climate and sound labour relations | Regular meetings between Municipal Manager and the entire Municipal personnel | 14 | # | 1 | 2 | 2 | 0 | 0 | (2) | (2) | The meeting could not materialise due to Covid-19 Lockdown restrictions | COVID 19 pandemic affected convening of the meetings | Meetings rescheduled to next financial year and to be conducted in smaller groups per department | Attendance registers and agenda. |
| Provide Human Resources Management/ To develop & retain skills | Conducting Skills Audit | 15 | # | New | 1 | 1 | 1 | 1 | 0 | 1 | N/A | 40% of staff took part in the skills audit | To be completed in the next financial year | Skills Audit Report |

| KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
|--|--|---------|-------|----------|---------------|-----------|--------------------|-----------|-----------|-----------|--|--|--|--------------------------------|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASELINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| To Improve Water Quality | 95% water samples (at point of use) in compliance with SANS 241 criteria | 1 | % | 68% | 95% | 95% | 75,5% | 45,96% | (19,5%) | (49,04%) | The water samples that do not conform with SANS 241 are from private areas (CPAs, Schools, Clinics and Hospital) | The water samples that do not conform with SANS 241 are from private areas (CPAs, Schools, Clinics and Hospital) | Letters were written to private tank owners to make them aware and take corrective steps. | Sampling Reports |
| To upgrade and maintain water services | Review of Water Service Development Plan (WSDP) | 2 | # | 1 | 1 | 1 | 0 | 1 | (1) | 0 | Was targeted for fourth quarter but due to covid-19 the final date for reviewing was shifted to the 2020/21 financial year | Achieved | None | Water Service Development Plan |
| To upgrade and maintain road and storm water services | Upgrading of roads and stormwater in Stilwater | 3 | # | | 3.1 km | 3.1 km | 2,6KM | 3.1 km | (0.5km) | 0 | Covid-19 affected the completion of the project | Achieved | None | Completion certificate |
| Ensuring all households have access to electricity | Installation of High Mast Lights in the Dikgatlong Area | 4 | # | New | None | 14 | N/A | 0 | N/A | (14) | N/A | Delays in SCM Processes. Due to Covid committees could not sit as expected. | Appointment of panel of consultant to speed up the SCM process, Roll-over request will be submitted. | Progress Report |
| Develop and Refurbish Infrastructural services | Provision of toilets Dikgatlong Area (Phase 1) | 5 | # | New | None | 400 | N/A | 196 | N/A | (204) | N/A | Delays in SCM Processes. Due to Covid committees could not sit as expected and community unrest in Pniel also caused delays. | SAPS Case was opened and roll over application. | Progress Report |
| To upgrade and storm water services | Water Reticulation and Connection to existing water Networks | 6 | % | New | None | 100% | N/A | 100% | N/A | 0 | N/A | Achieved | None | Progress Report |

| KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
|--|--|---------|-------|----------|---------------|-----------|--------------------|-----------|-----------|-----------|--|--|--|-----------------------|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASELINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| Ensuring all households have access to electricity | Household electricity connections in Seven de-laan | 7 | # | New | 65 | 100 | 0 | 0 | (65) | (100) | Covid-19 delayed the commencing of the project | Project started late and Community unrest caused by service delivery protest and all works on site was halted on the 13th May 2021 | Meeting was convened between Management, contractor and the community, it was resolved to commence with works on the 19th May 2021 | Progress Report |
| Ensuring all households have access to electricity | Spend 60% of the amount budgeted for the installation of High Mast Lights in the Dikgatlong Area | 8 | # | New | None | 60% | N/A | 45.59% | N/A | (14.40%) | N/A | Delays in SCM Processes. Due to Covid committees could not sit as expected. | Roll-over request will be submitted. | Expenditure report |
| To monitor and report on provision of access to clean water | Procurement of pre-paid water smart metres Longlands, Rooirand, Tidimalo Koopmansfontein and Mataleng | 9 | # | New | 1500 | 2000 | 0 | 0 | (1500) | N/A | Service provider to procure and install new pre-paid smart meters appointed late | Activity to be done by a Service provider to be appointed | Indicator taken out as Procurement and installation to be done when a service provider is appointed | Technical report |
| To upgrade and maintain water services | Installation of prepaid water smart metres in Longlands, Rooirand, Tidimalo Koopmansfontein and Mataleng | 10 | # | New | 1000 | 1000 | 0 | 0 | (1000) | N/A | Service provider to procure and install new pre-paid smart meters appointed late | Activity to be done by a Service provider to be appointed | Indicator taken out as Procurement and installation to be done when a service provider is appointed | Technical Report |
| To upgrade and maintain electricity services | Review of Electricity Master Plan | 11 | # | New | None | 1 | N/A | 0 | N/A | N/A | None | The current Master plan is only due for review in 2022 | Indicator taken out | Copies of Master plan |
| To upgrade and maintain electricity services | Installation of pre-paid electricity smart metres in Barkly West & other relevant areas. | 12 | # | New | 1000 | 1500 | 0 | 0 | (1000) | N/A | Service provider to procure and install new pre-paid smart meters appointed late | Activity to be done by a Service provider to be appointed | Indicator taken out as Procurement and installation to be done when a service provider is appointed | Technical Report |

| KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
|--|---|---------|-------|----------|---------------|-----------|--------------------|-----------|-----------|-----------|--|---|---|----------------------------------|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASELINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| To upgrade and maintain electricity services | Procurement of pre-paid electricity smart metres for Barkly West & other relevant areas | 13 | # | New | 1000 | 1500 | 0 | 0 | (1000) | N/A | Service provider to procure and install new pre-paid smart meters appointed late | Activity to be done by a Service provider to be appointed | Indicator taken out as Procurement and installation to be done when a service provider is appointed | Proof of payment & Delivery note |
| To upgrade and maintain road and storm water services | Spend 100% of the amount budgeted for the Upgrading of stormwater systems in Iris Street in Debeershoogte (Phase1) | 14 | % | New | None | 100% | N/A | 0 | N/A | N/A | None | MIG implementation plan revised to prioritise Covid-19 programs | Indicator taken out as the project is replaced by COVID-19 reprioritized program | Expenditure report |
| To upgrade and maintain road and storm water services | Spend 100% of the amount budgeted for the Upgrading of stormwater systems in Tidimalo and Rooikoppies (Phase1) | 15 | % | New | None | 100% | N/A | 0 | N/A | N/A | None | MIG implementation plan revised to prioritise Covid-19 programs | Indicator taken out as the project is replaced by COVID-19 reprioritized program | Expenditure report |
| To upgrade and maintain road and storm water services | Spend 100% of the amount budgeted for the Upgrading of stormwater systems in Mataleng and Rooirand (Phase 1) | 16 | % | New | None | 100% | N/A | 0 | N/A | N/A | None | MIG implementation plan revised to prioritise Covid-19 programs | Indicator taken out as the project is replaced by COVID-19 reprioritized program | Expenditure report |
| To upgrade and maintain road and storm water services | Upgrading of stormwater systems in Tidimalo and Rooikoppies (Phase1) | 17 | % | New | None | 100% | N/A | 0 | N/A | N/A | None | MIG implementation plan revised to prioritise Covid-19 programs | Indicator taken out as the project is replaced by COVID-19 reprioritized program | Progress Report |
| To upgrade and maintain road and storm water services | Upgrading of stormwater systems in Mataleng and Rooirand (Phase 1) | 18 | % | New | None | 100% | N/A | 0 | N/A | N/A | None | MIG implementation plan revised to prioritise Covid-19 programs | Indicator taken out as the project is replaced by COVID-19 reprioritized program | Progress Report |

| KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
|--|--|---------|-------|----------|---------------|-----------|--------------------|-----------|-----------|-----------|----------------------|---|---|------------------------|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASELINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| To upgrade and maintain road and storm water services | Upgrading of stormwater systems in Iris Street in Debeershoogte | 19 | % | New | None | 100% | N/A | 0 | N/A | N/A | None | MIG implementation plan revised to prioritise Covid-19 programs | Indicator taken out as the project is replaced by COVID-19 reprioritized program | Progress Report |
| To upgrade and maintain road and storm water services | Spend 100% of the amount budgeted for the retention amount budgeted for the Upgrading of roads and stormwater in Stilwater | 21 | % | New | None | 100% | N/A | 0 | N/A | N/A | None | Retention money will only be paid in next financial year | Indicator taken out as the Retention money will only be paid in next financial year | Completion certificate |

| KPA 3: LOCAL ECONOMIC DEVELOPMENT | | | | | | | | | | | | | | |
|---|--|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|---|--|--|--|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| To provide an enabling environment to create jobs | Jobs created through municipality's LED initiatives including (capital projects, EPWP&CWP) | 1 | # | 150 | 500 | 400 | 105 | 100 | (395) | (300) | Budget available was exhausted | The number of EPWP Workers were reduced as a result of COVID 19, | To hire more EPWP and mitigate the risks to curb the spread of COVID 19. | Job creation report and appointment letters. |
| To promote SMMEs growth / To support enterprise development | SMMEs trained on business management skills and sustainability | 2 | # | New | N/A | 200 | N/A | 0 | N/A | (200) | N/A | Training were not conducted due to COVID 19 | To be finalized in the next financial year | Training report & attendance registers |
| To coordinate EPWP | Submission of EPWP reports to Public Works | 3 | # | 3 | 4 | 4 | 4 | 4 | 0 | 0 | Achieved | Achieved | None | Quarterly reports, proof of submission to Public Works |
| To build partnership for growth and development | Submission of quarterly reports to monitor Social Labour Plans by Council | 4 | # | New | 4 | 4 | 1 | 0 | (3) | (4) | N/A | Mines failing to submit the social Labour plans to the municipality. | Letters to be written to mines | Social Labour plans and Council resolutions |
| To build partnership for growth and development | Establishment of the Local Economic Development (LED) Forums (Mining, Business & LED) | 5 | # | New | 3 | 3 | 0 | 0 | (1) | (1) | Commitments by other stakeholders delayed the establishment of the forum | Commitments by other stakeholders delayed the establishment of the Forum | Consultation with stakeholders | Terms of References |
| To build partnership for growth and development | Review of the Local Economic Development (LED) strategy | 6 | # | 1 | 1 | 1 | 0 | 0 | (1) | (1) | Draft strategy is in place finalization was delayed due to Lock down that affected consultation | Draft Strategy is in place, item was referred back to the Committee abeyance by Council. | To be finalized in the next financial year. | Strategy and Council resolution |

| KPA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | | | | | | | | | | | | | |
|---|---|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|--|---|--|--|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| Provide and Maintain Municipal Infrastructure | Expenditure of all grant funding | 1 | % | 45% | 95% | 95% | 94.93% | 91,69% | (0.07%) | (3.31%) | Delays with the Supply Chain Management process and lockdown 5 affected running of projects. | Delays in SCM process. | Roll over application to be submitted. | Expenditure report |
| Provide and Maintain Municipal Infrastructure | Approved capital budget actually spent on capital projects identified for the financial year i.t.o. IDP | 2 | % | 38% | 95% | 95% | 94,43% | 90,22% | (0.57%) | (4,78%) | Some projects funded by capital budget started late and another project was initially stopped. One project contractor appointed late | Delays in Supply Chain process. | Roll over application to be done. | Expenditure report |
| To Enhance Revenue and asset base of the municipality | Improve revenue collection | 3 | % | 45% | 95% | 95% | 43% | 23.63% | (52%) | (71.37%) | A culture of non-payment of services by residence, government departments, farms and businesses made worse by the current lockdown | Culture of non-payment of services by all sectors and COVID 19 Pandemic had an impact in the revenue generation of all sectors. | Implementation of the Revenue Enhancement Strategy. | Section 71 budget report |
| To enhance revenue and asset base | Revenue enhancement progress reports submitted to Council | 4 | # | new | 0 | 3 | N/A | 0 | N/A | (3) | None | Finance Committee requested that the consolidated report be revised and resubmitted to the Committee prior submission to Council. | Consolidated Report to be submitted to Council in the next financial year. | Revenue enhancement reports and Council resolution |
| To promote accountability and transparency | Development of a post audit action plan to address the findings raised by AG in the management letter | 5 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | N/A | Achieved | None | Post audit action plan |

| KPA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | | | | | | | | | | | | | |
|---|--|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|---|--|---------------------|---|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| Improve Asset Management | Timeous updating of assets register | 6 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | N/A | Achieved | None | Asset registers |
| To promote accountability and transparency | Timeous submission of the Annual Financial Statements to the AG | 7 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | N/A | Achieved | None | Acknowledgment of receipt by the AGSA |
| Promote revenue enhancement | Review of revenue enhancement and protection Strategy by Council | 8 | # | 1 | 1 | 1 | 0 | 1 | (1) | 0 | The revenue enhancement and protection Strategy was submitted to council for adoption but was put in abeyance | Achieved | None | Revised revenue enhancement strategy and Council resolution |
| To promote accountability and transparency | Timeous adoption of the Adjustment Budget by Council | 9 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | N/A | Achieved | None | Budget adjustment and Council resolution |
| To promote accountability and transparency | Timeous adoption of the draft annual municipal budget | 10 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | N/A | Achieved | None | Draft annual budget and Council resolution |
| To promote accountability and transparency | Timeous adoption of the annual municipal budget | 11 | # | 1 | 1 | 1 | 1 | 1 | 0 | 0 | None | Achieved | None | Municipal annual budget and Council resolution |
| To promote accountability and transparency | Timeous drafting of budget related policies and By-laws | 12 | # | 16 | 10 | 10 | 16 | 15 | 6 | 5 | More policies drafted | Management identified more policies that were developed. | None | Budget policies and Bylaws /Council resolution |
| To promote accountability and transparency | Timeous adoption of budget related policies and Bylaws | 13 | | 16 | 10 | 10 | 16 | 15 | 6 | 5 | More budget polices developed | More budget polices developed | None | Budget policies and Bylaws/ Council resolution |
| Enhance revenue and asset base | Timely (within 10 working days after end | 14 | # | 12 | 12 | 12 | 12 | 12 | 0 | 0 | N/A | Achieved | None | Budget statements |

| KPA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | | | | | | | | | | | | | |
|---|---|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|--|---|--|---|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| | of the month) submission of Budget statements (S71) to the Mayor & Provincial Treasury. | | | | | | | | | | | | | and acknowledgment of receipt |
| Enhance revenue and asset base | Curbing of over-expenditure on projected operating expenditure | 15 | % | 0% | 0% | 0% | 0% | 0% | 0% | 0% | Achieved | Achieved | None | Expenditure report |
| Enhance revenue and asset base | Submission of quarterly reports on irregular, fruitless and wasteful expenditure to Council | 16 | % | 4 | 4 | 4 | 3 | 1 | (1) | (3) | The item was in the agenda of Council but Council meeting could not take place, the meeting was postponed. | The Head of SCM was appointed in January 2021 and all UIFW has been identified. | UIFW consolidated report will be submitted in the next financial year. | UIF & wasteful expenditure reports & Council resolution |
| To promote accountability and transparency | Submission of mSCOA data strings to National Treasury | 17 | # | New | 12 | 12 | 12 | 12 | 0 | 0 | N/A | Achieved | None | Proof of submission. |
| Enhance revenue and asset base | Develop Vehicle Replacement Plan. | 18 | # | New | 0 | 1 | N/A | 1 | N/A | 0 | None | Achieved | None | Vehicle and Plant Replacement Plan and Council resolution |
| Enhance revenue and asset base | Development and adoption of debt reduction strategy | 19 | # | New | 0 | 1 | N/A | 1 | N/A | 0 | None | Achieved | None | Debt reduction strategy and Council resolution |
| Enhance revenue and asset base | Updating the Municipality's indigent register | 20 | # | 1 | 0 | 1 | N/A | 1 | N/A | 0 | None | Achieved | None | Updated Municipality's indigent register |
| Enhance revenue and asset base | Maintain debt coverage of at least 2:1 against net assets of the municipality | 21 | # | New | 0 | 2:1 | N/A | 2:1 | N/A | (2:1) | None | To monitor and report on provision of access to clean | Implementation of the Revenue Enhancement | Finance Report Bill R report |

| KPA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | | | | | | | | | | | | | |
|---|--|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|----------------------|--|---|-----------------------------------|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| | | | | | | | | | | | | water | Strategy. | |
| Enhance revenue and asset base | Maintain the cost coverage ratio of at least 3 months | 22 | # | New | 0 | 3 months | N/A | 3 months | N/A | 0 | N/A | Achieved | None | Finance Report Bill R report |
| Enhance revenue and asset base | Submission of monthly Financial Recovery Plan reports on status of implementation to National Treasury | 23 | % | New | 0 | 12 | N/A | 12 | N/A | 0 | None | Achieved | None | FRP reports & Proof of submission |
| | Reduction of water distribution losses | 24 | % | New | None | 15% | N/A | 0 | N/A | (15%) | None | The municipality does not have bulk meters to measure losses, the only way to measure losses is through billing and collection | The target to be changed to 15% in 1 st quarter and moved to KPA 4 | AFS report |
| Enhance revenue and asset base | Reduction of electricity distribution losses | 25 | % | New | None | 7% | N/A | 0 | N/A | (7%) | None | The municipality does not have bulk meters to measure losses, the only way to measure losses is through billing and collection | The target to be changed to 15% in 1 st quarter and moved to KPA 4 | AFS report |

| KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
|---|--|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|----------------------|-----------|---------------------|---|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| Promote governance and accountability | Submission of Mid- Year Budget and Performance assessment report in terms of sec72 of the MFMA to the Mayor, Provincial & National Treasury in terms of Section 72: MFMA by 25 January | 1 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Mid-Year Budget and Performance assessment report |
| To promote accountability and transparency | Timeous submission of the annual <i>performance</i> report for the 2019/2020 financial year to AG and MEC: Local Government | 2 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | proof of submission to AG and MEC: Local Government |
| To promote accountability and transparency | Timeous tabling of the draft annual report for 2019/2020 financial year in Council | 3 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Annual report council resolution |
| To promote accountability & transparency | Approval of the final SDBIP by the Mayor within 28 days after the approval of the budget and the IDP | 4 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Signed final SDBIP |
| To promote accountability & transparency | Submission of all performance agreements to council and MEC for local government | 5 | # | # | 4 | 4 | 4 | 4 | 0 | 0 | Achieved | Achieved | N/A | Acknowledgement of receipt |
| To promote accountability & transparency | Timeous tabling of the MPAC oversight report and final Annual Report by Council | 6 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Council resolution |
| To promote accountability & transparency | Revision of the MPAC annual programme | 7 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Annual programme, & Council resolution |
| To promote accountability & transparency | Municipal Manager Signs performance agreement with the Mayor | 8 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Signed copy of performance agreement |
| To promote | Signing of performance | 9 | # | # | 3 | 3 | 3 | 3 | 0 | 0 | Achieved | Achieved | N/A | Signed copies of |

| KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
|---|---|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|--|-----------------------------------|--|--|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| accountability & transparency | agreements with Managers reporting directly to the Municipal Manager | | | | | | | | | | | | | the performance agreements |
| To promote accountability & transparency | Signing of performance plans with Managers in the Office of the MM as part of cascading performance management system. | 10 | # | # | 4 | 4 | 4 | 4 | 0 | 0 | Achieved | Achieved | N/A | Signed copies of the performance agreements |
| To promote accountability and transparency | Cascading of the performance management system to the Managers one level below Managers reporting directly to the Municipal Manager | 11 | # | # | 10 | 10 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Signed performance plans by managers one level below Managers directly accountable to MM |
| To promote accountability and transparency | Submission of quarterly performance reports to Council in line with section 52 of the MFMA (financial and non-financial) | 12 | # | # | 4 | 4 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Quarterly performance reports and Council resolutions |
| To promote accountability & transparency | Facilitation of Council meetings as per the approved Municipal calendar | 13 | # | # | 4 | 4 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Council minutes and attendance registers |
| To promote accountability and transparency | Facilitation of MPAC meetings as per the approved municipal calendar | 14 | # | # | 4 | 4 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | MPAC minutes and attendance registers |
| To promote accountability and transparency | Attendance of meetings of the Audit Committee | 15 | # | # | 4 | 4 | 3 | 1 | (1) | (3) | Meeting was postponed due to prior commitments | One meeting was convened | Internal Audit to convene quarterly meetings | Audit Committee minutes and attendance registers |
| To promote accountability & | Quarterly reporting to Council on the resolutions | 16 | # | # | 4 | 4 | 1 | 0 | (3) | (4) | Meeting was postponed | The minutes from the meeting that | A consolidated report to be | Minutes if the Audit Committee |

| KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
|---|--|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|---|---|--|---|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| transparency | & recommendation of the Audit Committee | | | | | | | | | | due to prior commitments | was convened were still to be received from Internal Auditors | submitted after receiving minutes from internal auditors | and Council resolutions |
| To promote accountability & transparency | Timeous adoption of 2020/2021 Budget Key Deadlines | 17 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Budget Key Deadlines, IDP Process Plan and Council resolution |
| To promote accountability & transparency | Timeous adoption of 2020/2021 IDP Process Plan | 18 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Budget Key Deadlines, IDP Process Plan and Council resolution |
| To promote accountability and transparency | Timeous tabling of the draft municipal IDP in Council including draft PMS framework & procedure manual | 19 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Draft IDP document and Council resolution |
| To promote accountability & transparency | Timeous adoption of the final municipal IDP including PMS framework & procedure manual | 20 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | Achieved | Achieved | N/A | Final IDP document and Council resolution |
| To promote accountability & transparency | Quarterly reports submitted to the Council on the functionality of Council & Council committees | 21 | # | # | 4 | 4 | 4 | 4 | 0 | 0 | Achieved | Achieved | N/A | Quarterly functionality reports and Council resolutions |
| To promote accountability & transparency | Facilitation of IDP and Budget consultation meetings | 22 | # | # | 14 | 16 | 0 | 1 | (14) | (15) | Meetings could not take place due to Covid-19 | Meetings could not take place due to Covid-19 | Meetings to be held virtually | Programme, minutes and attendance registers |
| To promote accountability & transparency | Submission of progress reports on risk register and risk mitigation strategies | 23 | # | # | 4 | 4 | 2 | 0 | (2) | (4) | Risk assessment could not be conducted | Commitments by the official from the District delayed the | Consultation with district to design a proper | Quarterly risk progress report and supporting evidence |

| KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
|---|---|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|--|---|--|---|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BASE LINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| | | | | | | | | | | | due to Covid-19 | process | schedule to be done | |
| To promote accountability & transparency | Improved audit outcome | 24 | # | # | 1 | 1 | 0 | 1 | (1) | 0 | Disclaimer outcome | Achieved | N/A | AG Audit Report |
| To promote accountability & transparency | Development of new municipal policies | 25 | # | # | 14 | 12 | 2 | 0 | (12) | (1) | Consultation delayed the process | Consultation with labour delayed the finalization | To be finalized in the next financial year | Copies of policies and Council resolutions |
| To promote accountability & transparency | Review and updating of existing municipal policies (Recruitment policy, EPWP, Ward Committee) | 26 | # | # | 3 | 3 | 2 | 0 | (1) | (3) | Consultation delayed the process | Consultation with labour delayed the finalization | To be finalized in the next financial year | Copies of policies and Council resolutions |
| To promote accountability & transparency | Development of new municipal by-laws(Funeral Palours, Cemeteries and Crematoria) | 27 | # | # | 1 | 1 | 1 | 1 | 0 | 0 | N/A | Achieved | None | Copies of by-laws and Council resolutions |
| To promote accountability & transparency | Holding of Senior Management Team meetings | 29 | # | # | 12 | 6 | 9 | 6 | (3) | 0 | Meeting was postponed due to prior commitments | Achieved | None | Agenda and attendance registers |
| To promote accountability & transparency | Adoption of draft ward development plans by Council | 30 | # | # | 7 | 7 | 0 | 7 | (7) | 0 | Consultation delayed the process | Achieved | None | Ward development plans and Council resolution |

| KPA 6: SPATIAL RATIONALE AND TRANSFORMATION | | | | | | | | | | | | | | |
|--|--|---------|-------|-----------|---------------|-----------|--------------------|-----------|-----------|-----------|---|---|--|--|
| IDP OBJECTIVE | INDICATOR TITLE /KPI | IDP REF | U O M | BAS ELINE | ANNUAL TARGET | | ANNUAL PERFORMANCE | | VARIANCE | | REASONS FOR VARIANCE | | CORRECTIVE MEASURES | PORTFOLIO OF EVIDENCE |
| | | | | | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | | |
| Integrated liveable urban / rural human settlement | An average turn-around time to assess & finalise building plans from date of submission | 1 | % | 65% | 100% | 100% | 66% | 0% | (44%) | (100%) | Some of the building plans send back for corrections after assessment | The municipality did not have a building inspector | Request submitted to the District Municipality (FBDM) for assistance with building plans | Building plans control register |
| Integrated liveable urban / rural human settlement | Review of Human Settlement Development Plan (housing sector plan) | 2 | # | 1 | 1 | 1 | 1 | 1 | N/A | 0 | No building contravention detected during the period | Achieved | None | Building contravention register |
| Integrated liveable urban / rural human settlement | Progress report submitted on land development application from the District Municipal Planning Tribunal (DMPT) to Council for noting | 3 | # | New | 4 | 4 | 1 | 0 | 0 | (4) | None | Items referred back by Council to the Technical Committee | To be submitted in the next financial year. | Human Settlement Development Plan & Council resolution |
| Integrated liveable urban / rural human settlement | Township establishment (Zone 7 & Sonderwater) | 4 | # | New | 2 | 2 | 0 | 0 | (2) | (2) | N/A | Awaiting approval of the DMPT | To be finalized in the next financial year | Copy of Spatial Development framework & Council resolution |

| |
|---|
| ANNEXURES TO THE 2020 + 2021 ANNUAL REPORT |
| AUDITOR GENERAL AUDIT REPORT AND ACTION PLAN (<i>ANNEXURE C</i>) |

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Dikgatlong Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Dikgatlong Local Municipality set out on pages X to X, 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 effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Dikgatlong 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

Services Charges

3. The municipality did not account for sale of water and sale of electricity in accordance with GRAP 9, *Revenue from exchange transactions* as the municipality did not correctly bill properties for sale of water and sale of electricity. Consequently, sale of water and sale of electricity in service charges was overstated by R32 988 409, water and electricity included in receivables from exchange transactions was overstated by R37 577 877 and VAT payable was overstated by R4 285 277 in the current year. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.
4. The municipality did not recognise all revenue from exchange transactions relating to sale of water and sale of electricity in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality did not maintain adequate and complete records for services rendered to consumers. I was unable to determine the full extent of the understatement of sale of water and sale of electricity included in service charges, as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustments were necessary to sale of water stated at R40 025 963 (2020: R21 489 646) and sale of electricity stated at R51 884 867 (2020: R25 041 588) in note 21 of the financial statement. In addition, there was a resultant impact on the surplus for the period, receivables from exchange transactions and VAT payable.
5. During 2020; the municipality did not account for sale of water in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality did not use the council approved tariffs

for billing of consumer accounts and did not ensure accurate billing of consumer accounts. Consequently, sale of water included in service charges was understated by R25 889 477, water included in receivables from exchange transactions was understated by R29 772 898 and VAT payable was overstated by R3 883 422. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.

Property Rates

6. During 2020, the municipality did not account for all property rates in accordance with GRAP 23, *Revenue from non-exchange transactions*. The municipality did not have adequate systems in place to ensure accurate billing of consumer accounts and internal controls to confirm that all properties are included on the revenue system for billing purposes. This resulted in property rates being understated by R6 088 581 and statutory receivables from non-exchange transactions being understated with the same amount. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Payables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence that the cash suspense accounts included in payables from exchange transactions for the current and prior year had been properly accounted for, due to the status of accounting records. I was unable to confirm the cash suspense accounts by alternative means. Consequently, I was unable to determine whether any further adjustment to cash suspense account stated at R6 621 169 (2020: R6 373 719) in note 16 to the financial statements, was necessary.
8. I was unable to obtain sufficient appropriate audit evidence that the sundry creditors included in payables from exchange transactions for the current had been properly accounted for, the adjustments made could not be substantiated by supporting audit evidence. I was unable to confirm the sundry creditors by alternative means. Consequently, I was unable to determine whether any further adjustment to sundry creditors stated at R2 239 593 (2020: R1 189 782) in note 16 to the financial statements, was necessary.

Receivables from exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence that allowance for impairment included in receivables from exchange transactions had been properly accounted for, due to the status of the accounting records. I was unable to confirm allowance for impairment by alternative means. The municipality did not consistently apply its accounting policy pertaining to the allowance for impairment as per the financial statements. Consequently, I was unable to determine whether any further adjustments to allowance for impairment stated at R505 243 775 (2020: R367 492 731) in note 8 to the financial statements, were necessary. Since the receivables from exchange transactions is included in the determination of net cash flows from operating activities reported in the cash flow statement. I was unable to determine whether any adjustments were necessary in the cash flow from operating activities stated at R16 289 656 (2020: R31 983 487) in the financial statements.

Statutory receivables from non-exchange transactions

10. I was unable to obtain sufficient appropriate audit evidence that impairment included in statutory receivables from non-exchange transactions had been properly accounted for, due to the status of the accounting records. I was unable to confirm impairment by alternative means. The municipality did not consistently apply its accounting policy pertaining to the impairment as per the financial statements. Consequently, I was unable to determine whether any further adjustments to impairment stated at R90 083 502 (2020: R54 760 451) in note 6 to the financial statements, were necessary. Since the receivables from non-exchange transactions is included in the determination of net cash flows from operating activities reported in the cash flow statement. I was unable to determine whether any adjustments were necessary in the cash flow from operating activities stated at R16 289 656 (2020: R31 983 487) in the financial statements.

Unauthorised expenditure

11. The municipality incorrectly calculated unauthorised expenditure in the current year by overstating the expenditure incurred per vote, resulting in the current year unauthorised expenditure being overstated by R82 385 816 in note 48 of the financial statements.

Irregular expenditure

12. The municipality did not include the required information on irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements resulting in an understatement of irregular expenditure by R19 267 818 (2020: R12 572 532), in note 50 of the financial statements.

Context for the opinion

13. 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.
14. 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.
15. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

16. I draw attention to the matter below. My opinion is not modified in respect of this matter.
17. I draw attention to note 45 of the financial statements, which indicates that the municipality incurred a net deficit of R16 595 175 during the year ended 30 June 2021 and, as of that date

the municipality's current liabilities exceeded its current assets by R40 676 941. These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern

Emphasis of matters

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

Restatement of corresponding figures

19. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2021

Material losses - Electricity

20. As disclosed in note 51 to the financial statements, material electricity losses of R7 059 009 (2020: R10 054 823) which represents 21% (2020: 36%) of the total electricity purchased.

Other matters

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

24. 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.

25. 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

26. 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.
27. 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

28. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.
29. I was engaged to evaluate 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 key performance area presented in the annual performance report of the municipality for the year ended 30 June 2021:

| Key performance area | Pages in the annual performance report |
|---|--|
| KPA 2 – Basic service delivery and infrastructure development | x – x |

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

KPA 2 – Basic service delivery and infrastructure development

Provision of toilets Dikgatlong Area (Phase 1)

32. I was unable to obtain sufficient appropriate audit evidence for the achievement of 197 toilets reported against target 400 toilets in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Water Reticulation and Connection to existing water Networks

33. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information, evidence, method of collection or that related systems and processes were established to enable consistent measurement and reliable reporting of the actual achievement for the indicator. This was due to a lack of measurement definitions and processes. I was unable to test whether the indicator was well-defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the achievement of 45% reported against target 100% in the annual performance report.

Other matters

34. I draw attention to the matters below.

Achievement of planned targets

35. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) x to x of this report.

Adjustment of material misstatements

36. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 2 – basic services delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

37. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the Dikgatlong Local Municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
38. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

39. 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 revenue, expenditure, payables, receivables and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
40. The annual financial statements were not submitted to the Auditor-General, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

Expenditure management

41. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain regulations.
42. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, amounting to R381 339 as disclosed in note 49 of the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties charged by SARS.
43. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending on votes.

Revenue management

44. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA
45. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(e) of the MFMA.

Strategic planning and performance management

46. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.

Procurement and contract management

47. 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). Similar non-compliance was also reported in the prior year.
48. 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 and quotations, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.
49. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43. This non-compliance was identified in the procurement processes for the supply and delivery 200 VIP and 200DSA precast concrete toilets.
50. Some of the contracts were not awarded in an economical manner and the prices of the goods or services were not reasonable as required by MFMA sec 62(1)(a). This non-compliance was identified in the procurement processes for the supply and delivery 200 VIP and 200DSA precast concrete toilets.
51. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.
52. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
53. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA. Similar non-compliance was also reported in the prior year.

Consequence management

54. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
55. Authorisation of unauthorised expenditure amounting to R103 093 132 was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.
56. Irregular expenditure and fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
57. Allegations of financial misconduct against senior managers were not always investigated, as required by disciplinary regulations for senior managers 5(3) and section 171(4) of MFMA.

Other information

58. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
59. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
60. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
61. I did not receive the other information prior to the date of 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

62. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
63. Leadership did not effectively exercise oversight responsibilities and did not effectively provide leadership as the municipality conducted its business in an unstable environment of vacancies and instability in key positions. These positions are key to creating a strong control environment.
64. The municipality developed an action plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to and successfully implement of the action plan. This resulted to a number of repeat findings during the current year audit.
65. Senior management did not protect the municipality by creating effective controls to enable credible transactions, reporting and accountability. Audit revealed material findings in financial and performance reports as well as areas of laws and regulations.
66. The municipality did not adequately review the financial and performance reports before submission for auditing. This resulted in various misstatements in the reports submitted for

auditing. As much as there is an improvement in the audit opinion, audit revealed new findings as well as some that re-occurred.

67. The municipality did not review and monitor compliance with applicable legislation. Material findings were identified in areas scoped for the audit. There was no evidence of consequences management by the municipality.

Auditor-General

Kimberley

03 February 2022



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURES TO THE 2020 + 2021 ANNUAL REPORT

AUDITED ACTION PLAN 2020/2021

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|---|
| ANNEXURES TO THE 2020 + 2021 ANNUAL REPORT |
| AUDITED FINANCIAL STATEMENT (ANNEXURE D) |
| |



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

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

General Information

| | |
|--|--|
| Legal form of entity | Local municipality as defined in the Municipal Structures Act (Act no. 117 of 1998) |
| Nature of business and principal activities | Dikgatlong Local municipality performing the functions as set out in the Constitution, Act no. 105 of 1996 |
| Mayoral committee | |
| Executive Mayor | DD Mbizeni |
| Councillors | MP Chupologo AJ Mafofolo MA Mahutie E Makoko T Saul MM Bezuindhout PS Combrink ME Kleinjan MK Konote DM Macinga KE Motshabi DP Papers |
| Grading of local authority | Category B Municipality as defined by the Municipal Structures, (Act no. 117 of 1998) |
| Accounting Officer | B Tsinyane (Acting since 7 February 2020) |
| Chief Finance Officer | CB Mokeng (Acting since 8 December 2018) LS Itumeleng (On special leave) |
| Registered office | 33 Campbell Street Barkly West 8375 |
| Business address | 33 Campbell Street Barkly West 8375 |
| Postal address | Private Bag X5 Barkly West 8375 |
| Bankers | First National Bank |
| Auditors | The Auditor-General of South Africa |
| Attorneys | Matthews and Partners |
| Members of the audit committee | Mr T Mogoli (Chairperson) Mr GR Botha (Member) Mr T Mudamburi (Member) |

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

General Information

Enabling legislation

Municipal Finance Management Act (Act no. 56 of 2003)
Division Revenue Act
The Income Tax Act (Act no. 58 of 1962)
Value Added Tax Act (Act no. 89 of 1991)
Municipal Structures Act no. 117 of 1998)
Municipal Systems Act (Act 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no. 107 of 1997)
Skills Development Levies Act (Act no. 9 of 1999)
Employment Equity Act (Act no. 30 of 1966)
Unemployment Equity Act (Act no. 30 of 1966)
Basic Conditions of Employment Act (Act no. 75 of 1997)
Supply Chain Management Regulations Act, 2005
Disaster Management Act of 2016
Spatial Planning and Land Use Management Act (Act 16 of 2013)
Property Rates Act 6 of 2004

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

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Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

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| | |
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| COID | Compensation for Occupational Injuries and Diseases |
| DoRA | Division Revenue Act |
| DBSA | Development Bank of South Africa |
| EPWP | Expanded Public Works Programme |
| GRAP | Generally Recognised Accounting Practice |
| FMG | Finance Management Grant |
| IAS | International Accounting Standards |
| IDP | Integrated Development Plan |
| CIGFARO | Chattered Institute of Government Finance, Audit & Risk Officers |
| INEP | Integrated National Electrification Programme |
| NERSA | National Energy Regulator of South Africa |
| MSA | Municipal Systems Act |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| MSIG | Municipal System Improvement Grant |
| PAYE | Pay As You Earn |
| SALGA | South African Local Government Association |
| SARS | South African Revenue Services |

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

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

The annual financial statements set out on pages 6 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 17 September 2021 and were signed on its behalf by:

B Tsinyane
Acting Accounting Officer

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community within the Dikgatlong municipal area and operates principally in South Africa.

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

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 596 373 565 and that the municipality's total assets exceed its liabilities by R 596 373 565.

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

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

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2022 and in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue its operation existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 45.

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

No matters to report.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any directives and interpretations of such Standards issued by the Accounting Standards Board as the prescribed framework by National Treasury, and in accordance with Section 122(3) of the Municipal Finance Management Act (Act No.56 of 2003).

6. Accounting Officer

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

| | |
|------------|---------------|
| Name | Nationality |
| B Tsinyane | South African |

7. Auditors

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

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 3 | 680 347 | 487 420 |
| Operating lease asset | 4 | 27 334 | 35 264 |
| Other receivables from exchange transactions | 5 | 2 281 323 | 2 185 506 |
| Statutory receivables from non-exchange transactions | 6 | 17 685 992 | 17 715 437 |
| Statutory receivables from exchange transactions | 7 | 86 608 383 | 81 365 177 |
| Receivables from exchange transactions | 8 | 75 541 982 | 75 734 062 |
| Cash and cash equivalents | 9 | 4 656 954 | 7 725 434 |
| | | 187 482 315 | 185 248 300 |
| Non-Current Assets | | | |
| Investment property | 10 | 48 358 172 | 48 964 056 |
| Property, plant and equipment | 11 | 627 159 650 | 635 415 610 |
| Intangible assets | 12 | 31 451 | 23 961 |
| Heritage assets | 13 | 12 222 699 | 12 222 699 |
| Other financial assets | 14 | 5 886 | 5 886 |
| | | 687 777 858 | 696 632 212 |
| Total Assets | | 875 260 173 | 881 880 512 |
| Liabilities | | | |
| Current Liabilities | | | |
| Other financial liabilities | 15 | 143 649 | 137 360 |
| Payables from exchange transactions | 16 | 221 510 576 | 217 013 430 |
| Consumer deposits | 17 | 586 082 | 574 614 |
| Employee benefit obligation | 18 | 1 015 000 | 722 000 |
| Unspent conditional grants and receipts | 19 | 4 903 949 | 1 662 399 |
| | | 228 159 256 | 220 109 803 |
| Non-Current Liabilities | | | |
| Other financial liabilities | 15 | 780 301 | 909 492 |
| Employee benefit obligation | 18 | 5 885 000 | 5 450 000 |
| Provisions | 20 | 44 062 051 | 42 442 472 |
| | | 50 727 352 | 48 801 964 |
| Total Liabilities | | 278 886 608 | 268 911 767 |
| Net Assets | | 596 373 565 | 612 968 745 |
| Accumulated surplus | | 596 373 565 | 612 968 745 |

* See Note 42

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 21 | 103 874 331 | 59 621 271 |
| Interest received (trading) | | 44 266 311 | 32 105 338 |
| Commissions received | 22 | 167 573 | 146 432 |
| Rental income | 22 | 707 615 | 614 141 |
| Other income | 23 | 2 300 740 | 209 617 |
| Interest received - investment | 24 | 743 899 | 695 040 |
| Total revenue from exchange transactions | | 152 060 469 | 93 391 839 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 25 | 31 892 515 | 8 589 159 |
| Transfer revenue | | | |
| Government grants & subsidies | 27 | 139 464 906 | 119 507 735 |
| Public contributions and donations | | 561 185 | - |
| Fines, Penalties and Forfeits | 28 | 4 145 | 86 480 |
| Interest received (trading) | | 7 817 349 | 5 580 777 |
| Total revenue from non-exchange transactions | | 179 740 100 | 133 764 151 |
| Total revenue | 26 | 331 800 569 | 227 155 990 |
| Expenditure | | | |
| Employee related costs | 29 | (66 778 476) | (63 730 025) |
| Remuneration of councillors | 30 | (4 362 982) | (4 355 126) |
| Depreciation and amortisation | 31 | (24 929 253) | (25 777 621) |
| Finance costs | 32 | (8 929 541) | (15 568 726) |
| Lease rentals on operating lease | 33 | (372 960) | (1 328 136) |
| Debt Impairment | 34 | (158 992 790) | (62 876 525) |
| Bulk purchases | 35 | (44 658 424) | (40 899 319) |
| General Expenses | 36 | (37 561 926) | (33 830 725) |
| Total expenditure | | (346 586 352) | (248 366 203) |
| Operating deficit | | (14 785 783) | (21 210 213) |
| Loss on disposal of assets and liabilities | | (1 527 139) | (730 430) |
| Fair value adjustments | | - | (3 622) |
| Actuarial gains/(losses) | 18 | (166 838) | (151 797) |
| Impairment loss | | (115 415) | (4 047 862) |
| | | (1 809 392) | (4 933 711) |
| Deficit for the year | | (16 595 175) | (26 143 924) |

* See Note 42

Dikgatlong Local Municipality

(Registration number NC092)

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 | 664 545 937 | 664 545 937 |
| Adjustments | | |
| Prior year adjustments | (25 433 268) | (25 433 268) |
| Balance at 01 July 2019 as restated* | 639 112 669 | 639 112 669 |
| Changes in net assets | | |
| Surplus for the year | (26 143 924) | (26 143 924) |
| Total changes | (26 143 924) | (26 143 924) |
| Restated* Balance at 01 July 2020 | 612 968 740 | 612 968 740 |
| Changes in net assets | | |
| Surplus for the year | (16 595 175) | (16 595 175) |
| Total changes | (16 595 175) | (16 595 175) |
| Balance at 30 June 2021 | 596 373 565 | 596 373 565 |

* See Note 42

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|---|---------|---------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | (19 347 510) | (7 851 061) |
| Grants | | 142 706 456 | 117 307 736 |
| Interest income | | 52 827 559 | 38 381 155 |
| | | <u>176 186 505</u> | <u>147 837 830</u> |
| Payments | | | |
| Employee costs | | (71 332 296) | (67 574 948) |
| Suppliers | | (83 532 295) | (32 710 669) |
| Finance costs | | (5 032 258) | (15 568 726) |
| | | <u>(159 896 849)</u> | <u>(115 854 343)</u> |
| Net cash flows from operating activities | 38 | <u>16 289 656</u> | <u>31 983 487</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 11 | (19 217 360) | (28 201 074) |
| Purchase of other intangible assets | 12 | (25 797) | - |
| Movement in investments | | - | 3 622 |
| | | <u>(19 243 157)</u> | <u>(28 197 452)</u> |
| Cash flows from financing activities | | | |
| Repayment of other financial liabilities | | (122 902) | (116 769) |
| Operating lease movements | | 7 923 | (18 442) |
| | | <u>(114 979)</u> | <u>(135 211)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(3 068 480)</u> | <u>3 650 824</u> |
| Cash and cash equivalents at the beginning of the year | | 7 725 434 | 4 074 610 |
| Cash and cash equivalents at the end of the year | 9 | <u>4 656 954</u> | <u>7 725 434</u> |

* See Note 42

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 59 832 547 | 79 241 400 | 139 073 947 | 103 874 331 | (35 199 616) | 53, X1 |
| Interest received (trading) | 37 487 711 | 1 872 000 | 39 359 711 | 44 266 311 | 4 906 600 | 53, X2 |
| Dividends received (trading) | 750 000 | - | 750 000 | - | (750 000) | 53, X3 |
| Agency services | 7 080 000 | - | 7 080 000 | - | (7 080 000) | 53, X4 |
| Commissions received | - | - | - | 167 573 | 167 573 | 53, X5 |
| Rental income | 588 849 | - | 588 849 | 707 615 | 118 766 | 53, X6 |
| Other income - (rollup) | 532 323 | - | 532 323 | 2 300 740 | 1 768 417 | 53, X7 |
| Interest received - investment | - | - | - | 743 899 | 743 899 | 53, X8 |
| Total revenue from exchange transactions | 106 271 430 | 81 113 400 | 187 384 830 | 152 060 469 | (35 324 361) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 21 220 553 | - | 21 220 553 | 31 892 515 | 10 671 962 | 53, X9 |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 139 942 000 | 2 000 000 | 141 942 000 | 139 464 906 | (2 477 094) | 53, X10 |
| Public contributions and donations | - | - | - | 561 185 | 561 185 | |
| Fines, Penalties and Forfeits | - | - | - | 4 145 | 4 145 | 53, X11 |
| Other transfer revenue | - | - | - | 7 817 349 | 7 817 349 | 53, X12 |
| Total revenue from non-exchange transactions | 161 162 553 | 2 000 000 | 163 162 553 | 179 740 100 | 16 577 547 | |
| Total revenue | 267 433 983 | 83 113 400 | 350 547 383 | 331 800 569 | (18 746 814) | |
| Expenditure | | | | | | |
| Personnel | (61 937 369) | (7 884 739) | (69 822 108) | (66 778 476) | 3 043 632 | 53, X13 |
| Remuneration of councillors | (4 037 206) | 112 501 | (3 924 705) | (4 362 982) | (438 277) | 53, X14 |
| Depreciation and amortisation | (31 453 239) | 8 152 879 | (23 300 360) | (24 929 253) | (1 628 893) | 53, X15 |
| Impairment loss/ Reversal of impairments | - | - | - | (115 415) | (115 415) | 53, X16 |
| Finance costs | (562 940) | (500 000) | (1 062 940) | (8 929 541) | (7 866 601) | 53, X17 |
| Lease rentals on operating lease | - | - | - | (372 960) | (372 960) | 53, X17 |
| Debt Impairment | (8 999 998) | (26 506 393) | (35 506 391) | (158 992 790) | (123 486 399) | 53, X18 |
| Bulk purchases | (37 247 747) | (15 147 264) | (52 395 011) | (44 658 424) | 7 736 587 | 53, X19 |
| Contracted Services | (56 871 220) | (3 839 676) | (60 710 896) | - | 60 710 896 | 53, X20 |
| General Expenses | (17 801 082) | (2 252 277) | (20 053 359) | (37 561 926) | (17 508 567) | 53, X21 |
| Total expenditure | (218 910 801) | (47 864 969) | (266 775 770) | (346 701 767) | (79 925 997) | |
| Operating deficit | 48 523 182 | 35 248 431 | 83 771 613 | (14 901 198) | (98 672 811) | |
| Loss on disposal of assets and liabilities | - | - | - | (1 527 139) | (1 527 139) | 53, X22 |
| Actuarial gains/losses | - | - | - | (166 838) | (166 838) | 53, X23 |
| | - | - | - | (1 693 977) | (1 693 977) | |

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-------------------|-------------------|-------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Deficit before taxation | 48 523 182 | 35 248 431 | 83 771 613 | (16 595 175) | (100 366 788) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 48 523 182 | 35 248 431 | 83 771 613 | (16 595 175) | (100 366 788) | |

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|---------------------|--------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 53 202 046 | - | 53 202 046 | 680 347 | (52 521 699) | 53, X24 |
| Operating lease asset | - | - | - | 27 334 | 27 334 | 53, X25 |
| Other receivables from exchange transactions | - | - | - | 2 281 323 | 2 281 323 | 53, X26 |
| Statutory receivables from non-exchange transactions | 88 480 649 | - | 88 480 649 | 17 685 992 | (70 794 657) | 53, X27 |
| VAT receivable | - | - | - | 183 227 125 | 183 227 125 | 53, X28 |
| Consumer debtors | 89 044 849 | (26 507 298) | 62 537 551 | 75 541 982 | 13 004 431 | 53, X29 |
| Cash and cash equivalents | 60 055 322 | 76 389 989 | 136 445 311 | 4 656 954 | (131 788 357) | 53, X30 |
| | 290 782 866 | 49 882 691 | 340 665 557 | 284 101 057 | (56 564 500) | |
| Non-Current Assets | | | | | | |
| Investment property | 40 190 925 | 64 615 | 40 255 540 | 48 358 172 | 8 102 632 | 53, X31 |
| Property, plant and equipment | 563 625 725 | 321 857 | 563 947 582 | 627 159 650 | 63 212 068 | 53, X32 |
| Intangible assets | 85 794 | - | 85 794 | 31 451 | (54 343) | 53, X33 |
| Heritage assets | 12 183 752 | - | 12 183 752 | 12 222 699 | 38 947 | 53, X34 |
| Other financial assets | 9 509 | - | 9 509 | 5 886 | (3 623) | 53, X35 |
| | 616 095 705 | 386 472 | 616 482 177 | 687 777 858 | 71 295 681 | |
| Total Assets | 906 878 571 | 50 269 163 | 957 147 734 | 971 878 915 | 14 731 181 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Other financial liabilities | 176 455 | (116 964) | 59 491 | 143 649 | 84 158 | 53, X36 |
| Payables from exchange transactions | 133 047 514 | 112 751 825 | 245 799 339 | 221 510 570 | (24 288 769) | 53, X37 |
| VAT payable | - | - | - | 96 618 742 | 96 618 742 | 53, X38 |
| Consumer deposits | 1 138 758 | - | 1 138 758 | 586 082 | (552 676) | 53, X39 |
| Employee benefit obligation | - | - | - | 1 015 000 | 1 015 000 | 53, X40 |
| Unspent conditional grants and receipts | - | - | - | 4 903 949 | 4 903 949 | 53, X41 |
| Provisions | 1 526 684 | - | 1 526 684 | - | (1 526 684) | 53, X42 |
| | 135 889 411 | 112 634 861 | 248 524 272 | 324 777 992 | 76 253 720 | |
| Non-Current Liabilities | | | | | | |
| Other financial liabilities | 1 274 858 | - | 1 274 858 | 780 301 | (494 557) | 53, X43 |
| Employee benefit obligation | - | - | - | 5 885 000 | 5 885 000 | 53, X44 |
| Provisions | 18 820 641 | - | 18 820 641 | 44 062 051 | 25 241 410 | 53, X44 |
| | 20 095 499 | - | 20 095 499 | 50 727 352 | 30 631 853 | |
| Total Liabilities | 155 984 910 | 112 634 861 | 268 619 771 | 375 505 344 | 106 885 573 | |
| Net Assets | 750 893 661 | (62 365 698) | 688 527 963 | 596 373 571 | (92 154 392) | |

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|--------------|--------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 750 893 661 | (62 365 698) | 688 527 963 | 596 373 571 | (92 154 392) | |

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

Fair value estimation

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

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

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

Dikgatlong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

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 18.

Allowance for doubtful debts

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

Useful lives and residual values

The municipality's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5. Property Plant and Equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

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.

Dikgatlong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Investment property (continued)

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 is the amount of cash or cash equivalent or fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

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

Cost model

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

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

| Item | Useful life |
|----------------------|---------------|
| Property - land | Indefinite |
| Property - buildings | 15 - 80 years |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

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.

Dikgatlong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

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

Depreciation and impairment:

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

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1.5 Property, plant and equipment (continued)

| Item | Depreciation method | Average useful life |
|------------------|---------------------|---------------------|
| Land | Straight line | Indefinite |
| Buildings | Straight line | 7 - 80 years |
| Landfill sites | Straight line | 1 - 20 years |
| Other assets | Straight line | 4 - 15 years |
| Community assets | Straight line | 7 - 100 years |
| Infrastructure | Straight line | 7 - 100 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.

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 40. The commitments as disclosed are the contractual amount less any payment made in respect of the contract.

1.6 Site restoration and dismantling cost

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

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1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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.

Subsequent measurement:

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.

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1.7 Intangible assets (continued)

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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

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

Intangible assets are derecognised:

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

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

1.8 Heritage assets

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

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1.8 Heritage assets (continued)

Transfers

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

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

For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

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

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

Application of deemed cost - Derivative 7

The Municipality opted to take advantage of the transitional provision as contained in the Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.9 Financial instruments

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

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

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

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.

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1.9 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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 unutilised 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.

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Accounting Policies

1.9 Financial instruments (continued)

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.

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 |
| Statutory receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Other financial assets | Financial asset measured at amortised cost |

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

| Class | Category |
|-------------------------------------|--|
| Consumer deposits | Financial liability measured at amortised cost |
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Cash and cash equivalents | Financial liability measured at amortised cost |
| Other financial liabilities | Financial liability measured at amortised cost |

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.

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1.9 Financial instruments (continued)

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.

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.

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.

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1.9 Financial instruments (continued)

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 recognise 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.

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.

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1.9 Financial instruments (continued)

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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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.

1.10 Statutory receivables

Identification

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

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

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

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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1.10 Statutory receivables (continued)

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

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.

The entity assesses statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of statutory receivables (statutory receivables with similar credit risk characteristics grouped together) since the initial recognition of those receivables. The decrease may not yet be identified for the individual financial receivable in the group. These can include:
 - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
 - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)

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1.10 Statutory receivables (continued)

- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

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

In estimating the future cash flows, the entity 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.

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

1.11 Leases

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

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

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1.11 Leases (continued)

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 .

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.

1.12 Inventories

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

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

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

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

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

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

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

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1.12 Inventories (continued)

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

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

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

1.13 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.

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

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

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

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

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

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1.16 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 recognise 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 recognise 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.

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1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

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1.16 Employee benefits (continued)

Termination benefits

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

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

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

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

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

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

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

Provision for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

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

Accumulated leave is vesting.

Staff bonuses accrued

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

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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1.17 Provisions and contingencies (continued)

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

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

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

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

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

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.

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.

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1.17 Provisions and contingencies (continued)

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, an municipality recognises the obligation at the higher of:

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

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

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1.19 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

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.

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.

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.20 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.

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

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1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Comparative figures

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

1.24 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.

1.25 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.

1.26 Irregular expenditure

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.

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Accounting Policies

1.27 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.28 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

The municipality operates solely in its area of jurisdiction as determined by the Municipal Demarcation Board. Although the municipality operates in a number of geographical areas, it is irrelevant for users of the financial statements to make decisions about the municipality as the goods or services provided are substantially the same within these geographical areas.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the annual financial statements.

1.29 Conditional grants and receipts

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

1.30 Budget information

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

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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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.

1.31 Related parties

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

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

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

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

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

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Accounting Policies

1.31 Related parties (continued)

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

Close members of the family of a person are 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.

1.32 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.

1.33 Value added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% as at 1 April 2018 (2017: 14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

1.34 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

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

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Notes to the Annual Financial Statements

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:

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2019/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality has adopted the interpretation for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations not yet effective or relevant

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

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the until such time as it becomes applicable to the municipality's operations.

The impact of the standard is set out in note Changes in Accounting Policy.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

The impact of the standard is set out in note Changes in Accounting Policy.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 01 April 2020.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

The impact of the standard is set out in note Changes in Accounting Policy.

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3. Inventories

| | 2021 | 2020 |
|------------------------|----------------|----------------|
| Consumable stores | 604 718 | 251 135 |
| Water for distribution | 75 629 | 236 285 |
| | 680 347 | 487 420 |

Inventory recognised as an expense during the year

| | 2021 | 2020 |
|-----------------------|-------------------|------------------|
| Bulk water | 10 074 612 | 9 099 768 |
| Cleaning materials | 1 875 | 196 065 |
| Maintenance materials | 273 269 | 55 310 |
| | 10 349 756 | 9 351 143 |

4. Operating lease asset (accrual)

| | 2021 | 2020 |
|----------------|--------|--------|
| Current assets | 27 334 | 35 264 |

The municipality recognises rental income on the straight-line basis over the lease term. This results in an equal impact in the financial performance in the reporting period regardless of the cash flows. Differences between the straight-line amounts and the cash flow amounts are recognised in the financial position as lease assets or lease liabilities.

5. Other receivables from exchange transactions

| | | |
|--|------------------|------------------|
| Frances Baard District Municipality Operating Grant Receivable | - | 590 600 |
| Other receivables from non-exchange transactions | 1 521 587 | 861 086 |
| Deposits held | 759 736 | 733 820 |
| | 2 281 323 | 2 185 506 |

6. Statutory receivables from non-exchange transactions

| | | |
|----------------|------------|------------|
| Property rates | 17 685 992 | 17 715 437 |
|----------------|------------|------------|

Statutory receivables included in receivables from non-exchange transactions above are as follows:

| | | |
|----------------|------------|------------|
| Property rates | 17 685 992 | 17 715 437 |
|----------------|------------|------------|

Total statutory receivables from non-exchange transactions

| | |
|------------|------------|
| 17 685 992 | 17 715 437 |
|------------|------------|

Statutory receivables general information

Transaction(s) arising from statute

The Property rates receivable from non-exchange transactions has been disclosed as a statutory receivable from non-exchange transactions as the municipality's obligation arises from the Municipal Properties Rates Act No.6 of 2004.

Interest or other charges levied/charged

Interest is levied on all amounts outstanding for longer than 30 days as a rate of 13% (2020 - 13%).

Basis used to assess and test whether a statutory receivable from non-exchange is impaired

Statutory receivables from non-exchange transactions are grouped per service at 30 June. Receivables with debt older than 90 days at year end are then flagged for an impairment assessment on an individual basis. The actual receipts and levies for the financial year under review are applied to determine a collectability percentage. Receivables with a collectability percentage of less than 80% at year-end are provided for as impaired.

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6. Statutory receivables from non-exchange transactions (continued)

Statutory receivables from non-exchange transactions pledged as security

None of the statutory receivables from non-exchange transactions were pledged as security for any financial liability at year-end. The credit period granted is considered to be consistent with the terms used in the public sector, though established practices and legislation.

Rates

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 3 390 795 | 1 204 677 |
| 31 - 60 days | 3 263 220 | 1 134 368 |
| 61 - 90 days | 3 208 040 | 1 074 715 |
| 91 days + | 97 907 439 | 69 062 129 |
| Less impairment | (90 083 502) | (54 760 451) |
| | 17 685 992 | 17 715 438 |

Property rates by classification: consumers

| | | |
|----------------------|-------------------|----------------|
| Current (0 -30 days) | 2 327 136 | 498 672 |
| 31 - 60 days | 2 265 327 | 472 119 |
| 61 - 90 days | 2 232 638 | 454 800 |
| 91 days + | 81 922 141 | 25 691 589 |
| Less impairment | (73 478 079) | (26 890 337) |
| | 15 269 163 | 226 843 |

Property rates by classification: Industrial / commercial

| | | |
|----------------------|----------------|---------------|
| Current (0 -30 days) | 370 297 | 501 347 |
| 31 - 60 days | 310 497 | 469 571 |
| 61 - 90 days | 294 404 | 436 963 |
| 91 days + | 5 913 628 | 26 520 573 |
| Less impairment | (6 128 868) | (27 870 117) |
| | 759 958 | 58 337 |

Property rates by classification: National and Provincial

| | | |
|----------------------|------------------|-------------------|
| Current (0 -30 days) | 693 361 | 204 658 |
| 31 - 60 days | 687 395 | 192 678 |
| 61 - 90 days | 680 998 | 182 952 |
| 91 days + | 10 071 670 | 16 849 967 |
| Less impairment | (10 476 553) | - |
| | 1 656 871 | 17 430 255 |

Total

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 3 390 794 | 1 204 677 |
| 31 - 60 days | 3 263 220 | 1 134 368 |
| 61 - 90 days | 3 208 040 | 1 074 715 |
| 91 days + | 97 907 439 | 69 062 129 |
| Less impairment | (90 083 501) | (54 760 451) |
| | 17 685 992 | 17 715 438 |

Credit quality of statutory receivables from non-exchange transactions

The credit quality of statutory 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:

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

6. Statutory receivables from non-exchange transactions (continued)

Fair value of statutory receivables from non-exchange transactions

Property rates debtors are payable within 30 days. The credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of property rates debtors is not performed in terms of GRAP 104 on initial recognition.

Statutory receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 17 685 992 (2020: R 17 715 437) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|-----------------------|------------|------------|
| Current (0 - 30 days) | 217 566 | 262 606 |
| 31 - 60 days | 130 357 | 226 647 |
| 61 - 90 days | 103 898 | 186 900 |
| 91 days + | 17 234 191 | 17 207 285 |

Statutory receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of R 90 090 921 (2020: R 54 760 451) were impaired and provided for.

The ageing of these loans is as follows:

| | | |
|-----------------------|------------|------------|
| Current (0 - 30 days) | 3 173 228 | 942 070 |
| 31 - 60 days | 3 132 863 | 907 722 |
| 61 - 90 days | 3 104 268 | 887 815 |
| 91 days + | 80 673 268 | 52 022 844 |

Reconciliation of provision for impairment of statutory receivables from non-exchange transactions

| | | |
|------------------------------------|---------------------|---------------------|
| Opening balance | (54 760 451) | (45 199 862) |
| Contribution (to) / from allowance | (35 323 050) | (9 560 589) |
| | <u>(90 083 501)</u> | <u>(54 760 451)</u> |

7. Statutory receivables from exchange transactions

| | | |
|---|-------------------|-------------------|
| Vat receivable from exchange transactions | <u>86 608 383</u> | <u>81 365 177</u> |
|---|-------------------|-------------------|

VAT is payable on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest interest for late payments is charged according to SARS policies. The municipality has internal controls and policies in place to ensure that payments are made to SARS on / or before the due dates.

The VAT receivable has been disclosed as a statutory receivable as the municipality's obligation arises from the Value Added Tax Act No.89 of 1991.

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|---|----------------------|----------------------|
| 8. Receivable from exchange transactions | | |
| Gross balances | | |
| Electricity | 85 934 108 | 42 291 765 |
| Water | 271 958 744 | 209 745 166 |
| Sewerage | 41 220 199 | 35 243 505 |
| Refuse | 124 659 079 | 105 606 712 |
| Sundry | 57 013 627 | 50 339 645 |
| | 580 785 757 | 443 226 793 |
| Less: Allowance for impairment | | |
| Electricity | (80 786 020) | (35 468 230) |
| Water | (239 213 378) | (179 256 833) |
| Sewerage | (30 866 150) | (22 564 059) |
| Refuse | (105 715 890) | (87 128 547) |
| Sundry | (48 662 337) | (43 075 062) |
| | (505 243 775) | (367 492 731) |
| Net balance | | |
| Electricity | 5 148 088 | 6 823 535 |
| Water | 32 745 366 | 30 488 333 |
| Sewerage | 10 354 049 | 12 679 446 |
| Refuse | 18 943 189 | 18 478 165 |
| Sundry | 8 351 290 | 7 264 583 |
| | 75 541 982 | 75 734 062 |
| Electricity | | |
| Current (0 - 30 days) | 2 545 187 | 2 754 946 |
| 31 - 60 days | 1 331 272 | 1 483 048 |
| 61 - 90 days | 2 228 979 | 1 340 445 |
| 91 days + | 79 828 670 | 36 713 326 |
| Less impairment | (80 786 020) | (35 468 230) |
| | 5 148 088 | 6 823 535 |
| Water | | |
| Current (0 - 30 days) | 5 338 622 | 5 095 672 |
| 31 - 60 days | 5 535 818 | 3 181 951 |
| 61 - 90 days | 5 492 998 | 3 170 787 |
| 91 days + | 255 591 306 | 198 296 756 |
| Less impairment | (239 213 378) | (179 256 833) |
| | 32 745 366 | 30 488 333 |
| Sewerage | | |
| Current (0 - 30 days) | 531 612 | 491 953 |
| 31 - 60 days | 541 089 | 488 925 |
| 61 - 90 days | 537 582 | 486 025 |
| 91 days + | 39 609 916 | 33 776 601 |
| Less impairment | (30 866 150) | (22 564 058) |
| | 10 354 049 | 12 679 446 |

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| 8. Receivable from exchange transactions (continued) | | |
| Refuse | | |
| Current (0 - 30 days) | 1 761 387 | 1 676 258 |
| 31 - 60 days | 1 770 208 | 1 648 777 |
| 61 - 90 days | 1 752 988 | 1 622 546 |
| 91 days + | 119 374 497 | 100 659 130 |
| Less impairment | (105 715 891) | (87 128 546) |
| | 18 943 189 | 18 478 165 |
| Sundry | | |
| Current (0 - 30 days) | 568 873 | 276 049 |
| 31 - 60 days | 552 593 | 275 989 |
| 61 - 90 days | 547 377 | 275 246 |
| 91 days + | 55 344 784 | 49 512 362 |
| Less impairment | (48 662 337) | (43 075 063) |
| | 8 351 290 | 7 264 583 |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 - 30 days) | 8 320 729 | 5 911 198 |
| 31 - 60 days | 8 166 463 | 4 652 114 |
| 61 - 90 days | 8 479 695 | 4 554 716 |
| 91 days + | 467 235 373 | 312 354 548 |
| | 492 202 260 | 327 472 576 |
| Less: Allowance for impairment | (422 639 601) | (325 676 153) |
| | 69 562 659 | 1 796 423 |
| Industrial/ commercial | | |
| Current (0 - 30 days) | 1 460 519 | 2 737 309 |
| 31 - 60 days | 853 451 | 1 180 673 |
| 61 - 90 days | 1 588 947 | 1 107 631 |
| 91 days + | 50 343 075 | 38 628 402 |
| | 54 245 992 | 43 654 015 |
| Less: Allowance for impairment | (50 681 856) | (41 816 578) |
| | 3 564 136 | 1 837 437 |
| National and provincial government | | |
| Current (0 - 30 days) | 964 433 | 1 646 371 |
| 31 - 60 days | 711 066 | 1 245 903 |
| 61 - 90 days | 491 281 | 1 232 703 |
| 91 days + | 32 170 724 | 67 975 225 |
| | 34 337 504 | 72 100 202 |
| Total | | |
| Current (0 - 30 days) | 10 745 681 | 10 294 878 |
| 31 - 60 days | 9 730 980 | 7 078 690 |
| 61 - 90 days | 10 559 924 | 6 895 050 |
| 91 days + | 549 749 172 | 418 958 175 |
| | 580 785 757 | 443 226 793 |
| Less: Allowance for impairment | (505 243 775) | (367 492 731) |
| | 75 541 982 | 75 734 062 |

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

8. Receivable from exchange transactions (continued)

Less: Allowance for impairment

| | | |
|-----------|---------------|---------------|
| 91 days + | (505 243 775) | (367 492 731) |
|-----------|---------------|---------------|

Reconciliation of allowance for impairment

| | | |
|----------------------------------|----------------------|----------------------|
| Balance at beginning of the year | (367 492 731) | (306 179 405) |
| Contributions to allowance | (137 751 044) | (61 313 326) |
| | (505 243 775) | (367 492 731) |

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of receivables from exchange transactions

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:

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 75 541 982 (2020: R 75 734 062) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|-----------------------|------------|------------|
| Current (0 - 30 days) | 2 993 542 | 4 534 511 |
| 31 - 60 days | 1 519 419 | 1 456 654 |
| 61 to 90 days | 1 323 928 | 1 284 973 |
| 91 days + | 69 705 093 | 68 457 924 |

Receivables from exchange transactions impaired

As of 30 June 2021, receivables from exchange transactions of R 505 243 775 (2020: R 367 492 731) were impaired and provided for.

The ageing of amounts due and impaired is as follows:

| | | |
|-----------------------|-------------|-------------|
| Current (0 - 30 days) | 7 752 139 | 5 760 367 |
| 31 - 60 days | 8 212 061 | 5 622 036 |
| 61 - 90 days | 9 235 996 | 5 610 077 |
| 91 days + | 480 044 079 | 350 500 251 |

9. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|------------------|------------------|
| Bank balances | 2 359 474 | 5 631 375 |
| Short-term deposits | 2 297 480 | 2 094 059 |
| | 4 656 954 | 7 725 434 |

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9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|------------------|------------------|--------------------|------------------|------------------|
| | 30 June 2021 | 30 June 2020 | 30 June 2019 | 30 June 2021 | 30 June 2020 | 30 June 2019 |
| First National Bank- Current Account (62022662468) | 2 359 475 | 5 631 375 | 396 766 | 2 359 475 | 5 631 375 | 396 766 |
| First National Bank- Call Account (62256156318) | 720 122 | 706 601 | 1 163 415 | 720 122 | 706 601 | 1 163 415 |
| First National Bank- Call Account (62279967643) | 125 913 | 123 501 | 118 074 | 125 913 | 123 501 | 118 074 |
| First National Bank- Call Account (62287817393) | 445 605 | 437 104 | 2 098 259 | 445 605 | 437 104 | 2 098 259 |
| First National Bank- Call Account (62345563911) | 987 394 | 806 970 | 278 426 | 987 394 | 806 970 | 278 426 |
| First National Bank- Call Account (71045321107) | 4 635 | 4 413 | 4 191 | 4 635 | 4 413 | 4 191 |
| Standard Bank- Fixed Deposit Account (146018273) | 13 812 | 15 470 | 15 479 | 13 812 | 15 470 | 15 479 |
| Total | 4 656 956 | 7 725 434 | 4 074 610 | 4 656 956 | 7 725 434 | 4 074 610 |

10. Investment property

| | 2021 | | | 2020 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 51 693 316 | (3 335 144) | 48 358 172 | 51 961 164 | (2 997 108) | 48 964 056 |

Reconciliation of investment property - 2021

| | Opening balance | Disposals | Other changes, movements | Impairments | Depreciation | Total |
|---------------------|-----------------|-----------|--------------------------|-------------|--------------|------------|
| Investment property | 48 964 056 | (32 795) | (235 053) | (27 577) | (310 459) | 48 358 172 |

Reconciliation of investment property - 2020

| | Opening balance | Depreciation | Total |
|---------------------|-----------------|--------------|------------|
| Investment property | 49 262 724 | (298 668) | 48 964 056 |

Pledged as security

Carrying value of assets pledged as security:

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

Deemed cost

Deemed cost was determined using depreciated replacement cost.

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11. Property, plant and equipment

| | 2021 | | | 2020 | | |
|-------------------------------------|----------------------|---|--------------------|----------------------|---|--------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Buildings | 26 503 624 | (19 517 767) | 6 985 857 | 26 503 624 | (18 816 847) | 7 686 777 |
| Infrastructure | 887 935 861 | (312 596 113) | 575 339 748 | 872 557 287 | (293 089 789) | 579 467 498 |
| Community | 74 222 113 | (44 103 913) | 30 118 200 | 73 987 060 | (43 256 134) | 30 730 926 |
| Other property, plant and equipment | 21 213 883 | (16 146 490) | 5 067 393 | 20 408 479 | (14 867 279) | 5 741 200 |
| Landfill sites | 13 809 017 | (4 160 565) | 9 648 452 | 15 334 721 | (3 545 512) | 11 789 209 |
| Total | 1 023 684 498 | (396 524 848) | 627 159 650 | 1 008 791 171 | (373 375 561) | 635 415 610 |

Reconciliation of property, plant and equipment - 2021

| | Opening balance | Additions | Disposals | Other changes, movements | Depreciation | Impairment loss | Total |
|-------------------------------------|--------------------|-------------------|--------------------|--------------------------|---------------------|-----------------|--------------------|
| Buildings | 7 686 777 | - | - | - | (700 462) | (458) | 6 985 857 |
| Infrastructure | 579 467 498 | 18 289 302 | (1 501 483) | - | (20 878 535) | (37 034) | 575 339 748 |
| Community | 30 730 926 | - | - | 235 053 | (844 721) | (3 058) | 30 118 200 |
| Other property, plant and equipment | 5 741 200 | 928 058 | (25 577) | - | (1 561 794) | (14 494) | 5 067 393 |
| Landfill sites | 11 789 209 | - | - | (1 525 704) | (615 053) | - | 9 648 452 |
| | 635 415 610 | 19 217 360 | (1 527 060) | (1 290 651) | (24 600 565) | (55 044) | 627 159 650 |

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

| | Opening balance | Additions | Disposals | Other changes, movements | Depreciation | Impairment loss | Total |
|-------------------------------------|--------------------|-------------------|------------------|--------------------------|---------------------|--------------------|--------------------|
| Buildings | 9 147 599 | - | - | - | (854 596) | (606 226) | 7 686 777 |
| Infrastructure | 573 716 866 | 28 000 078 | (730 429) | - | (21 111 852) | (407 165) | 579 467 498 |
| Community | 35 165 728 | - | - | - | (1 509 614) | (2 925 188) | 30 730 926 |
| Other property, plant and equipment | 6 879 971 | 200 995 | - | - | (1 230 483) | (109 283) | 5 741 200 |
| Landfill sites | 14 229 011 | - | - | (1 687 529) | (752 273) | - | 11 789 209 |
| | 639 139 175 | 28 201 073 | (730 429) | (1 687 529) | (25 458 818) | (4 047 862) | 635 415 610 |

Pledged as security

Carrying value of assets pledged as security:

Details of properties

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

Property, plant and equipment in the process of being constructed or developed

Reconciliation of Work-in-Progress 2021

| | Included within infrastructure | Total |
|--------------------------------|--------------------------------|--------------------|
| Opening balance | 129 801 382 | 129 801 382 |
| Additions/capital expenditure | 18 289 302 | 18 289 302 |
| Transferred to completed items | (30 578 423) | (30 578 423) |
| | 117 512 261 | 117 512 261 |

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| | 2021 | 2020 |
|--|------|------|
|--|------|------|

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

| | Included within Infrastructure | Total |
|--------------------------------|--------------------------------------|--------------------|
| Opening balance | 109 417 010 | 109 417 010 |
| Additions/capital expenditure | 27 938 937 | 27 938 937 |
| Transferred to completed items | (7 554 565) | (7 554 565) |
| | 129 801 382 | 129 801 382 |

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 | - | 38 956 |
| Infrastructure | 7 675 951 | 3 170 897 |
| Motor vehicles | 894 922 | 1 868 606 |
| Other assets | 259 966 | 57 542 |
| | 8 830 839 | 5 136 001 |

Deemed cost

Deemed cost was determined using the depreciated replacement cost.

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12. Intangible assets

| | 2021 | | | 2020 | | |
|-------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 328 554 | (297 103) | 31 451 | 303 361 | (279 400) | 23 961 |

Reconciliation of intangible assets - 2021

| | Opening balance | Additions | Disposals | Amortisation | Total |
|-------------------|--------------------|-----------|-----------|--------------|--------|
| Computer software | 23 961 | 25 797 | (78) | (18 229) | 31 451 |

Reconciliation of intangible assets - 2020

| | Opening balance | Amortisation | Total |
|-------------------|--------------------|--------------|--------|
| Computer software | 44 096 | (20 135) | 23 961 |

Pledged as security

No intangible assets are pledged as security for any financial liability at year end.

Deemed cost

Deemed cost was determined using depreciated replacement cost

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13. Heritage assets

| | 2021 | | | 2020 | | |
|----------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical buildings | 12 222 699 | - | 12 222 699 | 12 222 699 | - | 12 222 699 |

Reconciliation of heritage assets 2021

| | Opening balance | Total |
|----------------------|--------------------|------------|
| Historical buildings | 12 222 699 | 12 222 699 |

Reconciliation of heritage assets 2020

| | Opening balance | Total |
|----------------------|--------------------|------------|
| Historical buildings | 12 222 699 | 12 222 699 |

Pledged as security

No heritage assets are pledged as security for any financial liability at year end.

Deemed costs

Deemed cost was determined using depreciated replacement cost

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|---|--------------------|--------------------|
| 14. Other financial assets | | |
| Residual interest at cost | | |
| Unlisted shares | 5 886 | 5 886 |
| Non-current assets | | |
| Residual interest at cost | 5 886 | 5 886 |
| 15. Other financial liabilities | | |
| At amortised cost | | |
| Long term loan | 923 950 | 1 046 852 |
| The long term loan at amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% and accrues monthly. | | |
| Non-current liabilities | | |
| At amortised cost | 780 301 | 909 492 |
| Current liabilities | | |
| At amortised cost | 143 649 | 137 360 |
| 16. Payables from exchange transactions | | |
| Trade payables | 182 177 686 | 176 566 233 |
| Sundry creditors | 2 239 593 | 1 189 782 |
| Sundry control | 1 386 971 | 3 101 646 |
| Accrued leave pay | 6 329 793 | 5 720 102 |
| Accrued bonus | 1 879 981 | 1 805 301 |
| Cash suspense accounts | 6 621 169 | 6 373 719 |
| Retention | 4 008 310 | 4 104 458 |
| Department of transport safety and liaison | 14 184 689 | 13 959 253 |
| Payments received in advance | 2 682 384 | 4 192 936 |
| | 221 510 576 | 217 013 430 |
| 17. Consumer deposits | | |
| Electricity | 586 082 | 574 614 |

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18. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

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

Carrying value

| | | |
|---|--------------------|--------------------|
| Present value of the defined benefit obligation-wholly unfunded | (1 897 000) | (1 852 000) |
| Present value of the defined benefit obligation-partly or wholly funded | (5 003 000) | (4 320 000) |
| | (6 900 000) | (6 172 000) |

| | | |
|-------------------------|--------------------|--------------------|
| Non-current liabilities | (5 885 000) | (5 450 000) |
| Current liabilities | (1 015 000) | (722 000) |
| | (6 900 000) | (6 172 000) |

Benefits

| | | |
|-------------------------------------|--------------------|--------------------|
| Post-retirement medical aid benefit | (1 682 000) | (1 648 000) |
| Long service awards | (4 203 000) | (3 802 000) |
| | (5 885 000) | (5 450 000) |

Post retirement benefits

Post Retirement Medical Aid Benefit

| | | |
|-----------------------------------|------------------|------------------|
| Balance 1 July | 1 852 000 | 1 748 000 |
| Interest cost | 214 000 | 164 000 |
| Benefits paid during the year | (300 038) | (280 219) |
| Actuarial gains/(losses) | 131 038 | 220 219 |
| | 1 897 000 | 1 852 000 |
| Less: Transfer to current portion | (215 000) | (204 000) |
| | 1 682 000 | 1 648 000 |

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

Members

| | | |
|-----------------------------------|---|---|
| Continuation members (pensioners) | 4 | 4 |
|-----------------------------------|---|---|

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

Liability

| | | |
|-----------------------------------|-----------|-----------|
| Continuation members (pensioners) | 1 897 000 | 1 852 000 |
|-----------------------------------|-----------|-----------|

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- LA Health
- Keyhealth
- Bonitas
- Hosmed
- Fedhealth
- Samwumed

Key actuarial assumptions used:

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18. Employee benefit obligations (continued)

| | | |
|---|---|---|
| Discount rate CPI (Consumer Price Inflation) | Yield Curve Difference between nominal and yield curves CPI+1% | Yield Curve Difference between nominal and yield curves CPI+1% |
| Health Care Cost Inflation Rate | Yield curve based | Yield curve based |
| Net Effective Discount Rate | | |

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We used the nominal and real zero curves as at 30 June 2021 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Average Retirement Age:

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for illhealth and early retirements.

Normal retirement age:

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

Mortality rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants:

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

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18. Employee benefit obligations (continued)

Withdrawal decrements:

| Age Band | Withdrawal rate males | Withdrawal rate females |
|----------|-----------------------|-------------------------|
| 20 - 24 | 16% | 24% |
| 25 - 29 | 12% | 18% |
| 30 - 34 | 10% | 15% |
| 35 - 39 | 8% | 10% |
| 40 - 44 | 6% | 6% |
| 45 - 49 | 4% | 4% |
| 50 - 54 | 2% | 2% |
| 55 - 59 | 1% | 1% |
| 60 + | 0% | 0% |

Sensitivity Analysis on the Accrued Liability:

| Assumption | Change | Change |
|-----------------------|--------|-----------|
| Valuation Assumptions | | 1 897 000 |
| Health care inflation | +1% | 2 028 000 |
| Health care inflation | -1% | 1 778 000 |
| Mortality rate | +20% | 1 746 000 |
| Mortality rate | -20% | 2 088 000 |

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2021:

| Assumption | Change | Current service | Interest Cost |
|-----------------------|--------|-----------------|---------------|
| Valuation Assumption | | - | 191 000 |
| Health care inflation | +1% | - | 205 000 |
| Health care inflation | -1% | - | 179 000 |
| Mortality rate | +20% | - | 175 000 |
| Mortality rate | -20% | - | 212 000 |

Long service award

| Long service award | | |
|-----------------------------------|------------------|------------------|
| Balance 1 July | 4 320 000 | 3 762 000 |
| Current service cost | 391 000 | 348 000 |
| Interest cost | 538 000 | 376 000 |
| Benefits paid during the year | (281 800) | (97 578) |
| Actuarial gains/(losses) | 35 800 | (68 422) |
| Subtotal | 5 003 000 | 4 320 000 |
| Less: Transfer to current portion | (800 000) | (518 000) |
| Balance 30 June | 4 203 000 | 3 802 000 |

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

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18. Employee benefit obligations (continued)

Total eligible

As at year end, the following number of employees were eligible for long service bonuses 173 176

Key actuarial assumptions used:

| | | |
|---|---|---|
| Discount rate CPI (Consumer Price Inflation) | Yield Curve Difference between nominal and yield curves | Yield Curve Difference between nominal and yield curves |
| Health Care Cost Inflation Rate | CPI+1% | CPI+1% |
| Net Effective Discount Rate | Yield curve based | Yield curve based |

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We use the nominal and real zero curves as at 30 June 2021 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Normal Salary Inflation Rate:

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2021 of 6.25%. The next salary increase was assumed to take place on 01 July 2022.

Average Retirement Age:

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for illhealth and early retirements. The previous actuaries assumed that the average retirement for females is 55, and for males is 65.

Normal Retirement Age:

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

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18. Employee benefit obligations (continued)

Withdrawal decrements:

| Age Band | Withdrawal rate males | Withdrawal rate females |
|----------|-----------------------|-------------------------|
| 20 - 24 | 16% | 24% |
| 25 - 29 | 12% | 18% |
| 30 - 34 | 10% | 15% |
| 35 - 39 | 8% | 10% |
| 40 - 44 | 6% | 6% |
| 45 - 49 | 4% | 4% |
| 50 - 54 | 2% | 2% |
| 55 - 59 | 1% | 1% |
| 60 + | 0% | 0% |

Sensitivity Analysis on the Accrued liability:

| Assumption | Change | Liability |
|--------------------------|--------|-----------|
| Valuation assumptions | | 5 003 000 |
| General salary inflation | +1% | 5 301 000 |
| General salary inflation | -1% | 4 731 000 |
| Withdrawal rate | +20% | 4 804 000 |
| Withdrawal rate | -20% | 5 221 000 |

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2021:

| Assumption | Change | Current service cost | Interest cost |
|--------------------------|--------|----------------------|---------------|
| Valuation Assumption | | 438 000 | 531 000 |
| General salary inflation | +1% | 467 000 | 565 000 |
| General salary inflation | -1% | 411 000 | 501 000 |
| Withdrawal rate | +20% | 415 000 | 509 000 |
| Withdrawal rate | -20% | 463 000 | 556 000 |

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2021.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|------------------|------------------|
| Municipal Disaster Relief Grant | - | 119 000 |
| RBIG and WSIG Grant | - | 1 |
| Municipal Infrastructure Grant | 4 678 805 | 1 067 311 |
| Intergrated National Electrification Grant | 223 073 | 2 971 |
| Library Grant | 2 071 | 190 011 |
| Local Government Sector Education and Training Authority (SETA) | - | 283 105 |
| | 4 903 949 | 1 662 399 |

Movement during the year

| | | |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 1 662 399 | 3 862 398 |
| Additions during the year | 142 706 456 | 120 997 820 |
| Income recognition during the year | (139 464 906) | (119 507 735) |
| Fund withheld | - | (3 690 084) |
| | 4 903 949 | 1 662 399 |

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19. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

20. Provisions

Reconciliation of provisions - 2021

| | Opening Balance | Interest | Change in discount factor | Total |
|------------------------------|-----------------|-----------|---------------------------|------------|
| Environmental rehabilitation | 42 442 472 | 3 145 284 | (1 525 705) | 44 062 051 |

Reconciliation of provisions - 2020

| | Opening Balance | Interest | Change in discount factor | Total |
|------------------------------|-----------------|-----------|---------------------------|------------|
| Environmental rehabilitation | 40 882 425 | 3 247 576 | (1 687 529) | 42 442 472 |

The following landfills are included in this consolidated report:

- Windsorton
- Barkly West
- Koopmansfontein
- Longlands
- Delportshoop

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20. Provisions (continued)

Financial assumption used

Unit costs:

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

CPI:

The CPI2 is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 4.8235%.

Discount Rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four or five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

21. Service charges

| | | |
|---------------------------------|--------------------|-------------------|
| Sale of electricity | 51 884 867 | 25 041 588 |
| Sale of water | 40 025 963 | 21 489 646 |
| Sewerage and sanitation charges | 2 827 700 | 3 047 662 |
| Refuse removal | 10 115 506 | 10 395 033 |
| Indigent subsidies | (979 705) | (352 658) |
| | 103 874 331 | 59 621 271 |

22. Other revenue

| | | |
|-----------------------------|------------------|----------------|
| Commissions received | 167 573 | 146 432 |
| Rental income - third party | 707 615 | 614 141 |
| Other income | 2 300 740 | 209 617 |
| | 3 175 928 | 970 190 |

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| 23. Other income | | |
| Building plans | 27 276 | 30 167 |
| Clearance certificates | 40 821 | 16 913 |
| Sundry income | 2 221 763 | 162 537 |
| Reconnection fees | 10 880 | - |
| | 2 300 740 | 209 617 |
| 24. Investment revenue | | |
| Interest revenue | | |
| Bank | 743 899 | 695 040 |
| 25. Property rates | | |
| Rates received | | |
| Residential | 8 088 581 | 6 515 922 |
| Commercial | 11 309 150 | 7 18 249 |
| State | 12 494 784 | 1 354 988 |
| | 31 892 515 | 8 589 159 |
| Valuations | | |
| Residential | 921 958 376 | 447 692 110 |
| Commercial | 109 420 000 | 39 466 700 |
| State | 337 650 000 | 30 803 100 |
| Municipal | 269 032 000 | 58 712 761 |
| Small holdings and farms | 1 973 594 000 | 1 457 253 686 |
| | 3 611 654 376 | 2 033 928 357 |
| <p>Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>The new general valuation will be implemented on 01 July 2023.</p> | | |
| 26. Revenue | | |
| Service charges | 103 874 331 | 59 621 271 |
| Interest received (trading) | 44 266 311 | 32 105 338 |
| Commissions received | 167 573 | 146 432 |
| Rental income | 707 615 | 614 141 |
| Other income | 2 300 740 | 209 617 |
| Interest received - investment | 743 899 | 695 040 |
| Property rates | 31 892 515 | 8 589 159 |
| Government grants & subsidies | 139 464 906 | 119 507 735 |
| Public contributions and donations | 561 185 | - |
| Fines, Penalties and Forfeits | 4 145 | 86 480 |
| Other transfer revenue | 7 817 349 | 5 580 777 |
| | 331 800 569 | 227 155 990 |

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26. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|--------------------------------|--------------------|-------------------|
| Service charges | 103 874 331 | 59 621 271 |
| Interest received (trading) | 44 266 311 | 32 105 338 |
| Commissions received | 167 573 | 146 432 |
| Rental income | 707 615 | 614 141 |
| Other income | 2 300 740 | 209 617 |
| Interest received - investment | 743 899 | 695 040 |
| | 152 060 469 | 93 391 839 |

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates

31 892 515

8 589 159

Transfer revenue

Government grants & subsidies

139 464 906

119 507 735

Public contributions and donations

561 185

-

Fines, Penalties and Forfeits

4 145

86 480

Other transfer revenue

7 817 349

5 580 777

179 740 100

133 764 151

27. Government grants and subsidies

Operating grants

Equitable share

91 591 000

85 107 084

Finance Management Grant

3 000 000

2 880 000

Local Government Sector Education and Training Authority (SETA)

324 213

5 135

Frances Baard District Municipality Operational Grant

4 320 697

1 974 563

Expanded Public Works Program (EPWP)

1 000 000

1 000 000

National Treasury - Contribution to Audit Fees

1 828 653

-

Library Grant

1 237 940

892 414

103 302 503

91 859 196

Capital grants

Department of Water Affairs (WSIG)

7 000 000

-

Municipal Infrastructure Grant (MIG)

11 572 505

24 646 689

Integrated National Electrification Programme (INEP)

2 279 898

1 497 499

Frances Baard District Municipality Capital Grant

-

1 504 351

Municipal Disaster Relief Grant

15 310 000

-

36 162 403

27 648 539

139 464 906

119 507 735

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|--------------------|--------------------|
| Conditional grants received | 47 873 906 | 34 400 651 |
| Unconditional grants received | 91 591 000 | 85 107 084 |
| | 139 464 906 | 119 507 735 |

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27. Government grants and subsidies (continued)

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated to the municipality in terms of Section 214 of the Constitution (Act 108 of 1996) by National Treasury.

Equitable Share

| | | |
|---|--------------|--------------|
| Current-year receipts | 91 591 000 | 81 417 000 |
| Conditions met - transferred to revenue | (91 472 000) | (85 107 084) |
| Transfer to Equitable Share withheld | (119 000) | 3 690 084 |
| | <u>-</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 19).

Provide explanations of conditions still to be met and other relevant information.

Finance Management Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 3 000 000 | 2 880 000 |
| Conditions met - transferred to revenue | (3 000 000) | (2 880 000) |
| | <u>-</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 19).

Frances Baard District Municipality Grants (operational and capital)

| | | |
|---|-------------|-------------|
| Current-year receipts | 4 320 697 | 3 478 914 |
| Conditions met - transferred to revenue (operational grant) | (4 320 697) | (1 974 563) |
| Conditions met - transferred to revenue (capital grant) | - | (1 504 351) |
| | <u>-</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 19).

Expanded Public Works Program (EPWP)

| | | |
|---|-------------|-------------|
| Current-year receipts | 1 000 000 | 1 000 000 |
| Conditions met - transferred to revenue | (1 000 000) | (1 000 000) |
| | <u>-</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 19).

Municipal Disaster Relief Grant

| | | |
|---|--------------|----------------|
| Balance unspent at beginning of year | 119 000 | - |
| Current-year receipts | 15 310 000 | 119 000 |
| Conditions met - transferred to revenue | (15 310 000) | - |
| Transfer to Equitable Share withheld | (119 000) | - |
| | <u>-</u> | <u>119 000</u> |

Conditions still to be met - remain liabilities (see note 19).

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27. Government grants and subsidies (continued)

National Treasury - Contribution to Audit Fees

| | | |
|---|-------------|----------|
| Current-year receipts | 1 828 653 | - |
| Conditions met - transferred to revenue | (1 828 653) | - |
| | <u>-</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 19).

RBIG and WSIG Grant

| | | |
|---|-------------|-------------|
| Balance unspent at beginning of year | - | 3 690 085 |
| Current-year receipts | 7 000 000 | - |
| Conditions met - transferred to revenue | (7 000 000) | - |
| Transfer to Equitable Share withheld | - | (3 690 085) |
| | <u>-</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 19).

Municipal Infrastructure Grant

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 1 067 311 | - |
| Current-year receipts | 15 184 000 | 25 714 000 |
| Conditions met - transferred to revenue | (11 572 506) | (24 646 689) |
| | <u>4 678 805</u> | <u>1 067 311</u> |

Conditions still to be met - remain liabilities (see note 19).

Integrated National Electrification Programme (INEP)

| | | |
|---|----------------|--------------|
| Balance unspent at beginning of year | 2 971 | 470 |
| Current-year receipts | 2 500 000 | 1 500 000 |
| Conditions met - transferred to revenue | (2 279 898) | (1 497 499) |
| | <u>223 073</u> | <u>2 971</u> |

Conditions still to be met - remain liabilities (see note 19).

Library Grant

| | | |
|---|--------------|----------------|
| Balance unspent at beginning of year | 190 011 | 62 426 |
| Current-year receipts | 1 050 000 | 1 020 000 |
| Conditions met - transferred to revenue | (1 237 940) | (892 415) |
| | <u>2 071</u> | <u>190 011</u> |

Conditions still to be met - remain liabilities (see note 19).

Local Government Sector Education and Training Authority (SETA)

| | | |
|---|-----------|----------------|
| Balance unspent at beginning of year | 283 105 | 109 417 |
| Current-year receipts | 41 108 | 178 823 |
| Conditions met - transferred to revenue | (324 213) | (5 135) |
| | <u>-</u> | <u>283 105</u> |

Conditions still to be met - remain liabilities (see note 19).

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| 28. Fines, Penalties and Forfeits | | |
| Property Rates Penalties | 4 145 | 86 480 |
| 29. Employee related costs | | |
| Basic | 42 992 496 | 42 473 447 |
| Bonus | 3 228 146 | 3 145 314 |
| Medical aid - company contributions | 4 311 299 | 4 129 782 |
| UIF | 354 430 | 350 629 |
| SDL | 535 991 | 504 995 |
| Leave pay provision charge | 1 040 346 | 690 427 |
| Other short term costs | 22 651 | 22 136 |
| Pension | 6 825 266 | 6 367 139 |
| Travel, motor car, accommodation, subsistence and other allowances | 1 145 883 | 766 784 |
| Overtime payments | 4 118 054 | 3 289 253 |
| Long-service awards | 391 000 | 348 000 |
| Acting allowances | 1 384 528 | 870 959 |
| Housing benefits and allowances | 57 871 | 54 466 |
| Standby allowance | 370 515 | 716 694 |
| | 66 778 476 | 63 730 025 |
| Remuneration of municipal manager - AK Modise | | |
| Annual Remuneration | - | 863 030 |
| Car Allowance | - | 46 667 |
| Performance Bonuses | - | 10 343 |
| | - | 920 040 |
| Remuneration of acting municipal manager - BH Tsinyane | | |
| Annual Remuneration | 974 404 | 974 285 |
| Car Allowance | 66 042 | 66 042 |
| Acting allowance | 93 629 | 26 205 |
| Contributions to UIF, Medical and Pension Funds | 12 993 | 12 431 |
| | 1 147 068 | 1 078 963 |
| Remuneration of chief financial officer - LS Itumeleng | | |
| Annual Remuneration | 890 446 | 890 330 |
| Car Allowance | 150 000 | 150 000 |
| Contributions to UIF, Medical and Pension Funds | 11 889 | 12 001 |
| | 1 052 335 | 1 052 331 |
| Remuneration of acting chief financial officer - CB Mokeng | | |
| Annual Remuneration | 947 700 | 701 696 |
| Housing allowance | 11 574 | 10 893 |
| Acting allowance | 90 025 | 59 756 |
| Contributions to UIF, Medical and Pension Funds | 10 375 | 178 612 |
| | 1 059 674 | 950 957 |

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

29. Employee related costs (continued)

Remuneration of technical services director - PA Nthoba

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1 030 466 | 1 030 347 |
| Contributions to UIF, Medical and Pension Funds | 12 089 | 12 201 |
| | 1 042 555 | 1 042 548 |

Remuneration of acting technical services director - MZ Duba

| | | |
|---|---------------|----------------|
| Acting allowance | 84 559 | 102 981 |
| Contributions to UIF, Medical and Pension Funds | 5 581 | 1 030 |
| | 90 140 | 104 011 |

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| 30. Remuneration of councillors | | |
| Councillors | 4 362 982 | 4 355 126 |
| Remuneration of Mayor - DD Mbizeni | | |
| Annual Remuneration | 806 066 | 806 066 |
| Contributions to UIF and SDL | 8 636 | 8 679 |
| | 814 702 | 814 745 |
| Remuneration of Councillor - MM Bezuidenhout | | |
| Annual Remuneration | 255 091 | 255 091 |
| Cellphone allowance | 21 600 | 21 600 |
| Contributions to UIF and SDL | 4 169 | 4 182 |
| | 280 860 | 280 873 |
| Remuneration of Councillor - PS Combrink | | |
| Annual Remuneration | 255 091 | 255 091 |
| Contributions to UIF and SDL | 3 953 | 3 966 |
| | 259 044 | 259 057 |
| Remuneration of Councillor - KE Motshabi | | |
| Annual Remuneration | 257 960 | 255 091 |
| Contributions to UIF and SDL | 3 953 | 3 818 |
| | 261 913 | 258 909 |
| Remuneration of Councillor - MA Mahutie | | |
| Annual Remuneration | 327 367 | 327 367 |
| Contributions to UIF and SDL | 4 567 | 4 585 |
| | 331 934 | 331 952 |
| Remuneration of Councillor - DA Macinga | | |
| Annual Remuneration | 255 091 | 255 091 |
| Cellphone allowance | 27 900 | 25 800 |
| Contributions to UIF and SDL | 4 232 | 4 224 |
| | 287 223 | 285 115 |
| Remuneration of Councillor - T Saul | | |
| Annual Remuneration | 327 367 | 327 367 |
| Contributions to UIF and SDL | 4 232 | 4 585 |
| | 331 599 | 331 952 |

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

30. Remuneration of councillors (continued)

Remuneration of Councillor - AJ Mafofolo

| | | |
|------------------------------|----------------|----------------|
| Annual Remuneration | 327 367 | 327 367 |
| Contributions to UIF and SDL | 5 058 | 5 058 |
| | 332 425 | 332 425 |

Remuneration of Councillor - MP Chupologo

| | | |
|------------------------------|----------------|----------------|
| Annual Remuneration | 327 367 | 327 367 |
| Contributions to UIF and SDL | 5 058 | 5 058 |
| | 332 425 | 332 425 |

Remuneration of Councillor - MK Konote

| | | |
|------------------------------|----------------|----------------|
| Annual Remuneration | 255 091 | 255 091 |
| Cellphone allowance | 18 000 | 18 000 |
| Contributions to UIF and SDL | 4 516 | 4 516 |
| | 277 607 | 277 607 |

Remuneration of Councillor - E Makoko

| | | |
|------------------------------|----------------|----------------|
| Annual Remuneration | 327 367 | 327 367 |
| Contributions to UIF and SDL | 4 567 | 4 585 |
| | 331 934 | 331 952 |

Remuneration of Councillor - ME Kleinjan

| | | |
|------------------------------|----------------|----------------|
| Annual Remuneration | 257 983 | 255 091 |
| Contributions to UIF and SDL | 3 953 | 3 966 |
| | 261 936 | 259 057 |

Remuneration of Councillor - D Papers

| | | |
|------------------------------|----------------|----------------|
| Annual Remuneration | 255 091 | 255 091 |
| Contributions to UIF and SDL | 2 953 | 3 966 |
| | 258 044 | 259 057 |

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| 31. Depreciation and amortisation | | |
| Property, plant and equipment | 24 929 253 | 25 757 486 |
| Intangible assets | - | 20 135 |
| | 24 929 253 | 25 777 621 |
| 32. Finance costs | | |
| Landfill rehabilitation provision | 3 145 284 | 3 247 576 |
| Employee benefits | 752 000 | 376 000 |
| Trade and other payables | 4 982 873 | 11 890 153 |
| Current borrowings | 49 384 | 54 997 |
| | 8 929 541 | 15 568 726 |
| 33. Lease rentals on operating lease | | |
| Equipment | | |
| Contingent amounts | 372 960 | 1 328 136 |
| 34. Debt impairment | | |
| Debt impairment | 158 992 790 | 62 876 525 |
| 35. Bulk purchases | | |
| Electricity | 34 583 812 | 31 799 551 |
| Water | 10 074 612 | 9 099 768 |
| | 44 658 424 | 40 899 319 |
| 36. General expenses | | |
| Advertising | 68 341 | 161 144 |
| Auditors remuneration | 2 874 918 | 2 518 163 |
| Bank charges | 361 225 | 1 018 154 |
| Cleaning | 1 636 939 | 196 065 |
| Commission paid | - | 27 000 |
| Consulting and professional fees | 12 743 229 | 12 248 793 |
| Insurance | 428 367 | - |
| Conferences and seminars | 8 250 | 65 603 |
| Fuel and oil | 1 767 094 | 1 567 348 |
| Postage and courier | - | 2 000 |
| Printing and stationery | 409 516 | 345 303 |
| Protective clothing | 872 290 | 1 427 966 |
| Inventory, spares and materials consumed | 8 804 798 | 5 136 002 |
| Security (Guarding of municipal property) | 4 275 469 | 3 609 475 |
| Staff welfare | 340 473 | 171 205 |
| Subscriptions and membership fees | 679 391 | 837 884 |
| Telephone and fax | 1 235 604 | 1 191 408 |
| Training | - | 218 514 |
| Travel - local | 273 181 | 1 061 883 |
| Transport | - | 9 500 |
| Water purification costs | - | 921 939 |
| Other expenses | 782 841 | 1 095 376 |
| | 37 561 926 | 33 830 725 |

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| 37. Auditors' remuneration | | |
| Fees | 2 874 918 | 2 518 163 |
| 38. Cash generated from operations | | |
| Deficit | (16 595 175) | (26 143 924) |
| Adjustments for: | | |
| Depreciation and amortisation | 24 929 253 | 25 777 621 |
| Gain on sale of assets and liabilities | 1 527 139 | 730 430 |
| Impairment deficit | 115 415 | 4 047 862 |
| Debt impairment | 158 992 790 | 62 876 525 |
| Movements in retirement benefit assets and liabilities | 728 000 | 662 000 |
| Movements in provisions | 3 145 283 | 3 247 576 |
| Changes in working capital: | | |
| Inventories | (192 927) | (2 384) |
| Other receivables from exchange transactions | (95 817) | (339 475) |
| Consumer debtors | (158 800 710) | (75 120 968) |
| Other receivables from non-exchange transactions | 29 445 | (1 655 973) |
| Payables from exchange transactions | 4 497 148 | 44 138 473 |
| VAT | (5 243 206) | (4 036 154) |
| Unspent conditional grants and receipts | 3 241 550 | (2 199 999) |
| Consumer deposits | 11 468 | 1 877 |
| | 16 289 656 | 31 983 487 |

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39. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

| | At amortised cost | Total |
|--|--------------------|--------------------|
| Trade and other receivables from exchange transactions | 2 281 323 | 2 281 323 |
| Statutory receivables from non-exchange transactions | 17 685 992 | 17 685 992 |
| Receivables from exchange transactions | 75 541 982 | 75 541 982 |
| Cash and cash equivalents | 4 656 954 | 4 656 954 |
| Statutory receivables from exchange transactions | 86 608 383 | 86 608 383 |
| Operating lease asset | 27 334 | 27 334 |
| | 186 801 968 | 186 801 968 |

Financial liabilities

| | At amortised cost | Total |
|---|--------------------|--------------------|
| Other financial liabilities | 923 950 | 923 950 |
| Payables from exchange transactions | 221 510 576 | 221 510 576 |
| Consumer deposits | 586 082 | 586 082 |
| Unspent conditional grants and receipts | 4 903 949 | 4 903 949 |
| | 227 924 557 | 227 924 557 |

2020

Financial assets

| | At amortised cost | Total |
|--|--------------------|--------------------|
| Trade and other receivables from exchange transactions | 2 185 506 | 2 185 506 |
| Statutory receivables from non-exchange transactions | 17 715 437 | 17 715 437 |
| Receivables from exchange transactions | 75 734 062 | 75 734 062 |
| Cash and cash equivalents | 7 725 434 | 7 725 434 |
| Statutory receivables from exchange transactions | 81 365 177 | 81 365 177 |
| Operating lease asset | 35 264 | 35 264 |
| | 184 760 880 | 184 760 880 |

Financial liabilities

| | At amortised cost | Total |
|---|--------------------|--------------------|
| Other financial liabilities | 1 046 852 | 1 046 852 |
| Payables from exchange transactions | 217 013 430 | 217 013 430 |
| Consumer deposits | 574 614 | 574 614 |
| Unspent conditional grants and receipts | 1 662 399 | 1 662 399 |
| | 220 297 295 | 220 297 295 |

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|--|------------|------------|
| 40. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 20 795 691 | 20 832 588 |
| Total capital commitments | | |
| Already contracted for but not provided for | 20 795 691 | 20 832 588 |
| Total commitments | | |
| Total commitments | | |
| Authorised capital expenditure | 20 795 691 | 20 832 588 |

This committed expenditure relates to property, plant and equipment and will be financed via government grants and subsidies.

The commitments are exclusive of VAT.

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|--|--|---|-----------------|
| 41. Contingencies | | | |
| 2021 Matters | | | |
| Matter name | Description | Legal counsel's remarks | Amount |
| Dikgatlong Municipality / Engelsman Magabane Inc - Skillfull 1149 CC | Skillfull instituted an action in the Northern Cape High Court against Dikgatlong Municipality for breach of contract, in terms of interim payments not timeously honored by Dikgatlong Municipality, as well as a claim for damages suffered as a result of breach of contract. | This matter has been delayed due to the Plaintiff's inability to furnish his attorney with instructions. The Court is conducting pre-trials herein for case flow management, in order to have this matter finalized. We further want to approach the Honorable Court with an Application whereby the Plaintiff will be ordered to provide security costs: if they intend to pursue this matter further. | R 7 661 329,42 |
| Dikgatlong Municipality / Legal Aid on behalf of E Lebogang | A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality. | N/A | R 300 000,00 |
| Dikgatlong Municipality / Department of Water and Sanitation | The Plaintiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet. | The Plaintiff is claiming for water charges from the 1st April 2002 to the 30 June 2016 from Client. The claim of this lumpsum amount has not been substantiated by the Plaintiff, no invoices were attached as supporting documents, as required by the Court. The Plaintiff must show that invoices were previously delivered to Client and | R 40 390 949,37 |
| Dikgatlong Municipality / Barkly-Wes Slaghuis | Filed an interdict against the municipality to stop services from being disconnected. | Slaghuis brought an Application for an urgent interdict against the Municipality to prevent the Municipality from cutting its electricity based on monies owed. Slaghuis denies that they owe the Municipality. An engineer's report has been sought herein. | R 150 000,00 |
| Dikgatlong Local Municipality / S. Hendricks | Claim to property dispute REF: DIK 076 | Client is cited as the 5th Responded in this matter. The Court thus requires that the Client keep abreast of the happenings in this case, the property which is the subject matter of this dispute within Client's jurisdiction. | R 15 000,00 |
| Dikgatlong Municipality / Katrina Afrika | Katrina Afrika is suing the Municipality for damages allegedly suffered when she fell over cables that were allegedly left on the pavement by the municipality | We are currently defending this matter and processes are being exchanged between the parties in order to get the matter trial ready. | R 520 000 |
| Dikgatlong Local Municipality / CM DE BRUYN | Mrs. De Bruyn made Application to the High Court during February 2018 for an order to compel the Municipality to reconnect her electricity supply for the following reasons. | She experienced problems with the electrical supply of her property since she moved in and the Municipality installed a test meter next to her current meter to investigate the problem | R 272 323,25 |
| Dikgatlong Local Municipality / Danie Dry | Mr Dry made an application to the magistrate court claiming damages allegedly suffered when his car hit a pothole in our jurisdiction | Client is sited as the defendant in this matter and processes are being followed between the parties in order to get the matter trial ready | R 11 887,04 |
| Dikgatlong Local Municipality / Anna Jammer | Ms. Jammer is suing the municipality for damages sustained to her motor vehicle as a result of a pothole | There is a letter of demand and we have requested client to give instructions on the way forward | R 11 597,82 |

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| 41. Contingencies (continued) | | | |
| Dikgatlong Local Municipality / Donald Thabo Mohapi | Mr Donald Thabo Mohapi made an application to the High Court of South Africa for alleged damages by the Department of Corporative Governance and Traditional Affairs as the first Defendant and Dikgatlong Municipality as the second Defendant. | Client is cited as the 2nd defendant in this matter. The court thus requires that the client keep abreast of the happenings in this case, the damages suffered is the subject of this dispute by the plaintiff. | R 100 000 000,00 |
| Longlands landfill site | The municipality does not have a permit or license for the operation of the Longlands landfill site currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act. | N/A | |
| Total | | | <u>R 149 333 086.90</u> |

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| 41. Contingencies (continued) | | | |
| 2020 Matters | | | |
| Matter name | Description | Legal counsel's remarks | Amount |
| Dikgatlong Municipality /Engelsman Magabane Inc - Skillfull 1149 CC | Skillfull instituted an action in the Northern Cape High Court against Dikgatlong Municipality for breach of contract, in terms of interim payments not timeously honored by Dikgatlong Municipality, as well as a claim for damages suffered as a result of breach of contract. | This matter has been delayed due to the Plaintiff's inability to furnish his attorney with instructions. The Court is conducting pre-trials herein for case flow management, in order to have this matter finalized. We further want to approach the Honorable Court with an Application whereby the Plaintiff will be ordered to provide security costs: if they intend to pursue this matter further. | R 7 661 329,42 |
| Dikgatlong Municipality / Legal Aid on behalf of E Lebogang | A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality. | N/A | R 300 000,00 |
| Dikgatlong Municipality / Department of Water and Sanitation | The Plaintiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet. | The Plaintiff is claiming for water charges from the 1st April 2002 to the 30 June 2016 from Client. The claim of this lumpsum amount has not been substantiated by the Plaintiff, no invoices were attached as supporting documents, as required by the Court. The Plaintiff must show that invoices were previously delivered to Client and the Client received the Invoices. | R 40 390 949,37 |
| Dikgatlong Municipality / Barkly-Wes Slaghuis | Filed an interdict against the municipality to stop services from being disconnected. | Slaghuis brought an Application for an urgent interdict against the Municipality to prevent the Municipality from cutting its electricity based on monies owed. Slaghuis denies that they owe the Municipality. An engineer's report has been sought herein. | R 150 000,00 |
| Dikgatlong Local Municipality / S. Hendricks | Claim to property dispute REF: DIK 076 | Client is cited as the 5th Responded in this matter. The Court thus requires that the Client keep abreast of the happenings in this case, the property which is the subject matter of this dispute within Client's jurisdiction. | R 15 000,00 |
| Dikgatlong Municipality / Katrina Afrika | Katrina Afrika is suing the Municipality for damages allegedly suffered when she fell over cables that were allegedly left on the pavement by the municipality | We are currently defending this matter and processes are being exchanged between the parties in order to get the matter trial ready. | R 520 000,00 |
| Dikgatlong Local Municipality / CM DE BRUYN | Mrs. De Bruyn made Application to the High Court during February 2018 for an order to compel the Municipality to reconnect her electricity supply for the following reasons. | She experienced problems with the electrical supply of her property since she moved in and the Municipality installed a test meter next to her current meter to investigate the problem | R 272 323,25 |
| Longlands landfill site | The municipality does not have a permit or license for the operation of the Longlands landfill site currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act. | N/A | |
| Total | | | <u>R 49 309 602,04</u> |

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42. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

The correction of the error(s) results in adjustments as follows:

42.1. Prior period error - Overstatement of payables from exchange transactions

During the period under review it was noted that payables from exchange transactions were overstated due to July 2020 invoice being recorded in June 2020 and opening balance difference identified on creditor statement. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

| | |
|---|---------------|
| Decrease in payables from exchange transactions | 77 569 |
| Decrease in Vat receivable | (10 290) |
| Decrease in accumulated surplus | 2 321 |
| | <u>69 600</u> |

Statement of financial performance

| | |
|----------------------------|-----------------|
| Decrease in bulk purchases | (68 603) |
| Decrease in finance costs | (997) |
| | <u>(69 600)</u> |

42.2. Prior period error - Overstatement of payables from exchange transactions - Salary control

During the period under review it was noted that payables from exchange transactions were overstated due opening balance for salary control at 1 July 2019 for third party correctly stated. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

| | |
|--|----------|
| Decrease payables from exchange transactions | 53 975 |
| Increase in accumulated surplus | (53 975) |
| | <u>-</u> |

42.3. Prior period error - Overstatement of payables from exchange transactions - Sundry creditors

During the period under review it was noted that payables from exchange transactions were overstated due to certain suspense account not being cleared. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

| | |
|--|-------------------|
| Decrease payables from exchange transactions | 17 015 619 |
| Increase in trade receivables from non-exchange transactions | 91 421 |
| Decrease in accumulated surplus | (3 402 593) |
| Decrease in VAT receivable | (3 030 147) |
| | <u>10 674 300</u> |

Statement of financial performance

| | |
|-----------------------------|---------------------|
| Increase in service charges | <u>(10 674 300)</u> |
|-----------------------------|---------------------|

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42. Prior period errors (continued)

42.4. Prior period error - Investment property misstated due to various omissions

During the period under review it was noted that the investment property register was understated due to the various omissions at 30 June 2019. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below::

Statement of financial position

| | |
|---------------------------------|------------------|
| Increase in investment property | 2 051 782 |
| Increase in accumulated surplus | (2 166 184) |
| | <u>(114 402)</u> |

Statement of financial performance

| | |
|---|----------------|
| Increase in depreciation and amortisation | <u>114 402</u> |
|---|----------------|

42.5. Prior period error - Understatement of inventory on hand

During the period under review it was noted that the inventory for consumable stores was understated at 30 June 2020 due to various items being on hand but not accounted for in the inventory listing. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

| | |
|---------------------------------|---------------|
| Increase in inventory | 138 746 |
| Increase in accumulated surplus | (101 269) |
| | <u>37 477</u> |

Statement of financial performance

| | |
|------------------------------|-----------------|
| Increase in general expenses | <u>(37 477)</u> |
|------------------------------|-----------------|

42.6. Prior period error - Misstatement of landfill rehabilitation provision

During the period under review it was noted that the landfill rehabilitation provision was understated due to various factors impacting the provision not being adequately assessed during the assessment performed by the expert at 30 June 2020. The comparative statements for 2019/20 financial year have been restated.

The various factors that impacted the change in provision are listed below:

In 2019, the provision calculations were provided by Hill & Associates based on a report for each landfill. It seems as if the 2020 calculations were based on an actuarial adjustment of the 2019 figures without any new reports being generated.

The methodology used by the current Engineers is different from the one that was used by the previous Engineers.

The current Engineers calculations took into consideration some additional cost elements which was not done by the previous Engineers and the additional cost elements are as follows:

Pre-closure planning and approvals

- Basic assessment for closure
- Develop/finalise end-use plan
- Closure design

Post-closure monitoring and maintenance

- Water monitoring
- Gas monitoring
- Rehabilitation monitoring
- Maintenance of cover, subsidence and drainage
- Fire control and vegetation maintenance

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

42. Prior period errors (continued)

- On-going leachate management
- On-going gas management

The current Engineers calculations were based on actual site visits while the previous Engineers calculations were merely actuarial adjustments from other previous assessments.

The effect of the correction of the error(s) is summarised below:

Statement of financial position

| | |
|--|--------------------|
| Increase in provisions | (33 746 548) |
| Decrease in accumulated surplus | 27 346 498 |
| Increase in property, plant and equipment (landfill site assets) | 3 846 409 |
| | <u>(2 553 641)</u> |

Statement of financial performance

| | |
|---------------------------|------------------|
| Increase in finance costs | <u>2 533 641</u> |
|---------------------------|------------------|

42.7. Prior period error - Overstatement of Property rates receivables

During the period under review it was noted that the property rates receivables were overstated at 30 June 2020 due to the double counting of the capital balances outstanding at 30 June 2020. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below::

Statement of financial position

| | |
|--|-------------|
| Decrease in statutory receivables from non-exchange transactions | (2 616 694) |
| Decrease in accumulated surplus | 2 616 694 |
| | <u>-</u> |

42.8. Prior period error - Community assets misstated due to various omissions

During the period under review it was noted that the community asset register was overstated due to various properties being wrongly classified as community assets at 30 June 2019. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below::

Statement of financial position

| | |
|--|---------------|
| Decrease in property, plant and equipment (community assets) | (795 915) |
| Decrease in accumulated surplus | 871 112 |
| | <u>75 197</u> |

Statement of financial performance

| | |
|---|-----------------|
| Decrease in depreciation and amortisation | <u>(75 197)</u> |
|---|-----------------|

42.9. Prior period error - Misstatement of Capital work in progress

During the period under review it was noted that certain maintenance projects were incorrectly capitalised to work-in progress at 30 June 2019. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

| | |
|---|-----------|
| Decrease in property, plant and equipment (infrastructure assets) | (345 771) |
| Decrease in accumulated surplus | 345 771 |
| | <u>-</u> |

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

42. Prior period errors (continued)

42.10. Prior period error - Misstatement of other assets due to certain omissions

During the period under review it was noted that certain movable assets were omitted from the asset count at 30 June 2020. The comparative statements for 2019/20 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

| | |
|--|----------------|
| Increase in property, plant and equipment (other assets) | 19 903 |
| Increase in accumulated surplus | (25 106) |
| | <u>(5 203)</u> |

Statement of financial performance

| | |
|---|--------------|
| Increase in depreciation and amortisation in general expenses | <u>5 203</u> |
|---|--------------|

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43. Related parties

Relationships

Interest in related parties

Services rendered to related parties

Councillors and / or management of the municipality

The services rendered to Related Parties are recharged at approved tariffs that were advertised to the public. We have disclosed this information under the heading Councillors arrears consumer accounts.

Compensation of related parties

Compensation of key management personnel is set out in note 29

Compensation of related parties

Compensation of councillors is set out in note 30

Related party relationships

The municipalities officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.

Councillors

Councillors balances as set out in note 51

Acting Municipal Manager

No business interest, shares and / or directorships held

Acting Chief Financial Officer

No business interest, shares and / or directorships held

Corporate Services Director

No business interest, shares and / or directorships held

Technical Services Director

No business interest, shares and / or directorships held

Related party balances

Provision for doubtful debts related to outstanding balances with related parties

| | | |
|-----------------|----------------|----------------|
| MA Mahutie | 17 185 | - |
| E Makoko | 106 784 | 85 287 |
| T Saul | - | 48 980 |
| MM Bezuidenhout | 34 472 | 25 887 |
| PS Combrink | 64 038 | 54 932 |
| DM Macinga | 26 361 | 8 122 |
| KE Motshabi | - | 19 687 |
| DP Papers | 69 043 | 36 494 |
| | 317 883 | 279 389 |

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43. Related parties (continued)**Remuneration of management**

Management class: Executive management

2021

| Name | Acting allowance | Annual remuneration | Car allowance | Contribution of UIF, Medical and Pension funds | Other allowances | Total |
|-------------------|------------------|---------------------|---------------|--|------------------|-----------|
| Senior management | 340 068 | 4 068 123 | 216 042 | 56 267 | 11 574 | 4 692 074 |

2020

| Name | Acting allowance | Annual remuneration | Car allowance | Contribution of UIF, Medical and Pension funds | Other allowances | Total |
|-------------------|------------------|---------------------|---------------|--|------------------|-----------|
| Senior management | 85 961 | 4 562 665 | 262 709 | 226 618 | 10 893 | 5 148 846 |

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44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---------------------|--------------------------|--------------------------|--------------|
| At 30 June 2021 | | | | |
| Payables from exchange transactions | 221 510 576 | - | - | - |
| Consumer deposits | 586 082 | - | - | - |
| Employee benefit obligation | 1 015 000 | - | - | - |
| Unspent conditional grants and receipts | 4 903 949 | - | - | - |
| Other financial liabilities | 143 649 | - | - | - |
| | 228 159 256 | - | - | - |
| | | | | |
| At 30 June 2020 | | | | |
| Payables from exchange transactions | 217 013 430 | - | - | - |
| Consumer deposits | 574 614 | - | - | - |
| Employee benefits | 722 000 | - | - | - |
| Unspent conditions grants and receipts | 1 662 399 | - | - | - |
| Other financial liabilities | 137 360 | - | - | - |
| | 220 109 803 | - | - | - |

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44. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

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

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours 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.

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

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, and therefore it is not exposed to interest rate risk.

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

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45. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 596 373 565 and that the municipality's total liabilities exceed its assets by R 596 373 565.

We draw attention to the fact that at 30 June 2021, a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2. Unspent grants to be surrendered are cash backed as required.
3. The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
4. The consumer debtors days outstanding increased to 1363 days from (2020: 1876 days).
5. Electricity distribution losses (technical and non-technical) have decreased to 21% (2020: 36%) and the water distribution losses has decreased to 11% from (2020: 18%).
6. The municipality's current liabilities exceeds its current assets by R 40 676 941 (2018: R 34 861 503) which indicates a current ratio which is below the required norm of 1.5 - 2.
7. The municipality incurred a net deficit for the year under review of R 16 595 175 (2020: deficit R 26 143 924), the major contributors to this change is increases impairments, finance costs, employee related costs.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

46. Events after the reporting date

The accounting officers are not aware of any matter or circumstances arising since the end of the financial year.

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47. Change in estimate

Property, plant and equipment

Dikgatlong Local Municipality performed condition assessment on Infrastructure Assets which is one of the indicators to determine the Remaining Useful life of an asset . This has resulted in the subsequent change of depreciation expense in all the respective current financial year. The effect of the change in estimate shall be disclosed as follows:

Statement of financial position

| | |
|---|-----------|
| Increase in infrastructure assets | 443 345 |
| Decrease in accumulated depreciation infrastructure | (443 345) |
| | <u>-</u> |

Statement of financial performance

| | |
|--------------------------|------------------|
| Decrease in depreciation | <u>(443 345)</u> |
|--------------------------|------------------|

Other property, plant and equipment

Dikgatlong Local Municipality performed condition assessment on Other PPE which is one of the indicators to determine the Remaining Useful life of an asset . This has resulted in the subsequent change of depreciation expense in all the respective current financial year. The effect of the change in estimate shall be disclosed as follows:

Statement of financial position

| | |
|--------------------------|----------------|
| Increase in depreciation | <u>134 441</u> |
|--------------------------|----------------|

Statement of financial performance

| | |
|--|-----------|
| Decrease in other property, plant and equipment | (134 441) |
| Increase in accumulated depreciation other property, plant and equipment | 134 441 |
| | <u>-</u> |

48. Unauthorised expenditure

| | | |
|---|--------------------|--------------------|
| Opening balance as previously reported | 249 997 022 | 353 141 579 |
| Opening balance as restated | 249 997 022 | 353 141 579 |
| Add: Expenditure identified - current | 103 093 132 | 77 715 839 |
| Less: Amount written off - prior period | - | (180 860 396) |
| Closing balance | 353 090 154 | 249 997 022 |

Details of unauthorised expenditure – current year

| | | |
|---------------------------------|---|--------------------|
| Overspending of budget - Vote 1 | Disciplinary steps taken/criminal proceedings Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA. | 66 304 554 |
| Overspending of budget - Vote 5 | Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA. | 36 788 578 |
| | | <u>103 093 132</u> |

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48. Unauthorised expenditure (continued)

Details of unauthorised expenditure - prior year

| | Disciplinary steps taken/criminal proceedings | |
|---------------------------------|---|--------------------------|
| Overspending of budget - Vote 1 | Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA. | 37 183 079 |
| Overspending of budget - Vote 4 | Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA. | 1 616 112 |
| Overspending of budget - Vote 5 | Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA. | 37 011 158 |
| Overspending of budget - Vote 6 | Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA. | 1 905 490 |
| | | <u>77 715 839</u> |

49. Fruitless and wasteful expenditure

| | | |
|--|--------------------------|--------------------------|
| Opening balance as previously reported | 24 036 541 | 33 940 823 |
| Opening balance as restated | 24 036 541 | 33 940 823 |
| Add: Expenditure identified - current | 393 506 | 11 891 150 |
| Less: Amounts recoverable - prior period | - | (997) |
| Less: Amount written off - prior period | - | (21 794 435) |
| Closing balance | <u>24 430 047</u> | <u>24 036 541</u> |

Details of fruitless and wasteful expenditure – current year

| | Disciplinary steps taken/criminal proceedings | |
|--|---|---------|
| Interest and penalties on late payment - SARS PAYE | Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA. | 393 506 |

Details of fruitless and wasteful expenditure - prior year

| | Disciplinary steps taken/criminal proceedings | |
|--|---|--------------------------|
| Interest on late payment of suppliers | Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA. | 11 541 573 |
| Interest on late payment - SARS PAYE | Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA. | 330 013 |
| Interest on late payment - VAT | Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA. | 4 488 |
| Interest on late payment - third parties | Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA. | 14 079 |
| | | <u>11 890 153</u> |

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49. Fruitless and wasteful expenditure (continued)

Fruitless and and wasteful expenditure of R 4 982 873.00 was identified, however due to the exemption granted to municipalities by the Minister of Finance, only R 393 506.00 fruitless and and wasteful expenditure relating to interest and penalties was reported.

50. Irregular expenditure

| | | |
|---|--------------------|--------------------|
| Opening balance as previously reported | 168 397 851 | 167 160 799 |
| Add: Irregular Expenditure - current year | 1 060 509 | 1 237 052 |
| Opening balance as restated | 169 458 360 | 168 397 851 |
| Closing balance | 169 458 360 | 168 397 851 |

Details of irregular expenditure – current year

| | | |
|--|--|-----------|
| Procurement in contravention of Section 32 of the Municipal Supply Chain Regulations | Disciplinary steps taken/criminal proceedings Management is initiating an investigation in to the nature and completeness of the Irregular expenditure as disclosed and as required in the MFMA. | 1 060 509 |
|--|--|-----------|

Details of irregular expenditure - prior year

| | | |
|--|--|-----------|
| Procurement in contravention of Section 32 of the Municipal Supply Chain Regulations | Disciplinary steps taken/criminal proceedings Management is initiating an investigation in to the nature and completeness of the Irregular expenditure as disclosed and as required in the MFMA. | 1 237 336 |
|--|--|-----------|

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|---|------------------|-------------------|
| 51. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Opening balance | 830 378 | 855 112 |
| Current year subscription / fee | 673 867 | 830 378 |
| Amount paid - previous years | (830 378) | (855 112) |
| | 673 867 | 830 378 |
| Material losses | | |
| Electricity distribution losses (KWh) | | |
| KWh purchased | 22 074 653 | 19 089 688 |
| KWh sold | (17 497 443) | (12 172 366) |
| KWh losses | 4 577 210 | 6 917 322 |
| % losses | 21 | 36 |
| Average cost per KWh unit | 1,54 | 1,45 |
| Loss in Rand value | 7 059 009 | 10 054 823 |
| Water distribution losses (Mega litres) | | |
| Mega litres purchased | 1 271 341 | 1 147 473 |
| Mega litres sold | (1 134 711) | (945 685) |
| Mega litres losses | 136 630 | 201 788 |
| % losses | 11 | 18 |
| Average cost per unit | 6,64 | 5,67 |
| Loss in Rand value | 907 156 | 1 143 332 |
| Audit fees | | |
| Opening balance | 5 044 487 | 2 932 279 |
| Current year subscription / fee | 3 595 378 | 3 322 925 |
| Amount paid - previous years | (4 829 938) | (1 210 717) |
| | 3 809 927 | 5 044 487 |
| PAYE and UIF | | |
| Opening balance | 944 656 | 699 344 |
| Current year subscription / fee | 9 672 651 | 8 948 988 |
| Amount paid - current year | (8 865 888) | (8 004 332) |
| Amount paid - previous years | (944 656) | (699 344) |
| | 806 763 | 944 656 |

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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

| | | |
|---------------------------------|--------------|------------------|
| Opening balance | 1 403 313 | - |
| Current year subscription / fee | 17 843 586 | 16 609 507 |
| Amount paid - current year | (19 246 899) | (15 206 194) |
| | <u>-</u> | <u>1 403 313</u> |

VAT

| | | |
|-----|------------|------------|
| VAT | 86 608 383 | 81 365 177 |
|-----|------------|------------|

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

| 30 June 2021 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|------------------|--|--|----------------|
| MA Mahutie | 2 294 | 14 890 | 17 184 |
| E Makoko | 5 895 | 100 889 | 106 784 |
| T Saul | 1 997 | 54 796 | 56 793 |
| MM Bezuindenhout | 1 409 | 33 063 | 34 472 |
| PS Combrink | 2 604 | 61 434 | 64 038 |
| DM Macinga | 4 758 | 21 603 | 26 361 |
| DP Papers | 11 817 | 57 226 | 69 043 |
| | <u>30 774</u> | <u>343 901</u> | <u>374 675</u> |

| 30 June 2020 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|------------------|--|--|----------------|
| MP Chupologo | 489 | 1 263 | 1 752 |
| MA Mahutie | 809 | - | 809 |
| E Makoko | 2 653 | 82 193 | 84 846 |
| T Saul | 1 791 | 47 188 | 48 979 |
| MM Bezuindenhout | 1 938 | 8 039 | 9 977 |
| PS Combrink | 2 082 | 49 674 | 51 756 |
| DM Macinga | 646 | 7 476 | 8 122 |
| KE Motshabi | 349 | 19 295 | 19 644 |
| DP Papers | 799 | 35 653 | 36 452 |
| | <u>11 556</u> | <u>250 781</u> | <u>262 337</u> |

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52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

2020

| Reason for deviation | Less than R 30 000 | Between R 30 001 and R 100 000 | Between R 100 001 and R 2 000 000 | Total |
|----------------------|-----------------------|--------------------------------------|---|------------------|
| Sole provider | 73 000 | 99 840 | 120 840 | 293 680 |
| Emergency | 308 525 | 904 351 | 2 260 495 | 3 473 371 |
| Other | 520 703 | 1 146 128 | 112 015 | 1 778 846 |
| | 902 228 | 2 150 319 | 2 493 350 | 5 545 897 |

2020

| Reason for deviation | Less than R 30 000 | Between R 30 001 and R 100 000 | Between R 100 001 and R 2 000 000 | Total |
|----------------------|-----------------------|--------------------------------------|---|------------------|
| Sole provider | 39 063 | 39 934 | - | 78 997 |
| Emergency | 529 042 | 996 390 | 825 061 | 2 350 493 |
| Other | 650 785 | 926 079 | - | 1 576 864 |
| | 1 218 890 | 1 962 403 | 825 061 | 4 006 354 |

53. Budget differences

Material differences between budget and actual amounts

All variances greater / less than 15% will be explained on the annual financial statements for the year ended 30 June 2020.

X1: The municipality expected the electricity tariffs increase to have an impact on the consumption.

X2: Management anticipated that companies would still be recovering and would result in low collection.

X3: No dividends received due to poor performance of companies.

X4: Not adequately budgeted for

X5: Commission is difficult to predict as it is based on the frequency of unpredictable events.

X6: Rental income is difficult to predict as it is based on the frequency of unpredictable events.

X7: Other income is difficult to predict as it is based on the frequency of unpredictable events.

X8: Due to funds being kept in investment accounts longer than expected.

X9: Implementation of new valuation roll with higher markets values than previously valued.

X10: Due to money withheld from current year grant.

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53. Budget differences (continued)

X11: Licences and permits is difficult to predict as it is based on the frequency of unpredictable events.

X12: Due to money withheld from current year grant.

X13: Fines penalties is difficult to predict as it is based on the frequency of unpredictable events.

X14: Variance insignificant as below 15%.

X15: Variance insignificant as below 15%.

X16: Variance insignificant as below 15%.

X17: Management did not have enough information of budget for impairment of assets.

X18: Management did not consider interest on outstanding creditors when budgeting.

X19: Management only acquired the services of the expert at year end to assist with calculation of impairment, the not budgeted for appropriately.

X20: Due to increase in electricity tariffs.

X21&22: Management has implemented cost cutting measures.

X23: Expert calculations provided at year therefore not budgeted for.

X24: Expert calculations provided at year therefore not budgeted for.

X25: Incorrectly budgeted for.

X26: Not budget for.

X27: Not budget for.

X28: Management did not take into account impairment on budgeted figure.

X29: VAT not budgeted for.

X30: Management did not take into account impairment on budgeted figure.

X31: Management had expected to improve collection and have more money in the bank.

X32: Due to restatement.

X33: Due to restatements.

X34: Cost amount used to budget and not carrying value.

X35: Variance insignificant as below 15%.

X35: Share future value is difficult to predict as it is based on future economic events.

X36: Budget in long term portion.

X37: More suppliers settled at year end than anticipated.

X38: VAT not budget for.

X39: Incorrectly budget for.

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53. Budget differences (continued)

X40: Budget in long term portion.

X41: Management anticipated that all conditional grants would be spent in full at year.

X42: Management anticipated to spend all money allocated.

X43: Expert calculation performed at year end.

X44: Expert calculation performed at year end.

**APPENDIX A - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021**

| EXTERNAL LOANS | Rate | Loan Number | Redeemable | Balance at 30 JUNE 2020 | Correction of Error | Balance at 30 JUNE 2020 Restated | Received during the period | Redeemed written off during the period | Balance at 30 JUNE 2021 |
|----------------------------------|-------|-------------|------------|-------------------------|---------------------|----------------------------------|----------------------------|--|-------------------------|
| ANNUITY LOANS | | | | | | | | | |
| Development Bank of South Africa | 5,00% | 102336/2 | 2027/08/31 | 1 046 852 | - | 1 046 852 | 48 845 | (171 747) | 923 950 |
| Total Annuity Loans | | | | 1 046 852 | - | 1 046 852 | 48 845 | (171 747) | 923 950 |
| FINANCE LEASES | | | | | | | | | |
| Total Finance Leases | | | | - | - | - | - | - | - |
| TOTAL EXTERNAL LOANS | | | | 1 046 852 | - | 1 046 852 | 48 845 | (171 747) | 923 950 |

APPENDIX B - UNAUDITED
 DIGGATIONS LOCAL MUNICIPALITY
 ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021

PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2021

| Reconciliation of Carrying Value | Opening Balance R | | | | Additions R | | Cost Transfers R | | Disposals R | | Closing Balance R | | Accumulated Impairment R | | Accumulated Depreciation and Impairment Losses R | | | | Closing Balance R | | Carrying Value R | | | | | | |
|----------------------------------|--------------------|-------------------|------------------|-------------------|----------------------|--------------------------|--------------------|-----------------------|---------------|-------------------|--------------------|--------------------|--------------------------|--------------|--|--------------------|-------------------|-----------------------|-------------------|-------------|-------------------|--------------------|-----------------------|--------------|-------------|-------------------|--------------------|
| | Opening Balance R | Additions R | Cost Transfers R | Disposals R | Closing Balance R | Accumulated Impairment R | Opening Balance R | Depreciation Charge R | Impairment R | Disposals R | Closing Balance R | Opening Balance R | Depreciation Charge R | Impairment R | Disposals R | Closing Balance R | Opening Balance R | Depreciation Charge R | Impairment R | Disposals R | Closing Balance R | Opening Balance R | Depreciation Charge R | Impairment R | Disposals R | Closing Balance R | |
| Buildings | 26 593 623 | - | - | - | 26 593 623 | 606 227 | 18 219 620 | 700 462 | 457 | - | 18 911 540 | - | - | - | - | 18 911 540 | - | - | - | - | - | 18 911 540 | - | - | - | - | 6 985 856 |
| Housing | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Operational Buildings | 26 593 623 | - | - | - | 26 593 623 | 606 227 | 18 219 620 | 700 462 | 457 | - | 18 911 540 | - | - | - | - | 18 911 540 | - | - | - | - | - | 18 911 540 | - | - | - | - | 6 985 856 |
| Infrastructure | 872 257 288 | 19 289 262 | - | -2 919 728 | 887 626 822 | 4 429 628 | 268 066 181 | 28 818 835 | 37 624 | -4 489 248 | 312 298 190 | 375 229 726 | - | - | - | 312 298 190 | - | - | - | - | - | 312 298 190 | - | - | - | - | 375 229 726 |
| Electrical Infrastructure | 60 489 842 | - | - | -655 264 | 59 834 578 | - | 24 853 485 | 2 363 776 | - | -352 080 | 26 806 181 | 33 029 567 | - | - | - | 26 806 181 | - | - | - | - | - | 26 806 181 | - | - | - | - | 33 029 567 |
| Roads Infrastructure | 413 522 184 | - | 5 105 096 | - | 418 627 281 | 8 757 | 154 405 109 | 11 794 523 | - | - | 166 208 389 | 252 418 891 | - | - | - | 166 208 389 | - | - | - | - | - | 166 208 389 | - | - | - | - | 252 418 891 |
| Sanitation Infrastructure | 89 123 134 | - | - | -2 232 830 | 86 890 304 | 211 269 | 31 044 753 | 1 915 169 | - | -1 044 168 | 22 142 103 | 54 747 291 | - | - | - | 22 142 103 | - | - | - | - | - | 22 142 103 | - | - | - | - | 54 747 291 |
| Storm water Infrastructure | 63 657 773 | - | 20 978 844 | - | 84 636 617 | - | 23 869 002 | 1 163 291 | - | - | 24 852 862 | 30 080 724 | - | - | - | 24 852 862 | - | - | - | - | - | 24 852 862 | - | - | - | - | 30 080 724 |
| Water Supply Infrastructure | 130 560 873 | - | 4 454 484 | -22 695 | 141 032 662 | 4 209 494 | 54 507 212 | 3 700 776 | 14 054 | -12 598 | 62 484 538 | 79 548 123 | - | - | - | 62 484 538 | - | - | - | - | - | 62 484 538 | - | - | - | - | 79 548 123 |
| Capital work in progress | 120 821 382 | 19 289 262 | -30 578 424 | - | 117 532 220 | - | - | - | - | - | 117 532 220 | - | - | - | - | 117 532 220 | - | - | - | - | - | 117 532 220 | - | - | - | - | 117 532 220 |
| Community Assets | 73 987 060 | - | 235 653 | - | 74 222 713 | 3 955 632 | 40 201 103 | 844 721 | 3 658 | - | 44 103 914 | 30 118 199 | - | - | - | 44 103 914 | - | - | - | - | - | 44 103 914 | - | - | - | - | 30 118 199 |
| Community Facilities | 51 678 109 | - | 235 653 | - | 51 913 762 | 2 390 388 | 27 581 646 | 533 238 | 1 072 | - | 30 506 354 | 21 400 808 | - | - | - | 30 506 354 | - | - | - | - | - | 30 506 354 | - | - | - | - | 21 400 808 |
| Recreational Facilities | 22 308 951 | - | - | - | 22 308 951 | 664 633 | 12 619 457 | 311 483 | 1 987 | - | 13 997 960 | 9 711 391 | - | - | - | 13 997 960 | - | - | - | - | - | 13 997 960 | - | - | - | - | 9 711 391 |
| Land | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Land | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | 20 468 478 | 928 058 | - | -122 654 | 21 213 882 | 228 905 | 14 438 274 | 1 561 782 | 14 494 | -97 078 | 16 146 487 | 5 667 395 | - | - | - | 16 146 487 | - | - | - | - | - | 16 146 487 | - | - | - | - | 5 667 395 |
| EMERGENCY EQUIPMENT | 30 774 | - | - | -14 931 | 15 843 | 79 | 22 815 | 2 871 | - | -14 325 | 11 440 | 4 403 | - | - | - | 11 440 | - | - | - | - | - | 11 440 | - | - | - | - | 4 403 |
| FURNITURE AND FITTINGS | 2 266 528 | 19 705 | - | -48 815 | 2 337 418 | 16 236 | 1 968 313 | 79 357 | - | -61 803 | 1 996 603 | 262 018 | - | - | - | 1 996 603 | - | - | - | - | - | 1 996 603 | - | - | - | - | 262 018 |
| MOTOR VEHICLES | 11 873 364 | - | - | - | 11 873 364 | 105 176 | 7 600 557 | 823 398 | - | - | 8 579 131 | 3 254 233 | - | - | - | 8 579 131 | - | - | - | - | - | 8 579 131 | - | - | - | - | 3 254 233 |
| OFFICE EQUIPMENT | 4 087 090 | 300 038 | - | -13 473 | 4 373 655 | 14 417 | 3 175 065 | 314 136 | - | -12 814 | 3 460 804 | 882 851 | - | - | - | 3 460 804 | - | - | - | - | - | 3 460 804 | - | - | - | - | 882 851 |
| PLANT AND EQUIPMENT | 2 150 721 | 608 315 | - | -1 625 | 2 753 411 | 42 487 | 1 671 024 | 348 000 | 14 494 | -1 136 | 2 009 509 | 683 902 | - | - | - | 2 009 509 | - | - | - | - | - | 2 009 509 | - | - | - | - | 683 902 |
| TOTAL | 993 454 449 | 19 217 360 | 235 653 | -3 033 382 | 1 009 875 479 | 8 319 784 | 361 519 259 | 23 985 511 | 55 644 | -1 566 324 | 391 758 646 | 617 511 206 | - | - | - | 391 758 646 | - | - | - | - | - | 391 758 646 | - | - | - | - | 617 511 206 |

PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2020

Reconciliation of Carrying Value

| | Cost | | | | Accumulated | | Accumulated Depreciation and Impairment Losses | | | | Carrying Value | |
|-----------------------------|----------------------|-------------------|----------------|-------------------|----------------------|------------------|--|--------------------------|------------------|------------------------------|----------------------|--------------------|
| | Opening Balance R | Additions R | Transfers R | Disposals R | Closing Balance R | Impairment R | Opening Balance R | Depreciation Charge R | Impairment R | Disposals/ Transfers R | Closing Balance R | R |
| Buildings | 26 503 623 | - | - | - | 26 503 623 | - | 17 356 025 | 854 596 | 606 227 | - | 18 816 847 | 7 686 776 |
| Housing | - | - | - | - | - | - | - | - | - | - | - | - |
| Operational Buildings | 26 503 623 | - | - | - | 26 503 623 | - | 17 356 025 | 854 596 | 606 227 | - | 18 816 847 | 7 686 776 |
| Infrastructure | 840 264 106 | 28 000 078 | 0 | -1 706 897 | 872 557 286 | 4 022 456 | 268 824 777 | 21 111 852 | 407 165 | -876 468 | 293 089 782 | 579 467 506 |
| Electrical Infrastructure | 60 495 639 | 61 141 | - | -66 837 | 60 489 942 | - | 22 384 673 | 2 506 081 | - | -47 268 | 24 863 485 | 36 538 457 |
| Roads Infrastructure | 413 922 184 | - | - | -1 518 566 | 412 403 618 | - | 162 364 347 | 12 040 762 | 8 792 | - | 164 418 896 | 250 108 518 |
| Sanitation Infrastructure | 85 880 367 | - | 4 763 331 | - | 90 643 698 | - | 29 048 165 | 1 918 623 | 211 369 | -821 935 | 31 268 122 | 57 869 011 |
| Storm water Infrastructure | 43 057 773 | - | - | - | 43 057 773 | - | 22 866 160 | 920 441 | - | - | 23 849 002 | 19 208 771 |
| Water Supply Infrastructure | 133 891 133 | - | 2 791 234 | -121 495 | 136 560 872 | 4 022 456 | 50 931 432 | 3 083 045 | 187 038 | -107 265 | 88 716 707 | 77 844 166 |
| Capital work in progress | 100 417 010 | 27 938 837 | -2 054 969 | - | 126 299 878 | - | - | - | - | - | - | 126 299 878 |
| Community Assets | 73 987 060 | - | - | - | 73 987 060 | 129 848 | 38 691 490 | 1 509 613 | 2 925 187 | - | 43 256 136 | 30 730 925 |
| Community Facilities | 51 078 109 | - | - | - | 51 078 109 | 129 210 | 26 000 407 | 981 239 | 2 261 189 | - | 29 972 044 | 21 706 005 |
| Recreational Facilities | 22 208 951 | - | - | - | 22 208 951 | 638 | 12 091 083 | 528 374 | 663 998 | - | 13 284 091 | 9 024 920 |
| Land | - | - | - | - | - | - | - | - | - | - | - | - |
| Land | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | 20 287 483 | 200 995 | - | - | 20 488 478 | 119 621 | 13 287 891 | 1 236 483 | 109 264 | - | 14 667 279 | 5 741 199 |
| EMERGENCY EQUIPMENT | 30 774 | - | - | - | 30 774 | 75 | 19 748 | 3 067 | - | - | 22 864 | 7 880 |
| FURNITURE AND FITTINGS | 2 246 203 | 17 266 | - | - | 2 263 469 | 9 281 | 1 846 099 | 122 014 | 7 445 | - | 1 986 169 | 291 480 |
| MOTOR VEHICLES | 11 873 364 | - | - | - | 11 873 364 | 92 572 | 6 848 846 | 661 711 | 62 604 | - | 7 765 733 | 4 117 831 |
| OFFICE EQUIPMENT | 3 902 361 | 183 720 | - | - | 4 086 081 | 8 656 | 2 881 514 | 203 151 | 5 861 | - | 3 189 482 | 897 008 |
| PLANT AND EQUIPMENT | 2 150 721 | - | - | - | 2 150 721 | 9 127 | 1 511 084 | 100 540 | 33 370 | - | 1 714 121 | 436 000 |
| | 966 962 273 | 28 291 073 | 0 | -1 706 897 | 993 456 449 | 4 271 921 | 337 789 182 | 24 706 544 | 4 947 863 | -876 468 | 369 630 643 | 623 624 495 |

APPENDIX C - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021
MUNICIPAL VOTES CLASSIFICATION

| Directorate | Opening Balance | Additions | Work in Progress Acquisitions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Carry Value |
|--|--------------------|------------------|-------------------------------|--------------------|----------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
| | R | R | R | R | R | R | R | R | R | R |
| Vote 1 - Financial Services | 20 408 478 | 928 058 | - | -122 654 | 21 213 882 | 14 667 279 | 1 576 286 | -97 078 | 16 146 487 | 5 067 395 |
| Vote 4 - Corporate Services Department | 100 490 683 | 235 053 | - | - | 100 725 736 | 62 072 982 | 1 548 699 | - | 63 621 681 | 37 104 055 |
| Vote 5 - Technical Services Department | 672 557 385 | - | 18 289 302 | -2 910 728 | 687 935 961 | 223 080 782 | - | -1 409 246 | 312 596 105 | 676 339 756 |
| Total | 993 456 449 | 1 163 111 | 18 289 302 | (3 033 382) | 1 009 875 479 | 369 830 643 | 24 040 554 | (1 506 324) | 392 364 273 | 617 511 206 |

APPENDIX D - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021
MUNICIPAL VOTES CLASSIFICATION

| 2020 Actual Income | 2020 Actual Expenditure | 2020 Surplus/ (Deficit) | | 2021 Actual Income | 2021 Actual Expenditure | 2021 Surplus/ (Deficit) |
|-----------------------------------|--|--|--|-----------------------------------|--|--|
| R | R | R | | R | R | R |
| 163 484 398 | -96 848 833 | 66 635 565 | Vote 1 - Financial Services | 204 273 433 | -118 425 554 | 85 847 879 |
| - | -7 407 326 | -7 407 326 | Vote 2 - Mayors Office | - | -6 718 376 | -6 718 376 |
| - | -779 274 | -779 274 | Vote 3 - Office of the Municipal Manager | - | -1 739 | -1 739 |
| 894 336 | -12 601 226 | -11 706 889 | Vote 4 - Corporate Services Department | - | -10 849 903 | -10 849 903 |
| 64 263 081 | -132 822 811 | -68 559 731 | Vote 5 - Technical Services Department | 128 518 351 | -209 883 578 | -81 365 227 |
| - | -4 326 270 | -4 326 270 | Vote 6 - Planning and Development | 27 934 | -3 893 499 | -3 865 565 |
| 228 641 815 | (254 785 740) | (26 143 925) | Sub Total | 332 819 718 | (349 772 649) | (16 952 931) |
| - | - | - | | - | - | - |
| 228 641 815 | (254 785 740) | (26 143 925) | Total | 332 819 718 | (349 772 649) | (16 952 931) |

APPENDIX D - UNAUDITED
DINGATLONG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 1 JULY 2020 | Correction of Error | Balance 1 JULY 2020 | Grants Received | Forfeited to National Revenue Fund | Transferred to Funds to be Surrendered | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Balance 30 JUNE 2021 | Unspent 30 JUNE 2021 (Creditor) | Unpaid 30 JUNE 2021 (Debtor) |
|--|------------------------|------------------------|------------------------|--------------------|--|--|--|--|-------------------------|---------------------------------------|------------------------------------|
| National Government Grants | | | | | | | | | | | |
| Equitable Share | - | - | - | 91 472 000 | (119 000) | - | 91 591 000 | - | - | - | - |
| Local Government Financial Management Grant | - | - | - | 3 000 000 | - | - | 3 000 000 | - | - | - | - |
| Water Services Infrastructure Grants (WSIG and RBIG) | 1 | - | 1 | 7 000 000 | - | - | - | 7 000 000 | - | 1 | - |
| Municipal Infrastructure Grant | 1 907 311 | - | 1 907 311 | 15 184 000 | - | - | - | 11 572 566 | 4 678 805 | 4 678 805 | - |
| Municipal Cleaner Toilet Grant | 119 000 | - | 119 000 | 15 310 000 | 119 000 | - | - | 15 310 000 | - | - | - |
| National Electrification Programme (NEP) | 2 971 | - | 2 971 | 2 500 000 | - | - | - | 2 279 898 | 223 073 | 223 073 | - |
| Expanded Public Works Program (EPWP) | - | - | - | 1 000 000 | - | - | - | 1 000 000 | - | - | - |
| Total National Government Grants | 1 189 283 | - | 1 189 283 | 135 466 000 | - | - | 95 591 000 | 36 162 404 | 4 901 879 | 4 901 879 | - |
| Provincial Government Grants | | | | | | | | | | | |
| Library Grant | 190 011 | - | 190 011 | 1 050 000 | - | - | 1 237 940 | - | 2 071 | 2 071 | - |
| Local Government Sector and Training Authority Grant | 283 105 | - | 283 105 | 41 108 | - | - | 324 213 | - | - | - | - |
| Total Provincial Government Grants | 473 116 | - | 473 116 | 1 091 108 | - | - | 1 562 153 | - | 2 071 | 2 071 | - |
| District Municipality Grants | | | | | | | | | | | |
| FBCM Grant | - | - | - | 4 320 697 | - | - | - | 4 320 697 | - | - | - |
| Total District Municipality Grants | - | - | - | 4 320 697 | - | - | - | 4 320 697 | - | - | - |
| Total | 1 662 399 | - | 1 662 399 | 140 877 805 | - | - | 97 153 153 | 40 483 101 | 4 903 950 | 4 903 950 | - |
