

NALEDI LOCAL MUNICIPALITY

NW 392



ANNUAL REPORT FOR 2020/2021
FINANCIAL YEAR

Contents

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Chapter 2

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

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Chapter 1

MAYOR'S FOREWORD

The 2020/21 financial year was very difficult for Naledi Local Municipality after being placed under administration, several political uncertainty, high vacancy in administration leadership, low revenue collection rate and the Covid-19 pandemic.

We developed a financial plan to ensure that the financial position of the municipality is improved and recover on the unfunded mandates that contribute to our unfunded budget. It has not been an easy journey.

The 2020/2021 financial year was noteworthy for Naledi Local Municipality in that it marks the conclusion of the 5-year political cycle of the previous administration and leads us into the fifth term of local government. It required us to refocus and implement numerous cost-containment measures while restricting unnecessary spending in order to stabilize our finances.

The municipality has experienced important challenges in achieving some of the service delivery targets set for the financial year under review. The bulk water services infrastructure continued to be serious challenges to municipality with the aim of improving non-disrupting access to water services.

Maintaining financial viability of the Naledi Local Municipality is critical to the achievement of service delivery and its economic objectives. The latter is directly impacted by the municipality's ability to generate sufficient revenues through the sufficient and appropriate implementation of key internal control strategies built in the collection of revenues generated. This aspect is however hampered by consumer's ability to pay for their services due to the occurrence of unemployment and poverty within the municipality's boundaries and the negative effect/impact caused by the covid-19 pandemic season.

The challenge to address the Auditor-General findings and resolved on key Asset Management has been critical as we embarked on ensuring that we properly track all of the municipality's assets. This is an area which is very important for the municipality and one which the Auditor-General has disclaimed. The same is true for Unauthorised, Irregular and Fruitless and Wasteful Expenditures. These two areas are receiving our undivided attention as they form major contributors to the municipality's negative Audit Outcome. In order to ensure clean audit opinion with no findings, these items need to be appropriately addressed and rectified in the current financial year and going forward. We need to work with diligence and account for the taxpayers' monies.

Naledi Local Municipality will continue to focus the interventions and drive change to realise the service delivery goals for a liveable municipality for all. The priority remains to realise a financially sound municipality. I believe the incoming political leadership and the administration, Naledi Local Municipality will be a financially strong institution offering improved service delivery to our communities.

Chapter 1

The Covid-19 restrictions has affected the municipality to engage the community in all wards of Naledi, the impact also affected the Ward Councillors to have monthly Ward meetings within their areas.

Wards and to also keep the community updated on activities of the municipality through their Ward Committee Members.

It is with pleasure that I present the Annual Report of the Naledi Local Municipality for the 2020/2021 financial year to Council, to our community and to all our Stakeholders.

I want to express my sincere appreciation to our councillors, the community of Naledi, the Municipal Managers and each member of staff for their contribution and support during the past year.

(Signed by :)

Cllr. C J GROEP

Mayor

A handwritten signature in black ink, appearing to be 'C J GROEP', written over a horizontal line.

Chapter 2

COMPONENT B: EXECUTIVE SUMMARY

1.1.

Municipal Manager's Overview

Naledi Local Municipality has prepared and presents the Annual Report 2020/2021 in terms of Section 121 of the Local Government Municipal Finance Management Act of 2003 as well as other Treasury circulars, templates and guidelines. The section 121 (1) states that every municipality and municipal entity must for each financial year prepare an Annual Report in accordance with its guidelines.

This report will also seek to report to Council the Municipality's performance in terms of the five (5) National Government's Strategic key Performance Areas for local government, which are (1) Basic Service Delivery; (2) Local Economic Development; (3) Municipal Institutional Transformation and Development; (4) Municipal Financial Viability and Management and (5) Good Governance and Public Participation.

Management is greatly concerned about the cash flow problems at Naledi Local Municipality and as a result many of our community needs could not be included in our plans due to the financial situation. The year under review has been a difficult year and challenging for both Administration and Political Offices for Naledi Local Municipality. However, the intention of the municipality remained to provide and improve service delivery to the main stakeholders of Naledi Local Municipality.

The Integrated Development and the Budget were adopted under very difficult period due to Covid-19 regulations where public participation was minimal. The Service Delivery and Budget Implementation Plan together with Performance contracts were adopted and approved.

The stride at which the municipality was determined to provide basic services delivery and investing on infrastructure was stifled by the advent of Covid-19, which negatively affected our ability to collect revenue because of the closure of many small and medium businesses, which resulted in increased unemployment. The coronavirus pandemic led the diversion of budgets from one priority area to another.

The municipality has received disclaimer opinion from the office of Auditor-General. The Municipality has limited period to address all the issues raised on the Post Audit Action Plan of 2019/2020 to improve the disclaimer opinion.

The municipality has not yet reached a desired risk management maturity level but is however committed to improving the status quo. Sound risk management will enable us to anticipate and respond to changes in our service delivery environment, as well as make informed decisions under conditions of uncertainty.

The municipality is aware and proper mechanism is developed to attend feedback from community members through different platforms on our services. Naledi Local Municipality has continued to provide basic service to its communities. The negative cash flow due to poor revenue collection in the year under review has impacted on adequacy and efficiency of providing the services to communities on the following.

Chapter 1

- Provision of water and Sanitation
- Removal of refuse and illegal dumping
- Repair and maintenance of street and high mast lights
- Road's rehabilitation, pothole repairs and construction of new roads
- Park & Cemeteries maintenance, tree pruning and grass & cutting
- Environmental and Landfill maintenance

The municipality to continue as a going concern is of a fundamental concern due to our financial performance status. The year under review overall financial performance of the municipality is at deficit of R31 565 779, with a revenue budget of R410 791 021 and a total expenditure of R485 599 890.

The Financial Recovery Plan and Financial Plan developed and as reviewed by Treasury has assisted municipality to improve on revenue improvement strategy.

Municipality has made public notice to request unemployed community members to register on the indigent register. The monthly debt payment arrangement between municipality and Eskom is not feasible to service due to poor revenue collection.

The municipality is in a continuous engagement with the Dr Ruth S Mompati District Municipality as a water service authority regarding bulk water supply disruptions.

The eradicating basic municipal infrastructure backlogs was funded through Municipal Infrastructure Grant (MIG) allocation of R 16 686 000. It must be taken into cognisance that municipality was faced with political and administrative challenges to complete the Dithakwaneng Sports Facilities and Colridge Community Hall projects, therefore as well as the COVID lockdown regulations. However, the municipality managed to incur R12 741 802 capital expenditure which enhanced continuity on projects mentioned above.

Municipality for year 2020/2021 has received Integrated National Electrification programme grant to the value of R7 514 000. The municipality continued to invest capital funding into the aging electrical network by upgrading, refurbishing, and replacing equipment which has reached its useful lifespan. We are concern on the electrical losses and the increase in electricity theft.

The road's rehabilitation, pothole repairs was badly affected by increased rainfall that leads to infrastructure damage and soil run-off in our internal roads. The intervention of Department of Public Works and organized community forum has assisted greatly.

The illegal dumping in various wards of our communities was also addressed through a limited resources and the assistance of Public Works Provincial Department. We have developed mini-parks in the illegal dumping hotspots to mitigate on this problem. We still request all stakeholders to advocate on illegal dumping. Education and awareness campaigns are on-going on littering. The implementation of by-laws on illegal dumping is implemented and fines are issued.

Chapter 1

We want to transform the Naledi Spatial Development environment into a more compact, liveable, integrated, inclusive, productive and sustainable place.

I would like to thank the Mayor of Naledi Local Municipality, the executive and the councillors for their strategic direction and support. I also want to extend my heartfelt gratitude to the dedicated staff members of the municipality who ensure the effective day-to-day running of our activities.

A handwritten signature in black ink, appearing to read 'MT Segapo', written over a horizontal line.

(Signed by :)

Mr. MT Segapo - Municipal Manager

Chapter 2

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1. MUNICIPAL FUNCTIONS

The following table outlines the powers and functions of Naledi Local Municipality against the District Municipality

FUNCTIONS PERFORMED	District	Naledi
Governance and Administration	Yes	Yes
Water Services	Yes	Yes
Municipality is water services authority	Yes	No
Municipality is water services provider	No	Yes
Electricity and Gas Reticulation	No	Yes
Electricity	No	Yes
Street lighting	No	Yes
Municipal Transport	Yes	Yes
Municipal public transport	Yes	Yes
Municipal airports	No	Yes
Waste Management	Yes	Yes
Refuse removal	No	Yes
Refuse dumps/solid waste disposal	No	Yes
Cleansing	No	Yes
Roads and Storm water Systems	Yes	Yes
Municipal roads	No	Yes
Storm water systems in built-up areas	Yes	Yes
Municipality performs the 'District' roads function	Yes	No
Community and Social Services	No	Yes
Local amenities: Regulation & facilitation	No	Yes
Local amenities: Service provision	No	Yes
Local sports facilities: Regulation & facilitation	No	Yes
Local sports facilities: Service provision	No	Yes
Municipal parks and recreation: Regulation & facilitation	No	Yes
Municipal parks and recreation: Service provision	No	Yes
Public places: Regulation & facilitation	No	Yes
Public places: Service provision	No	Yes
Child care facilities: Regulation & facilitation	No	Yes
Child care facilities: Service provision	No	No
Cemeteries, funeral parlours and crematoria: Regulation & facilitation	No	Yes
Cemeteries, funeral parlours and crematoria: Service provision	No	Yes
Libraries: Regulation & facilitation	No	No
Libraries: Service provision	No	Yes
Museums: Regulation & facilitation	No	No
Museums: Service provision	No	Yes
Planning and Development	Yes	Yes

Chapter 2

FUNCTIONS PERFORMED	District	Naledi
Municipal planning	Yes	Yes
Building regulations	No	Yes
Land-use management	Yes	Yes
Property development (non-municipal property)	No	No
Emergency Services	Yes	Yes
Firefighting: Authority	Yes	No
Firefighting service provision	No	Yes
Rescue services	Yes	Yes
Disaster management	Yes	Yes
Municipal Health	Yes	Yes
Municipal health: Regulation & facilitation	Yes	No
Municipal health: Service provision	No	Yes
Licensing and control of undertakings that sell food to the public: Regulation	No	No
Licensing and control of undertakings that sell food to the public: Service provision	No	No
Noise pollution: Regulation & facilitation	No	No
Noise pollution: Service provision	No	No
Pounds: Regulation & facilitation	No	Yes
Pounds: Service provision	No	No
Accommodation, care and burial of animals: Regulation & facilitation	No	Yes
Accommodation, care and burial of animals: Service provision	No	No
Licensing of dogs: Regulation & facilitation	No	Yes
Licensing of dogs: Service provision	No	No
Primary Health Care	No	No
Primary Health Care	No	No
Environmental Management	Yes	Yes
Environmental planning	Yes	Yes
Bio-diversity management	Yes	Yes
Climate change interventions	No	Yes
Alternative energy planning	No	Yes
Air pollution	Yes	No
Economic Development	Yes	Yes
Local tourism: Regulation & facilitation	Yes	No
Local tourism: Service provision	No	No
Markets: Regulation & facilitation	No	No
Markets: Service provision	No	No
Abattoirs: Regulation & facilitation	No	No
Abattoirs: Service provision	No	No
Trading regulations: Regulation & facilitation	No	Yes
Trading regulations: Service provision	No	No
Street trading: Regulation & facilitation	No	Yes
Street trading: Service provision	No	No
Billboards and the display of advertisements in public places: Regulation & facilitation	No	Yes
Billboards and the display of advertisements in public places: Service provision	No	No

Chapter 2

FUNCTIONS PERFORMED	District	Naledi
Fences and fences: Regulation & facilitation	No	Yes
Fences and fences: Service provision	No	No
Control of undertakings that sell liquor to the public: Regulation & facilitation	No	Yes
Control of undertakings that sell liquor to the public: Service provision	No	No
Local economic development: Regulation & facilitation	Yes	Yes
Local economic development: Service provision	No	No
Housing	No	Yes
Housing facilitation (managing developers, housing lists etc)	No	Yes
Acting as developer of housing	No	Yes
Landlord (owning and managing housing stock)	No	Yes
Traffic and Policing	No	Yes
Traffic and municipal police	No	Yes
Community safety	No	No
Control of public nuisances	No	Yes
Driver licensing	No	Yes
Motor vehicle licensing	No	Yes

1.2.2. POPULATION AND ENVIRONMENTAL OVERVIEW

Introduction

This section contains an overview of the status quo of the internal and external environment of Naledi Local Municipality. The first part provides an overview of the municipality while the rest of the section consists of the analysis of the statistics of the municipality which includes demographics and socio economic trends. The statistics used here are derived from the Community survey of 2016 and Census 2011, and own municipal data.

Municipal Overview

Naledi Local Municipality is a category B Municipality situated in the Dr Ruth Segomotsi Mompati District in the North West Province of South Africa. The Naledi Local Municipality is situated in the Dr Ruth S Mompati District of South Africa's North West Province. It covers an area of approximately 7 264 square kilometres with a total population of 68 803 – according to the Community Survey of 2016 by Statistics South Africa and is divided into 10 wards representing the interests of the communities of Vryburg, Kismet Park, Huhudi, Colridge, Dithakwaneng, Stella, Devondale, Broedersput and the newly developed extension 25/28.

Demographics

The characteristics mentioned below include population information, household data and growth rates; gender and age profiles, education levels, income levels, employment figures and skills levels amongst the employed workforce.

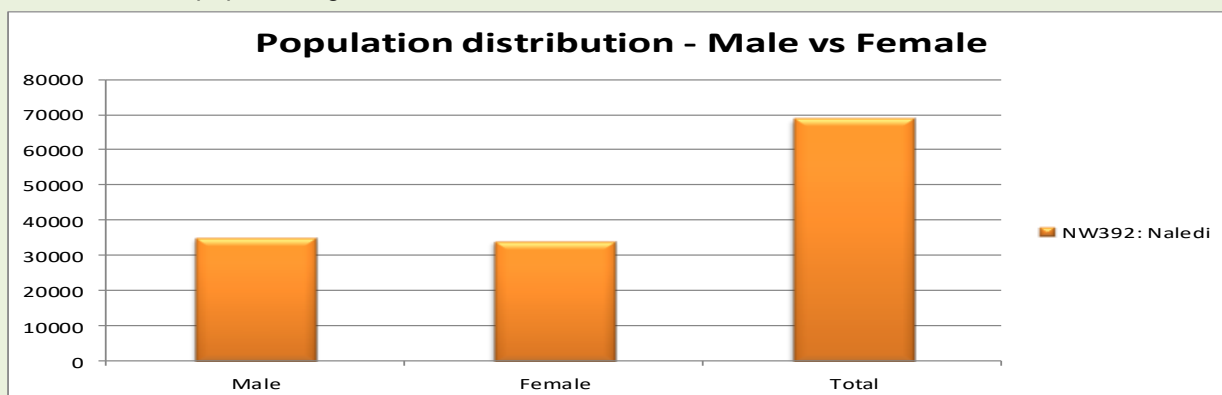
This is strengthened by a fact file that reports on the economic characteristics of the national economy, regional and the local economies. The aim of this section is to identify the extent to which key drivers

Chapter 2

of the national economy have an impact on the local economy of Naledi. This will allow the municipality to align its funding requirements according to the various strategic objectives that will support future local economic development initiatives. The macro economic outlook also allows the municipality to focus on the key drivers that will impact on local growth and future employment opportunities.

Population and household facts

- The total population of the Naledi Municipal area was 68803 in 2016.
- The average growth rate of the population from **2011 to 2016** was 2.94%
- The total number of households in the Naledi Municipal Area was 20692 in 2016.
- The average growth rate of households from **2011 to 2016** was 10.24%
- Naledi's population gender is as follows: male 34771 female 34032



Population distribution of males and females against the total population (Source: Community survey of 2016 by Statistics South Africa)

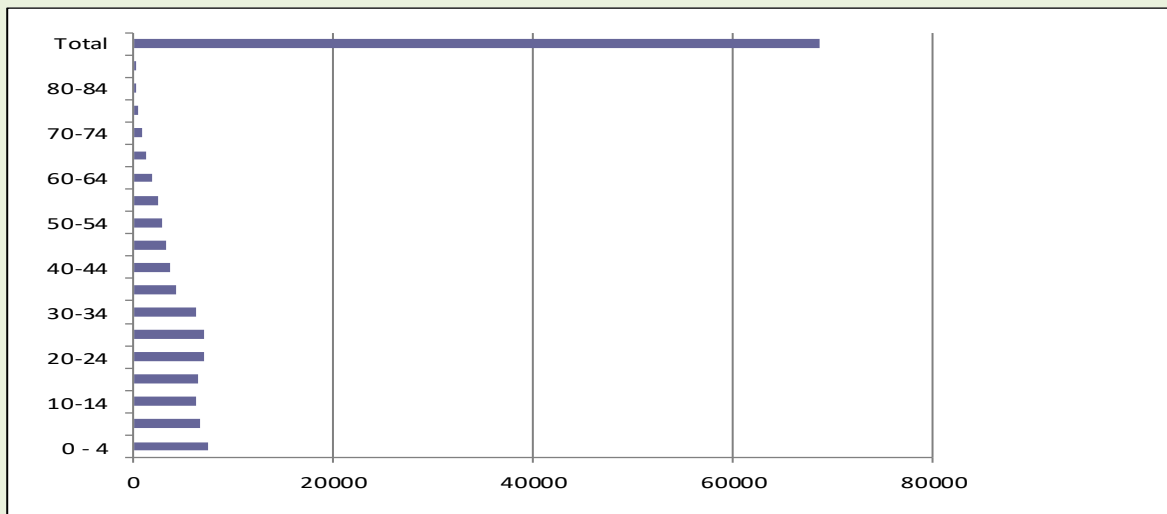
1.2.3. POPULATION RACE GROUPS AGAINST TOTAL POPULATION

Population Race Groups against total population					
Population groups	Black African	Coloured	Indian/Asian	White	Total
Number	51726	8042	520	8515	68803

Population race groups against the total population (Source: Community survey of 2016 by Statistics South Africa)

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1.2.4. AGE PROFILE



Population distribution by age group (Source: Community survey of 2016 by Statistics South Africa)

1.2.5. EDUCATION PROFILE

Highest Level of Education against total population	
Type of Education	Number of people
Development Phase	11785
Primary	22052
Secondary	30631
FET-(N1-N6)	499
Tertiary Education	2836
Unspecified	1000
Total	68803

Highest Level of education against total population (Source: Community survey of 2016 by Statistics South Africa)

1.2.6. MACRO-ECONOMIC AND LOCAL ECONOMIC DEVELOPMENT OUTLOOK

According to research and development, Naledi main macro-economic activities are that of agriculture and hunting which are the strongest contributors to the municipality's economy. Other important job creating sectors are finance and insurance, public administration, health and social and transport.

Naledi Local Municipality aims to tap into this industry through Local Economic objectives and strategies and is broadly explained under development strategies further in the document.

Chapter 2

Employment Status	
Employment Status	Number of people
Employed	18201
Unemployed	6415
Discouraged work seeker	1780
Not economically active	16344
Not applicable	24040
Total	66781

Employment status against the total population (Source: Census 2011 by Statistics South Africa)

Employment Sector

Employment by Sector	
Sector	Number of people
Formal	10710
Informal	3508
Private Household	4041
Do not know	416
Not applicable	48106
Total	66781

Employment by sector against the total population (Source: Census 2011 by Statistics South Africa)

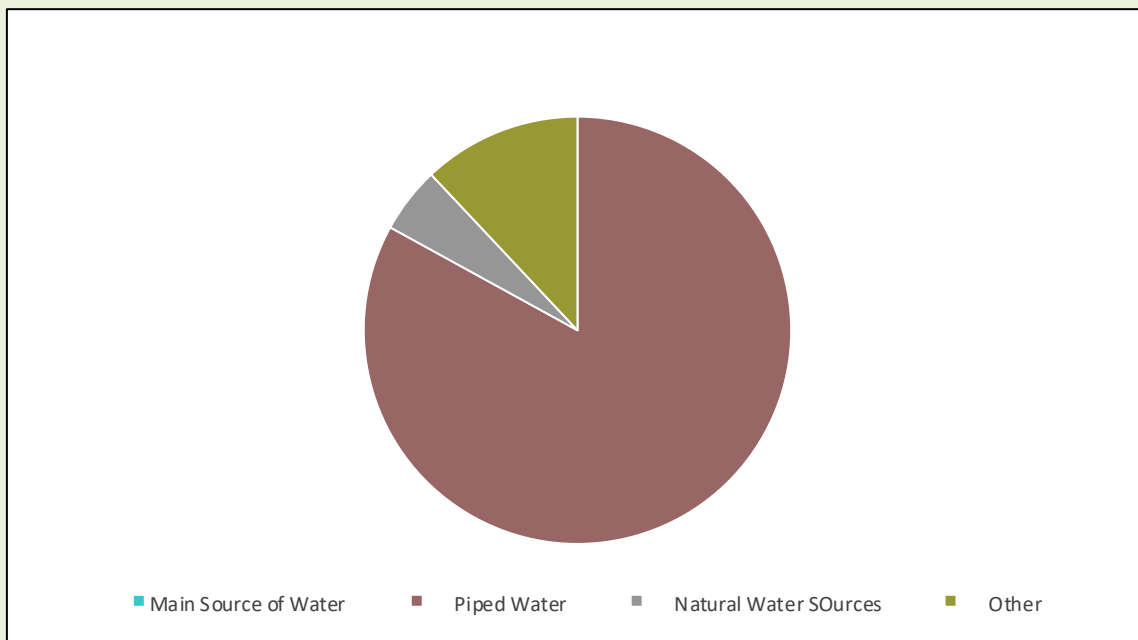
Chapter 2

1.3. SERVICE DELIVERY OVERVIEW

1.3.1. BASIC SERVICES

1.3.1.1. The Percentage (%) of households – main source of drinking water

Of the 20692 households, majority of household's main source of drinking water is from piped sources, with 5% using natural water sources and 12% using other sources



Main source of water against the total number of households (Source: STATSSA -Community survey of 2016)

1.3.1.2. Electricity

Number of households with access to electricity by type	
Access to electricity	23 357
Connected to other source which household is not paying for	50
Generator	-
Solar home system	83
Battery	-
Other	91
No access to electricity	365

Number of households with access to electricity by type (Source: Community survey of 2016 by Statistics South Africa)

Chapter 2

1.3.1.3. Societal challenges

Difficulties faced by communities in terms of households	
Type of Difficulty	Number of households
Cost of water	1454
Lack of reliable electricity supply	956
Cost of electricity	1908
Inadequate sanitation/sewerage/toilet services	1132
Inadequate refuse/waste removal	110
Inadequate housing	1317
Inadequate roads	1526
Inadequate street lights	87
Lack of/inadequate employment opportunities	4431
Lack of/inadequate educational facilities	194
Violence and crime	689
Drug abuse	26
Alcohol abuse	66
Gangsterism	85
Lack of/inadequate parks and recreational area	172
Lack of/inadequate healthcare services	701
Lack of/inadequate public transport	185
Corruption	347
Other	272
None	1001

Societal challenges as reported by the community of Naledi in terms of households (Source: STATSSA -Community survey2016)

1.3.1.4. Housing

Type of dwellings in Naledi	
Type of Dwelling	Number
Formal dwelling/house or brick/concrete block structure on a	15185
Traditional dwelling/hut/structure made of traditional mater	130
Flat or apartment in a block of flats	180
Cluster house in complex	20
Townhouse (semi-detached house in a complex)	1387
Semi-detached house	12
Formal dwelling/house/flat/room in backyard	712
Informal dwelling/shack in backyard	412
Informal dwelling/shack not in backyard (e.g. in an informal	2558
Room/flat on a property or larger dwelling/servants quart	65
Caravan/tent	-
Other	33
Unspecified	-
Total	20692

Type of households against the total number of households (Source: Community survey of 2016 by Statistics South Africa)

Chapter 2

1.3.1.5. Sanitation

Type of Toilet facilities used in Naledi	
Facility Type	Number of households
Flush toilet connected to a public sewerage system	14358
Flush toilet connected to a septic tank or conservancy tank	588
Chemical toilet	615
Pit latrine/toilet with ventilation pipe	2017
Pit latrine/toilet without ventilation pipe	1085
Ecological toilet	-
Bucket toilet (collected by municipality)	282
Bucket toilet (emptied by household)	134
Other	495
None	1119
Total	20692

Type of toilet facilities used in terms of the total number of households (Source: Community survey of 2016 by Statistics South Africa)

1.3.1.6. Refuse Removal

Waste management services have been expanded to 3003 new settlement in extension 25. Naledi Local Municipality placed a control to manage records in the form of job cards mainly being used to confirm the extent of service rendered. The job cards are also a control tool to ensure that officials perform the function as assigned. A joint program (with the Department of Environment) on environmental management was launched during the 2018/19 year. The program focuses on youth and will run until 2021. Illegal dumping sites are mapped to determine the clean-up costs and prevention action. In areas where collection is done on sidewalks, the Municipality has a collection plan and schedule.

According to own municipal data the majority of Household refuse removal in Naledi is done by the Municipality at least once a week, however there are still households that does their own refuse removal.

The following constitute key challenges in respect of waste management

- No access to Waste and refuse disposal at Dithakwaneng and Devondale
- No licensed landfill site at Stella
- Illegal Dumping
- Insufficient number of refuse bins in Naledi
- Insufficient number of transfer Stations

1.3.1.7. Cemeteries

Area	Cemeteries			
	Formal	Informal	Unused / old	Total
Naledi Local Municipality	5	3	3	11

Number and type of cemetery facilities in Naledi (Source: Own Municipal Data)

Chapter 2

1.3.1.8. Health Profile

Health facilities within Naledi local municipality are within the close proximity and accessible to the community except for facilities in Huhudi which are almost 3km from the furthest house in Wards 4, 9, and 10 in Huhudi

Area	Health Infrastructure						
	Hospital	Clinic	Mobile Clinic	Community Centre	Health	Local Council Aids	Medical Centre
Vryburg	2		1	1		0	0
Colridge		1					
Huhudi			1	1			
Stella				1			
Tlhakeng			1				
Devondale			1				
Dithakwaneng			1				
Geduldspan			1				

Health infrastructure in Naledi (Source: Own Municipal Data)

1.3.2. FINANCIAL HEALTH OVERVIEW

Financial Overview: 2020/21				R' 000
Details	Original budget	Adjustment Budget	Actual	
Income:				
Grants	86 491	95 857	87 884	
Taxes, Levies and tariffs	278 836	278 836	287 466	
Other	36 080	36 080	48 907	
Sub Total	401 407	410 773	424 257	
Less: Expenditure	465 959	485 601	458 356	
Net Total*	-64 552	-74 828	-34 099	
* Note: surplus/(defecit)				T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	42%
Repairs & Maintenance	0%
Finance Charges & Impairment	15%
T 1.4.3	

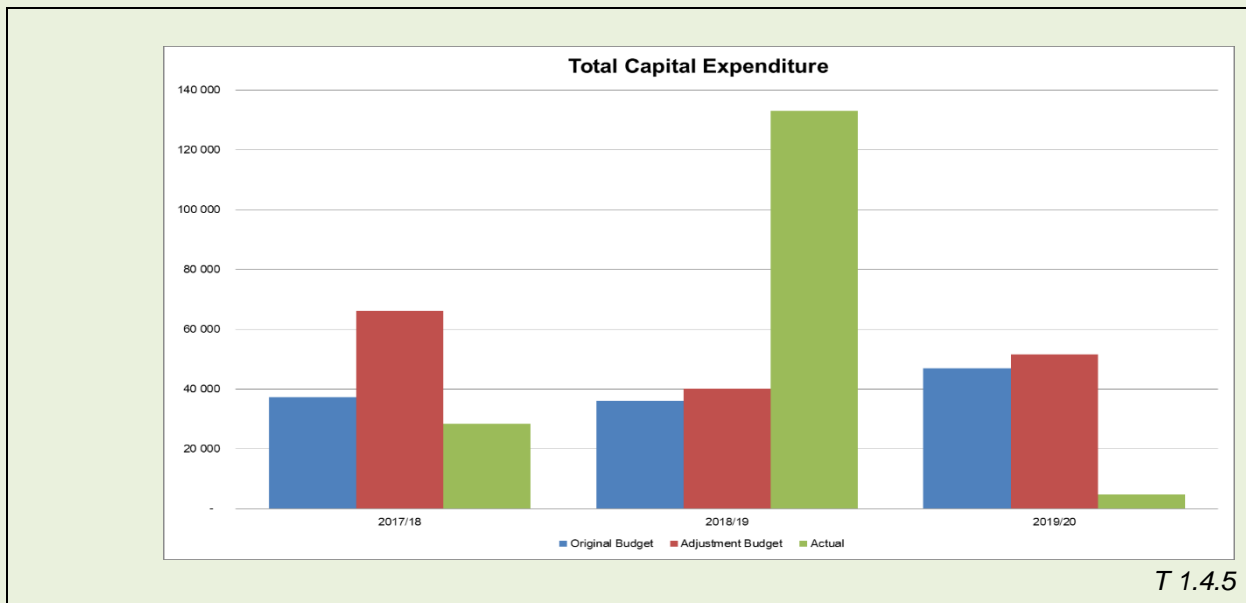
COMMENT ON OPERATING RATIOS:

The municipality is still in the norm in terms of the financial ratio. The municipality intends to reduce the wage bill. The municipality envisages to increase maintenance budget ideally to 8% in the outer MTREF which will potential reduce salary wage from the operational budget.

T 1.4.3

Chapter 2

Total Capital Expenditure: 2017/18, 2018/19, and 2019-20			
R'000			
Detail	2017-18	2018-19	2019-20
Original Budget	37,405	36,127	47,064
Adjustment Budget	66,082	40,108	51,694
Actual	28,474	107,003	4,275
<i>T 1.4.4</i>			



COMMENT ON CAPITAL EXPENDITURE:

The actual on 2018-19 capital expenditure is due to the incorrect disclosure, which emanate from the consultant who withheld municipal asset register based on none payment. However, the municipality has entered in to a payment arrangement. The remedy to the above is also address by the appointment of a service provider to deal with prior year audit findings.

T 1.4.5.1

Chapter 2

1.4. ORGANISATIONAL DEVELOPMENT OVERVIEW

Effectiveness in Municipal Transformation

Performance Management

Staff Complement

As at the end of June 2020 the Naledi Local Municipality had 865 people on payroll which can be classified as:

- 1 x Acting Municipal Manager
- 1 x Acting CFO
- 605 Permanent employees
- 4 Interns
- 20 Councillors (5 Full-time, 15 Part-time)
- 94 Ward Committee members
- 68 EPWP's

TYPE OF EXIT	NUMBER	TYPE OF APPOINTMENT	NUMBER
Resignation	07	Permanent	248
Retirement	02	Contract (Intern)	0
Deceased	08	Contract (Senior Manager)	03
Contract end	0	Contract (settlement agreements)	0
Contract Termination	1		
TOTAL EXIT	18	TOTAL APPOINTMENT	251

EPWP's are not included in these figures as their contracts are for a period of 6 months.

1.5. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT: YEAR 2020/2021 (CURRENT YEAR)

The Auditor-General issued a Disclaimer of Opinion for the 2019/2020 financial year.

T 1.6.1

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1.6. STATUTORY ANNUAL REPORT PROCESS

No	Activity	when
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	Jul
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft AR of municipality and entities (where relevant)	Aug
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft AR including consolidated AFS and performance report to Auditor General	
10	APR as submitted to Auditor General to be provided as input to the IDP Analysis Phase	Sept-Oct
11	Auditor General audits AR including consolidated AFS and Performance data	
12	Municipalities receive and start to address the Auditor General's comments	Nov
13	Mayor tables AR and audited Financial Statements to Council complete with the Auditor-General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	Dec
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	Jan
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	

Key deadlines – Annual Report

The following table depicts key deadlines and processes in terms of the Annual Report that Naledi Local Municipality intends following:

Date	Activity
Sept 2020	Submit Draft AR to Internal Audit/Audit Committee (Circular 68)
	Submit Draft Annual Report to Auditor-General (Circular 68)
	Submit Annual Performance Report in format of Annual Report to Council for noting (Circular 68)
November 2020	Receive Audit report from Auditor-General
January 2021	Audit Action Plan developed
January 2021	Submit Draft Annual Report to Council for noting (Draft) (MFMA 127 (2))
Feb-March 2021	Oversight process
March 2021	Submit oversight report to council with recommendations of Annual Report (Final) (MFMA 129)

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In terms of the Annual Report Process, Naledi Local Municipality intend following all prescripts within the legislative framework and guidelines presented by National Treasury.

COMMENT ON THE ANNUAL REPORT PROCESS:

As a minimum, the municipality should strive to adhere to the key deadlines, not for malicious compliance but to ensure proper municipal planning, budgeting, service delivery implementation and reporting cycles are followed up to the letter up to the Annual Reporting period. This process also supports national and provincial spheres planning processes which in the end impacts on the division of the equitable share and other grants disbursed to the municipality in the future.

An unaudited Annual Report is submitted in August will further provide the municipality with an opportunity to review the functional areas that received attention during the current financial year and take the necessary corrective actions to align the IDP and budget to other priority areas needing attention.

The Annual Report of a municipality and every municipal entity must be tabled in the Municipal Council on or before 31 January each year (MFMA S127). In order to enhance oversight functions of the Council, this must be interpreted as an outer deadline; hence the municipality must submit the Annual Report as soon as possible after year end, namely, August. The entire process is concluded in the first or second week of December for all municipalities, the same year in which the financial year ends and not a year later, as is currently the case. It is expected that effective management of performance will also result from this change.

T 1.7.1.1

Chapter 2

CHAPTER 2 – GOVERNANCE

Naledi Local Municipality is committed to transparent and accountable governance. The broad range of public participation programmes and processes, especially related to its IDP; Budget and Annual Report bears testimony to the municipality's commitment to involve its communities in its planning and decision-making processes.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE

According to section 18 of Municipal Structures Act 117 of 1998 as amended, the municipality must have a council which must meet on quarterly basis. It is the highest decision-making authority in the institution. It has executive and legislative authority.

Council has 20 seats (10 proportional representatives - PR Councillors); 10 councillors are from the different wards within the municipality. The Mayor is Cllr NW Skalk and the Speaker is Cllr C Groep.

Naledi Local Municipality is governed in terms of an Executive Committee system. Executive Committee comprises of 3 (three) Chairpersons of section 79 Committees.

The following are other section 79 committees of Naledi Municipality: Infrastructure, LED & Town Planning, Community Services and Human Settlement, Finance and Corporate Services and Executive Committee.

Section 79 Committee	Chairperson
Executive Committee	Cllr NW Skalk
Finance and Corporate Services	Cllr J Adonis
Infrastructure, LED & Town Planning	Cllr L Ekkelton
Community Services and Human Settlement	Cllr R Modise

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The municipality has established a Municipal Public Accounts Committee (MPAC) which serves as an Oversight Committee and is comprised by non-executive councillors who's responsibilities is to provide Council with recommendations on the Annual Report and other In year Reports that may be referred to it by Council.

Reports considered by MPAC are referred to it by Council and after scrutinising them and conducting investigations where necessary, recommendations are referred to Council for decision making. It is chaired by a part time Councillor Cllr K Tauwe and none of the members are executives.

The MPAC Annual Work Plan 2019/20 was approved by council in August 2020 and consists of the terms of reference and monthly programs for MPAC activities as per approved council calendar. MPAC has managed to visit Capital Projects in Stella, Broedersput and Dithakwaneng to verify progress on implementation of capital projects.

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MPAC could not engage with broader community to consider their views on progress made by municipality due to instability and Covid-19 restriction.

Audit and Performance Committee

The municipality has an Audit and Performance Committee which is a shared service for that was established by the district municipality. It is an independent advisory body which advise the council, political office bearers, accounting officer and management on matters outlined in section 166(2)(i-ix) of MFMA. The committee is appointed on three year contract period.

POLITICAL DECISION-MAKING

The council adopted and approved the Rules of Order in 2016. All council meetings and those of all its committees are conducted according to the approved Standing Rules of Order.

Standing Rules of Order sets out how the council meeting should be conducted, how motions are proposed or resolutions passed and how decisions will be made.

The Speaker or Chairperson ensures that the meetings are conducted in order.

Council's political decision-making is conducted in the following manner:


1. The Corporate Services Department is charged with the responsibility of ensuring that the agendas is prepared before meetings and any committee reports, petitions or motions have to appear on an agenda before they can be discussed and must be received by all Councilors at least seven (7) days before.
2. When an issue comes up for discussion at a council meeting it is often referred to a committee or to the Executive Committee for further discussion and a deadline is given for when the report should be made.
3. If the matter is referred to a committee the committee will report to the Executive Committee. The Executive Committee will consider the issue and either support their recommendations or put opposing recommendations forward to the Council meeting.
4. Council will then resolve on the matter; most Council decisions are taken after a portfolio committee or Executive Committee held its meeting and recommend to council. When council agrees by a majority resolution, the recommendation becomes a resolution of council.

Councilors are at any stage allowed to put forward motions to call for or propose something emanating from any decision taken by the administration or council itself. It is a useful tool to use especially if the administration is not co-operating with council, since council motions cannot be ignored.

Any Councilor may propose a motion in council and in some cases the motion may be passed without being referred for further discussion.

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The table depicts all Councillors and their Roles within the current Council.

Pictures and Names		Type and Position of Councillor	Political Party	Ward represented	Role
	Cllr. N. W. Skalk	PR Councillor	ANC	N/A	Mayor Chairperson of the Executive Committee
	Cllr. C. J. Groep	PR Councillor	ANC	N/A	Speaker of Council
	Cllr. J. A. Adonis	PR Councillor	DA	N/A	Chairperson of Finance / Budget, Treasury office and Corporate Services portfolio Member of the Executive Committee
	Cllr. A. N. Bareng	Ward Councillor	ANC	Ward 3	Member of Community Services and Local Economic Development Portfolio Committee
	Cllr. K. L. Bome	Ward Councillor	ANC	Ward 5	Member of Infrastructure, Development and Town Planning Portfolio Committee




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Pictures and Names		Type and Position of Councillor	Political Party	Ward represented	Role
	Cllr. J. G. Brand	Ward Councillor	DA	Ward 7	Member of Finance / Budget, Treasury office and Corporate Services portfolio
	Cllr. L. Ekkelton	Ward Councillor	ANC	Ward 2	Chairperson of Infrastructure, Development and Town Planning portfolio committee Member of the Executive Committee
	Cllr. M. P. Lebona	PR Councillor	EFF	N/A	Member of Municipal Public Accounts Committee
	Cllr. G. Gamma	Ward Councillor	ANC	Ward 1	Member of Member of Finance / Budget, Treasury office and Corporate Services portfolio
	Cllr. O. R. Modise	PR Councillor	ANC	N/A	Chairperson of Community Services and Local Economic Development Portfolio Committee Member of the Executive Committee
	Cllr. B. J. Moholo	Ward Councillor	ANC	Ward 9	Member of Municipal Public Accounts Committee (MPAC)

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Pictures and Names		Type and Position of Councillor	Political Party	Ward represented	Role
	Cllr. S. Mustafa	PR Councillor	DA	N/A	Member of Infrastructure, Development and Town Planning portfolio committee
	Cllr. M. E. Ncobo	Ward Councillor	ANC	Ward 10	Member of Finance / Budget, Treasury office and Corporate Services portfolio Member of Local Labour Forum
	Cllr. O. K. Nyamane	Ward Councillor	ANC	Ward 6	Member of Infrastructure, Development and Town Planning portfolio committee
	Cllr. H. Van Huysteen.	PR Councillor	DA	N/A	Member of the Municipal Public Accounts Committee (MPAC)
	Cllr. S. Bosman	PR Councillor	ANC	N/A	Member of Member of Finance / Budget, Treasury office and Corporate Services portfolio

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Pictures and Names		Type and Position of Councillor	Political Party	Ward represented	Role
	Cllr. E. P. Renoster	PR Councillor	DA	N/A	Member of Community Services and Local Economic Development Portfolio Committee
	Cllr. K. B. Tauwe	Ward Councillor	ANC	Ward 8	Member of Municipal Public Accounts Committee – Chairperson (MPAC)
	Cllr. M. Moeng	Ward Councillor	ANC	Ward 4	Member of Municipal Public Accounts Committee (MPAC)

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2.2 ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the head of administration and Managers Directedly Reporting to the Municipal Manager (Section 56 Managers) are Heads of Departments, who meet on frequently meets monthly. This team is processing items that are submitted to the Exco and Council in accordance with the delegated powers.

In terms of part 7 section 82 of the Local Government: Municipal Structures Act 117 of 1998, as amended, the municipality must appoint the Municipal Manager, who is the head of administration and therefore the Accounting Officer. In terms of section 55 of the Local Government: Municipal Systems Act 32 of 2000, as amended, the Municipal Manager as head of administration is subject to policy directives of the Municipal Council and is responsible for the formation and development of an efficient, economical, effective and accountable administration and must manage the municipality in accordance with all legislation and policies pertaining to local government.

In terms of section 50 the Local Government: Municipal Systems Act 32 of 2000, as amended, the Council in consultation with the Municipal Manager must appoint managers who are directly responsible to the Municipal Manager and who must have relevant and requisite skills, expertise and competencies to perform the duties associated with the posts they each occupy. The Municipal Manager is also accountable for all the income and expenditure and all assets as well as the discharge of liabilities of the municipality, including proper and diligent compliance with the Municipal Finance Management Act, 53 of 2003. Senior managers or directors who report directly to the Municipal Manager are delegated such functions as the Municipal Manager may delegate to them and are responsible for all those matters delegated to them, including financial management as well as discipline and capacitating of officials within their areas of responsibility, together with compliance with all legislation governing local government, its policies and by-laws.

The Municipal Manager and directors form the senior management core and all directors are accountable to the Municipal Manager for the strategic management and oversight of their departments. All budget expenditure in each directorate is managed by the relevant director to ensure that service delivery matters are handled speedily.

TOP ADMINISTRATIVE STRUCTURE FUNCTIONS	TOP ADMINISTRATIVE STRUCTURE FUNCTIONS
Municipal Manager	As head of administration and accounting officer of the municipality the Municipal Manager is subject to the policy directions of the Municipal Council and is responsible and accountable for duties and responsibilities outlined under Section 55 of the Local Government: Municipal Systems Act 32 of 2000, as amended and any other relevant duties as may be delegated from time to time to the Municipal Manager by the Executive Mayor and Council. The Municipal

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	Manager is also responsible for duties outlined under sections 60 to 75 of the Municipal Finance Management Act.
Chief Financial Officer	Responsible for ensuring compliance with the Municipal Finance Legislation and Regulations. Integrating the financial management system of the municipality. Manage all financial functions; analysis and interpretation of financial costing information to identify trends, make forecasts and recommendations. Plan, direct and coordinate the planning and preparation of annual and long-term capital and operating budgets and submit these to management and Council for approval Ensure that Management Accounts and other financial data are available on an accurate, concise and up-to-date basis. Development and maintenance of effective and efficient systems of financial and risk management and control. Compliance with MFMA and other statistical returns; Asset & Liability Management; Revenue Management; Expenditure Management; Salaries; Monthly budget statement. Responsibilities include inter alia estimates and budgeting, income control, expenditure control, credit control, insurance, grants, loans and indigent relief administration services.
Section 56: Corporate Services	Responsible for ensuring effective and efficient strategic management of the finance portfolio, which includes budgetary management, financial accounting management, supply chain management, credit control management, investments and banking, treasury management, supply chain management and risk management.
Section 56: Technical Services	The director is responsible for providing water, roads, storm-water drainage and sanitation through well-established and well-maintained infrastructure that will stimulate growth, resulting in a broader income base and that will encourage taxpayers to sustain payments because of well-established and well-maintained infrastructure.

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COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Chapter three of the Constitution of 1996 is an overarching legislative tool used to guide and provide detailed pieces of legislation like Municipal Systems Act, Section 3, Municipal Structures Act, Section 88 and the Intergovernmental Relations Framework Act, Act 13 of 2005.

Inter-Governmental Relations is the organisation of the relationships between the three spheres of government. The Constitution states that "*the three spheres of government are distinctive, interdependent and interrelated*". Local government is a sphere of government in its own right, and is no longer a function or administrative implementing arm of national or provincial government. Despite the fact that the three spheres of government are autonomous, they exist in a unitary South Africa meaning that they have to work together on decision-making, co-ordinate budgets, policies and activities, particularly for those functions that cut across the spheres.

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2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

The notion of Co-operative Governance and Intergovernmental Relations (IGR) in the country is rapidly evolving and gradually taking a particular shape and direction. The IGR system must be understood in the context of being a facilitating and engagement platform of sectors across the three spheres to amongst others ensuring the implementation of the National Development Plan (NDP), the Provincial Growth and Developmental Strategy (PGDS) and the Integrated Development Plans (IDP) of local municipalities.

Due to COVID-19 restrictions and regulations, there were lesser meetings and activities.

Hon. G Nkwinti (Minister of Water & Sanitation) visited Naledi Local Municipality to intervene on matter of Water and Sanitation.

At meetings of the IGR, the municipalities discuss the implementation of national policy and legislation that affect the district and discuss upcoming national policy and legislation that will affect the district.

The IGR is an ideal forum to discuss progress with regard to service delivery in the municipal area as well as the problems that may impede such progress. Initiatives such as shared services models could also be dealt with at forum meetings.

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The Naledi Local Municipality participated in joint provincial intergovernmental programmes that seek to improve the quality of the life in its area of jurisdiction. Due to COVID regulations, most of the meetings were held virtually.

The Mayor and the Municipal Manager participate on the North West Premiers' Coordinating Council (NWPPC).

The purpose of the Lekgotla is to consolidate and align the Premier's vision for the province.

DISTRICT INTERGOVERNMENTAL STRUCTURES

The following structures existed at district level:

- Mayor's Forum
- Municipal Manager's Forum
- LED Forum
- CFO's Forum
- One District Development Model
- Risk Shared Service
- Internal Audit Shared Services

The main function of the forums is to convene and discuss issues that concern their municipalities and the progress they have achieved with regard to service delivery.

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COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Community participation in local government affairs gives expression to the democratic principles and values of our Constitution together with Chapter 4 of Municipal Systems Act 32 of 2000.

The Municipal Council encourages participation of the community and community organisations in local government matters through:

- Preparation, implementation and review of the IDP
- Preparation of the municipal budget
- Establishment, implementation and review of performance management system
- Service Delivery Matters

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

Council fosters transparency by providing the public with timely, accessible and accurate information by publishing information in the local newspapers using three predominant officials' languages of Setswana, Afrikaans and English.

The Municipal Council engaged the community in consultation in matters such as the IDP, budget, performance management, provision of services etc.

Mayoral outreach programmes whereby the Mayor on his capacity visited individual communities to listen to their needs and problems they are encountering in their different wards.

As a result of Covid-19 regulations, most of the community participation were deferred.

WARD COMMITTEES

Ward committees are managed by respective Ward Councillors comprising of 10 ward committee members per ward.

A Ward Committee is set up for each ward councillor to assist and advise the councillor and improve public participation in wards. The municipal council adopts the guidelines for the Ward Committees.

The purpose of a ward committee is to:

- Get better participation from the community to inform council decisions.
- Make sure that there is more effective communication between the council and the community.
- Assist the ward councillor with consultation and report-back to the community.
- Advise the ward councillor on issues and development in the community.

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Functionality of Ward Committee

Due to Covid-19 restrictions and regulations and the fact that municipality didn't have adequate resources (ICT related) to conduct virtual meetings, no ward committees and ward public meetings were conducted.

The table below provides information on the establishment of Ward Committees and their functionality:

WARD COMMITTEE AND PUBLIC MEETINGS

Public Meetings WARD 01- 10						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Ward Committee Meeting	July 2020- June 2021	00	0	N/A	N/A	No meetings held due to the COVID 19 pandemic
Public Meeting	July 2020- June 2021	00	0	N/A	N/A	No meetings held due to the COVID 19 pandemic

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2.5 IDP PARTICIPATION AND ALIGNMENT

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

Functionality of the IDP Representative Forum

- The IDP is central to a municipality's ability to deliver on its mandate.
- It is recognised as a business plan for the municipality and determines projects that a municipality may or may not undertake.
- Thus the IDP formulation process is required to be a transparent and inclusive one and the content of the IDP must be representative of the needs and aspirations of all interest groups in the ward.
- An IDP representative forum is one of the vehicles utilised to promote inclusivity and transparency during the IDP process.
- This forum should be inclusive of all stakeholders in the ward and should serve as a platform for stakeholders to advance and defend the inclusion of their interests in the IDP.

Community Involvement in Municipal Processes

- In addition to establishing structures and forums public participation, municipalities are expected to create other platforms for broad community engagement
- This may not be through structures but rather adhoc and spontaneous invitations to ordinary members to contribute in municipal decision making regarding various municipal processes.
- In this regard, municipalities may publish proposed decisions on various issues through mediums such as websites, newspapers etc and invite members of the public to offer their inputs.

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Feedback to communities

- Various methods were supposed to be done through Ward Public meetings conducted by the Ward Committees in providing feedback to communities on the activities of the municipal council and municipalities in general.
- COVID 19 regulations and protocol prevented Ward Committees from holding public and feedback meetings
- Mayoral and Ward Councillor Reports can also be used. Municipalities can also use community radio stations to provide information to the community on a regular basis, and in a specified time slot.
- A municipality can also place suggestion boxes at frequently used customer care centres for community feedback.

Mechanisms for Promoting Participation by Marginalized and Vulnerable Groups

- Situational circumstances that marginalized and vulnerable groups find themselves in tend to be an inhibition to their participation in municipal processes.
- This category of society is mainly comprised of individuals living with disabilities, and people who cannot easily defend their interest in society because of age, gender and socio-economic circumstances they are in.
- Municipalities need to design mechanisms that facilitate the inclusion of these groups in municipal decision-making processes.
- A person's literacy levels have a potential to determine the ability and depth of their participation in municipal processes. Illiterate people are likely to participate less in municipal process especially if the mechanisms used by the municipality to promote public participation require levels of literacy such as reading and writing.

Their literate counterpart would thrive in those circumstances. Yet the correlation between illiteracy levels and low-income capabilities imply high dependence on municipal services. As a result, it is important that participatory mechanisms be tailored to increase accessibility to municipal decision making and service delivery by illiterate people.

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COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is a set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate Governance also includes the relationship among the many stakeholders involved and the goals for the institution is governed and is also governed by King II & III Code of Practice applicable to local government sphere.

2.6 RISK MANAGEMENT

Risk Management Governance

The Dr. Ruth S. Mompoti District Municipality Risk Management Unit Shared Services has adopted the Risk Management Manual 2020/2021, which is applicable for all the Local Municipalities within Dr Ruth S. Mompoti District Municipality. The said manual is in line with the Public Sector Risk Management Framework as its risk management standard. The Risk Management Manual, 2020/2021 which consist of the Framework, Policy, Strategy & Risk Management Committee Charter. This Manual forms the uniformed standard to be used in all Municipalities within the District.

The Dr. Ruth S. Mompoti District Municipality Risk Management Unit Shared Services has adopted the Fraud and Anti- Corruption Manual 2020/2021 which is applicable for all the Local Municipalities within Dr Ruth S. Mompoti District Municipality. This manual consist of the Fraud Prevention Policy, Anti-Corruption Policy, Anti- Corruption Strategy, Whistle Blowing Policy, Ethics Management Policy and the Risk Management Committee Charter. This Manual forms the uniformed standard to be used in all Municipalities within the District.

The Dr. Ruth S. Mompoti District Municipality's Risk Management Unit renders support for Risk Management in terms of Section 88 of the Municipal Systems Act, 32 of 2000 to all Municipalities within the District jurisdiction, as a Shared Service.

The Dr. Ruth S. Mompoti District Risk Management Unit facilitates and co-ordinate with the Management of the Naledi Local Municipality to review the risk register annually and update this risk registers quarterly and develops a risk management strategy to direct the institution's risk management priorities. The Risk Registers are aligned to the Top Institutional Risks and each Department's Operational Risks with reference to their respective Key Performance Targets.

Line management are responsible for identifying, evaluating and managing both risks and opportunities in their responsibility areas, with technical and operational support provided by the Dr. Ruth S. Mompoti District Municipality's Risk Management Unit Shared Services.

The Dr. Ruth S. Mompoti District Municipality's Risk Management Unit Shared Services also maintains the consolidated institutional risk register and reports thereon. The District Risk Management Committee was launched in August 2015 and commenced in 2019/2020 with a Risk Management Committee for each Municipality within the District Demarcation. The Risk Management Committee provides governance oversight over the entire system of risk management and furnishes the Audit and Performance Committee, the Accounting Officer and Council with reports of its findings and recommendations. The Risk Management Committee provides independent oversight over the system of risk management.

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Risk Management, Fraud and Anti-Corruption Committee

Dr. Ruth S. Mompoti District Municipality has established a District Risk Management, Fraud and Anti-Corruption Committee in terms of the Local Government: Municipal Finance Management Act 56 of 2003. The Risk Management, Fraud and Anti-Corruption Committee is guided by the Committee Charter in conjunction with the Public Sector Risk Management Framework from the National Treasury Department and the adopted Risk Management Manual 2020/2021. The committee operates under terms of reference as per adopted Dr. Ruth Segomotsi Mompoti District Risk Management Charter.

The primary objective of the Risk Management, Fraud and Ant-corruption Committee is to assist the Accounting Officer in discharging his accountability for risk management by reviewing the effectiveness of the Municipality risk management systems, practices and procedures, and providing recommendations for improvement.

The Risk Management, Fraud and Anti-Corruption Committee consists of standing members representing each department and/or unit within the Naledi Local Municipality. The Standing members are the following officials:

- Municipal Manager
- Section 56/57 Managers
- Performance Management System Manager
- Integrated Management Planning Manager
- Legal Manager / advisor
- ICT Manager / Technician
- Political Office Officials (Manager in the Office of the Mayor and/or Speaker; and the
- Risk Management Unit's Officials.

The Committee is chaired by an appointed external professional expert who also represents the Risk Management Committee at the Audit and Performance Committee. The Risk Management, Fraud and Ant-corruption Committee meet on a quarterly basis and the members, as a collective, shall possess the blend of skills, expertise and knowledge of the Municipality, including familiarity with the concepts, principles and practice of risk management, such that they can contribute meaningfully to the advancement of risk management within the Municipality.

Risk management process

During the period under review, Naledi Local Municipality compiled an assessment register on the Top Institutional Risks, before end of May 2020.

The Risk Assessment based on each Department and/or Unit were facilitated and co-ordinated before end June 2020. The first update of the Risk Registers was conducted before the end September 2020. The second update of the Risk Registers was conducted before end of December 2020 and the third updated Risk Registers were conducted before end of March 2021.

Both internal and external conditions that may impede the achievement of the goals expressed in the strategic plans were identified and evaluated. Based on the risk registers

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the Dr. Ruth Segomotsi Mompoti District Municipality's Risk Management Unit Shared Services compiled the Naledi Local Municipality Risk Management Report containing a strategy to manage the factors, which absent a deliberate and conscious strategy to manage them, could increase the institution's risk profile.

The Dr. Ruth Segomotsi Mompoti District Municipality internal audit plan for the Municipality included audits designed to test the adequacy, effectiveness and economy of the internal control systems to counteract the effects of the significant risk factors.

Risk Management Objectives

The following risk index is used during the risk assessments when assessing inherent risk:

It is important to note that the results of the risk assessment process represent the participants' interpretation and perception of the nature and quantum of the risks impacting the organisation. The quality of the results therefore depends on the knowledge, experience and quality of input of the participant. In conclusion the participants involved are the Risk Owners and not the Risk Management Unit.

Risk index	Risk magnitude	Acceptability	Proposed actions
20 – 25	Maximum risk	Unacceptable	Take action to reduce risk with highest priority, accounting officer and executive authority attention.
15 – 19	High risk	Unacceptable	
10 – 14	Medium risk	Unacceptable	Take action to reduce risk, inform senior management.
5 – 9	Low risk	Acceptable	No risk reduction - control, monitor, inform management.
1-4	Minimum risk	Acceptable	No risk reduction - control, monitor, inform management.

Impact on institutional performance

During the period under review, Naledi Local Municipality in co-ordination with the Risk Management, Fraud and Anti-corruption Committee and Risk Management Unit Shared Services assessed the effectiveness of its system of risk management.

The areas requiring improvement are receiving the required attention. The Dr. Ruth S. Mompoti District Municipality risk management efforts are contributing positively to the Naledi Local Municipality's performance. On a residual basis, meaning that after mitigating actions were taken, the Municipality risk profile based on the Top institutional risks are as follows:

Departmental Risk: 2020/2021

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Area	Inherent	Status	Residual	Status
Top Ten Institutional Strategic Risk	21.64	Maximum	19.66	Maximum
Office of the MM	21.5	Maximum	16.6	Maximum
Budget and Treasury Office	24.00	Maximum	20.5	Maximum
Corporate Services	20.86	Maximum	15.79	Maximum
Community Services	25.00	Maximum	23.00	Maximum
Technical Services	21.67	Maximum	18.83	Maximum
ICT	22.66	Maximum	18.66	Maximum
MSCOA	24.23	Maximum	20.67	Maximum

Top Institutional Strategic Risks: 2020/2021

Area	Inherent	Status	Residual	Status
Inadequate water supply.	25	Maximum	23	Maximum
Creditors / invoices not paid within 30 days as per legislation.	25	Maximum	20	Maximum
Non-compliance: Waste management.	20	Maximum	18	Maximum
Non-payment of 3 rd parties (pension fund, medical aid; etc.).	25	Maximum	23	Maximum
Inadequate revenue collection.	20	Maximum	18	Maximum
Vacancy of Section 56/57 Manager and other key positions. (Lack accountability)	25	Maximum	20	Maximum
Eskom debt: Adherence to the payment agreement (Possible electricity cut off by Eskom).	25	Maximum	23	Maximum
Increase in litigation costs	25	Maximum	20	Maximum
Ineffective performance management system: Inadequate POE and late reporting.	25	Maximum	20	Maximum
Poor planning in terms of prioritising projects for the IDP (5 year plan).	20	Maximum	18	Maximum
Ageing Infrastructure	20	Maximum	18	Maximum
Late submission of the Annual Financial Statement (AFS) to applicable governance structures.	25	Maximum	20	Maximum
No proper IT systems or communication	25	Maximum	20	Maximum
Theft and vandalism of municipal properties.	25	Maximum	20	Maximum

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2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The SCM policy was adopted in May 2019 during the budget process. The Acting Accounting officer appointed SCM Bid committees (Specification, Evaluations and Adjudication) in compliance with the legislative requirements. The competitive bidding process for procurement of goods and services is promoted through advertisement in local newspaper and public notices.

The other internal control mechanism such as request for formal written price quotations which will appear on the municipal offices notice boards for period of seven days.

The procurement plans as per user departments are not adequately prepared that affect the process of effective SCM. Capacity in SCM unit and other BTO units contribute to effective operations.

T 2.8.1

2.10 WEBSITES

As per MFMA section 75, the website requirements were not met and therefor none functional. SCM processes could not take place due to a limited budget for the website, during the financial year 2020/21.

However the website was propriety budgeted for, for the 2021/22 financial year. All systems and budget are in place for the following year.

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Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	No	
All current budget-related policies	No	
The previous annual report (Year -1)	No	
The annual report (Year 0) published/to be published	No	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	No	
All service delivery agreements (Year 0)	No	
All long-term borrowing contracts (Year 0)	No	
All supply chain management contracts above a prescribed value (give value) for Year 0	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in Year 0	No	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	No	
<p><i>Note: MFMA s75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i></p>		

T 2.10.1

Chapter 3

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

For the period reviewed, the municipality has not engaged in the Public Satisfaction survey to extent that feedback can be incorporated in the corporate image of the organization. However; the municipality has complaints and complements box where community members can submit their comments about the standard of service delivery.

Satisfaction Surveys Undertaken during: 2019-20				
Subject matter of survey	Survey method	Survey date	No. of people included in survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:	n/a	n/a	0	0%
(a) Municipality	n/a	n/a	0	0%
(b) Municipal Service Delivery	n/a	n/a	0	0%
(c) Mayor	n/a	n/a	0	0%
Satisfaction with:	n/a	n/a	0	0%
(a) Refuse Collection	n/a	n/a	0	0%
(b) Road Maintenance	n/a	n/a	0	0%
(c) Electricity Supply	n/a	n/a	0	0%
(d) Water Supply	n/a	n/a	0	0%
(e) Information supplied by municipality to the public	n/a	n/a	0	0%
(f) Opportunities for consultation on municipal affairs	n/a	n/a	0	0%
* The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory				T 2.11.2

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CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

Naledi Local Municipality is appointed as the Water Services Provider by the Dr. RS Mompoti District Municipality who is the Water Services Authority.

The task to be performed by the Naledi Local Municipality is to maintain the water network and associated installations on behalf of the District Municipality. All water assets belong to the District Municipality. The District Municipality is responsible for the supply of bulk water that is in turn distributed by the Naledi Local Municipality.

Vryburg, Kismet Park and Colridge are being supplied with water derived from a total of 20 boreholes. Demand during summer months outstrips supply by approximately 22.5%. Estimates made and measurements taken on the level control at the reservoir (may be out by 10% either way) shows that when all pumps are running, 7 200 000 liters of water is pumped from the boreholes each day. Usage (taking into consideration the drop in level by up to 9% per day) amounts to approximately 8 820 000 liters per day. The fact of the matter is that there is an under supply of 1 620 000 liters per day, just to break even. To break it even smaller, there is a need for an additional 19 liters per second to the main reservoir to supply (breakeven) in the need of Vryburg, Colridge and Kismet Park.

Huhudi is supplied with water from the Pudimoe purification plant. The plant has a capacity of purifying in excess of 7 500 000 liters of water per day. To ensure that Huhudi will have a constant supply of water 24 hours per day, a minimum of 5 500 000 liters of water is needed per day.

The water storage capacity in the different reservoirs amount to 18MI in Vryburg, 10MI at extension 25 and 4.5MI at Huhudi. Total capacity is 32.5MI.

Stella and Rekgaratlile consist of 460 formal and 680 informal households in Rekgaratlile, while Stella consists of 600 units. A new housing project for 1 000 housing units in Rekgaratlile is under way. Water is supplied from a network of boreholes, consisting of 9 boreholes currently in operation. Water is first pumped into a reservoir situated on the farm Middelkop (450KI) situated 14 km outside Stella. From Middelkop water is pumped via a pipeline to Stella reservoir (450 KI). According to information, more than 20 boreholes situated in and around Stella are not in use. These boreholes need to be tested and if a borehole proves to be productive enough, should be introduced into the system. An existing concrete reservoir (150KL) was decommissioned for reasons unknown. No leaks or major defects can be detected. This reservoir can easily be re-introduced into the network to act as backup

Chapter 3

for the other reservoirs. A project to equip all boreholes with a communication system that will allow for the boreholes to be operated from Vryburg has been completed.

Devondale consists of 300 households and is supplied by one borehole into a reservoir of 27KI. A second borehole was recently equipped to act as a standby. A pump operator sees to it that the pumps are started when necessary and to report any problems experienced. Devondale residents are supplied with water via standpipes. An additional 15 standpipes need to be provided in the new extension.

Dithakwaneng is supplied from one borehole and one reservoir (350 KI). A backup pump exists but need to be connected to the network. Dithakwaneng is now supplied with 600 new standpipes in the yards of residents which mean that the demand will increase significantly. Additional boreholes and meters for demand management should be supplied.

Geduldspan consists of approximately 250 households and is supplied from two boreholes.

Broedersput water delivery is from two boreholes. Only about half of the village is reticulated with water pipes and standpipes. Storage is adequate to provide in sustainable water supply to the community. Broedersput currently consists of 381 households. The standard is 200 liters of water per household per day. This means that at least 76 000 liters of water need to be produced per day. On top of this, the standard is that enough water should be stored to last for a period not less than 72 hours.

Employees: Water Services					
Job Level	2019/20		2020 - 2021		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	7	7	7	0	0%
7 - 9	2	3	2	1	33%
10 - 12	0	0	0	0	0%
13 - 15	32	31	31	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	42	42	41	1	

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
**Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*
 T3.1.7

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

Naledi Local Municipality is appointed as the Water Services Provider by the Dr. RS Mompoti District Municipality who is the Water Services Authority.

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Sanitation services are still a challenge as only Vryburg, Huhudi, Kismet, Rekgaratlile and Colridge are equipped with a water borne sewer system. Stella is equipped with conservancy tanks that need to be emptied by means of a cesspool truck. All the villages are partially serviced by VIP toilets.

To ensure that the work flow can be better controlled, the unit is subdivided into three sections namely distribution, cesspool services and bulk.

Distribution Unit

VRYBURG, HUHUDI, KISMET, REKGARATLILE AND COLRIDGE

The distribution unit is responsible for the connection of new sewer applications from customers and to maintain the existing sewer reticulation network. The work ranges from building of new man-holes, laying of pipes and assuring that sewage ultimately reaches the waste water treatment plant. In the instances where blockages occur, the maintenance teams rod the lines with steel rods to remove blockages and ensure that the lines are flowing.

Cesspool services

Whole of Naledi

As part of the distribution unit's responsibilities, cesspool services are rendered where residents make use of VIP toilets or conservancy tanks. The Municipality render a service to the whole of Stella, Devondale, Dithakwaneng, all smallholdings, Armoedsvlakte and assist from time to time with full manholes where a blockage has occurred.

Devondale is partly serviced by VIP toilets. As a result of a continuous influx of people there are always shortages of toilet facilities.

Geduldspan was recently serviced with VIP toilets.

Dithakwaneng was recently serviced with VIP toilets.

Broedersput received new VIP toilets as part of the VTSD program.

Old and inadequate infrastructure in Vryburg, Colridge, Huhudi and Kismet plays a major role in causing blockages. Main feeder lines were investigated to determine whether it is still suitable to handle the increased loads caused by the expansion of the town.

NEP consulting engineers has been appointed by the district municipality to draft a master plan of the network.

Bulk Unit

The Waste Water Treatment Plant in Vryburg services Huhudi, Vryburg, Kismet and Colridge and is operated 24 hours a day hence there are three (3) shifts. Treatment of sewage is essential to ensure that the receiving water from which the effluent is ultimately discharged is not significantly polluted. The plant is an activated sludge type of plant and classified as a Class C plant with a capacity of 6.5 Ml. As a result of the classification of the plant, every shift leader should have a qualification of no less than a class 3 operator. The plant manager should be classified as a class 5 operator. The plant consists of the following processes: Inlet and grit removal, Inlet and primary treatment. From here, secondary treatment and withdrawal of sludge up to final treatment and release is achieved. The success of the plant depends on a critical balance between the levels of oxygen dosed to the raw

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sewerage to keep the microbes healthy. This is balanced against the inflow of raw sewage and the successful activation of the sludge to ensure that harmful bacteria are destroyed. This is achieved by repeatedly moving sludge from the settling tank to the clarifier and through the process of aeration again. Once the desired result is achieved, the sludge is pumped out to sludge drying beds from where the dry sludge is disposed of. The water from the clarifier is drawn to what is called a contact channel where the water is chlorinated with chlorine gas before being released into the water stream.

The industrial pump station has been refurbished while remedial work is on-going at the inlet works of the pump station. It seems that as a result of a flood some years ago, the inlet works and most of the pump station was covered with silt rendering the pump station useless.

Stella/Rekgaratle is having a non-functional unlicensed oxidation pond. The pond need urgent upgrading and should be licenced as soon as possible. A preliminary report was drafted by NEP consulting engineers on behalf of the District Municipality for the upgrading/refurbishment of the said ponds.

Challenges at Sewer Treatment Plant and corrective measures

The new WWTP is partially constructed but work has been stopped following a shortage of capital.

Employees: Sanitation Services					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	0	0%
7 - 9	4	4	4	0	0%
10 - 12	5	5	5	0	0%
13 - 15	19	19	19	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	29	29	29	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 3.2.7

Employees: PMU					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%

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0 - 3	1	1	1	0	0%
4 - 6	1	1	1	0	0%
7 - 9	1	2	1	1	50%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	3	4	3	1	25%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 3.10.4

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Employees: TOWN PLANNING					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	0	1	1	0	0%
7 - 9	0	1	1	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	3	3	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.* T 3.10.4

Employees: Planning Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	1	0	0%
4 - 6	1	2	1	0	0%
7 - 9	1	3	1	1	33%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	3	7	6	1	14%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.* T 3.10.4

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3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

This municipality has installed prepaid meters in the most affluent areas of the town. However, proper monitoring needs to be put in place to measure and ensure up to date records of consumption to the consumers. Eskom shedding has impacted negatively to households and disrupted lives, and this municipality does not have much control on how Eskom does its routine load shedding, maintenance and operations.

The INEP grant does support this municipality to execute its service delivery mandate. The indigent household are receiving their free basic electricity (100 kWh) as mandated by national government. Through the INEP grant received the municipality managed to electrify informal settlement structures that are in the areas where electricity services are available. All the structures that are electrified received free basic electricity (100 kWh).

Electricity Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Households Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Energy: (above minimum level)</u>				
Electricity (at least min.service level)	0	200	1200	21
Electricity - prepaid (min.service level)	0	0	0	0
<i>Minimum Service Level and Above sub-total</i>	0	200	1200	21
<i>Minimum Service Level and Above Percentage</i>	#DIV/0!	50,0%	50,0%	5,0%
<u>Energy: (below minimum level)</u>				
Electricity (< min.service level)	0	200	1200	400
Electricity - prepaid (< min. service level)	0	0	0	0
Other energy sources	0	0	0	0
<i>Below Minimum Service Level sub-total</i>	0	200	1200	400
<i>Below Minimum Service Level Percentage</i>	#DIV/0!	50,0%	50,0%	95,0%
Total number of households	-	0	2	0
T 3.3.3				

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Households - Electricity Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households			–	104 769	0	104 769
Households below minimum service level			–	–		–
Proportion of households below minimum service level	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Informal Settlements						
Total households	100 000	100 000	100 000	6 494	–	6 494
Households below minimum service level	25 000	25 000	25 000	6 494	–	6 494
Proportion of households below minimum service level	25%	25%	25%	100%	#DIV/0!	100%
T 3.3.4						

Employees: Electricity Services					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	2	2	2	0	0%
7 - 9	5	3	3	0	0%
10 - 12	5	5	5	0	0%
13 - 15	12	11	11	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	25	22	22	0	0%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.3.6

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Electricity Service Policy Objectives Taken From IDP						
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2013-2014		2020-21		
		Target	Actual	Target		Actual
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)
Service Objective xxx						
Reduce unaccounted for electricity consumption. (Increase revenue)	Completion of Electricity meters replacement project				NONE	No meters were replaced
To provide community lighting in various wards	Number of high mast lights installed				NONE	No Highmast lights were installed
Reduce unaccounted for electricity consumption. (Increase revenue)	Number of reports on maintenance of electricity supply network Source funding				4 reports on maintenance of electricity supply network Source funding	Received R1 020 000,00 from DoE for Electricity bulk infrastructure

*Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; **Current Year' refers to the targets set in the Year 0 Budget/IDP round. *Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.*

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R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	139089	155071	155071	156325	1%
Expenditure:					
Employees	7029	7631	7631	8406	9%
Repairs and Maintenance	903	2608	1608	1312	-99%
Other	118420	133995	133995	106764	-26%
Total Operational Expenditure	126352	144234	143234	116482	-24%
Net Operational Expenditure	-12737	-10837	-11837	-39843	73%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.3.7

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

1.6.1.1. Refuse Removal

To redress past imbalances in the provision of waste collection services, It is imperative that acceptable, affordable and sustainable waste collection services improves the quality of life for the entire community and ensure a clean and more acceptable place to live and work. The lack or poor quality of waste collection services can however result in several environmental and poor human health problems.

As part of the National Waste Legislation, policies and guidelines, Waste Management Section has the responsibility to implement the mechanisms for the waste management services which includes collection, storage, and disposal. The Municipality is also required to facilitate recycling and manage Waste Information System appropriately. The section is expected to report on number of households provided with basic refuse removal service, with a baseline of 14588 households once a week, number of businesses provided with basic refuse removal, with a baseline of 914 businesses three (03) times a week, number of industrial businesses provided with basic refuse removal with a baseline of 362 once a week. Number of households provided with free basic refuse removal, with a baseline of 707 once a week.

Throughout the financial year under review the waste management service was delivered as per the schedule, where services could be rendered due to the breakdown of vehicles, backlogs were attended to redress.

Achievements:

1. Integrated Waste Management Plan (IWMP) was approved by Council in September 2020, and the plan was submitted to Department of Economic Development Conservation and Tourism (DEDECT) and COGTA for inputs and comments.

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2. Business Plan amounting to R17 851 110.40 for the procurement of the specialized vehicles for waste management services was approved by DEDECT and COGTA, the business plan will be implemented in phases from the 2022/23 financial year
3. As per the requirement of National Environmental Management Waste Act (NEWMA) the municipalities are required to report quarterly on South African Waste Information System (SAWIS), the municipality updated the system throughout the financial year and the reports were audited and approved by the Department Forestry, Fisheries & Environment
4. Thirty two (32) Waste Pickers are reclaiming recyclable material at the landfill site were registered in the National Waste Pickers Database, these pickers received once of COVID-19 relief stipend amounting R980.00 and PPE
5. The Waste Pickers were trained on material recycling methods and formation of consortiums and available support that can be sourced from Department Forestry, Fisheries & Environment and other stakeholders
6. For supervision and monitoring of the services there are job cards mainly being used to confirm the extent of service rendered, the job cards are also a measuring tool to ensure that services are rendered as per the set targets and schedules.
 - Department of Corporative Governance and Traditional Affairs (COGTA) supported the municipality with assignment of seven (7) EPWP for litter picking in CBD for a year.
 - Ten (10) school awareness campaigns were conducted on waste managment and environmental protection.
 - Eighteen (18) clean up campaigns were conducted throughout the municipality with the Department of Public Works supporting the municipality with their trucks
 - Two (2) out-reach programmes on littering, available career path on environmental field were conducted in Stella and Vryburg Taxi Rank
 - Three hundred and thirty five (335) households were educated around the dangerous of illegal dumping.
 - Sixty five (65) hawkers were educated on the importance of cleanliness around their working space and the appropriate period to take out their refuse.
 - Illegal dumping By-laws were promulgated and endorsed with charge sheet by the local Magistrate and enforcements
 - Turn Around Strategy for the management of the landfill site was developed and it is currently implemented in phases

The following constitute key challenges in respect of waste management

1. Collection

- Areas such as Devondale, Dithakwaneng, Geduldspan and Broedersput are also not serviced, and therefore there no proper waste management.

2. Waste Disposal Infrastructure

Vryburg Landfill Site - The site management and operations are not in line with regulations. There is non-compliance to license conditions and requirements for waste disposal by landfill. There is vandalism and theft on the site and health and safety concerns due to improper disposal. However, the municipality is currently in the process of repairing the site so that it can be properly operational and compliant

3. Stella Landfill site

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There is non-compliance on the site and the site is not licensed, there is a project registration for the Stella Landfill site with the project value of R 2.4 million for the establishment and registration of this landfill site for 2022/23 financial year through MIG funding

4.Huhudi Waste Transfer Station

The site is operation, the fence and gate is damaged and in need for repairs and maintenance, this site is used mainly for disposal of garden and building waste disposal.

5. Illegal Dumping
6. Insufficient number of household refuse bins
7. Insufficient number of Transfer Stations

Solid Waste Service Delivery Levels				
Description	Households			
	Year -3 Actual No.	Year -2 Actual No.	Year -1 Actual No.	Year 0 Actual No.
<u>Solid Waste Removal: (Minimum level)</u>				2020/21
Removed at least once a week				14588
<i>Minimum Service Level and Above sub-total</i>				14588
<i>Minimum Service Level and Above percentage</i>				
<u>Solid Waste Removal: (Below minimum level)</u>				
Removed less frequently than once a week	-	-	-	-
Using communal refuse dump	-	-	-	-
Using own refuse dump	-	-	-	-
Other rubbish disposal	-	-	-	-
No rubbish disposal	-	-	-	-
<i>Below Minimum Service Level sub-total</i>				
<i>Below Minimum Service Level percentage</i>				
Total number of households				

Employees: Solid Waste Management Services					
Job Level	2019/20	2020 - 2021			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	0	2	1	1	50%

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4 - 6	3	3	3	0	0%
7 - 9	6	6	6	0	0%
10 - 12	3	3	3	0	0%
13 - 15	50	49	49	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	62	63	62	1	

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.4.5

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Financial Performance Year 0: Solid Waste Management Services					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	28108	29173	29173	31906	9%
Expenditure:					
Employees	14739	16527	16527	20070	18%
Repairs and Maintenance	360	695	695	196	-255%
Other	1707	2795	2792	849	-229%
Total Operational Expenditure	16806	20017	20014	21115	5%
Net Operational Expenditure	-11302	-9156	-9159	-10791	15%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.4.7

Chapter 3

3.5 HOUSING AND HUMAN SETTLEMENT

INTRODUCTION TO HOUSING

Housing is a functional area of concurrent function of National and Provincial competency, the Department of Human Settlement both National and Provincial have the mandated to ensure effective management of beneficiary management, subsidy claim and also for provision of habitable and sustainable human settlement and upgrading of informal settlement

The municipality is responsible for coordination and monitoring of the housing provision between the community and the Provincial Department thus in line with existing beneficiary management system.

The municipality managed to have the beneficiary management system in place that is continuously updated. The following is the number of potential beneficiaries in demand / waiting list per wards in all Naledi Local Municipality for the 2020/21 financial year.

Beneficiary Management Register provides guidelines to be followed in identifying potential beneficiaries, breakdown of cohabiting relationship and deal with duplicate dependants and to register rightful heirs upon the death of beneficiaries and also in the tracing and deregistering of missing or untraceable beneficiaries.

Below table illustrate the beneficiary management (waiting list) as per Wards within the municipality:

Ward No.	Number of People
1 Stella	0 – (1 224 sites were allocated to the beneficiaries)
2	420
3	580
4	1 226
5	570
6	911
7	311
8	1 668
9	1 035
10	1 036
Total	7 757

The following housing projects are currently were commissioned in the 2020/21 financial year:

Provision of Low-Cost Housing

- In 2020/21 the Provincial Department of Human Settlement appointed three (3) service providers to construct low-cost housing in Naledi Local Municipality on the following areas.
 1. Stella four hundred (400) Low-Cost Houses.
 2. Gedultspan three hundred (300) Low-Cost Houses.
 3. Brodersput three hundred (300) Low Cost Houses.

Chapter 3

PROGRESS ON LOW-COST HOUSING DELIVERY

BROEDERSPUT:

Thirty (30) houses were completed and handed over to the beneficiaries in the 2020/21 financial year

GEDULDSPAN

Twenty (20) houses were completed and handed over to the beneficiaries in the 2020/21 financial year

CHALLENGES

- Delays in payment of the Contractors by the Department which results in Contractors abandoning the site, the heavy rains and weather conditions
- The processes of the Department Of Human Settlement for allocating housing projects takes long and the community members in waiting list are agitated with the process.
- Beneficiaries that are reselling their RDP houses and moving to the informal settlement

Employees: Housing Services					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	2	2	0	0%
4 - 6	2	3	3	0	0%
7 - 9	2	3	3	0	0%
10 - 12	0	4	4	0	0%
13 - 15	0	34	34	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	5	46	46	0	0%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.5.4

Chapter 3

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES

Section 27 of the South African Constitution provides that: "Everyone has the right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance. The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights". In terms of Schedules 4 and 5 of the Constitution, the municipality is enjoined to provide services, which may be delegated by National and Provincial Government.

Based on the definition of indigent, and the extent to which this translates to local government, as described in Section 3.1, local government is responsible for indigents with respect to the following essential household services:

- Water supply.
- Sanitation.
- Refuse removal.
- Basic energy.
- Assisting in the housing process.

For each of these services there are a range of service levels which can be provided with the following categories typically being applied:

- Basic service level: which is required in order to maintain basic health and safety.
- Intermediate service level.
- Full service level; the highest level of service that is traditionally applied in South African municipalities.

From the point of view of a municipal indigent policy, where the aim is to provide essential services free to the indigent, the basic service level is of primary importance. Therefore, it is imperative that the municipality strives to support poor households through funding from the national fiscus, i.e. Equitable Share of Free Basic Services.

This is meant for households earning the total household income of less than R1100 per month, that translate into equal maximum old age grant, are eligible to apply for indigent support.

The annual target of registering 12000 households from all our wards around Naledi we managed reclassify the old register from previous financial years to ensure that all completed applications are captured.

Ward 1	TOTAL= 506	
Stella : 472	Approved and processed: 318	not yet captured :154
Gedulspan:34	Not approved:17	

Ward 2	TOTAL= 1147	
COLRIDGE : 189	Approved and processed:709	not yet captured :438
BROEDESPUIT: 332		
DEVONDALE: 188	Not approved:27	

Ward 3	TOTAL= 562	
COLRIDGE: 528	Approved and processed: 528	not yet captured :34
	Not approved:	

Ward 4	TOTAL= 323	
HUHUDI:302	Approved and processed: 302	not yet captured :21

Chapter 3

Ward 5	TOTAL= 247	
DITHAKWANENG:247	Approved and processed: 247	not yet captured :N/A
	Not approved: N/A	
Ward 6	TOTAL= 210	
HUHUDI:210	Approved and processed: 174	not yet captured :36
Ward 7	TOTAL= 155	
VRYBURG:148	Approved and processed: 148	not yet captured :7
COLOUR BLOCKING :7	Not approved:17	
Ward 8	TOTAL= 95	
HUHUDI: 95	Approved and processed: 92	not yet captured :3
Ward 9	TOTAL= 48	
HUHUDI:48	Approved and processed: 40	not yet captured :8
Ward 10	TOTAL= 111	
HUHUDI: 111	Approved and processed: 60	not yet captured :51
VRYBRUG:0	Not approved:17	

Note: All applications that are not yet captured and not processed is because are having outstanding documents.

The following Challenges were noted during the blitz to register the indigents and update the register

We have rural residential houses Dithakwaneng, Devondale, Geduildspan, Broederspuit and Kameelboom.

We have still households in extension 25 and 28 that have not yet been registered.

Ward committees don't encourage or play role to ensure community participate during registration and assist pensioners and child headed family's beneficiaries.

The mushrooming informal settlement sections like Monoto (Colridge), Monoto (Huhudi) and also Phola Park

Financial Performance Year 0: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	Year -1	Year 0			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	574 726,50	4 282 982,00	4 282 982,00	800 010,20	-435%
Waste Water (Sanitation)	2 708 500,38	3 163 876,00	3 163 876,00	4 295 876,06	26%
Electricity	66 113,86	3 993 333,00	3 993 333,00	85 883,17	-4550%
Waste Management (Solid Waste)	2 902 353,02	2 970 240,00	2 970 240,00	4 424 270,46	33%
Total	6 251 693,76	14 410 431,00	14 410 431,00	9 606 039,89	-50%
					T 3.6.4

Chapter 3

COMPONENT B: ROAD TRANSPORT

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

3.7 ROADS

This section is tasked with ensuring good roads conditions and storm water drainage for safe traveling of motorist and pedestrians within Naledi local Municipality. The Roads section is relying on contract workers to assist with the maintenance of the roads and the storm water channels. We assisted by Afri-Forum, Vryburg unite and publics works with roads patching material .

Construction equipment, material and transport are still the major challenge; there is no maintenance of gravel roads.

Gravel Road Infrastructure					Kilometres
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to paving	Gravel roads graded/maintained	
Year -2	17643.22	0	0	100	
Year -1	17643.22	2	2	120	
Year 0	17643.22	3	2	140	
					T 3.7.2

Tarred Road Infrastructure						Kilometres
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained	
Year -2	85	10	23	18	100	
Year -1	98	14	25	15	120	
Year 0	114	20	30	25	140	
						T 3.7.3

Cost of Construction/Maintenance							R' 000
	Gravel			Tar			
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained	
Year -2	450000	1700000	250000	1950000	1050000	400000	
Year -1	475000	1800000	260000	2020000	1220000	500000	
Year 0	490000	1900000	280000	2300000	1300000	550000	
							T 3.7.4

Chapter 3

Employees: Road Services					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	2	2	2	0	0%
7 - 9	6	6	6	0	0%
10 - 12	7	6	6	0	0%
13 - 15	67	68	68	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	83	83	83	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.7.7

COMMENTS ON THE PERFORMANCE OF ROADS AND STORM-WATER DRAINAGE OVERALL

The state of roads in the municipality is not good, most of the roads have aged and deteriorates faster, and due to rainy season roads easily get damaged and lots of potholes emerge. This section does not have adequate resources and needs to supported financially to ensure that it performs optimally. The municipality needs to focus on providing adequate maintenance and rehabilitation budget for existing roads and capital budget to upgrade the gravel roads to paving. There is a stronger need to increase the capital budget of the assets to make them useful for 10-20 life cycle.

Financial Performance Year 0: Road Services					
Details	R'000				
	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	14430852	12259921	12259921	-7154793	271%
Repairs and Maintenance	81779	2737770	1412770	144097	-1800%
Other	22006166	23597681	23397681	31955635	26%
Total Operational Expenditure	36518798	38595372	37070372	24944940	-55%
Net Operational Expenditure	36518798	38595372	37070372	24944940	-55%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.7.8

Chapter 3

3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

OVERVIEW

Licensing and Registration Service is a division within the Community Services and Human Settlement Department. The primary function is to provide Registration and Licensing Services of motor vehicles within the areas of Naledi Local Municipality.

PERFORMANCE

- Vehicles registered 2020/21 (2992)
- Police clearance required (1)
- Vehicles licensed 2020/21 (50267)
- PLN, SLN, MTN, numbers 2020/21(60)
- Duplicate Registration Certificates 2020/21 (105)
- Special and Temp permits 2020/21 (45)

REVENUE

- Vehicle registered 2020/21 : R 352 476.00
- Police clearance required 2020/21 : R 210.00
- Vehicles licensed 2020/21 : R 21 381 853.35
- PLN,SLN,MTN numbers 2020/21 : R 16 794.00
- Duplicate Registration Certificates 2020/21 : R23 214.00
- Special and Temp permits 2020/21 : R 55 136.00

CHALLENGES

- Delays in repairs and maintenance of Computers and Printers by Road Traffic Management Corporation in time.
- Restriction on the number of functions to be performed by the Cashier Clerks and Examiners of Driving Licenses and Motor vehicles daily
- Restriction on Senior Examiners of Driving Licenses and Motor vehicles from performing tests
- Service Level Agreement between Naledi Local Municipality and Department of Community Safety and Transport Management not signed, and therefore the municipality continues to render the service at the financial loss to the municipality

REMEDIAL ACTION

- The agreement must be reached between the municipality and the Department of Community Safety and Transport Management for the transfer of the licensing service to the Department .

TRANSPORT SERVICES

In terms of The National Land Transport Act no 5 of 2009, responsibilities for Transport Services lies with the Local Municipality, however due to capacity constrains the services is still provided for by the Department of Community Safety and Transport Management.

Chapter 3

3.9 WASTE WATER (STORMWATER DRAINAGE)

Storm water management is based on the need to protect the health, welfare and safety of the public, and to protect property from flood hazards by safely routing and discharging storm water from developments; the quest to improve the quality of life of affected communities; the opportunity to conserve water and make it available to the public for beneficial uses; the responsibility to preserve the natural environment; the need to strive for a sustainable environment, while pursuing economic development; and the desire to provide the optimum methods of controlling runoff in such a way that the main beneficiaries pay in accordance with their potential benefits.

Storm water management within an Naledi Local municipality jurisdiction is the responsibility of the Municipality as authority for that area, since the control of storm water is considered a purely local matter. We constructed 912m channel in Extension 25 taxi route. Construction equipment, material provided.

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

3.10 PLANNING

The Municipal Spatial Development Framework is a core component of, and part of the Integrated Development Plan as stipulated in section 26(e) of the Local Government: Municipal Systems Act 32 of 2000 and section 20(2) of the Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA).

The spatial planning system at local sphere of government consists of the following components:

- Spatial development frameworks embodying development principles to guide land development decisions.
- Land use scheme regulating the use of land; and
- Municipal planning bylaw establishing land development decision-making bodies and setting out procedures to adjudicate planning applications.

Section 8 of SPLUMA stipulates that the norms and standards must, but are not limited:

- Promote social inclusion, spatial equity, desirable settlement patterns, rural revitalisation, urban regeneration and sustainable development;
- Ensure that land development and land use management processes, including applications, procedures and timeframes are efficient and effective;
- Include: -
 - (i) A report on and on analysis of existing land use patterns;
 - (ii) A framework for desired land use patterns;
 - (iii) Existing and future land use plans, programmes and projects relative to key sectors of the economy; and

Chapter 3

- (iv) Mechanisms for identifying strategically located vacant or under-utilised land and for providing access to and the use of land.

The Municipality in its 2020–2021 FY Service Delivery and Budget Implementation plan and IDP adopted Strategies that emphasizes Spatial Development and Local Economic Development. As a result, a wall-to-wall land use scheme was adopted and proclaimed as per SPLUMA. It should be mentioned that no achievement could be cited with regards to LED because of the unavailability of the LED Policy and Strategy. Spatial Development Framework of the Municipality is currently under review to bring it in line with SPLUMA. The Municipality has, through implementation of its planning bylaw read with SPLUMA, embarked on formalization of informal settlements in Huhudi and Stella.

Employees: TOWN PLANNING					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	0	1	1	0	0%
7 - 9	0	1	1	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	3	3	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.10.4

Employees: Planning Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	1	0	0%
4 - 6	1	2	1	0	0%
7 - 9	1	3	1	1	33%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	3	7	6	1	14%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.10.4

Chapter 3

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0
Planning application received		0		9		90
Determination made in year of receipt		0		4		50
Determination made in following year		0		4		14
Applications withdrawn		0		0		0
Applications outstanding at year end		0		1		26
						T 3.10.2

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

Local Economic Development is a constitutional mandate bestowed on municipalities. This mandate refers to how municipalities prepare a suitable environment for economic activities. It further encourages community participation on matters that affect them.

Covid-19 imperatives around global economy, had severely affected our local businesses forcing some to close down. Through engagements with sector departments, the municipality managed to provide support to the local SMME's.

Naledi Economic Sectors include Tourism, Hospitality, Agriculture, Retail, Services and others which were affected by the Covid-19 pandemic. Unfortunately many of our SMME's across all those sectors were adversely affected to the extent that they were forced to close.

As it is common throughout the country, Naledi's unemployment rate is very high. As a result, the socio economic ills are becoming rampant.

The Municipality's LED aging policy and strategy were last updated in 2014 and still needs to be reviewed.

Job Creation through EPWP Projects		
Details	Number of EPWP projects	Number of Jobs Created
Year -3	4	66
Year -2	5	68
Year 0	4	70

Employees: Local Economic Development Services					
Job Level	2019/20	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	2	2	0	0%

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4 - 6	2	2	2	0	0%
7 - 9	2	2	2	0	0%
10 - 12	0	0	0	0	0%
13 - 15	9	9	9	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	14	15	15	0	0%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.

**Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 3.11.8

Chapter 3

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

LIBRARIES

Naledi Local Municipality consists of six community libraries that are located at Vryburg, Colridge, Huhudi, Joe Morolong Hospital, Dithakwaneng, Devondale . Only two out of these community libraries are functional,Devondale, Dithakwaneng,Joe Morolong and Colridge libraries are presently not operating due to non compliance to COVID -19 protocols.

Top three service delivery priorities

1. Circulation of library items such as books, CD and DVD
2. Provision of information service to satisfy queries on research, projects and assignments
3. Free internet connection, WI FI and computer usage

Impact on service delivery priorities to public

Library section provides quality information services to members of the community for free. Members of the public, especially those that have applied for membership cards, enjoy privilege of borrowing library books and school project DVD lectures from all community libraries without being charged or requested to pay any amount. Penalties are only imposed to members who return library items late to libraries.The library services ensure that unemployed young people who reside in poverty stricken areas like Dithakwaneng, Devondale access important information on job advertisements, learnership and internship programmes, government information, IDP and more other important documents.

A new Library was constructed in Stella and the municipality has allocated a site to the Department of Culture, Arts and Traditional Affairs for this project, the project is yet to be completed and handed over.

SERVICE STATISTICS FOR LIBRARIES

- The total amount of membership is 2050
- The overall amount of circulated books is 3209
- 195 patrons used our computers to access their emails, research projects, job hunting and for typing purposes. ITC facility is extremely being utilised to the maximum.

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CHALLENGES

- The municipality has not been receiving annual allocation from Department of Culture, Arts and Traditional Affairs in the form of Conditional Grant for sometime.
- The Colridge Library was declared unsafe and therefore closed for the public
- ,Devondale, Dithakwaneng, Joe Morolong and Colridge libraries are presently not operating due to non compliance to COVID -19 protocols.

NATURE RESERVE

LEON TALJAARD NATURE RESERVE AND SWARTFONTEIN RESORT.

Naledi Local Municipality owns the Leon Taljaard Nature Reserve, which is a Proclaimed Protected Area in terms of the National Environmental Management : Protected Areas Act 2003, and Swartfontein Resort on the outskirts of Vryburg. Leon Taljaard Nature Reserve comprises some 2089 Hectares of Ghaap Vaalbosveld and houses various plains game species ranging from Square Lipped Rhino to Steenbok. It includes two of the Big 5 species namely Rhino and Buffalo. The Reserve caters for tourists through self-drive game viewing, guided game drives, guided walking trails and mountain bike trails. Swartfontein Resort lies adjacent the reserve and offers a swimming pool, 10 four bed chalets, 4 two bed chalets and about 24 camping sites as well as a recreation hall.

ROLE OF THE RESERVE AND THE RESORT.

1. The protection and conservation of the biodiversity in the Leon Taljaard Nature Reserve and the protection of the Protected Area status of the reserve.
2. The Reserve and Resort caters for tourists passing through Vryburg by supplying overnight facilities as well as a breakaway for residents of Vryburg over weekends and Public Holidays.
- 3 The Reserve and staff also supply a much needed environmental education and awareness to schools and crèches in the local and outlying communities as far as Taung and Ganyesa.
4. Swartfontein Resort currently acts as a base for the Naledi Working on Fire team .

CHALLENGES

- Genetic Quality of breeding animals – longstanding inbreeding is affecting herds negatively.
- Lack of key attraction species ie. Rhino breeding herd, Girraffe, Hippo and Lion.
- Insufficient numbers or lack of high value species ie.as Rhino, Buffalo, Sable Antelope.
- Insufficient budget for operations and maintainance.
- Non appointment of Protected Area Advisory Committee.
- Insufficient marketing.

REMEDIAL ACTION :

- Find a suitable and effective financial investor / partner with proven resouces and experience management of this area .
- Appoint Protected Area Management Advisory Committee.(Mandatory)

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- Transfer management of all facilities to the private partner on a mutually agreed sustainable contract and within the prescripts of the law.
- Review organogram for section and appoint relevant and suitably qualified personnel in vacancies.
- Review and proclaim By-laws.
- Rebrand Nature Reserve and Swartfontein.
- Appropriate sustainable and sufficient budget.
- Procure and introduce High Value species in Reserve.
- Implement previous sustainable recommendations from reserve management in Swartfontein Resort.
- Deploy security personnel at Swartfontein 24/7.
- Sustainably market, manage and maintain all facilities.

Employees: Libraries;					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	6	6	6	0	0%
10 - 12	2	2	2	0	0%
13 - 15	10	9	9	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	17	17	0	

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.12.4

Employees: Community Facilities;					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	6	6	0	0%
10 - 12	0	2	2	0	0%
13 - 15	1	9	9	0	0%

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16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	17	17	0	

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
 *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.
 T 3.12.4

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	6	12	6	0	0%
10 - 12	2	4	2	0	0%
13 - 15	10	18	9	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	17	34	17	0	

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
 *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.
 T 3.12.4

Employees: Community Facilities;					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	6	6	0	0%
10 - 12	0	2	2	0	0%
13 - 15	1	9	9	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	17	17	0	

Chapter 3

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
 *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.
 T 3.12.4

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	6	12	6	0	0%
10 - 12	2	4	2	0	0%
13 - 15	10	18	9	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	17	34	17	0	

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
 *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.
 T 3.12.4

Financial Performance Year 0: Community Services					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	9861	5529	5529	12798	57%
Repairs and Maintenance					0%
Other	327	308	304	236	-31%
Total Operational Expenditure	10188	5837	5833	13034	55%
Net Operational Expenditure	10188	5837	5833	13034	55%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T 3.11.9

Chapter 3

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	Year -1		Year 0		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	0	0	0	0	0%
7 - 9	7	19	6	13	68%
10 - 12	2	2	2	0	0%
13 - 15	4	12	11	1	8%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	14	34	0	14	

T 3.12.4

3.13 CEMETERIES AND CREMATORIUMS

INTRODUCTION

Naledi Local Municipality is currently having 14 cemeteries in its area of jurisdiction, and eleven of these cemeteries are in used.

The tariffs for the graves:

- **Colridge**
Adults : R504 .00
Children : R259.00
- **Vryburg**
Adults : R880 .00
Children : R 443.00
- **Huhudi**
Adults : R504 .00
Children : R 259.00

Burials for 2020/21 Financial year

- **Vryburg Cemetery**
Adults : 339
Child : 16
Total = 355
- **Colridge Cemetery**
Adults : 78
Child : 6
Total = 84

Chapter 3

- **Huhudi Cemetery**

Adults : 19

Total = 19

Four hundred and fifty eight (458) burials were conducted within the financial year under review

THREE SERVICE DELIVERY PRIORITIES

- Provision of graves for funerals.
- Cleaning and maintaining of all Cemeteries.
- Administration of the erection of tombstones.

CHALLENGES

- 1.Vandalism of the tombstones are being due to the fact that the cemeteries are not fenced.
- 2.Shortage of personnel for digging and maintenance of the cemeteries
- 3.No ablution facilities and store rooms in all Cemeteries except Stella Cemetery.
- 4.No tools and TLB for digging of graves.
- 5.No vehicle for effective monitoring of the employees at Cemeteries.
- 6.The fence was stolen and there is a need for fencing and construction of new ablution facilities and deployment of the security

ACHIEVEMENTS

- The municipality continues to provide graves for funerals on weekly basis
- Provision of free graves to paupers and indigent funerals.

Chapter 3

SERVICE STATISTICS FOR CEMETERIES & CREMATORIUMS

NAME OF CEMETERIES	NO. OF GRAVES SOLD
1. Vryburg Cemetery	Adults : 333 Child : 16
2. Colridge	Adults : 78 Child : 6
3. Huhudi	Adults : 19
Total	458

Employees: Cemeteries and Crematoriums					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	2	2	2	0	0%
10 - 12	0	0	0	0	0%
13 - 15	7	7	7	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	9	9	9	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.13.4*

Chapter 3

Financial Performance Year 0: Cemeteries and Crematoriums						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	300	340	340	411	17%	
Expenditure:						
Employees	1835	3193	3193	2274	-40%	
Repairs and Maintenance		0	0	0	#DIV/0!	
Other	25	339	339	37	-816%	
Total Operational Expenditure	1860	3532	3532	2311	-53%	
Net Operational Expenditure	1560	3192	3192	1900	-68%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.13.5	

3.16 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

INTRODUCTION BIO-DIVERSITY AND LANDSCAPE

Biodiversity includes all ecosystems—managed or unmanaged. Sometimes biodiversity is presumed to be a relevant feature of only unmanaged ecosystems, such as wild lands, nature preserves, open spaces that can be rezoned for recreational parks. While landscape can somehow complement the ecosystem where by a portion of land can be altered to be more attractive with addition of ornamental features, shrubs and trees.

TOP THREE SERVICE PRIORITIES

- To alter natural open space into recreational parks.
- To greenery and maintaining the existing recreational parks
- To plant ornamental plants and edible plants as part of food security

ACHIEVEMENTS

- Three(3) mini parks were developed in corner Segawana and Mokgosi Street near Huhudi Sports Ground
- Continuous maintenance of the Hayes Park.
- Participated in the joint operations for cleaning and clearing of the illegal dumping areas with Waste Section.
 - Cleaning of the hotspots around Joe Morolong Hospital and Traffic Department was done

CHALLENGES

- Insufficient funding for tools and materials for the section due to the cashflow challenges
- Shortage of personnel

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- Lack of tools, pooling vehicle and machinery

MEASURES TO IMPROVE PERFORMANCE

- Sourcing of funds from Department of Environmental Affairs for the development of parks and sport courts in open space.
- Development of Business Plans for funding to resuscitate the Greenhouse.
- Partnership with external stakeholders regarding Environmental programmes

Employees: Nature Reserve					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	0	0%
7 - 9	1	1	1	0	0%
10 - 12	7	7	7	0	0%
13 - 15	11	14	12	2	14%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	23	21	2	

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
 *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.16.4

Employees: parks					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	2	1	1	0	0%
7 - 9	2	1	1	0	0%
10 - 12	5	7	7	0	0%
13 - 15	13	23	12	11	48%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	32	21	11	

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
 *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.16.4

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Employees: Bio-Diversity; Landscape and Other					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	3	2	1	0	0%
7 - 9	3	2	1	0	0%
10 - 12	12	14	7	0	0%
13 - 15	25	37	12	13	35%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	21	55	21	13	

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
 *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.
 T 3.16.4

3.21 TRAFFIC SERVICES

Introduction

Traffic Services is performing its functions as guided by the National Road Safety Strategy which its main objectives being to achieve traffic safety on municipal roads including the functions as defined in the municipality's Integrated Development Plan.

The National Road Safety Strategy provides all year-round road safety initiatives. The department has increased its enforcement strategy in collaboration with stakeholders and affected parties.

The Traffic Division are responsible for the following:

- creation of safe road environment by reducing road accidents and fatalities;
- promotion of safer road traffic environment;
- reduction of road traffic violations;
- ensuring maximum collection of outstanding fines from offenders;
- ensuring traffic information management;
- ensuring road safety education campaigns;
- investigate all road traffic related matters; and
- enforcing of the Road Traffic Act and Municipal By-laws.

3.21 FIRE SERVICES

Chapter 3

Naledi is the only municipality in DRRSMDM that is providing Fire Services from its own revenue, all other municipalities in the District are supported by the District Municipality Fire and Disaster Department and this has serious financial challenges.

The following information is relevant to the 2020/2021

Turn- Out Time Template

- 100 % incidents were attended once fire appliances and personnel were dispatched to an incident.
- No monitoring in place with reference to turn out time as no computerized dispatching system exists. No complaints were registered or received at the fire station with reference to non or late dispatching during the said period.
 - **Incidents Reported: 199**
 - **Incidents Attended: 199**

Chapter 3

Municipal Fire Service Data					
	Details	Year -1	Year 0		Year 1
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Total fires attended in the year	288			
2	Total of other incidents attended in the year	288			
3	Average turnout time - urban areas	Immediate			
4	Average turnout time - rural areas	Depends on a distance			
5	Fire fighters in post at year end				
6	Total fire appliances at year end	6			
7	Average number of appliance off the road during the year	5			
T 3.21.2					

A) Employees Fire Services

Employees: Fire Services					
Job Level	201920	2020 - 2021			
Fire Fighters	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Chief Fire Officer & Deputy	2	2	0	0	0
Other Fire Officers			0	0	
0 - 3			2	0	0%
4 - 6	10	10	10	0	0%
7 - 9	6	6	6	0	0%
10 - 12	4	9	4	5	56%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	22	27	22	5	19%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 3.21.4

Financial Performance

Please require applicable information from the finance department as it is not available at the fire section. Total expenditure relevant to personnel and operational budget was never received on behalf of the said period.

No capital projects were completed due to funding constraints. Repair and maintenance on fire appliances and equipment was completed as funding was secured from The Department of Local Government and Human Settlement. The amount received was R 834,047-12 and was spent during the applicable financial period 2019-2020.

Chapter 3

Financial Performance Year 0: Fire Services						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue						
Expenditure:						
Fire fighters	10728	12474	12474	12991	4%	
Other employees						
Repairs and Maintenance	0	75	75	58	-29%	
Other	248	317	314	238	-33%	
Total Operational Expenditure	10976	12866	12863	13287	3%	
Net Operational Expenditure	10976	12866	12863	13287	3%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.21.5	

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COMPONENT H: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

3.23 SPORT AND RECREATION

INTRODUCTION TO SPORT AND RECREATION

The Naledi Local Municipality its role in sport and Recreation is a facilitative one. The NLM has to ensure that it provides formal sports and recreation facilities in which the community is given an opportunity to participate in organized sport or take part in recreational activities.

The Sport and Recreation top 3 service delivery priorities are

Accessibility of the facilities;

The mandate of local government is to provide access to facilities, and the implementation of the tariff is meant in no way to exclude certain groups or individuals from using the facilities. Instead, it should be seen as a sign of goodwill between the entity paying the fee and the municipality to say that one party will pay for exclusive access rights as per the request or application, and the other party agrees to use the monies being paid to further develop the facility. This way, the tariffs being implemented are beneficial to all parties involved.

Maintenance of facilities;

The maintenance of facilities is the key to ensure that we broaden the base of participation. Neglected facilities reduce participation, therefore defeating the objective of creating an active nation. In order to ensure that we maintain our facilities pro-actively, a preventative Maintenance Plan will be adopted to implement at all our sport and recreation facilities. The purpose of the plan is:

To maintain facilities in a pro-active manner to detect minor maintenance requirements early to prevent deterioration with resultant major maintenance at later stage.

To have a proper housekeeping schedules in place to ensure the effective internal and external cleaning of facilities to enhance the aesthetic appearance, general neatness and to strengthen monitoring and control.

To determine the age of the facilities and to plan for major upgrading where structures such as roofs, electrical wiring, floors and so on needs replacement when reaching its full lifespan and to plan well in advance to have these items placed on the capital programme to ensure proper budgeting for those major items and;

To detect vandalism on a daily basis and plan to curb it.

The main objective of a preventative maintenance plan is to detect maintenance problems early and to plan for corrective action in advance. This strategy aims to be pro-active rather than reactive. It is

Chapter 3

however important to realise that one cannot always plan for every eventuality and emergencies will be dealt with as and when such emergencies occur.

A preventative maintenance plan has three important components that need to be looked at namely:

- Good generally acceptable housekeeping rules
- Routine maintenance whether daily, weekly, monthly, quarterly, or annually;
- Audit of major structures of various facilities to determine lifespan and
- timeous upgrading or replacement costs for proper budgeting purpose.

PROGRAMES THAT WERE CONDUCTED IN THE FACILITIES :

FACILITY	ACTIVITY	TARRIF PAID
Huhudi Sports Grounds	Sixty two (62) Soccer matches	R 11 470.00
	Netball (1)	R169.00
Colridge Sports Grounds	Thirty five (35) Soccer matches	R 6475.00
	One (1) Athletics	R 1 107.00
	One (1) Training	R 70.00

Employees: Sport and Recreation					
Job Level	2019/20	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	2	2	2	0	0%
10 - 12	1	1	1	0	0%
13 - 15	6	6	6	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	9	9	9	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 3.23.3

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COMPONENT H: SPORT AND RECREATION

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3.23 SPORT AND RECREATION

INTRODUCTION TO SPORT AND RECREATION

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The Sport and Recreation top 3 service delivery priorities are

Accessibility of the facilities;

The mandate of local government is to provide access to facilities, and the implementation of the tariff is meant in no way to exclude certain groups or individuals from using the facilities. Instead, it should be seen as a sign of goodwill between the entity paying the fee and the municipality to say that one party will pay for exclusive access rights as per the request or application, and the other party agrees to use the monies being paid to further develop the facility. This way, the tariffs being implemented are beneficial to all parties involved.

Maintenance of facilities;

The maintenance of facilities is the key to ensure that we broaden the base of participation. Neglected facilities reduce participation, therefore defeating the objective of creating an active nation. In order to ensure that we maintain our facilities pro-actively, a preventative Maintenance Plan will be adopted to implement at all our sport and recreation facilities. The purpose of the plan is:

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To have a proper housekeeping schedules in place to ensure the effective internal and external cleaning of facilities to enhance the aesthetic appearance, general neatness and to strengthen monitoring and control.

To determine the age of the facilities and to plan for major upgrading where structures such as roofs, electrical wiring, floors and so on needs replacement when reaching its full lifespan and to plan well in advance to have these items placed on the capital programme to ensure proper budgeting for those major items and;

To detect vandalism on a daily basis and plan to curb it.

The main objective of a preventative maintenance plan is to detect maintenance problems early and to plan for corrective action in advance. This strategy aims to be pro-active rather than reactive. It is

Chapter 3

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A preventative maintenance plan has three important components that need to be looked at namely:

- Good generally acceptable housekeeping rules
- Routine maintenance whether daily, weekly, monthly, quarterly, or annually;
- Audit of major structures of various facilities to determine lifespan and
- timeous upgrading or replacement costs for proper budgeting purpose.

Employees: Sport and Recreation					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	2	2	2	0	0%
10 - 12	1	2	1	1	50%
13 - 15	6	6	6	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	9	10	9	1	10%
					T 3.23.3

Chapter 3

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

Introduction

Chapter 7 of the Constitution of the Republic of South Africa states that a municipality comprises councillors, officials and the community. In order for the municipality to govern its affairs correctly it must consult with the community to ensure that needs are correctly determined, explained and included in the IDP for service delivery purposes.

Policies must be put in place, which will address the needs of the community in terms of how service delivery matters will be addressed.

In order for the municipality to be able to address service delivery matters, the municipality must within limits approve a budget that will be commensurate with the needs/projects identified for the particular year. This budget must also address staff matters and this can only be achieved through a costed organogram that must be cost effective but also provides sufficient management and other positions in order for the municipality to be able to render effective and satisfactory services.

Management must ensure that tools of the trade are made available to staff. This includes ICT services and networks, including the necessary licences.

In order for the municipality to finance service delivery, it must ensure that the budgetary expenditure will be redeemed through cash collection that will be generated by payment for services.

Payment for services will be covered by payment for rates and taxes and will include proper and adequate municipal service delivery networks such as water pipes and reservoirs as well as sewer and electrical networks and plant and equipment.

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E

3.24 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

In terms of Chapter 7 Section 151 (2) of the Constitution of the Republic of South Africa, 108 of 1996, the executive and legislative authority of a municipality is vested in its municipal council.

- **EXECUTIVE COMMITTEE MEETING**

SCHEDULED DATE	ACTUAL SITTING OF MEETING	MEMBERS PRESENT	MEMBER ABSENT
21 July 2020	EXCO could not sit due to Covid and Council Instability		
25 August 2020	EXCO could not sit due to Covid and Council Instability		
29 September 2020	EXCO could not sit due to Covid and Council Instability		
22 October 2020	EXCO could not sit due to Covid and Council Instability		
26 November 2020	EXCO could not sit due to Covid and Council Instability		
19 January 2021	EXCO could not sit due to Covid and Council Instability		
25 February 2021	EXCO could not sit due to Covid and Council Instability		
25 March 2021	25 March 2021	Cllr. N. W. Skalk Cllr J A Adonis Cllr O R Modise	Cllr. L. Ekkelton
22 April 2021	N/A		
26 May 2021	N/A		
29 June 2021	N/A		

Chapter 3

Council Meetings

COUNCILLORS, ALLOCATION AND ATTENDANCE

COMMITTEE		PURPOSE OF THE COMMITTEE							
Council Members	Position	(Full) Part Time	Committees	Ward / PR	Political Party	# of Council meetings not attended			# of Apologies
						3 x Scheduled	5 x unsche	7 x Special	
Mr N W Skalk	Mayor	Full time	Executive	PR	ANC	-	-	-	-
Mr C J Groep	Speaker	Part Time		PR	ANC	-	-	-	-
Mr L Ekkelton	Comm Chair	Full Time	Infrastructure	Ward	ANC	-	-	-	-
Mr J A Adonis	Comm Chair		Finance & HR	PR	DA	-	-	1	1
Mrs O R Modise	Comm Chair		Community Services	PR	ANC	-	-	1	1
Mrs A N Bareng	Cllr	Part Time	Infrastructure	Ward	ANC	-	2	5	3
Ms G Gamma	Cllr		Community Services	Ward	ANC	1	1	3	1
Mr J G Brand	Cllr		Finance	Ward	DA	-	-	3	3
Mr B J Moholo	Cllr			Ward	ANC	-	-	-	-
Ms S Mustafa	Cllr		Infrastructure	PR	DA	-	2	4	6
Mr M E Ncobo	Cllr			Ward	ANC	-	-	1	1
Mr O K Nyamane	Cllr		Infrastructure	Ward	ANC	-	-	1	0
Mr M Moeng	Cllr			Ward	ANC	-	-	1	0
Ms M P Lebona	Cllr			PR	EFF	1	-	6	3
Me E P Renoster	Cllr		Community Ser	PR	DA	-	-	-	-
Ms K L Bome	Cllr		MPAC	Ward	ANC	-	-	-	-
Ms K Tauwe	Cllr		MPAC	Ward	ANC			1	1
Mr Bosman	Cllr		Finance	PR	ANC	1	1	6	-
Ms H Van Huysteen	Cllr			PR	DA	-	1	1	2
Mr K Tshite	Cllr			PR	EFF	-	3	3	2

Chapter 3

Community Services and LED	<p>The Committee plays an oversight role without decision making delegations on the following municipal functions:</p> <ul style="list-style-type: none"> • Traffic Management • Fire Services and support to disaster management • Support to Housing • Property management • Cemeteries • Solid waste management and • Local Economic Development
Infrastructure Investment, LED and Town Planning	<p>The Committee plays and oversight role without delegations to the following municipal functions:</p> <ul style="list-style-type: none"> • Town planning, Building plans, outdoor advertisements, rezoning and subdivisions • Water and Sanitation infrastructure • Electricity infrastructure • Roads infrastructure and • Municipal buildings • Local Economic Development
Finance and HR	<p>The Committee plays and oversight role without delegations to the following municipal functions:</p> <ul style="list-style-type: none"> • Corporate Support • Human Resources Management • Financial Management and reporting

SCHEDULED AND ATTENDANCE COUNCIL MEETINGS

SCHEDULED DATE	ACTUAL SITTING OF MEETING	MEMBERS PRESENT	MEMBER ABSENT
30 July 2020	Meeting could not sit due to Covid and Council Instability		
25 August 2020	03 August 2020 Special Council	Cllr N W Skalk Cllr C J Groep Speaker Cllr J A Adonis Cllr B J Moholo Cllr M L Moeng Cllr M E Ncobo Cllr A N Bareng Cllr G Gamma Cllr O K Nyamane Cllr J G Brand Cllr H Van Huyssteen Cllr L Ekkelton Cllr E P Renoster Cllr K B Tauwe Cllr O R Modise Cllr K L Bome Cllr O S Mustafa	

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		<p>Cllr K Tshite Cllr K O Tauwe Cllr G S Bosman</p>	
	<p>31 August 2020 Special Council</p>	<p>Cllr J A Adonis Cllr S Mustafa Cllr A N Bareng Cllr M E Ncobo Cllr K L Bome Cllr O K Nyamane Cllr H Van Huyssteen Cllr M L Moeng Cllr J G Brand Cllr B J Moholo Cllr L Ekkelton Cllr E P Renoster</p>	<p>Cllr N W Skalk Mayor Cllr C J Groep Speaker Cllr K B Tauwe Cllr O R Modise Cllr G S Bosman Cllr K Tshite Cllr M P Lebona</p>
<p>29 October 2020</p>	<p>01 October 2020 Special Council</p>	<p>Cllr J A Adonis Cllr S Mustafa Cllr A N Bareng Cllr M E Ncobo Cllr K L Bome Cllr O K Nyamane Cllr H Van Huyssteen Cllr M L Moeng Cllr J G Brand Cllr B J Moholo Cllr L Ekkelton Cllr E P Renoster</p>	<p>Cllr N W Skalk Mayor Cllr C J Groep Speaker Cllr K B Tauwe Cllr O R Modise Cllr G S Bosman Cllr K Tshite Cllr M P Lebona</p>
<p>29 January 2021</p>	<p>29 January 2021 Special Council</p>	<p>Cllr N W Skalk Cllr C J Groep Speaker Cllr J A Adonis Cllr B J Moholo Cllr M L Moeng Cllr M E Ncobo Cllr A N Bareng Cllr G Gamma Cllr O K Nyamane Cllr J G Brand Cllr H Van Huyssteen Cllr L Ekkelton Cllr E P Renoster Cllr K B Tauwe Cllr O R Modise Cllr K L Bome Cllr O S Mustafa Cllr K Tshite Cllr K O Tauwe Cllr G S Bosman</p>	<p>Cllr M P Lebona</p>
<p>February 2021</p>	<p>17 February 2021 Special Council</p>	<p>Cllr N W Skalk Cllr C J Groep Cllr J A Adonis Cllr K L Bome Cllr A N Bareng</p>	<p>Cllr S Mustafa Cllr H Van Huyssteen Cllr M L Moeng Cllr B J Moholo</p>

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		<p> Cllr J G Brand Cllr L Ekkelton Cllr E P Renoster Cllr O R Modise Cllr O K Nyamane Cllr M E Ncobo Cllr K B Tauwe Cllr K O Tshite Cllr M P Lebona Cllr G G Gamma Cllr O R Modise </p>	
	<p> 25 February 2021 Special Council </p>	<p> Cllr N W Skalk Cllr C J Groep Cllr J A Adonis Cllr K L Bome Cllr H Van Huyssteen Cllr J G Brand Cllr G G Gamma Cllr L Ekkelton Cllr E P Renoster Cllr O R Modise Cllr O K Nyamane Cllr M E Ncobo Cllr K B Tauwe Cllr K O Tshite Cllr M P Lebona Cllr G G Gamma Cllr B J Moholo </p>	<p> Cllr N A Bareng Cllr M E Ncobo Cllr M L Moeng </p>
<p>31 March 2021</p>	<p>30 March 2021 Special Council</p>	<p> Cllr N W Skalk Cllr C J Groep Cllr J A Adonis Cllr B J Moholo Cllr K L Bome Cllr J G Brand Cllr H Van Huyssteen Cllr L Ekkelton Cllr O R Modise Cllr O K Nyamane Cllr M E Ncobo Cllr K B Tauwe </p>	<p> Cllr S Mustafa Cllr M P Lebona Cllr A N Bareng Cllr M L Moeng Cllr K O Tshite </p>
<p>29 April 2021</p>	<p>29 April 2021 Special Council</p>	<p> Cllr N W Skalk Cllr C J Groep Cllr J A Adonis Cllr M E Ncobo Cllr K L Bome Cllr A N Bareng Cllr O K Nyamane Cllr H Van Huyssteen Cllr K L Bome Cllr O K Nyamane Cllr M L Moeng Cllr J G Brand Cllr B J Moholo Cllr L Ekkelton </p>	<p>Cllr K Tshite</p>

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		<p> Cllr M P Lebona CLLR E P Renoster Cllr O R Modise Cllr K B Tauwe Cllr G Gamma Cllr G S Bosman Cllr S Mustafa </p>	
28 May 2021	18 May 2021	<p> Cllr N W Skalk Cllr C J Groep Cllr J A Adonis Cllr M E Ncobo Cllr H Van Huyssteen Cllr K L Bome Cllr O K Nyamane Cllr M L Moeng Cllr J G Brand Cllr B J Moholo Cllr L Ekkelton Cllr M P Lebona Cllr E P Renoster Cllr O R Modise Cllr K B Tauwe Cllr G Gamma Cllr G S Bosman </p>	<p> Cllr A N Bareng Cllr S Mustafa Cllr K Tshite </p>
15 June 2021	17 June 2021	<p> Cllr N W Skalk Cllr C J Groep Speaker Cllr J A Adonis Cllr B J Moholo Cllr M L Moeng Cllr M E Ncobo Cllr A N Bareng Cllr G Gamma Cllr O K Nyamane Cllr J G Brand Cllr H Van Huyssteen Cllr L Ekkelton Cllr E P Renoster Cllr K B Tauwe Cllr O R Modise Cllr K L Bome Cllr O S Mustafa Cllr K Tshite Cllr K O Tauwe Cllr G S Bosman </p>	

• **INFRASTRUCTURE, DEVELOPMENT AND TOWN PLANNING PORTFOLIO COMMITTEE**

SCHEDULED DATE	ACTUAL SITTING OF MEETING	MEMBERS PRESENT	MEMBER ABSENT

Chapter 3

09 July 2020	Did not sit due to Covid and Council Instability		
11 August 2020	Did not sit due to Covid and Council Instability		
08 September 2020	11 September 2020	Clr L Ekkelton Clr N Bareng Clr O K Nyamane	Clr S Mustafa
06 October 2020	27 October 2020		
10 November 2020			
09 February 2021	11 February 2021	Clr L Ekkelton Clr N Bareng Clr O K Nyamane Clr S Mustafa	
09 March 2021	25 March 2021	Clr L Ekkelton Clr N Bareng Clr O K Nyamane	Clr S Mustafa
08 April 2021	N/A		
11 May 2021	N/A		
08 June 2021	N/A		

- COMMUNITY SERVICES AND HOUSING**

SCHEDULED DATE	ACTUAL SITTING OF MEETING	MEMBERS PRESENT	MEMBER ABSENT
14 July 2020	Meetings did not sit due to Covid and Council instability		
13 August 2020	Meetings did not sit due to Covid and Council instability		
10 September 2020	Meetings did not sit due to Covid and Council instability		
08 October 2020	Meetings did not sit due to Covid and Council instability		
12 November 2020	Meetings did not sit due to Covid and Council instability		
11 February 2021	Meetings did not sit due to Covid and Council instability		
11 March 2021	Meetings did not sit		
13 April 2021	Meetings did not sit		
13 May 2021	Meetings did not sit		
10 June 2021	Meetings did not sit		

- FINANCE / BUDGET, TREASURY OFFICE AND CORPORATE SERVICES PORTFOLIO**

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	ACTUAL SITTING OF MEETING	MEMBERS PRESENT	MEMBER ABSENT
16 July 2020	No meeting due to Covid and Council instability		
18 August 2020	No meeting due to Covid and Council instability		
15 September 2020	No meeting due to Covid and Council instability		
15 October 2020	20 October 2020	Cllr J A Adonis Cllr J G Brand Cllr G S Bosman	Cllr K D Tshit Cllr M E Ncobo
17 November 2020	No quorum		
18 February 2021	18 February 2021	J.Adonis J.G Brand Bosman	O.K Nyamane
16 March 2021	23 March 2021	J .A Adonis J.G Brand K.Tshite	Bosman Ncobo
15 April 2021	N/A		
18 May 2021	N/A		
15 June 2021	N/A		

Financial Performance Year 0: The Executive and Council						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	0	0	0	0	0%	
Expenditure:						
Employees	12816	11232	11232	11917	6%	
Repairs and Maintenance	0	0	0	0	0%	
Other	3133	3404	3373	1368	-149%	
Total Operational Expenditure	15949	14636	1707798	13285	-10%	
Net Operational Expenditure	15949	14636	1707798	13285	-10%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.24.5	

Chapter 3

3.25 FINANCIAL SERVICES

Financial Performance 2019/20: Financial Services						R'000
Details	2019/20	2020/21				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	102731	119201	128585	133259	-4%	
Expenditure:	0	0	0	0	0%	
Employees	16132	20506	20506	20611	-1%	
Repairs and Maintenance	0	65	65	17	74%	
Other	43336	28832	46975	29724	37%	
Total Operational Expenditure	59468	49403	67546	50352	25%	
Net Operational Expenditure	43263	69798	61039	82907	-36%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>						T 3.25.5

Concerning T 3.25.2

Delete Directive note once table is completed – The proportion of account value billed is calculated by taking the total value of the year's revenues collected against the bills raised in the year by the year's billed revenues.

T 3.25.2.1

Employees: Financial Services					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	5	5	0	0%
4 - 6	12	12	12	0	0%
7 - 9	16	16	16	0	0%
10 - 12	0	2	0	2	100%
13 - 15	11	13	13	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	44	48	46	2	4%
<i>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i>					

T 3.25.4

Chapter 3

Debt Recovery							
R' 000							
Details of the types of account raised and recovered	2019/20		2020/21			2019/20	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	R42 785	45,00%	R58 015	R58 015	49,00%	R55 458	45,00%
Electricity - B	R75 727	45,00%	R89 709	R89 709	49,00%	R147 963	45,00%
Electricity - C	R57 769	45,00%	R57 283	R57 283	49,00%		45,00%
Water - B	R32 198	45,00%	R30 926	R30 926	49,00%	R26 512	45,00%
Water - C							
Sanitation	R24 556	45,00%	R26 935	R26 935	49,00%	R25 582	45,00%
Refuse	R22 064	45,00%	R24 607	R24 607	49,00%	R23 321	45,00%
Other							
<i>B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.</i>							T 3.25.2

Chapter 3

3.26 HUMAN RESOURCE SERVICES

The Human Resource Unit at Naledi Local Municipality consists of 10 staff members, who are responsible for the administration of benefits, maintenance of files, stable labour relations, health and safety of staff and ensuring the Salary Unit is able to pay salaries on time each month.

SUCCESSSES OF THE DEPARTMENT

Successes of the HR Unit for the 2020/21 financial year include:

- 1) Seven (7) Human Resource Policies were reviewed and adopted
- 2) The organisational structure was reviewed and adopted.
- 3) The Job Evaluation process was finalised and all Evaluated Job Descriptions were audited by the Provincial Auditing Committee. These results were submitted to Management and Council and was adopted for implementation. Implementation will be finalised as soon as Placement on the new structure has been done.
- 4) Five (5) positions were filled through the recruiting process in the financial year of which four (4) were in the Finance Department.
- 5) Council adopted STAFF REDUCTION STRATEGY to mitigate on bloated Organizational Structure.
- 6) Council adopted Performance Management System to evaluate performance of the employees reporting to Section 56 Managers.

CHALLENGES OF THE DEPARTMENT

Challenges experienced in the HR unit in the 2020/21 financial year include:

- 1) Late submission of overtime, timesheets etc. delays the finalisation of salary instructions and may cause unnecessary delays.
- 2) The IT infrastructure is causing tension in the unit as all information is kept on the server to be accessible by all HR staff. This information has been lost or corrupted on various occasions. The payroll information is also threatened as due to the size of the database, it can only be kept on a server.
- 3) Financial status of the municipality causes unrest as staff are unsure of their future, they are worried about losing their benefits from pension funds and their credit records have been jeopardised.

ACTIVITIES OF THE DEPARTMENT

The Human Resource Unit at Naledi Local Municipality has been tasked with the following activities

- 1) Administering employee benefits

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- 2) Maintaining and safekeeping of Files.
- 3) Facilitating the recruitment and selection process.
- 4) Administering the exit of employees.
- 5) Development, review and implementation of policies.
- 6) Development and review of Job Descriptions
- 7) Job Evaluation processes and implementation
- 8) Remuneration management
- 9) Development and reporting on the Workplace Skills Plan
- 10) Establishment and facilitation of learnerships
- 11) Development and reporting on the Employment Equity Plan.
- 12) Health and Safety
- 13) Maintenance of good labour relations.

Employees: Human Resource Services					
Job Level	201920	2020 - 2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	4	3	1	25%
4 - 6	3	3	3	0	0%
7 - 9	4	5	4	1	20%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	10	12	10	2	17%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T3.26.4

Financial Performance Year 0: Human Resource Services						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	221	500	500	128	-291%	
Expenditure:						
Employees	8959	6020	6020	6192	3%	
Repairs and Maintenance	0	0	0	0	0%	
Other	575	2324	2293	649	-258%	
Total Operational Expenditure	9534	8344	8313	6841	-22%	
Net Operational Expenditure	9313	7844	7813	6713	-17%	

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.26.5

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3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information & Communication Technology, also known as ICT, is a comprehensive term that includes all types of technology used to exchange, store, use or create information. Commonly used Information Technology equipment includes Computers, Servers, Peripheral Devices, Internet Connectivity Equipment and Phone Systems.

From basic computer terminals to IP-based telephone systems, Information Technology is an integral part of most modern business operations.

ICT makes an organisation more efficient, effective and prompt responses to customers' needs possible.

The strategically use of ICT in a Municipal Service Environment produces the following benefits -

- Increase the speed or quality of Service Delivery;
- Increase public access to Municipal Services;
- Facilitate the use of remote communication and transactions; and
- Enhance transparency.

ICT Services are often the part of an organization that is forgotten. However, most employees will need these services to ensure that their job tasks are running smoothly and at peak efficiency.

The ICT Section's functions include -

- Technical Support, management and maintenance of the IT Infrastructure that includes hardware and software;
- Upkeep and maintenance of the Local Area Network (LAN) and the Wide Area Network (WAN);
- Administration of the Financial System (VENUS), the Active Directory System, the Firewall and the Anti-Virus System;
- Project Management; and
- Management of Service Providers for outsourced functions.

The access, installation, maintenance and support services that are granted to users on a need to use basis range from E-mail, Internet, Fax-to-email, Voice Over Internet Protocol (VOIP), Venus System, Cash Drawer System, Utilities World System, Payday System, Orbit System, Workflows System, etc.

T 3.27.1

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Financial Performance 2020/21: ICT Services					
					R'000
Details	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					0%
Employees	0	0	0	0	0%
Repairs and Maintenance	0	100	100	81	19%
Other	2329	2339	2339	1061	55%
Total Operational Expenditure	2329	2439	2439	1142	53%
Net Operational Expenditure	-2329	-2439	-2439	-1142	53%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.27.5

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3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

Naledi Local Municipality has an obligation to manage its properties in an accountable and responsible manner, this within the prescripts of the applicable legislation such as MFMA and ASSETS MANAGEMENT REGULATIONS as well as the MUNICIPAL DISPOSAL POLICY amongst others.

The following activities were performed by Property Management and Administration Unit for the financial year under review.

- **Identification of land for disposal**
- **Perking of Erven**
- **Informal settlement**
- **Rental Stock of The Municipality**

1.IDENTIFICATION OF LAND FOR DISPOSAL

Property Administration Unit is in line with Council's resolve towards improving the Municipality's finances which among others involves having mandated administration to explore appropriate mechanisms to dispose of some of Municipal-Owned properties.As a result the vacant properties that are available for disposal were identified and submitted to the EXCO that took place on the 29th June 2021,for the recommendations to the final approval for disposal.

2.PERKING OF ERVEN

Property Management Unit embarked on the identification of Perks and boundary lines,this as per the request of the communities in the event of renovations and mostly conflicts over site boundaries or where the pecks have been removed.

Number of households where perks have been identified:

PLACE	NUMBER OF HOUSEHOLDS
Extension 25	78
Extension 28	62
Huhudi	88
TOTAL	228

3. INFORMAL SETTLEMENT (RELOCATION)

Property Administration Unit, its main objective is to integrate Informal Settlement into the broader urban fabric to overcome Spatial, Social and Economic exclusion. This objective can only be achieved through number of Short Term and Long Term processes by means of interim relief, incremental upgrades, as well as proper planning and Management of Informal Settlement. Currently there are informal settlements or dwelling at Phola Park and Monoto Mosehlha (Extension 1)

There is a proposed Township Establishment, Subdivision and Extension of the boundaries of an approved Township Huhudi Extension 1 on a portion of the remaining extent of portion 8 of the Farm Rosendal this would eventually result in the integration of the residents to the formalized area when the process is completed.

The process of relocating the beneficiaries to the sites is ongoing in the Phola Park Informal Settlement; there's been engagements with the stakeholders regarding installation of services for this area.

4. RENTAL STOCK OF THE MUNICIPALITY

The municipality has rental stock that is been lease out, the unit went through the process of identifying the contracts so that they can be reviewed. It must be noted that this is only the contacts that are at the disposal of the unit. There are other leases that were facilitated by the LED unit, the two section will still have engagements and attend to all the rental stock of the institution.

Challenges

- Capacity in the unit
- Illegal land occupation
- Asset register- there is no accurate land register

Remedial

- Capacity building to be prioritised in this unit
- Measures to be in place for the immediate curbing of land
- Land Audit to be prioritised as this has a bearing to the Audit outcomes

COMPONENT J: MISCELLANEOUS

This component includes: the provision of Airports, Abattoirs, Municipal Courts and Forestry as municipal enterprises.

The Municipality is not providing the any of the services provided above. However the municipality has infrastructure to provide Airport services at a very small scale.

The infrastructure referred to in this case is currently in a state of dilapidation and unlicensed.

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COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

This component includes: Annual Performance Scorecard Report 2020-21

INDICATORS AND TARGETS								ACTUAL IN YEAR AND ANNUAL PERFORMANCE				
Revised Index	IDP Objective	KPA	Revised Key Performance Indicator	Indicator Definition	Baseline	Revised Annual Target	Output Indicator	Q1 Actual Performance	Q2 VERIFIED PERFORMANCE	Q3 VERIFIED PERFORMANCE	Q4 Actual / VERIFIED PERFORMANCE	Actual Annual Performance
A	To Promote transparency through good governance	Good governance and public participation	Number of quarterly reports from each Sect 56 Manager with PoE submitted within 10 days after the end of each quarter	This indicator refers to the number of quarterly reports along with POEs submitted within 10 days after the end of each quarter	Reports submitted late and lacking sufficient Portfolio evidence	4 quarterly reports compiled by each Sect 56 Manager with PoE submitted within 10 days after the end of each quarter by 30	4 quarterly reports compiled by each Manager with PoE submitted within 10 days after the end of each quarter	All Quarterly Reports submitted	Q2 Reports submitted	Q3 Reports submitted late	Q4 Reports submitted	4 Quarterly Reports submitted by each Director

						June 2021						
B	To Promote transparency through good governance	Good governance and public participation	Number of Mid Year report(s) developed and submitted to Council by 31st of January 2021	This indicator refers to the number of Mid Year Report(s) developed and submitted to Council by the 31st of January 2021	1 x Mid year report developed and submitted to Council	One (1) Mid Year report developed and submitted to Council by 31st of January 2021	One (1) Mid Year report developed and submitted to Council by 31st of January 2021	Q1 Review Session not conducted	Q2 Review Session not conducted	Mid Year Performance report developed and submitted to council but late	N/A	Mid Year Performance review Conducted
C	To Promote transparency through good governance	Good governance and public participation	Number of Annual Report(s) developed and submitted to Council by 31st March 2020	This indicator refers to the Number of Annual Report(s) developed and submitted to Council by 31 March 2020	1 x Annual report developed and submitted to Council	One (1) Annual Report developed and submitted to Council by 31st March 2020	One (1) Annual Report developed and submitted to Council by 31st March 2020	Draft Annual Performance Report in place	Draft 2019/20 Annual performance Report in place	2019-2020 Annual Report not tabled in Council	2019/2020 Annual Report not Publicised	2019-2020 Annual Report not publicised

D	To Promote transparency through good governance	Good governance and public participation	Number of monthly back to Basics Reports submitted to COGTA by the 15th of each month	This indicator refers to the number of back to basic reports submitted to National COGTA on a monthly basis (15th each month) as requested by the Minister	12 B2B reports submitted	Submit twelve back to basics reports according to COGTA format by the 15th of each month (3 each quarter)	12 monthly (15th each month) back to basics reports submitted to COGTA according to COGTA format (3 each quarter)	Back to Basics Report submitted to Cogta	3 x Monthly Back to Basics Report submitted	3 x Back to Basics Reports submitted	Reports not submitted	9/12 Back to Basics report submitted
E	To Promote transparency through good governance	Good governance and public participation	Number of risk registers per Section 56 Manager updated by 30 June 2021	This indicator refers to the number of risk registers updated by the Risk Management Unit and Executive Managers at the end of each quarter	4 updated risk register reports	4 risk registers per Section 56 Managers updated by 30 June 2021	4 risk registers per Section 56 Managers updated by 30 June 2020	Risk Register updated during the period under review	Risk Register for all Departments updated	All Departmental Risk Registers updated	Updated 2020/2021 Risk Register Submitted	4 x Quarterly Departmental and Institutional 2020-2021 Risk Registers updated

F	To Promote transparency through good governance	Good governance and public participation	Target to be removed until the 2018/19 Annual Report is tabled in Council	This indicator refers to the number of exceptions reduced from the 2018/2019 Post Audit Action Plan	New	4 progress reports on the implementation of the post audit action plan by 30 June 2021	4 progress reports on the implementation of / reduction of the 149 Exceptions raised from the post audit action plan by 30 June 2020	No exceptions were reduced during the period under review	No Exceptions has been reduced	N/A	N/A	
G	To Promote Sound Financial Management	Municipal financial viability	Reports on the update of the financial Recovery Plan by 30 June 2021	This indicator refers to the Municipal Financial Recovery Plan that was developed in terms of section 139 a of the MFMA and submitted to Council in March 2019 for adoption. Progress reports on the implementation	New	2 x Reports on the update of the financial Recovery Plan by 30 June 2021	4 progress Reports on the implementation of the Financial recovery Plan by 30 June 2020	Report on the implementation of FRP developed and submitted	Financial Recovery plan updated for the period under review	No information submitted	Financial recovery Plan updated	3 x Quarterly Reports on Updated FRP submitted

				n thereof are to be developed on a quarterly basis.								
H	To Promote Sound Financial Management	Municipal financial viability	Number of reports on the implementation of the Revenue enhancement Strategy by the 30 June 2021	The indicator seeks to establish milestones with regards to strengthening the financial position of the municipality.	New	4 Progress reports on the implementation of the Revenue Enhancement Strategy by the 30 June 2021	improved financial position of the municipality by 30 June 2021	Financial Recovery Plan updated during the period under review	No information submitted	No information submitted	Progress report on the implementation of Revenue Enhancement submitted	2 x Progress Reports on the Implementation of Revenue Enhancement Strategy Submitted
I	To Foster Good Corporate Culture	Municipal transformation and organisational development	Number of reports on the Development / Review of Communications Strategy	The indicator refers to development / review of the communication strategy	New	4 Reports on the Development / review of the Communication Strategy by 30 June 2021	4 Reports on the Development / review of the Communication Strategy	ToR for the Development of Communication Strategy not in place	Draft Communication Strategy not in place	No workshop on Developed Communication Strategy was conducted	Communication Strategy not reviewed	No Communications Strategy adopted

J	To Promote Sound Financial Management	Municipal financial viability	% of revenue collected on amounts that could be invoiced on a quarterly basis	This indicator refers to the percentage of revenue collected on amounts that could be invoiced on a quarterly basis.	40% of revenue collected from total amount that could be invoiced	50% of revenue collected on amounts that could be invoiced on quarterly Basis by 30 June 2021	Improve revenue collected to 92% of amount that could be invoiced by the 30th of June 2020	The 40% of revenue collected from the total amount that could be invoiced was not attained	not 43% collected from the total amount that could be invoiced during the period under review	No information submitted	Monthly income report dated July 2020 - June 2021 Submitted	9/12 Monthly income reports submitted
K	To Promote Sound Financial Management	Municipal financial viability	Number of new service level agreement entered into between municipality and province regarding vehicle licensing function, between the Municipality and province	This indicator refers to formal engagement with the province regarding functions performed by Naledi LM on behalf of the province.	Current service level agreement has lapsed	1 New service level agreement entered into between municipality and province regarding vehicle licensing function	1 New service level agreement signed and submitted to council by the 30th of June 2020	no information submitted	No information submitted	N/A	N/A	N/A

			ality and DRRSM DM on Water and Sanitation by 30 June 2020			by 30 June 2021						
L	To Promote Sound Financial Management	Municipal financial viability	Number of reports on library grant funding expenditure according to library business plan by the 30th of June 2021	This indicator refers to the number of reports on library grant funding spent according to business plan by the 30th of June 2021	The current grant was not spent as per business plan	1 Report on Library Grant Expenditure according to the Library Business Plan by 30 June 2021	4 Reports by the 30th of June 2021	no information submitted	No information submitted	N/A	no information submitted	0/12 monthly library expenditure grant
M	To Accelerate the Provision of Basic Services	Basic service delivery and infrastructure investment	Target to be refined by splitting MIG and INEP Projects	This indicator refers to the amount of the initial gazetted MIG and INEP grant funding received	137%	Target to be refined by splitting MIG and INEP	100% of initial gazetted MIG and INEP grant funding spent by	20% of the 100% expenditure of the initial Gazzett	45% on INEP projects expenditure and 32% expenditure on	N/A	N/A	N/A

	es		for the last half of the Financial year	spent by 30 June 2021		Projects for the last half of the Financial year	30 June 2021	ed MIG and INEP Grant Funding	MIG projects was incurred			
M1	To Accelerate the Provision of Basic Services	Basic service delivery and infrastructure investment	Reports on the 100 % Expenditure on total amount allocated (gaztted) MIG funding Comensurate to the 100% completion of construction on Capital Projects by 30 june 2021	This indicator refers to the amount of the initial gazatted MIG funding received spent by 30 June 2021	New	100% total allocated (gazatted) MIG funding spent on capital projects by 30 June 2021	100% total allocated (gazatted) MIG funding spent on capital projects by 30 June 2021	N/A	N/A	No information submitted	Not 100% of the allocated MIG Funding was spent	Not 100% of the allocated MIG funding was spent

M2	To Accelerate the Provision of Basic Services	Basic service delivery and infrastructure investment	Reports on the 100 % Expenditure on total amount allocated (gaztted) INEP funding Comensurate to the 100% completion of construction on Capital Projects by 30 june 2021	This indicator refers to the amount of the initial gazatted INEP funding received spent by 30 June 2021	New	100% total allocated (gazatte d) INEP Grant funding spent on capital projects by 30 June 2021	100% total allocated (gazatted) INEP funding spent on capital projects by 30 June 2021	N/A	N/A	No information submitted	100% Expenditure of INEP allocated grant spent	100% expenditure on INEP grant Funding
N	To Accelerate the Provision of Basic Services	Basic service delivery and infrastructure investment	Number of households with access to basic level of water by 30 June	The indicator reflects the percentage of residential properties that the Municipality is aware of which	15566	15566 of households with access to basic level of water	15566 of households with access to basic level of water by 30 June 2020	Report on the 15566 H/H with access to Basic level of Water	15566 H/H with access to Basic Level of Water	No information submitted	Target not achieved	Target not achieved

			2020	are connected to the municipal water infrastructure network. The latest Census data is used for total household figures.		by 30 June 2021		submitted				
0	To Accelerate the Provision of Basic Services	Basic service delivery and infrastructure investment	Number of households with access to basic level of sanitation by 30 June 2020	The indicator reflects the percentage of residential properties that the Municipality is aware of connected to the municipal waste water (sanitation/sewerage) network irrespective of the number of water closets (toilets).	19574	19574	19574 of households with access to basic level of sanitation by 30 June 2020	1 x Report on 19574 of households with access to basic level of sanitation submitted	19574 H/H with access to Basic Level of Sanitation	No information submitted	Target not achieved	Target not achieved

P	To Accelerate the Provision of Basic Services	Basic service delivery and infrastructure investment	Number of households with access to basic level of electricity by 30 June 2020	The indicator reflects the percentage of residential properties that the Municipality is aware of which are connected to the municipal electrical infrastructure network for both credit and prepaid metering.	16836	16836 of households with access to basic level of electricity by 30 June 2021	16836 of households with access to basic level of electricity by 30 June 2020	200H/H with access to Basic Level of Electricity	400 H/H with Access to Basic Electricity	600H/H by the 31 March	Target not achieved	Target not achieved
Q	To Accelerate the Provision of Basic Services	Basic service delivery and infrastructure investment	Number of households with access to basic level of solid waste removal on a weekly basis	This indicator reflects the percentage of single residential properties that the Municipality is aware of which are receiving a weekly door to door refuse removal service. This excludes	14588	14588 of households with access to basic level of solid waste removal by 30 June 2021	14588 of households with access to basic level of solid waste removal by 30 June 2020	no information submitted	No information submitted	N/A	N/A	Target not achieved

				vacant residential properties.								
R	To Accelerate the Provision of Basic Services	Basic service delivery and infrastructure investment	Number of formalised households earning less than R2300 per month with access to free basic services on a monthly basis	This indicator reflects the 100% social rebate granted in respect to the to the qualifying home owners of single residential properties.	0	3500 households with access to free basic services by 30 June 2021	3500 households with access to free basic services by 30 June 2020	3309 of 3000 with access to free basic Services		No information submitted	3000 of 3000 H/H with access to FBS	3000/3000 H/H with Access to FBS
S	To create an Environment conducive	Local Economic Development	Number of reports on the creation of sustainable	The Indicator seeks to establish elements of Sustainable Livelihood as a result of	New	4 reports on the creation of sustainable	4 Reports on the creation of sustainable livelihood	no information submitted	No information submitted	No information submitted	Target not achieved	Target not achieved

	for LED		ble livelihood through LED initiatives, EPWP and Capital Projects of the municipality by 30 June 2021	LED initiatives including Temporary Jobs created through Capital Projects, EPWP, etc		livelihood through LED initiatives, EPWP and Capital Projects of the municipality by 30 June 2021	through LED initiatives, EPWP and Capital Projects of the municipality by 30 June 2021					
T	To Foster Good Corporate Culture	Municipal transformation and organisational development	Progress Reports on the recruitment process on the filling of Critical Vacant Positions	The indicator seeks to align filling of Critical Vacant Positions in line with approved Employment equity by the 30 June 2021	Three Critical Vacant Positions to be filled	2 reports on recruitment process for the filling of 1 Critical Vacant Position	3 Vacant Critical Positions Filled by the 30 June 2021	no information submitted	No appointment done for the period under review	one Vacant critical position not filled	Appointments done	Appointment of the municipal manager done

U	To Promote Sound Financial Management	Municipal financial viability	% of budget spent on implementing of workplace skills plan by 30 June 2020	Public Service employers in the national and provincial spheres of government are required in terms of Section 30 of the Skills Development Amendment Act to budget at least one percent [1%] of their payroll for the education and training of their employees. measured against training budget.	0,26 %	Report on 100% of the 0.13% of budget spent on implementing of workplace skills plan by 30 June 2021	Reports on the implementation of the Work Skills Plan	no advice submitted on the 25% of the 0.13% of the budget spent WSP	50% of 0.13% of budget expenditure could not be attained	no information submitted	Advice to BTO submitted	Advice to and payments by BTO done and payments done
V	To Promote Sound Financial Management	Municipal financial viability	Financial viability Ratio 1 – Net Operating Surplus	N/A	5% Norm : =or> 0%	6% Net operating Surplus Margin by 30 June	6% Net operating Surplus Margin by 30 June 2020	6% Net operating Surplus Margin not attained	6% not attained	no information submitted	Target not achieved	Target not achieved

	ement		Margin			2021						
W	To Promote Sound Financial Management	Municipal financial viability	Financial viability Ratio 2 – Net Debtors Days	To calculate the ratio of service debtors to service revenue to aid in determining the financial viability of the Municipality	425 days Norm : 30 days	200 days Net debtors days by 30 June 2020	200 days Net debtors days by 30 June 2020	400 days Net debtors days not attained	325 days net debtor not attained	no information submitted	Target not achieved	Target not achieved
X	To Promote Sound Financial Management	Municipal financial viability	Financial viability Ratio 3 – Current ratio	The indicator refers to balance Current Assets with the Current Liabilities	0.17 Norm : 1.5-2:1	1.5 current ratio coverage by 30 June 2021	1.5 current ratio coverage by 30 June 2020	0.25 current ratio coverage not attained	0.5 Current ratio not attained	no information submitted	Target not achieved	Target not achieved
Y	To Promote Sound Financial Management	Municipal financial viability	Financial viability Ratio 4 – Cash/Cost Coverage	To calculate the ability to cover fixed cost with available cash to aid in determining the financial viability of the Municipality	0 Month Norm : 1-3 Months	1.5 Cash/Cost coverage ratio by 30 June 2021	1.5 Cash/Cost coverage ratio by 30 June 2020	0.5 Cash/Cost coverage ratio not attained	0.75 Cash/Cost coverage not attained	no information submitted	Target not achieved	Target not achieved

Z	To Promote Sound Financial Management	Municipal financial viability	Number of monthly Budget Reports submitted to the Mayor after the 15th of each month by 30 June 2021	submission of the MFMA Sec 71 Reports to the Mayor on a Monthly Basis	Reports submitted late but regularly	12 reports of monthly Budget Statements submitted to the Mayor after the 15th of each month by 30 June 2021	12 monthly Budget statements submitted by the 30 June 2021	3 monthly Budget Statements submitted	3 months budget statements submitted	no information submitted		6 x monthly Budget Statement submitted (to records)
AA	To Foster Good Corporate Culture	Municipal transformation and organisational development	Number of Employee satisfaction ASSESSMENT Conducted internally through complaints and comple	The KPI seeks to monitor the level of Employee satisfaction and creation of a sound working environment	New	2 reports on Employee satisfaction Assessment conducted internally through complaints and	Sound Working environment	N/A	No employee satisfaction survey conducted	N/A	No employee satisfaction survey conducted	No employee satisfaction survey conducted

			ment box by the 30 June 2021			comple ment box by held 30 June 2021						
AB	To Foster Good Corporate Culture	Municipal transformation and organisational development	Number of reports on capacity building on minimum information security system submitted by 30 June 2021	KPI seeks to monitor capacity building on information security of the municipality.	New	4 reports on capacity building on minimum information security system by 30 June 2021	Capacitated officials on Information security	no information submitted	No Capacity Building on minimum information security standards was conducted	no capacity building was conducted		No Capacity Building for MISS was conducted
AC	To Foster Good Corporate Culture	Municipal transformation and organisational development	The KPI to be removed because the Skills Audit has been	The KPI seeks to address issues related Skills Audit and HR development	Current Skills Audit is incomplete	4 reports on the finalisation of Skills Audit by 30 June 2021	Council adopted Skills Audit and Human Resource Development Plan by	no information submitted	50% of Skills Audit and Assessment was conducted for the period	Skills Audit was not conducted	N/A	N/A

			Finalised				30 June 2021		under review			
AD	To Foster Good Corporate Culture	Municipal transformation and organisational development	Number of Progress reports on the Development and adoption of the IWMP by 30 June 2021	The KPI seeks to ensure consistency and sustainability with regards to Solid Waste management and refuse removal by 30 June 2021	The Draft Plan in Place	4 Reports on the Development and Adoption of the IWMP by 30 June 2021	Adopted and implemented IWMP by 30 June 2021	no information submitted		IWMP submitted to council	IWMP implementation report submitted	IWMP implementation report submitted
AE	To Accelerate the Provision of Basic Services	Basic service delivery and infrastructure investment	Number of Progress reports on the Current 1000 Housing Projects in Greater Naledi by 30 June	The KPI seeks to measure progress regarding 1000 Low Cost Housing Developments in the Municipal Area of Jurisdiction by 30 June 2021	New	4 Progress Reports on the 1000 Low Cost Housing Projects implemented in Greater Naledi	Continuous and consistent progress reporting	no information submitted	No Progress report on the 1000 Low Cost Housing Developed and submitted	No progress report is submitted	Progress report on 1000 low cost housing developed and submitted	2 x Quarterly Progress reports on development of 1000 low cost housing programme submitted

			2021			by 30 June 2021						d
AF	To Foster Good Corporate Culture	Municipal transformation and organisational development	Number of reports on the 12 Management and Departmental Meetings held by 30 June 2021	the indicator seeks to measure the frequency of interaction between the Directors and the departmental staff	New	4 reports on the 12 Management and Departmental Meetings held by 30 June 2021	12 minutes and registers of the monthly departmental meetings successfully held by 30 June 2021	no information submitted	Not all Departments held their departmental staff meetings	Not all departments held departmental staff meeting	not all departments held Departmental meetings	not all departments held Departmental meetings regularly
Add 1	To Foster Good Corporate Culture	Municipal transformation and organisational development	Reports on OHS Operations by 30 June 2021	The Indicator seeks to monitor proper implementation of Occupational Health and Safety protocols for all Municipal Employees by 30 June 2021	New	2 x Reports OHS unit operations by 30 June 2021	Improved Occupational Health and safety	N/A	N/A	OHS Operations report not submitted	Target not achieved	Target not achieved no OHS operations Reports submitted

Add 2	To Foster Good Corporate Culture	Municipal transformation and organisational development	Reports on IT Operations by 30 June 2021	The Indicator seeks to monitor proper implementation of Information Technology for the municipality by 30 June 2021	New	2 x Reports IT Unit operations by 30 June 2021	Efficient and Effective IT System	N/A	N/A	Report on IT activities for the period under review was submitted		Target not achieved no IT unit operations Reports submitted
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Chapter 5

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	Employees				
	201819	201920			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
02 - Office of the Mayor	4	5	5	0	0%
04 - Office of the Speaker	2	3	2	1	33%
06 - Office of the Municipal Manager	14	74	68	6	8%
08 - Financial services	40	70	45	25	36%
10 - Administration	37	70	59	11	16%
12 - Human Resources	10	13	10	3	23%
14 - Community services	11	54	52	2	4%
15 - Parks	22	33	22	11	33%
16 - Recreational Facilities	9	10	9	1	10%
18 - Community Facilities	2	2	2	0	0%
19 - Libraries	12	32	18	14	44%
20 - Cemeteries	9	18	9	9	50%
22 - Traffic	17	23	15	8	35%
23 - Licensing	31	34	30	4	12%
24 - Nature Reserve	16	24	20	4	17%
28 - Fire & Disaster Services	23	23	22	1	4%
30 - Technical Services	8	28	14	14	50%
32 - Electricity	24	37	25	12	32%
34 - Water	22	60	42	18	30%
36 - Refuse Removal	47	99	62	37	37%
38 - Sewerage and Sanitation	24	34	29	5	15%
40 - Roads and Street Lighting	35	94	83	11	12%
42 - Town Planning	1	1	1	0	0%
44 - Project Management Unit	3	6	3	3	50%
46 - Mechanical Workshop	4	15	3	12	80%
48 - EDTA	5	14	14	0	0%
Totals	432	876	664	212	24%

Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June, as per the approved organogram.

T 4.1.1

Chapter 5

Vacancy Rate: Year 0			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
CFO	1	1	100.00
Other S57 Managers (excluding Finance Posts)	10	1	10.00
Other S57 Managers (Finance posts)	3	1	33.33
Police officers	12	3	25.00
Fire fighters	20	3	15.00
Senior management Levels 13-15 (excluding Finance Posts)	25	5	20.00
Senior management Levels 13-15 (Finance posts)	6	2	33.33
Highly skilled supervision: levels 9-12 (excluding Finance posts)	35	8	22.86
Highly skilled supervision: levels 9-12 (Finance posts)	8	1	12.50
Total	121	25	20.66

*Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 4.1.2

Chapter 5

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.2 POLICIES

Policies currently adopted are:

Name of Policy	Adoption Date
Anti - Fraud and Corruption	
Appointment in Acting Capacity Policy	
Code of Conduct for Employees	
Communication	
Conflict of Interest Policy	
Consultants Monitoring and Management	
Dress Code Policy	
Employee Assistance/ Wellness	
Employees and Councillors Sports and Recreation	
Employment Equity	
Entertainment	
Fleet Management	
Grievance Procedures	
HIV/Aids	
Information Technology	
Internship Programme Policy	
Investment, Attraction and Retention Policy	
Learnership Policy	
Leave	
Long Service	
Mayoral Discretionary Fund and Special Programmes Policy	
Medical Examinations Policy	

Chapter 5

Occupational Health And Safety	
Overtime	
Parking at Municipal Offices	
Performance Management and Development	
Placement Policy	
Promotion and Transfer	
Recruitment, Selection and Appointments	
Retention and Succession Planning Policy	
Sexual Harassment	
Smoking	
Study Assistance Policy	
Telephone (Telecommunication Policy)	
Training and Development Training	
Retention Policy	
Credit control and debt collection	
Municipal property rates policy and by-law	
Assets Management policy	
Cost containment policy	
Conditional grants policy	
Uniform and Protective Clothing	
Vehicle Allowance (Car Essential Scheme Policy)	
Working Hours Policy	

Chapter 5

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	53	9	8%	14	55000
Temporary total disablement		0	0%	0	0
Permanent disablement		0	0%	0	0
Fatal		0	0%	0	0
Total	60	5	8%	12	60

T 4.3.1

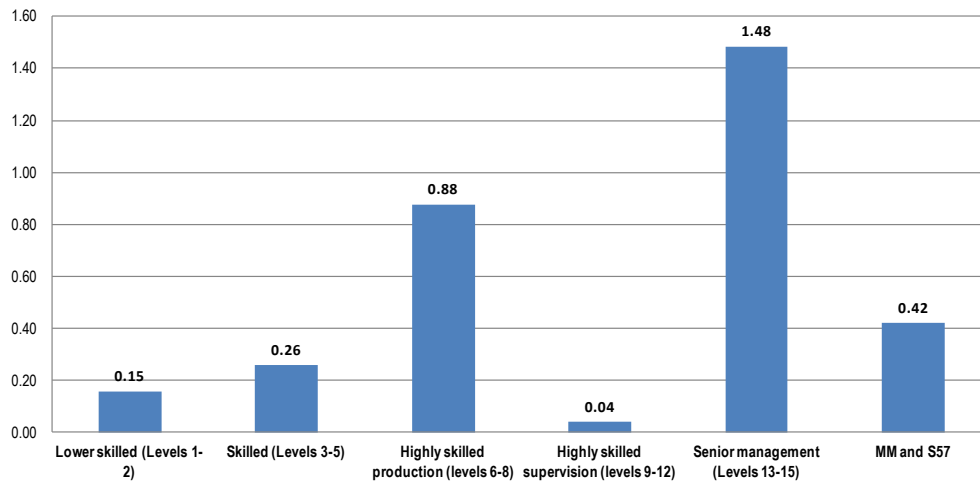
Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	27	94%	12	25	0,17	25
Skilled (Levels 3-5)	45			20	0,29	
Highly skilled production (levels 6-8)	120			51	0,77	
Highly skilled supervision (levels 9-12)	8	89%	1	24	0,05	31
Senior management (Levels 13-15)	20			9	0,13	
MM and S57	13			9	0,08	
Total	501	93%	12	155	3,23	61

* - Number of employees in post at the beginning of the year
 *Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T 4.3.2

Chapter 5

Average Number of Days Sick Leave (excluding IOD)



T 4.3.3

Chapter 5

CHAPTER 5 – FINANCIAL PERFORMANCE

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance for the year ending 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	212 314 849	197 215 406
Rental of facilities and equipment		1 710 146	2 703 299
Interest income	18	21 635 211	18 606 702
Licences and permits		4 665 541	5 016 051
Fair Value adjustment		1 024 871	976 860
Other income	19	1 870 218	1 257 087
Actuarial gains		8 599 525	24 044 796
Total revenue from exchange transactions		251 820 361	249 820 201
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	42 785 471	52 530 533
Interest income		4 460 594	3 865 550
Transfer revenue			
Government grants & subsidies	21	92 724 044	80 716 614
Fines, Penalties and Forfeits	22	4 410 250	4 748 400
Total revenue from non-exchange transactions		144 380 359	141 861 097
Total revenue	41	396 200 720	391 681 298
Expenditure			
Employee related costs	23	(190 148 235)	(153 696 368)
Remuneration of councillors	24	(8 449 398)	(9 419 654)
Depreciation and amortisation	25	(67 250 860)	(34 660 651)
Finance costs	26	(31 576 112)	(9 222 516)
Debt Impairment	27	(69 268 537)	(72 379 113)
Bulk purchases	28	(92 754 974)	(86 470 038)
Contracted services	29	(24 701 662)	(44 951 960)
General Expenses	30	(21 783 833)	(39 451 268)
Total expenditure		(505 933 611)	(450 251 568)
Deficit for the year		(109 732 891)	(58 570 270)

* See Note 46

Chapter 7(new)

5.2 GRANTS

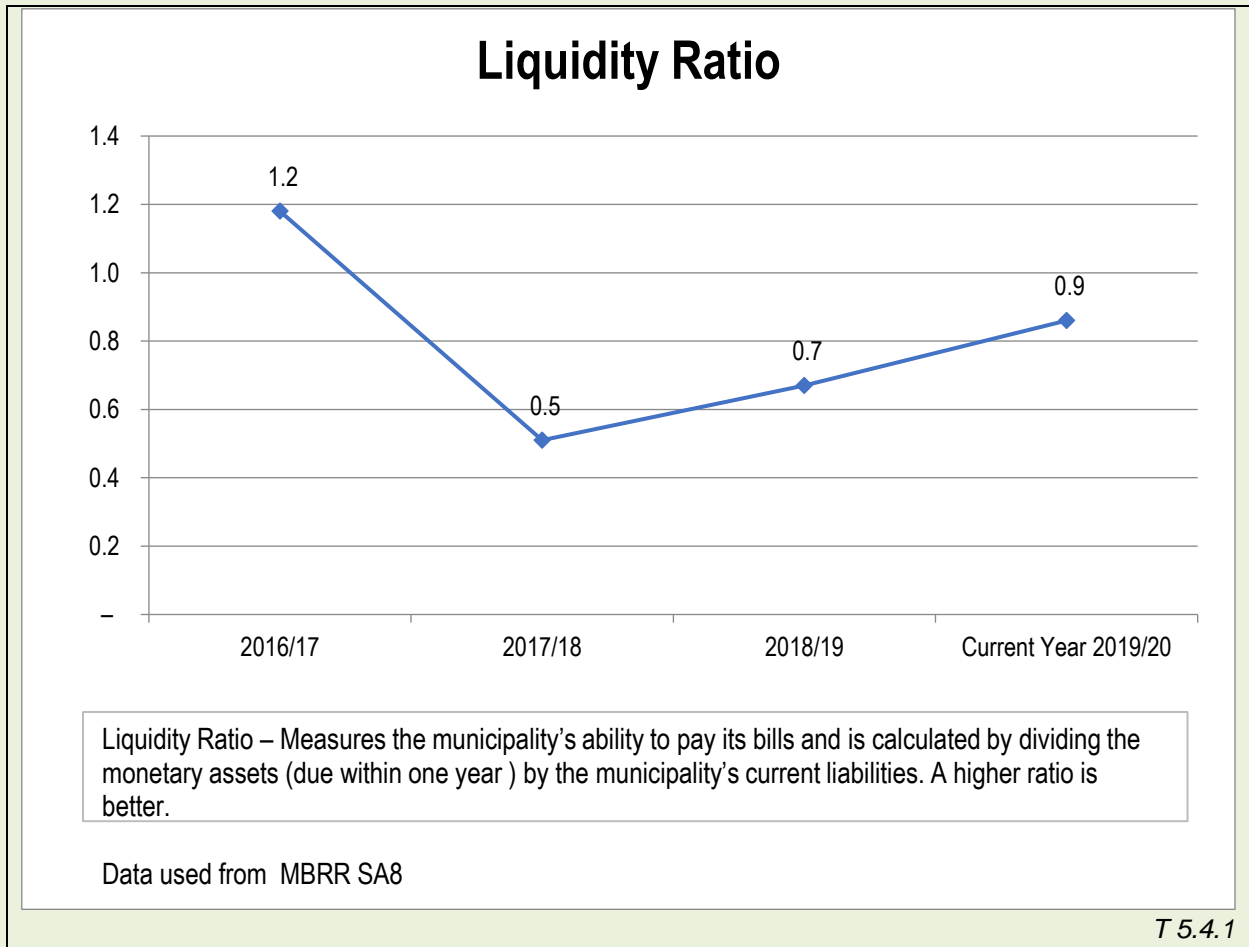
R' 000						
Description	Year 2019/20	Year 2020/21			Year 0 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	54 123	60 424	69 808	69 678		
Equitable share	52 554	56 283	65 667	65 667	117	0
Municipal Systems Improvement	-	2 600	2 600	2 600	100	0
Department of Water Affairs	1 569	1 541	1 541	1 411	92	0
Levy replacement	-	-	-	-	-	-
Government grant	-	-	-	-	-	-
Provincial Government:	-	-	-	-		
Health subsidy	-	-	-	-		
Housing	-	-	-	-		
Ambulance subsidy	-	-	-	-		
Sports and Recreation	-	-	-	-		
Government grant	-	-	-	-		
District Municipality:	-	-	-	-		
District Municipality:	-	-	-	-		
Other grant providers:	-	-	-	-		
Disaster Grant	-	-	-	-		
SETA	-	-	-	-		
Total Operating Transfers and Grants	54 123	60 424	69 808	69 678		
<i>Variiances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.</i>						T 5.2.1

5.3 ASSET MANAGEMENT

Repair and Maintenance Expenditure: Year 0				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	1 544,00	1 950,00	560,00	64%
				T 5.3.4

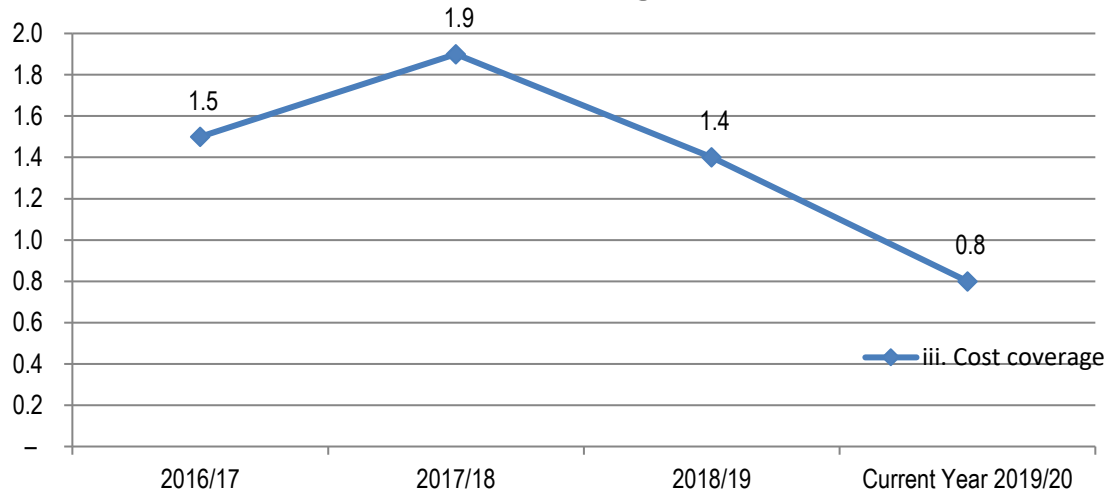
Chapter 7(new)

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



Chapter 7(new)

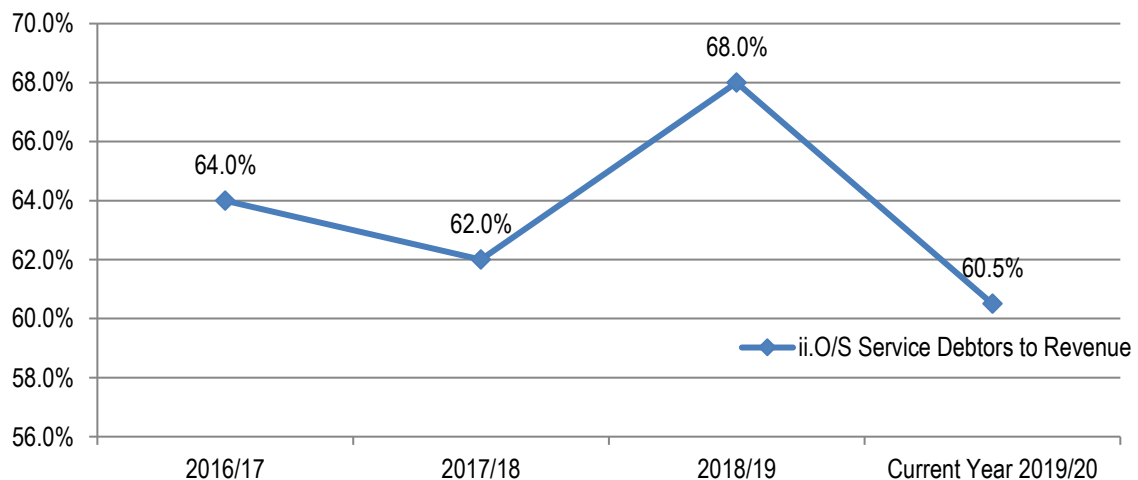
Cost Coverage



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

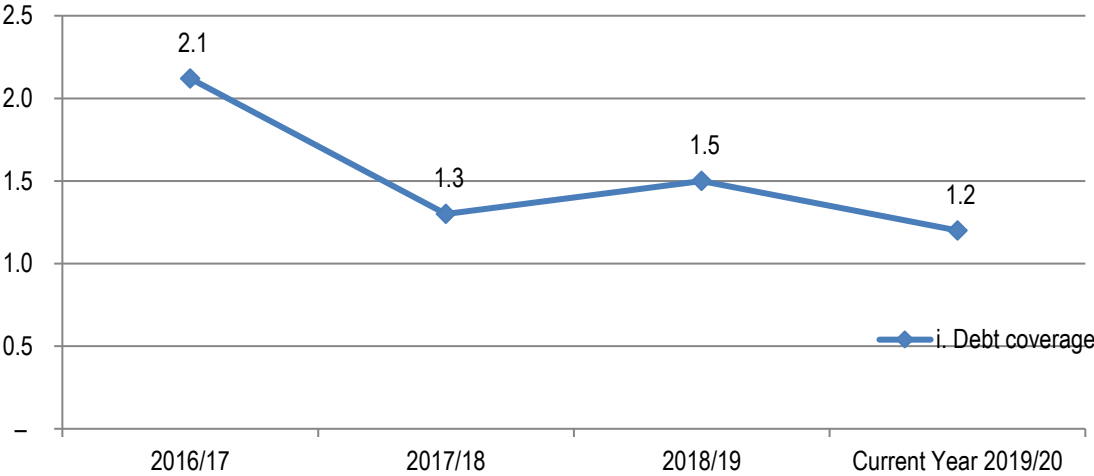
Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

Chapter 7(new)

Debt Coverage

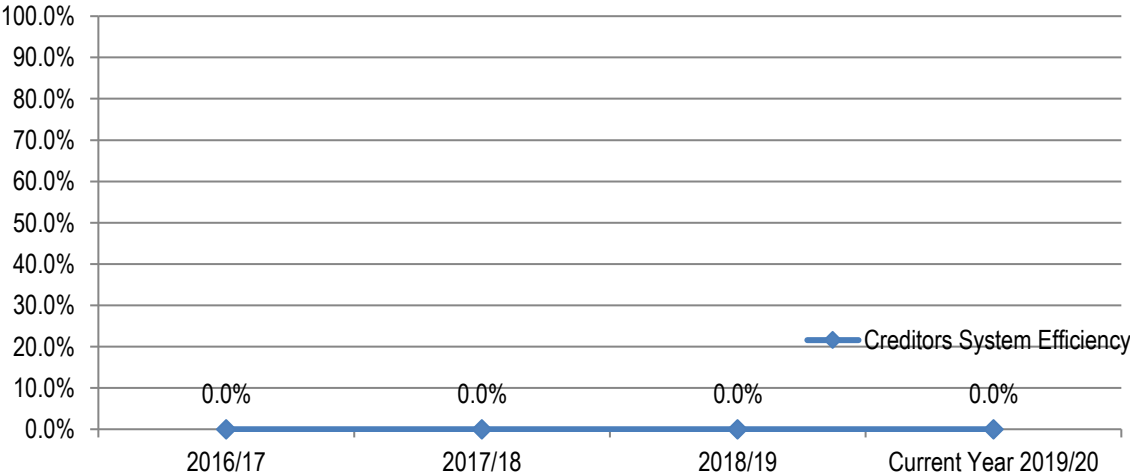


Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality

Data used from MBRR SA8

T 5.4.2

Creditors System Efficiency

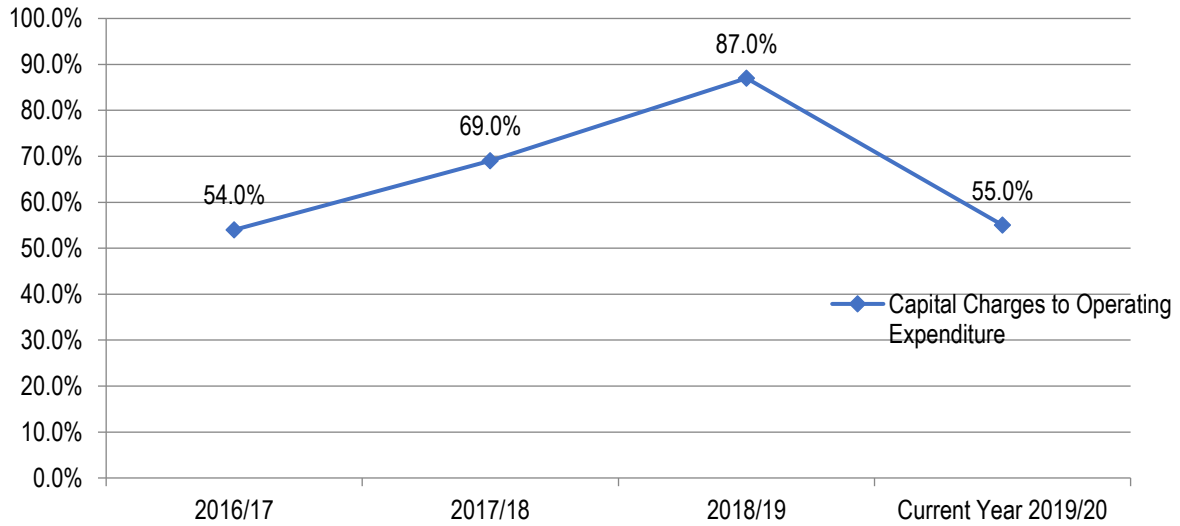


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

Chapter 7(new)

Capital Charges to Operating Expenditure



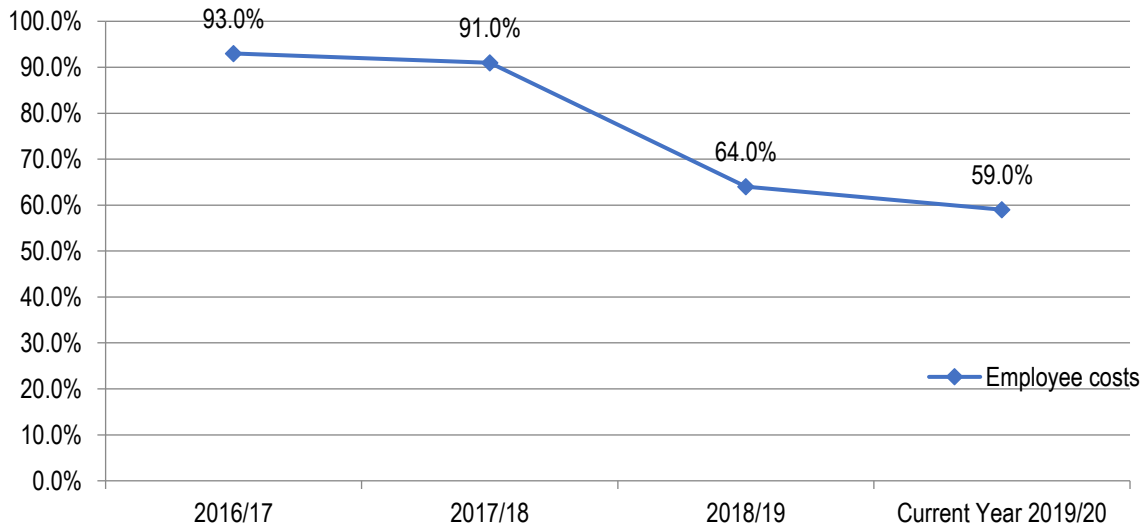
Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

T 5.4.3

Chapter 7(new)

Employee Costs



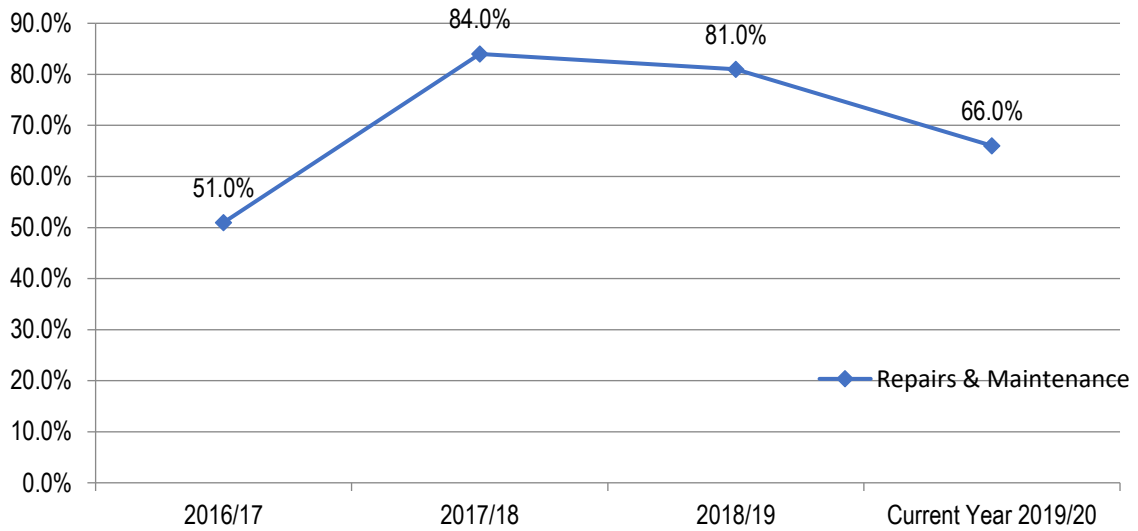
Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8

T 5.4.7

Chapter 7(new)

Repairs & Maintenance



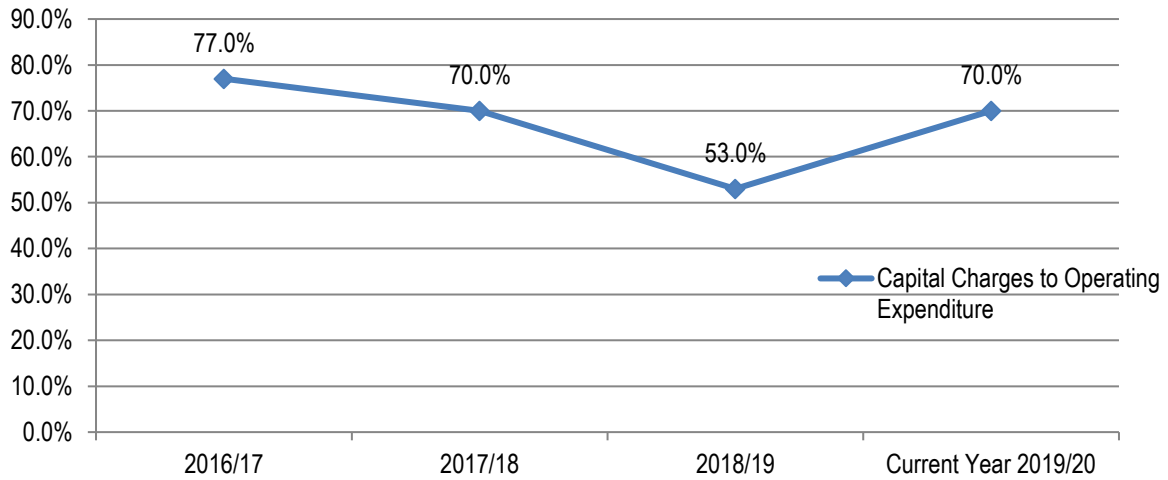
Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.

Data used from MBRR SA8

T 5.4.5

Chapter 7(new)

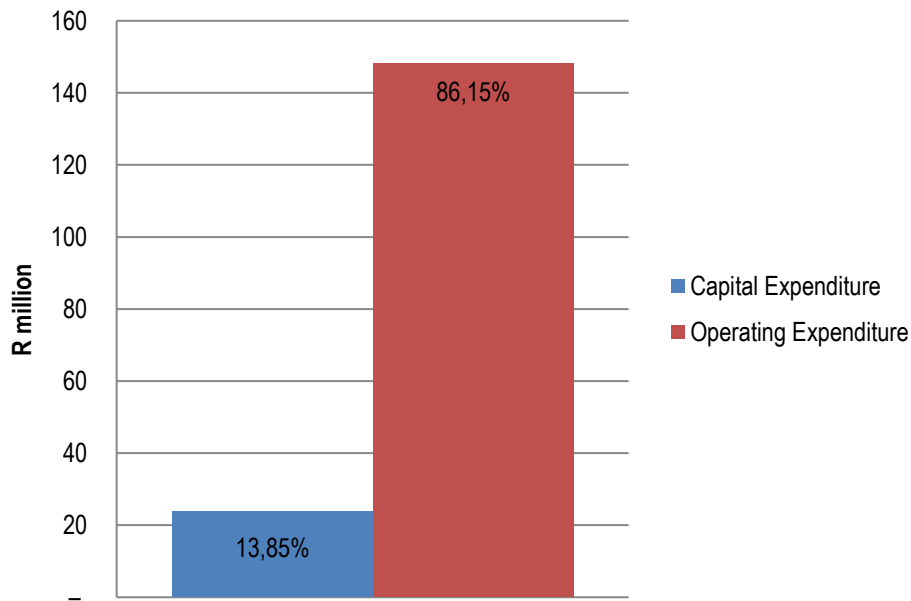
Capital Charges to Operating Expenditure



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

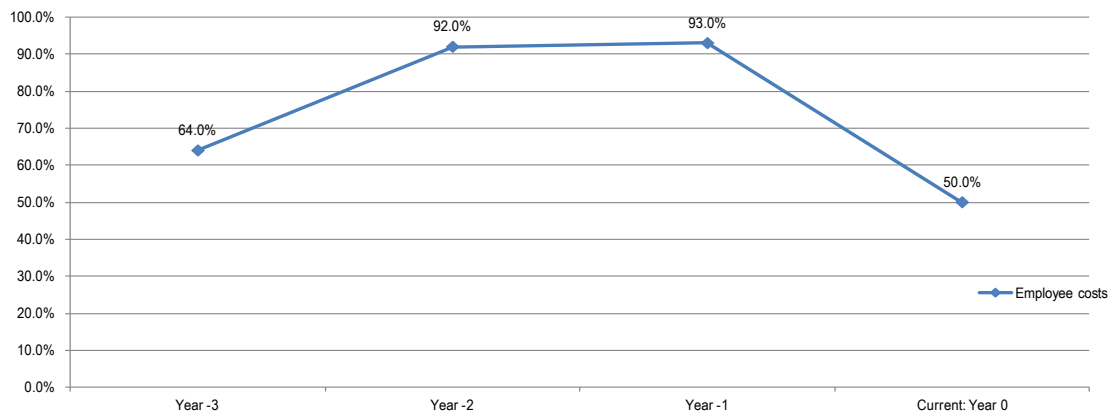
Capital Expenditure: Year 0



T 5.5.1

Chapter 7(new)

Employee Costs

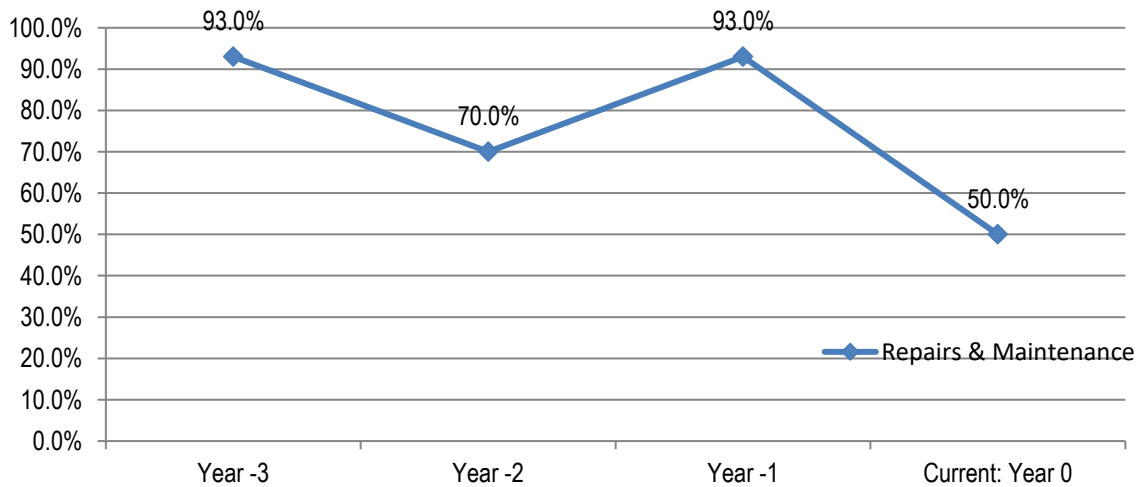


Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8

T 5.4.7

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

Chapter 7(new)

Capital Expenditure - Funding Sources: Year - 2018/19 to Year 2019/20							R' 000
Details	Year -2018/19	Year 2019/20					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
Source of finance							
External loans					0,00%	0,00%	
Public contributions and donations					0,00%	0,00%	
Grants and subsidies	R16 937	R47 064	R47 064	R15 432	0,00%	-67,21%	
Other					#DIV/0!	#DIV/0!	
Total	16937	47064	47064	15432	#DIV/0!	#DIV/0!	
<i>Percentage of finance</i>							
External loans	0,0%	0,0%	0,0%	0,0%	0,00%	0,00%	
Public contributions and donations	0,0%	0,0%	0,0%	0,0%	0,00%	0,00%	
Grants and subsidies	100,0%	100,0%	100,0%	100,0%	0,00%	0,00%	
Other	0,0%	0,0%	0,0%	0,0%	0,00%	0,00%	
Capital expenditure							
Water and sanitation	0	0	0	0	0,00%	0,00%	
Electricity	0	0	0	0	0,00%	0,00%	
Housing	0	0	0	0	0,00%	0,00%	
Roads and storm water	0	0	0	0	0,00%	0,00%	
Other	0	0	0	0	0,00%	0,00%	
Total	0	0	0	0	0,00%	0,00%	
<i>Percentage of expenditure</i>							
Water and sanitation	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Electricity	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Housing	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Roads and storm water	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Other	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
<i>T 5.6.1</i>							

Chapter 7(new)

Cash Flow Outcomes				
				R'000
Description	Year 2019/20	Current: Year 2020/21		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
		-		
Ratepayers and other	107 637	211 068	233 730	238 124
Government - operating	82 045	62 084	64 868	94 008
Government - capital		24 407	32 008	
Interest		347	363	
Dividends				
Payments				
Suppliers and employees	(181 692)	(447 820)	(446 740)	(293 270)
Finance charges		(14 484)	(14 875)	
Transfers and Grants		(80)	(84)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	7 990	(164 478)	(130 729)	38 862
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE				
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
Payments				
Capital assets	(37 308)	(24 352)	(31 108)	(12 742)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(37 308)	(24 352)	(31 108)	(12 742)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans		-		
Borrowing long term/refinancing		-		
Increase (decrease) in consumer deposits		-		
Payments				
Repayment of borrowing	(1 646)	(3 600)	(3 600)	(1 429)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 646)	(3 600)	(3 600)	(1 429)
NET INCREASE/ (DECREASE) IN CASH HELD	(30 964)	(192 430)	(165 437)	24 691
Cash/cash equivalents at the year begin:	54 762	18 066	18 066	25 965
Cash/cash equivalents at the year end:	(28 614)	(174 364)	(147 371)	50 656
<i>Source: MBRR A7</i>				<i>T 5.9.1</i>

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CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General.

T 6.0.1

6.1 AUDITOR GENERAL REPORTS 2020-21

COMPONENT B: AUDITOR-GENERAL OPINION YEAR- 2020-21 (CURRENT YEAR)

Chapter 6



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to the North West Provincial Legislature and the council on the Naledi Local Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Naledi Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

VAT receivables and VAT payables

3. I was unable to obtain sufficient appropriate audit evidence for the VAT receivables in the current year and the VAT payables in the previous year as the municipality did not maintain adequate accounting records. I was unable to confirm the VAT receivables and VAT payables by alternative means. Consequently, I was unable to determine whether any further adjustment relating to the VAT receivables of R32 879 501 (2020: VAT payables of R31 789 911) as disclosed in note 12 to the financial statements was necessary.

Receivables from exchange and non-exchange transactions

4. The municipality did not calculate the provision for impairment of receivables in accordance with GRAP 104, *Financial instruments* as the municipality did not do an assessment of the credit risk for groups or sub-groups of receivables. I am unable to quantify the full extent of the misstatement in receivables from non-exchange transactions of R34 397 196 (2020: R23 726 333), receivables from exchange transactions of R88 556 797 (2020: R64 308 069) and the debt impairment of R42 408 318 (2020: R40 214 492) as disclosed in notes 4, 5 and 32 to the financial statements.

Property, plant and equipment

5. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment of R542 831 045 (2020: R556 994 485) as disclosed in note



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9 and the depreciation and amortisation expense of R39 607 579 (2020: R35 676 315) as disclosed in note 30 to the financial statements were necessary.

Consumer deposits

6. During 2020, I was unable to obtain sufficient appropriate audit evidence for consumer deposits due to the status of accounting records. I was unable to determine whether any adjustment to consumer deposits of R5 104 789 as disclosed in note 17 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. I was still unable to confirm these consumer deposits by alternative means. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Payables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means. In addition, the municipality incorrectly included loans in trade payables resulting in an overstatement of payables from exchange transactions and understatement of other financial liabilities of R10 370 231. Consequently, I was unable to determine whether any further adjustment relating to payables from exchange transactions of R737 743 312 (2020: R820 926 716) as disclosed in note 13 to the financial statements was necessary.

Service charges

8. I was unable to obtain sufficient appropriate audit evidence that revenue, expenditure and the receivables relating to the provision of retail water services have been correctly accounted for by the municipality as the service delivery agreement entered into between the Dr Ruth Segomotsi Mompati District Municipality as water service authority and the municipality as water service provider expired on 30 June 2018. In terms of section 22 of the Water Services Act 108 of 1997, no person may operate as a water service provider without the approval of the water service authority. I was unable to confirm, by alternative means, that the local municipality was authorised to operate as the water service provider. Consequently, I was unable to determine whether any adjustments relating to revenue from the sale of water of R30 926 457 (2020: R32 198 296) included in the service charges as disclosed in note 19 to the financial statements or any other receivables and expenditure relating to the provision of retail services by the municipality were necessary.
9. I was unable to obtain sufficient appropriate audit evidence for service charges relating to water and electricity as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these services charges by alternative means. In addition, the municipality did not bill all consumers for waste management service charges resulting in an understatement of service charges and receivables from exchange transactions of R14 108 002 and revenue from the sale of pre-paid electricity have been recorded inclusive of the VAT resulting in an overstatement of service charges and VAT receivable of R10 443 140. Consequently, I was unable to determine whether any further adjustments relating to service charges of R229 459 575 (2020: R212 314 849) and receivables from exchange transactions of R88 556 797 (2020: R64 308 069) as disclosed in notes 19 and 5 to the financial statements were necessary.

Interest income

10. The municipality did not correctly calculate and charge interest on consumer debtors due to the incorrect interest rate that was used to charge interest. I was unable to determine the full extent of the misstatement on interest income from outstanding receivables of R29 966 015 (2020: R21 103 503) as disclosed in note 21 and interest income from outstanding receivables



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of R6 126 656 as disclosed in note 25 to the financial statements or the related receivables balances as it was impracticable to do so.

Property rates

11. The municipality did not correctly record all property rates revenue as not all properties were levied property rates for every month in the financial year. Consequently, revenue from property rates and receivables from non-exchange transactions was understated by R139 163 333.
12. During 2020, I was unable to obtain sufficient appropriate audit evidence for property rates as the municipality did not have an adequate system of internal control and did not keep adequate accounting records. I was unable to determine whether any adjustment to property rates of R42 785 471 was necessary. Furthermore, the municipality did not correctly recognise revenue from property rates in accordance with GRAP 23, *Revenue from non-exchange transactions*, as property rates relating to the 2018-19 period was recognised as revenue in the 2019-20 period. I was unable to quantify the full extent of the misstatement as it was impracticable to do so. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. I was still unable to confirm these property rates by alternative means. Consequently my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Commitments

13. I was unable to obtain sufficient appropriate audit evidence for commitments as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these commitments by alternative means. Consequently, I was unable to determine whether any further adjustment relating to commitments of R29 919 196 (2020: R21 943 819) as disclosed in note 38 to the financial statements was necessary.

Fruitless and wasteful expenditure

14. I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure due to the status of accounting records. I was unable to confirm this fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to fruitless and wasteful expenditure of R190 250 423 (2020: R 172 260 118) as disclosed in note 43 to the financial statements was necessary.

Irregular expenditure

15. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for irregular expenditure. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to the irregular expenditure of R239 454 664 (2020: R231 950 353) as disclosed in note 44 of the financial statements was necessary.

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. As disclosed in note 42 to the financial statements the municipality had a deficit for the year and its current liabilities exceeds its current assets resulting in not paying its creditors within 30 days. These events or conditions, along with the other matters as set forth in note 42, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.



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Responsibilities of the accounting officer for the financial statements

18. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 4 of 2020 (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.
19. In preparing the financial statements, the accounting officer is responsible for assessing the Naledi Local 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 there is no realistic alternative but to do so.

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

20. My responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
21. 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 the other ethical requirements that relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

Introduction and scope

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

Key performance area	Pages in the annual performance report
KPA 4: Basic services delivery and infrastructure investment	23 – 35

24. I performed procedures to determine whether the reported performance information [was properly presented and whether performance] was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.



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25. The material findings in respect of the usefulness and reliability of the selected key performance area are as follows:

KPA 4: Basic services delivery and infrastructure investment

Various indicators

26. I was unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions for the indicators and that the predetermined source information and evidence to be used when measuring the actual achievement for the indicators were clearly defined. As a result, I was also unable to test the reliability of the reported achievements and the disclosed measures taken to improve performance. I was unable to validate the existence of the systems, test whether the indicators were well-defined or to confirm reported achievements and measures taken to improve performance by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and measures taken to improve performance:

Indicator description	Reported achievement	Measures taken to improve performance
Number of households with access to basic level of water by 30 June 2020	Target not achieved	No
Number of households with access to basic level of sanitation by 30 June 2020	Target not achieved	No
Number of households with access to basic level of electricity by 30 June 2020	Target not achieved	No

Various indicators

27. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. In addition, the measures taken to improved performance disclosed for indicators with variances between the planned target and the reported achievement did not agree with the supporting evidence provided. Based on the supporting evidence provided, the reason for the variance was not collaborated with supporting documentation and could not be verified against the information on the annual performance report. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements or measures taken to improve performance by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements or measures taken to improve performance.

Indicator description	Reported achievement	Measures taken to improved performance
Number of households with access to solid waste removal on weekly basis	Target not achieved	No
Number of formalised households earning less than R2300 per month with access to free basic services on a monthly basis	Target not achieved	No
Reports on the 100% expenditure on total amount allocated (gazetted) MIG funding commensurate to the 100% completion of construction on capital projects by 30 June 2021	Not 100% of the allocated MIG Funding was spent	No



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Other matter

28. I draw attention to the matter below.

Achievement of planned targets

29. Refer to the annual performance report on pages 23 to 35 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 24 to 26 of this report.

Report on audit of compliance with legislation

Introduction and scope

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

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

Financial statements

32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of 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 supporting records that could not be provided resulted in the financial statements receiving a disclaimer audit opinion.

33. 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.

Strategic planning and performance management

34. The performance management system and related controls were inadequate as they did not describe how the performance measurement and review processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1).

Expenditure management

35. Reasonable steps were not taken to prevent irregular expenditure amounting to R7 504 311 as disclosed in note 44 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by management's non-compliance with supply chain management regulations.

36. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified as indicated in the basis for disclaimer paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by late payment to suppliers due to the cash flow constraints of the municipality.

37. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R10 129 849, as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by spending in excess of the budgets for individual votes.



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Consequence management

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

Asset management

39. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
40. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Revenue management

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

Procurement and contract management

43. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
44. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
45. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
46. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.
47. 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.

Internal control deficiencies

48. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
 - The municipality's leadership did not exercise adequate oversight over financial and performance reporting, compliance monitoring and related internal controls. Policies and procedures did not adequately guide financial, performance and compliance activities and consequence management measures were not fully implemented.
 - Management's internal controls and processes over the preparation and presentation of financial statements, performance reports and compliance monitoring were not able to ensure that the reports were free from material misstatements and material deviations



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from legislation. Various financial registers and schedules submitted by management did not agree to amounts as per the financial statements, were not completed for all items recorded and management did not adequately ensure the collection, collation, verification, storing and reporting of actual performance information.

- The audit committee and internal audit fulfilled their functions, however management did not adequately respond to the concerns raised by the audit committee and did not implement all the recommendations made by internal audit resulting in the internal control environment over financial and performance information and compliance with laws and regulations being ineffective. These matters together with the ineffective implementation and monitoring of the audit action plans resulted in the audit committee and internal audit not having a positive impact on the audit outcome.

Material Irregularities

49. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Material irregularities identified during the audit

50. The material irregularities identified are as follows:

Full and proper records not kept (2019-20) – infrastructure assets, provision of retail water services and material uncertainty relating to going concern

51. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of infrastructure assets, provision of retail water and material uncertainty relating to going concern, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a disclaimed audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.
52. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to the material uncertainty regarding its ability to continue operations. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.
53. The accounting officer was notified of the material irregularity on 22 September 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer provided inadequate actions to resolve the material irregularity. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 16 May 2022:
- The non-compliance with section 62(1)(b) of the MFMA should be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.
 - Based on the reasons and circumstance, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by 62(1)(b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
 - a. Complete asset register of all of the municipality's infrastructure assets, property, plant and equipment, including work-in-progress, as well as information for assets that have been fully depreciated but still in use;
 - b. Billing information and reconciliations to support revenue from service charges;



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- a. Reconciliation of property rates income to the valuation roll;
 - b. Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received, including payments made from conditional grant funding; and
 - c. Reconciliations of all bank accounts in the name of the municipality.
54. I further recommend that the accounting officer should take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA, by 15 August 2022. The plan should describe the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:
- d. Increase the collection of revenue;
 - e. Efficiently manage the available resources of the municipality; and
 - f. Enter into payment arrangements with major suppliers.
55. The above timeframes for the implementation of the recommendations will run concurrently. I will follow up on the implementation of these recommendations by the due date.

Auditor General
Klerksdorp

27 February 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



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COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated

VOLUME II

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “ <i>what we use to do the work</i> ”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.

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National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	<p>The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".</p>
Outputs	<p>The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.</p>
Performance Indicator	<p>Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)</p>
Performance Information	<p>Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.</p>
Performance Standards:	<p>The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.</p>
Performance Targets:	<p>The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.</p>
Service Delivery Budget Implementation Plan	<p>Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.</p>
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional</i></p>

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*areas of the municipality; and
b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned*

APPENDICES

APPENDIX G1 – MUNICIPAL AUDIT COMMITTEE REPORT 2020-2021

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NALEDI LOCAL MUNICIPALITY
ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE FOR THE
FINANCIAL YEAR ENDED 30 JUNE 2021

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

1. Audit and Performance Committee Responsibility

The Audit and Performance Committee (APC) report that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The APC also reports that it has adopted appropriate formal terms of reference as its Audit and Performance Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

2. Audit and Performance Committee members and attendance

The APC, consisting of independent outside members, met six times already and must meet at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises. In terms of section 166(4) (b) of the MFMA, the audit committee must meet at least four times a year. In the 20/21 Financial Year, the municipality only honoured 2 invites therefore, only 2 meetings materialised

The table below shows the attendance of these meetings:

Name	Date of appointment	Qualifications	Number of meetings scheduled	Number of meetings attended
Mrs Fikile Mudau	01 March 2018	<ul style="list-style-type: none">• B Com Degree (Univen)• Studying towards LLB Degree - Unisa• Local Government Finance• Government Finance Certificate- School of Government Finance India• Certificate Programme in municipal finance – WITS Business School• Grade 12	04	02

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Ms Mpho Masete	01 March 2018	<ul style="list-style-type: none"> • CIA (IIASA) • Unisa –HONS B Compt • Rhodes University –B comm • Grade 12 	04	02
Ms Mmabagaki Mothelesi	01 March 2018	<ul style="list-style-type: none"> • B comm Accounting (NWU) • B Comm Auditing – Unisa • Honours : B comm Auditing • Currently studying MBA • Grade 12 	04	02
Mr Letlhogonolo Berend	01 March 2018	<ul style="list-style-type: none"> • LLB (Bachelor of Laws) WITS • Currently studying MBA • Grade 12 	04	02
Mr Ernest Van Rensburg	01 March 2018	<ul style="list-style-type: none"> • Baccalaureus Commercii (UOFS) • Honours – Baccalaureus Computations • Certificate in theory accounting (Unisa) • Advanced Certificate in Auditing • Accountant Pubic Practice • Independent Reviewer – SAIPA • Grade 12 	04	02

The members of the APC held meetings with the Municipal Manager as the Accounting Officer, Senior Management of the municipality, Chairperson of Risk Committee, the Auditor General, the internal audit function collectively on matters related to governance, internal control and risk in the municipality, throughout the reporting period.

The APC has complied with its responsibilities arising from section 166 of the MFMA read with MFMA Circular 65, and reports that it operated in terms of the APC charter read in conjunction with the internal audit charter.

3. The Effectiveness of Internal Control

The Audit Committee acknowledges management's efforts to strengthen internal controls in the municipality, especially whilst facing the pandemic Covid-19 and its related challenges.

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Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the municipality revealed certain weaknesses, which were then raised with the municipality. There are several serious deficiencies in the system of internal control and deviations as reported by the internal auditors. In certain instances, the matters reported previously have not been fully and satisfactorily addressed. The APC notes management's attempt to correct the deficiencies; However, during the related year under review there remained an inconsistent monitoring of action plans and progress. The APC is concerned that in certain instances the matters reported by the external auditors and the internal audit function in prior years have not been fully and satisfactorily addressed.

Vacancies undermine the effective functioning of the system of internal control and it is imperative that management reviews its recruitment procedures and processes to ensure that vacancies are filled expeditiously with properly qualified, skilled and experienced personnel. Critical vacant positions were noted: Municipal Manager and Chief Financial officer, Corporate Services, Director: Technical services and Director: Community Services. The Corporate Services, Director: Technical services and Director: Community Services positions were filled only during the last part of the year. These key positions have a serious impact on the stability, administration and implementation of sound financial, governance and internal controls.

The position of the CAE has been vacant since 01st September 2018 till November 2020; and the department has been operating on 03 Acting CAE's. For the month of October to November 2020, the department had no CAE or Acting CAE in place. However, the work of Internal Audit continued irrespective of the circumstances without any extra remuneration to the existing managers. The effectiveness and efficiency of Internal Audit is dependent on the strategic leadership of the department. The department was disadvantaged by the vacant post of the Chief Audit Executive. Due to Covid 19 pandemic, offices of the Dr Ruth Segomotsi Mompoti District Municipality was officially closed on 24 April 2020, in response to the Covid 19 Lockdown, all non-essential staff was communicated to remain working from home. This directly affected the scope of work for Internal Audit and completion of the audit operation plan 2020-2021. The Internal Department has however managed to perform its work during the year irrespective of the impact of the CAE vacancy, Covid- 19 cases, and Covid 19 regulations by achieving 62% of the planned audits for the year. The remaining percentage was affected by the unforeseen covid-19 pandemic which was not planned for. An audit strategy was developed and approved by the audit committee to address this challenge so that the work of internal audit is not compromised and/or the impact is limited.

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Due to the strategic importance of, and investment in, the modernisation of information and communication technology (ICT) in the municipality, the audit committee has monitored the risk register and progress reports on the respective action plans during the year under review. The audit committee remains concerned of:

- Back-ups and Security.
- Establish an ICT steering committee.
- Prioritisation of an adequate ICT environment.
- Service providers work scope and budget and service level agreement
- Status of the role of ICT within the mSCOA processes.
- Not all ICT risks are being addressed or mitigated, in implementing new systems. The audit committee was also concerned about the implementation of ICT systems that were not put in place on time during the National Covid 19 lockdown which was declared in March 2020.

4. In-Year Management and Monthly/Quarterly Report

The following reports were presented to the AC:

- MFMA SEC 71 reports Monthly budget statement
- MFMA SEC 52 (d) implementation of the Budget.
- MFMA Section 66 Reports- Expenditure on Staff benefits
- MFMA SCM Regulation 6(3)- SCM Implementation report
- Update on mSCOA
- Status on Post Audit Action Plan (PAAP)

The APC appreciated the submission of these reports and that it is being compiled by the municipality, however serious concerns of the following remain highlighted:

- Liquidity concerns – the municipality is in a dire financial situation.
- Poor financial controls at the Traffic Department.
- The Traffic financial system not interrelated an updated with the municipal system.
- Status and/or lack of cost containment measures implementation.
- Status of Government debt owed to Naledi Local Municipality.
- Realistic Strategy (if any) in place to improve collection.
- The status debt owed by the municipality to SAMRAS service provider.
- Status of previous commitment of the municipality to utilize Equitable Share Grant as payment arrangement to ESKOM debt.
- Status of the billing account in place.

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- Expenditure information not properly reportable to AC.
- Budget adjustment issues not reported to Council and Provincial Treasury.
- Critical vacant positions: The prolonged appointment process of Municipal Manager and Chief Financial Officer.
- Non-payment of 3rd party payments.
- Monitoring of the Service Level Agreement with SAMRAS. How and when contract is ending, the performance, the effect on the Annual Financial Statements preparation, and maintenance of a plan to prohibit the situation from occurring again.
- Status of asset module not included in mSCOA.
- Exorbitant employee structure.
- No service level agreement between municipality and the Dr Ruth S Mompati District Municipality.

5. Performance Management

Part of the responsibilities of the APC includes the review of performance management. The APC has in terms of the performance of the municipality performed the following functions:

- Review and comment on compliance with statutory requirements and performance management best practices and standards.
- Review and comment on the alignment of the integrated development plan, budget, service delivery and budget implementation plan and performance agreements.
- Review and comment on the relevance of indicators to ensure that they are measurable and relate to services performed by the municipality and its entities.
- Review of compliance with in-year reporting requirements.
- Review of the quarterly performance reports submitted by the internal audit function.
- Review and comment on the municipality's performance management system and making recommendations for its improvement.

The APC reviewed the functionality of the performance management system and it appears to be ineffective. Management to priorities the implementation of adequate performance management and recordkeeping.

6. Risk Management

The APC is responsible for the oversight of the risk management function. The risk

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management committee reports to the APC on the municipality's management of risk. The APC is of the opinion that municipality's risk management appears to be effective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies. Management has a sound and effective approach that has been followed in developing strategic risk management plans and there is a sense of appreciation of the impact of the municipality's risk management framework on the control environment.

The APC notes that the risk committee meetings were convened during the year.

The APC is satisfied that:

- Risk management remained embedded at the municipality during the Covid-19 pandemic.
- The APC has noted the efforts of the risk unit in facilitating the risk management within the municipality.
- Management is therefore responsible to manage their departmental risks and ensuring that the combined risk management is achieved and implemented successfully

The APC recommended that:

- The ICT risk register must be maintained.

Furthermore, the APC was not provided the opportunity to review the municipality's fraud prevention plan to be satisfied that the municipality has appropriate processes and systems in place to capture, monitor and effectively investigate fraudulent activities.

7. Compliance with laws and regulations

Internal Audit revealed a number of non-compliance with the enabling laws and regulations during the year. Thus there need for intervention in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

8. Internal Audit

The accounting officer is obliged, in terms of section 165 of the MFMA, to ensure that the entity has a system of internal audit under the control and direction of the APC. The APC is

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satisfied that the internal audit function has properly discharged its functions and responsibilities during the year under review. However, the following remained a serious area of concern:

- The APC is appreciative and satisfied with the capacity of the internal audit function. The pro-longed vacancy of the position of the CAE was filled.

Due to Covid 19 pandemic, offices of the Dr Ruth Segomotsi Mompati District Municipality was officially closed on 24 April 2020, in response to the Covid 19 Lockdown, all non-essential staff were communicated to remain working from home. This directly affected the scope of work for Internal Audit and completion of the audit operation plan 2019-2020. The Internal Department has however managed to perform its work satisfactorily during the year irrespective of the impact of the CAE vacancy, Covid- 19 cases, and Covid 19 regulations by achieving 62% of the planned audits for the year. The remaining percentage was affected by the unforeseen covid-19 pandemic which was not planned for. However an audit strategy was developed and approved by the audit committee to address this challenge so that the work of internal audit is not compromised and/or the impact is limited. The internal audit function found that the control environment as a whole was ineffective; as specific control weaknesses were identified in supply chain management, asset management, procurement and revenue and performance management, for which recommendations were made for improvement.

The internal audit function was assessed by the Provincial Treasury on its effectiveness. The outcome of this assessment is still being awaited. The APC recommends peer quality reviews from similar municipalities to be performed at the Internal Audit Unit. This will prepare for the external assessments, which can be budgeted for in future.

9. Unauthorized, irregular, fruitless and wasteful expenditure

The APC noted with concern the high amount of unauthorized, irregular, fruitless and wasteful expenditure incurred by the municipality and the matter that it has not been dealt with in terms of section 32 of the MFMA. The APC noted that the AG Audit processes was delayed, and no Audit opinion was available by January/February 2021. Therefore the APC was limited through non-submission of information, to provide an adequate oversight related to the Unauthorized, irregular, fruitless and wasteful expenditure.

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10. Review of the Draft Annual Financial statements

The APC reviewed and noted the draft annual financial statements for financial year ended 30 June 2021. An extension request from the Municipality with regard to submission of the submission of the AFS to the AG was noted.

The Naledi Local Municipality submitted Draft Annual Financial Statements (AFS) to the Audit Committee, Internal Audit and the Provincial Treasury.

The APC noted the challenges raised by municipality affecting time AFS processes and submission:

The APC noted a number of gaps and issues to be addressed before submission to the AG:

- Provincial Treasury highlighted that their review report has been submitted to the municipality and highlighted that many issues were raised for the attention of the municipality to address, or the consequences will be a repeated opinion as the previous year.
- Internal Audit and Audit Committee performed the desk top draft AFS review, and to be noted that no audit file was availed at the time of the review. Recommendation to be implemented by the municipality.

The purpose of the AFS review amongst others was to ensure, inter-alia:

- Compliance with Generally Recognised Accounting Practice (GRAP) and MFMA.
- Draft AFS are free from material misstatements and errors.
- Reliability, integrity and quality of the financial information reported in the financial statements.

11. Review of Draft Annual Performance Report

The audit committee could not provide assurance on credibility and qualitative of the draft annual report as it was not submitted for rebview.

12. External Audit – Auditor General of South Africa

The AG presented the Audit Engagement letter and Audit Strategy to the APC on

16 February 2022. The AC:

- Noted the AG presentation of the Audit Engagement letter and the Audit Strategy.
- The Municipality to report to the Internal Audit and AC upon the finalization and submission of the AG Audit report and management letter, PAAP and draft Annual report.

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- The municipality requested extension, and they submitted the AFS late, and the completion of the external audit was finalised in June 2021.

13. Audit opinion 2020/2021 (AGSA Report)

The APC noted that the AG Audit processes was delayed, and the opinion was issued on the 27 February 2022. The AG represented the final Audit report via a meeting as scheduled by the AG between the Audit Committee, the AG and Naledi Local Municipality on the same date. Naledi Local municipality received an opinion of Disclaimer. The AG presented their reasons for the Disclaimer. It is noted that the APC was not afforded reasonable time to comment on the presentation of the disclaimer opinion to the municipality and the AG.

AG reasons for Disclaimer

- Limitation of scope
- System related problems
- Asset register not agreeing to the General Ledger

14. Conclusion

The audit committee notes the repeated delay of audit process and audit opinion outcome, ineffective controls, non-submission of information and the serious concern of the dire financial situation to be addressed by management.

However despite the serious challenges that is facing the municipality; The Audit and Performance Committee wishes to acknowledge and encourage commitment from Council, management and staff of the municipality to:

- remain committed;
- enhance service delivery;
- implement effective controls with relation to financial processes and reporting, performance reporting and compliance with laws and regulation.

We would also like to thank the Councillors, senior management for their efforts and internal audit for their contribution.



pp

F. Mudau (Ms)

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Chairperson: Audit and Performance Committee
Dr Ruth Segomotsi Mompoti District Municipality

VOLUME II

VOLUME II: ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements (AFS) for the 2020-21 financial year are attached and will be the Volume II of this 2020-21 Annual Report.



Naledi Local Municipality
(Demarcation Code NW392)
Annual Financial Statements
for the year ended 30 June 2021

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Naledi Local Municipality is a Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1996) Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No.117 of 1998) Municipal Structures Act (Act No.32 of 2000) Water Service Act (Act No. 108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No.7 of 2011) Division of Revenue Act (Act 1 of 2007) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations
Mayoral committee	
Executive Mayor	Cllr Modise O.R. (Mayor) Acting (04 October 2021) Cllr Skalk N.W. (Mayor) (Deceased 03 October 2021) Cllr. Groep C.J (Speaker) Cllr. Ekkelton L. (Exco chairperson)
Councillors	Cllr. Adonis J.A Cllr. Bome K.L Cllr. Labona M.E Cllr. Bareng A.N Cllr.Brand J.G Cllr. Modise O.R Cllr. Renoster E.P Cllr. Bosman G.S Cllr. Tauwe K.B Cllr. Tshite K.D Cllr Ncobo M.E Cllr. Gamma G

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

General Information

	Cllr. Van Huysteen H Cllr. Moholo B.J Cllr. Moeng L.M Cllr. Mustafa S.M Cllr. Nyamane O.K
Grading of local authority	Grade 3
Accounting Officer	
Accounting Officer	Mr M.T. Segapo - Appointed (1st of September 2021) Mr S.N. Mongale - Acting (Appointed on 19th February 2021) Mr T.N Appollus- Acting (1st August 2020 to 30th of January 2021) Ms. E. Makgahlela- Acting (1 June 2020 to 30 June 2020)
Chief Finance Officer (CFO)	Mr M.D.K. Maruping - Appointed (1st April 2021) Mr K.N. Gasebue - Acting (12th June 2020 to 31st March 2021)
Registered office	Civic Center 19A Market Street Vryburg Northwest 8601
Business address	Civic Center 19A Market Street Vryburg Northwest 8601
Postal address	P.O Box 35 Vryburg 8600
Bankers	ABSA First National Bank
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Modibea Attorneys Inc Duplessis Viviers Inc M.E.Tlou Attorneys and Associates Inc Waks Silent Attorneys Inc Mamatela Attorneys Inc

VOLUME II

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMP)
INEP	Integrated National Electrification Programme
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Constitution of the Republic of South Africa (Act 108 of 1996), 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 entity. 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 largely dependent on government grants for continued funding of operations. The annual financial statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although the accounting officer is 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 set out on page 7 - 93 which have been prepared on the going concern basis, were approved by the accounting officer on 12 November 2021 and were signed on its behalf by:

Municipal Manager
Mr M.T. Segapo

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 5 times per annum as per its approved terms of reference. During the current year 3 number of meetings were held.

Name of member	Number of meetings attended
Ms. F. Mudau (Chairperson)	3
Ms. M. Masete	3
Ms. M. Mothelesi	3
Mr. E. Van Rensburg	3
Mr. L. Barend	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

VOLUME II

Naledi Local Municipality

(Demarcation Code NW392)

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	1 222 329	1 938 257
VAT Receivables	12	32 879 501	-
Receivables from non-exchange transactions	4	34 397 196	23 728 333
Receivables from exchange Transactions	5	88 556 797	64 308 059
Cash and cash equivalents	6	50 656 475	25 964 983
		207 712 298	115 935 642
Non-Current Assets			
Biological assets	7	1 835 939	1 523 134
Investment property	8	57 637 000	57 606 000
Property, plant and equipment	9	542 831 045	556 994 485
Heritage assets	10	1 356 501	1 077 520
		603 662 485	617 201 139
TOTAL ASSETS		811 374 783	733 136 781
LIABILITIES			
Current Liabilities			
Other financial liabilities	11	12 330 905	11 645 942
VAT Payables	12	-	31 789 911
Payables from exchange transactions	13	737 743 312	620 012 108
Employee benefit obligation	14	3 312 000	2 373 680
Unspent conditional grants	15	14 039 451	10 641 403
Consumer deposits	17	5 082 675	5 104 789
		772 508 343	681 567 833
Non-Current Liabilities			
Other financial liabilities	11	-	2 113 730
Employee benefit obligation	14	52 713 000	44 314 263
Provisions	16	32 384 944	19 815 680
		85 107 944	66 244 673
TOTAL LIABILITIES		857 616 287	747 812 506
NET ASSETS		(46 241 504)	(14 675 725)
Reserves			
Revaluation reserve	18	2 470 085	2 470 085
Accumulated surplus/(deficit)		(48 711 589)	(17 145 810)
Total Net Assets		(46 241 504)	(14 675 725)

* See Note 51

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance for the year ending 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	229 459 575	212 314 849
Rental of facilities and equipment	20	165 652	317 984
Interest income	21	30 545 597	21 635 211
Licences and permits	22	6 854 252	5 600 974
Other income	23	2 690 195	1 870 218
Total revenue from exchange transactions		269 715 271	241 739 236
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	58 014 617	42 785 471
Interest income	25	6 126 856	4 460 594
Transfer revenue			
Government grants & subsidies	26	87 884 141	92 211 613
Fines, Penalties and Forfeits	27	4 308 000	4 431 750
Total revenue from non-exchange transactions		156 333 614	143 889 428
Total revenue	46	426 048 885	385 628 664
Expenditure			
Employee related costs	28	(192 158 174)	(187 061 852)
Remuneration of councillors	29	(8 843 681)	(8 449 398)
Depreciation and amortisation	30	(39 607 579)	(35 676 315)
Finance costs	31	(25 085 567)	(33 609 536)
Debt Impairment	32	(42 408 318)	(40 214 492)
Bulk purchases	33	(99 441 379)	(92 754 974)
Contracted services	34	(25 194 379)	(24 701 662)
General Expenses	35	(22 517 252)	(18 930 107)
Total expenditure		(455 256 329)	(441 398 336)
Operating deficit		(29 207 444)	(55 769 672)
Fair value adjustment		741 552	12 630 871
Actuarial gains/losses	14	(3 099 887)	8 599 525
		(2 358 335)	21 230 396
Deficit for the year		(31 565 779)	(34 539 276)

* See Note 51

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus/(deficit)	Total net assets
Opening balance as previously reported	2 470 085	676 111 626	678 581 711
Adjustments			
Prior year adjustments	-	(859 632 768)	(859 632 768)
Balance at 01 July 2019 as restated*	2 470 085	(183 521 142)	(181 051 057)
Changes in net assets			
Surplus for the year	-	(34 539 276)	(34 539 276)
Total changes	-	(34 539 276)	(34 539 276)
Opening balance as previously reported	2 470 085	727 523 376	729 993 461
Adjustments			
Prior year adjustments	-	(744 669 186)	(744 669 186)
Restated* Balance at 01 July 2020 as restated*	2 470 085	(17 145 810)	(14 675 725)
Changes in net assets			
Surplus for the year	-	(31 565 779)	(31 565 779)
Total changes	-	(31 565 779)	(31 565 779)
Balance at 30 June 2021	2 470 085	(48 711 589)	(46 241 504)
Note(s)		18	

* See Note 51

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Statement of Cash Flow

Figures in Rand	Note(s)	2021	2020 Restated*
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		238 123 742	107 637 271
Grants		94 008 000	82 045 000
		<u>332 131 742</u>	<u>189 682 271</u>
Payments			
Employee costs		(191 196 057)	(75 132 634)
Suppliers		(102 073 623)	(106 559 583)
		<u>(293 269 680)</u>	<u>(181 692 217)</u>
NET CASHFLOWS FROM OPERATING ACTIVITIES	37	<u>38 862 062</u>	<u>7 990 054</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(12 741 803)	(37 308 020)
Cash flows from financing activities			
Repayment of other financial liabilities		(1 428 767)	(1 645 910)
Net cash flows from financing activities		<u>(1 428 767)</u>	<u>520 800</u>
Net increase/(decrease) in cash and cash equivalents		<u>24 691 492</u>	<u>(28 797 166)</u>
Cash and cash equivalents at the beginning of the year		25 964 983	54 762 149
Cash and cash equivalents at the end of the year	6	<u>50 656 475</u>	<u>25 964 983</u>

* See Note 51

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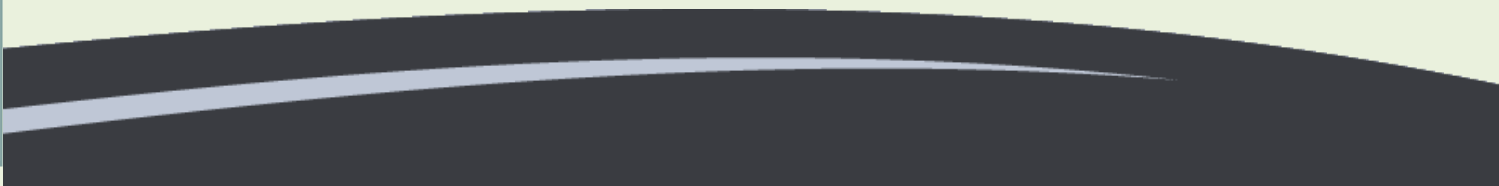
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
REVENUE						
Revenue from exchange transactions						
Service charges	223 378 000	-	223 378 000	229 459 575	6 081 575	1
Rental of facilities and equipment	1 878 753	-	1 878 753	165 652	(1 713 101)	2
Interest Income	24 583 171	-	24 583 171	30 545 597	5 962 426	3
Licences and permits	6 213 179	-	6 213 179	6 854 252	641 073	4
Other income	2 004 918	-	2 004 918	2 690 195	685 277	6
Total revenue from exchange transactions	258 058 021	-	258 058 021	269 715 271	11 657 250	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	55 458 000	-	55 458 000	58 014 817	2 556 617	7
Interest income	-	-	-	6 126 856	6 126 856	8
Transfer revenue						
Government grants & subsidies	86 491 000	9 384 000	95 875 000	87 884 141	(7 990 859)	9
Fines, Penalties and Forfeits	1 400 000	-	1 400 000	4 308 000	2 908 000	10
Total revenue from non-exchange transactions	143 349 000	9 384 000	152 733 000	156 333 614	3 600 614	
Total revenue	401 407 021	9 384 000	410 791 021	426 048 885	15 257 864	
Expenditure						
Employee Related Costs	(199 873 802)	-	(199 873 802)	(192 158 174)	7 715 628	11
Remuneration of councillors	(8 100 879)	-	(8 100 879)	(8 843 881)	(742 802)	12
Depreciation and amortisation	(37 850 295)	-	(37 850 295)	(39 607 579)	(1 757 284)	13
Finance costs	(14 483 692)	(19 592 420)	(34 076 112)	(25 085 567)	8 990 545	14
Debt impairment	(15 225 510)	-	(15 225 510)	(42 408 318)	(27 182 808)	15
Bulk purchases	(128 672 000)	1 800 000	(126 872 000)	(99 441 379)	27 430 621	16
Contracted services	(32 543 415)	(95 877)	(32 639 292)	(25 194 379)	7 444 913	17
Transfers and subsidies	(80 000)	-	(80 000)	-	80 000	18
General expenses	(29 129 000)	(1 753 000)	(30 882 000)	(22 517 252)	8 364 748	19
TOTAL EXPENDITURE	(465 958 593)	(19 641 297)	(485 599 890)	(455 256 329)	30 343 561	
Operating deficit	(64 551 572)	(10 257 297)	(74 808 869)	(29 207 444)	45 601 425	
Fair value adjustments	-	-	-	741 552	741 552	
Actuarial gains/losses	-	-	-	(3 099 887)	(3 099 887)	19b
	-	-	-	(2 358 335)	(2 358 335)	
Deficit	(64 551 572)	(10 257 297)	(74 808 869)	(31 565 779)	43 243 090	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(64 551 572)	(10 257 297)	(74 808 869)	(31 565 779)	43 243 090	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Accumulated surplus/(deficit)	330 801 330	1 902 000	332 703 330	(48 711 589)	(381 414 919)	41
TOTAL NET ASSETS	333 271 330	1 902 000	335 173 330	(48 241 504)	(381 414 834)	

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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 Constitution of the Republic of South Africa (Act 108 of 1998).

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity 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:

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality 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 is calculated on a portfolio basis, based on historical loss ratios, adjusted for indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

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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 assumptions 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 entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. 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 16 - Provisions.

Useful lives of assets

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

Post retirement benefits

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

The entity 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 entity 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 14.

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.

1.4 Biological assets

The entity recognises biological assets when, and only when:

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

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

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

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Accounting Policies

1.4 Biological assets (continued)

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

Derecognition of biological assets occurs when the asset is disposed of, or when it can no longer be used to provide the service.

1.5 Investment property

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

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

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

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

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

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

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

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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

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

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	20-30 years
Roads and lights	Straight line	10-40 years
Sewerage	Straight line	25-30 years
landfill site perimeter protection structure	Straight line	10-55 years
Recreational facilities	Straight line	30 years
Cemeteries	Straight line	30 years
Halls	Straight line	30 years
Libraries	Straight line	30 years
Civic buildings	Straight line	30 years
Office equipment	Straight line	7 years
Furniture and fittings	Straight line	7 years
Motor Vehicles	Straight line	7 years
Machinery and equipment	Straight line	5-10 years
IT Equipment	Straight line	5 years
Other assets	Straight line	4-15 years

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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 investing activities in the cash flow statement.

1.7 Heritage assets

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.7 Heritage assets (continued)

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.

Impairment

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

Transfers

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

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

Derecognition

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

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

1.8 Financial Instruments

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

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 Municipality on terms that are not market related.

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

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

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

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Accounting Policies

1.8 Financial Instruments (continued)

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an Municipality 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 Municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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 Municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Municipality.

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

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

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

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

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

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

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Accounting Policies

1.8 Financial instruments (continued)

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

- equity instruments or similar forms of unitised 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 Municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an Municipality.

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 108) 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 Municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

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1.8 Financial Instruments (continued)

Initial recognition

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

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The Municipality measures a financial asset and financial liability initially at its fair value.

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1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. 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.

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1.8 Financial Instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
 - 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 Municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises 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 Municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality 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 Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

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Accounting Policies

1.8 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.

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality 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 Municipality does not offset the transferred asset and the associated liability.

1.9 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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Accounting Policies

1.9 Statutory receivables (continued)

- 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 (Taxes and transfers).

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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1.9 Statutory receivables (continued)

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

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.

1.10 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.11 Leases

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

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

Finance leases - 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 entity's net investment in the finance lease.

1.12 Inventories

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

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

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

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

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

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

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

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

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

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1.12 Inventories (continued)

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

1.13 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.

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

1.14 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.

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1.14 Employee benefits (continued)

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.

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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1.14 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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1.14 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.

1.15 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.

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1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

If 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 39.

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.

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1.15 Provisions and contingencies (continued)

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

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

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

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

1.16 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.

1.17 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.

Sale of goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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1.17 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.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

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

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

Control of an asset arises when the entity 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.

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, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity 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.

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

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1.18 Revenue from non-exchange transactions (continued)

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 entity 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 entity.

When, as a result of a non-exchange transaction, the entity 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.

Transfers

Apart from Services in kind, which are not recognised, the entity 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 entity 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 entity.

Where the entity 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 entity and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the entity 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 entity and the fair value of the assets can be measured reliably.

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

1.19 Investment income

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

1.20 Borrowing costs

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

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Accounting Policies

1.20 Borrowing costs (continued)

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

1.21 Comparative figures

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

1.22 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.

1.23 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.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Offices Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Segment information

A segment is an activity of an entity:

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

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

1.26 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 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.

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1.27 Related parties

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

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

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

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

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

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

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

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

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

1.28 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.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

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2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	The impact of the standard is not material.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	The impact of the standard is not material.

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2022	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2022	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2022	Unlikely there will be a material impact

3. Inventories

Consumable stores	14 906	295 046
Maintenance materials	1 061 820	1 586 504
Water for distribution	146 603	54 705
	1 222 329	1 936 257

Inventories recognised as an expense during the year	1 052 760	464 493
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The municipality does not have inventories carried at fair value less cost to sell.
The municipality does not have any amount of any write-down of inventories recognized as an expense in the period.
The municipality does not have any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period.

Inventory pledged as security

The municipality does not have inventory pledged as security.

4. Receivables from non-exchange transactions

Fines	16 036 729	12 062 379
Property rates	106 358 459	85 359 463
Allowance for impairment on Property rates	(86 923 642)	(71 512 662)
Allowance for impairment on Traffic fines	(3 074 350)	(3 082 847)
	34 397 196	23 726 333

Receivables from non exchange transactions include Property rates that are a Statutory receivable.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

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4. Receivables from non-exchange transactions (continued)		
Included in Receivables from non exchange transactions are Property Rates receivables as follows:		
Property rates		
Current (0 - 30 days)	3 167 022	2 906 363
31 - 60 days	2 326 981	2 440 701
61 - 90 days	2 045 282	2 063 252
91 - 120 days	1 808 180	1 679 832
> 121 days	99 010 994	78 269 315
Allowance for impairment	(86 923 642)	(71 512 662)
	21 434 817	13 846 801
5. Receivables from exchange transactions		
Gross balances		
Electricity	122 520 973	105 669 712
Water	122 915 351	112 455 883
Waste Water Management	91 618 577	79 610 851
Waste Management	89 818 812	79 124 429
Property rentals and sundry	20 803 463	19 570 233
	447 677 176	396 431 108
Less: Allowance for impairment		
Electricity	(98 284 613)	(88 528 237)
Water	(98 600 978)	(94 213 569)
Waste Water Management	(73 495 143)	(66 696 575)
Waste Management	(72 051 396)	(66 289 060)
Property rentals and sundry	(16 688 249)	(16 395 598)
	(369 120 379)	(332 123 039)
Net balance		
Electricity	24 236 360	17 141 475
Water	24 314 373	18 242 314
Waste Water Management	18 123 434	12 914 276
Waste Management	17 767 416	12 835 369
Property rentals and sundry	4 115 214	3 174 635
	88 556 797	64 308 069
Electricity		
Current (0 -30 days)	6 110	552 952
31 - 60 days	5 473 516	15 115 595
61 - 90 days	2 867 494	3 427 108
91 - 120 days	2 237 390	3 673 486
> 120 days	111 938 463	82 900 571
Allowance for impairment	(98 284 613)	(88 528 237)
	24 236 360	17 141 475

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5. Receivables from exchange transactions (continued)		
Water		
Current (0 -30 days)	610 580	95 648
31 - 60 days	2 570 320	2 642 375
61 - 90 days	2 394 293	2 327 528
91 - 120 days	3 124 366	2 005 878
> 120 days	114 215 791	105 384 454
Allowance for impairment	(98 600 977)	(94 213 599)
	24 314 373	18 242 314
Waste Water Management		
Current (0 -30 days)	4 951	429
31 - 60 days	2 368 941	2 252 049
61 - 90 days	2 039 005	2 118 620
91 - 120 days	1 938 631	19 554 698
>120 days	85 287 049	55 685 155
Allowance for impairment	(73 495 143)	(66 695 575)
	18 123 434	12 914 276
Waste Management		
Current (0 -30 days)	4 657	2 284
31 - 60 days	2 161 100	2 008 348
61 - 90 days	1 806 723	1 867 424
91 - 120 days	1 715 056	1 709 741
> 120 days	84 131 276	73 536 632
Allowance for impairment	(72 051 396)	(66 289 060)
	17 767 416	12 835 369
Property rentals & Sundry Debtor		
Current (0 -30 days)	138 025	(11)
31 - 60 days	174 395	134 524
61 - 90 days	128 835	124 732
91 - 120 days	125 232	140 302
> 120 days	20 236 975	19 170 696
Allowance for impairment	(16 686 248)	(16 395 598)
	4 115 214	3 174 635

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5. Receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(403 635 702)	(363 421 210)
Contributions to allowance (exchange and non exchange)	(42 408 318)	(40 214 492)
	(446 044 020)	(403 635 702)
Service		
Electricity	10 578 401	22 216 189
Water	8 088 979	6 975 781
Waste Water Management	6 346 576	6 325 267
Waste Management	5 682 880	5 585 514
Property Rentals and Sundry	441 389	399 558
	31 138 225	41 502 309
Heading		
1 month past due	12 712 037	22 152 891
2 months past due	9 281 910	9 865 412
3 months past due	9 144 278	9 484 005
	31 138 225	41 502 308
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	-	4 684
Short-term deposits	32 147 106	22 319 204
Bank balance	18 509 369	3 641 095
	50 656 475	25 964 983

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6. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA- (Primary bank account) Current account 407282707	13 348 493	2 842 891	820 938	13 348 493	(314 583 401)	(248 767 667)
ABSA - Gold account 4055876206	4 556 446	398 771	-	4 556 446	398 771	3 931 784
FNB- Current account 54160030382	283 551	288 941	202 773	283 551	317 735 821	298 741 130
FNB- Gold account 62543367397	320 897	90 104	-	320 897	90 104	487 014
FNB- Fixed deposit 70416052060	7 900	7 900	7 900	7 900	7 900	7 900
ABSA- LGSETA Call account 4094020761	1 157	2 086	1 976	1 157	2 086	982
ABSA- Equitable share Call account 4094021000	6 382 732	5 594	200	6 382 732	5 594	7 275
ABSA- Library grant Call account 4094021220	1 188 574	1 165 585	1 754	1 188 574	1 165 585	749
ABSA- EPWP Call account 4094021408	489 568	480 658	-	489 568	480 658	6 725
ABSA- INEP Call account 4094021589	2 966 564	11 038 488	200	2 966 564	11 038 488	43 405
ABSA- MSIG Call account 4094021686	1 087	1 942	1 846	1 087	1 942	845
ABSA- District conditional grant Call account 4094021872	889	1 825	1 740	889	1 825	735
ABSA- FMG Call account 4094022111	3 404 071	1 745 080	-	3 404 071	1 745 080	4 859
ABSA- MIG Call account 4094022315	17 702 765	7 755 483	4 758	17 702 765	7 755 483	2 019
ABSA- Smart meter project Call account 4094022446	630	1 574	1 519	630	1 574	502
ABSA- IDC Grant Call account 4094022488	1 025	1 953	485 848	1 025	1 953	2 766
ABSA- Energy efficiency and demand side management grant Call account 4094022535	126	138 108	273 617	126	111 036	106 943
Total	50 656 475	25 964 983	1 805 068	50 656 475	25 960 299	54 577 966

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7. Biological assets

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	3 592 397	(1 756 458)	1 835 939	3 263 567	(1 740 433)	1 523 134

Reconciliation of biological assets - 2021

	Opening balance	Additions	Disposals/Mortgages or losses	Gains or losses arising from changes in fair value	Depreciation	Total
Biological assets	1 523 134	128 352	(122 589)	480 571	(153 529)	1 835 939

Reconciliation of biological assets - 2020

	Opening balance	Disposals/Mortgages or losses	Gains or losses arising from changes in fair value	Depreciation	Total
Biological assets	1 765 134	(69 655)	(90 653)	(81 692)	1 523 134

8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	57 637 000	-	57 637 000	57 606 000	-	57 606 000

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	57 606 000	31 000	57 637 000

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	46 000 000	11 606 000	57 606 000

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 entity.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

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8. Investment property (continued)

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the entity subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

ERF5673 portion of ERF 506 Vryburg with a fair value of R26 430 000 was pledged as security for DBSA loan.

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9. Property, plant and equipment

	2021		2020	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	75 378 106	-	75 378 106	-
Buildings	42 568 810	(32 677 817)	9 690 793	(31 552 940)
Plant and machinery	15 173 623	(7 318 325)	7 865 298	(5 804 946)
Furniture and fixtures	4 512 053	(2 119 090)	2 392 963	(1 473 014)
Motor vehicles	7 286 619	(3 465 732)	3 800 897	(2 441 935)
Office equipment	986 580	(444 768)	541 812	(303 442)
Computer equipment	3 198 049	(2 100 520)	1 097 529	(1 459 199)
Infrastructure	791 130 702	(401 968 267)	389 162 435	(370 656 219)
Community	103 263 475	(52 237 734)	61 025 741	(49 263 911)
Other assets	2 120 709	(535 228)	1 585 481	(387 826)
Total	1 045 618 526	(502 787 481)	542 831 045	(463 333 431)
			1 020 327 916	556 994 485

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Transfers out	Other changes, movements	Depreciation	Total
Land	75 378 106	-	-	-	-	-	75 378 106
Buildings	11 015 670	-	-	-	-	(1 024 877)	9 990 793
Plant and machinery	9 368 677	-	-	-	-	(1 513 379)	7 855 298
Furniture and fixtures	3 037 040	1 989	-	-	-	(646 076)	2 392 963
Motor vehicles	4 844 684	-	-	-	-	(1 043 797)	3 800 887
Office equipment	683 138	-	-	-	-	(141 326)	541 812
Computer equipment	1 664 589	74 261	-	-	-	(641 321)	1 097 529
Infrastructure	399 039 206	12 482 726	16 857 860	(20 454 116)	12 548 807	(31 312 048)	389 162 435
Community	50 413 307	-	3 586 257	-	-	(2 983 823)	51 025 741
Other equipment	1 550 008	182 816	-	-	-	(147 403)	1 585 481
	556 994 485	12 741 802	20 454 117	(20 454 116)	12 548 807	(39 454 050)	542 631 045

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Land	75 378 106	-	-	75 378 106
Buildings	12 026 700	-	(1 011 030)	11 015 670
Plant and machinery	10 886 039	-	(1 517 362)	9 368 677
Furniture and fixtures	3 671 731	9 603	(544 294)	3 037 040
Motor vehicles	5 865 630	-	(1 040 946)	4 844 684
Office equipment	824 078	-	(140 940)	683 138
Computer equipment	2 289 347	-	(624 756)	1 664 589
Infrastructure	389 347 773	37 250 417	(27 558 984)	399 039 206
Community	63 331 937	-	(2 918 630)	60 413 307
Other equipment	1 639 747	48 000	(137 679)	1 550 068
	555 281 088	37 308 020	(35 684 623)	656 954 485

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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9. Property, plant and equipment (continued)

Pledged as security

No assets pledged as security.

The municipality has no commitment for the development and acquisition of biological assets.

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	83 789 629	23 118 242	106 907 871
Additions	8 340 388	4 142 340	12 482 728
Transferred to completed items	(16 857 880)	(3 598 257)	(20 454 116)
	75 272 155	23 664 325	98 936 481

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	47 723 879	21 933 575	83 789 629
Additions	36 065 750	1 184 687	23 118 242
	83 789 629	23 118 242	106 907 871

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 entity.

10. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	900 000	-	900 000	900 000	-	900 000
Art Collections, antiquities and exhibits	458 501	-	458 501	177 520	-	177 520
Total	1 358 501	-	1 358 501	1 077 520	-	1 077 520

Reconciliation of heritage assets 2021

	Opening balance	Revaluation increase/(decrease)	Total
Historical buildings	900 000	-	900 000
Art Collections, antiquities and exhibits	177 520	280 981	458 501
	1 077 520	280 981	1 358 501

Reconciliation of heritage assets 2020

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	461 988	438 032	900 000
Collections of insects, butterflies and fossils	177 520	-	177 520
	639 488	438 032	1 077 520

Naledi Local Municipality

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Figures in Rand 2021 2020

10. Heritage assets (continued)

Pledged as security

The carrying value of heritage assets is not pledged as security:

The municipality does not have contractual commitments for the acquisition, maintenance and restoration of heritage assets.

11. Other financial liabilities

At amortised cost

DBSA loan

12 330 905 13 759 672

The loan accrues interest at a fixed rate, interest on default is charged at 9% and is capitalised every month. The loan is repayable in monthly instalments of R300 000 over 5.92 years

Non-current liabilities

At amortised cost

- 2 113 730

Current liabilities

At amortised cost

12 330 905 11 645 942

Defaults and breaches

The municipality has been defaulting in paying capital and interest and that has resulted in arrears amounting to (R8,045,941.98 2020) R10 217 175.2-June 2021.

No remedies were done on the default and the municipality did not renegotiate the terms of the loan as a result of default however DBSA capitalised all arrear balances.

12. VAT Payables

VAT liability/(receivable) at end of Year - SARS

(62 959 892) (901 510)

VAT liability/(receivable) per system - Accrual basis

30 000 876 32 691 421

(32 959 016) 31 789 911

VAT payable is a statutory payable as it arises from legislation (Value-added Tax Act) and requires settlement by another entity in cash. This payable arises whenever the municipality enters into taxable transactions and is recognised at 15% on the transaction amount

13. Payables from exchange transactions

Trade payables

593 352 880 477 876 495

Retentions

14 864 931 20 635 230

Advanced payments

61 419 898 51 799 496

Unallocated Deposits

39 274 212 43 704 755

Bonus provision

3 341 375 3 315 109

Leave provision

25 490 018 22 681 023

737 743 312 620 012 108

Naledi Local Municipality

(Demarcation Code NW302)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

	2021	2020
--	------	------

14. Employee benefit obligations

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

	2021	2020
Carrying value		
Present value of unfunded obligation at the beginning of the year	(46 687 942)	(50 324 340)
Net actuarial gains or losses	(3 099 887)	8 599 525
Current service costs	(3 042 887)	(2 869 048)
Expected vesting service costs	2 373 680	2 437 950
Interest cost	(5 567 964)	(4 532 030)
	(56 025 000)	(46 687 943)
Non-current liabilities	(52 713 000)	(44 314 263)
Current liabilities	(3 312 000)	(2 373 680)
	(56 025 000)	(46 687 943)

The fair value of plan assets includes:

Changes in the present value of the long term employee benefits are follows:

Present value of unfunded obligation at the beginning of the year	(33 511 007)	(38 028 066)
Actuarial gains/losses	(3 435 485)	9 052 792
Current service costs	(1 956 857)	(1 853 144)
Expected vesting service costs	(857 328)	913 963
Interest cost	(4 571 979)	(3 596 552)
	(44 332 656)	(33 511 007)

Changes in the present value of long service awards liability are as follows:

Opening balance	12 296 274	9 678 000
Current Services Costs	1 015 903	768 000
Current Interest Costs	935 478	836 000
Changes to Policy	-	(426 757)
Expected benefits paid	(1 523 987)	(738 000)
Actuarial Gain/Loss over the financial year	453 267	2 179 031
	13 176 935	12 296 274

Net expense of the long term employee benefits recognised in the statement of financial performance:

Current service cost	3 042 887	2 869 047
Interest cost	5 567 964	4 532 030
Actuarial (gains)/losses	3 435 485	(8 599 525)
Expected benefit vesting	(2 373 680)	(2 437 950)
	9 672 656	(3 636 398)

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

14. Employee benefit obligations (continued)

Key assumptions used

The municipality has an obligation to provide long service awards benefits to all its permanent employees. The municipality operates an unfunded defined benefit plan. The actuarial valuation of the present value of the obligation at 30 June 2021 was carried out by Arch Actuarial Consulting CC. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Long service award	-	%
Discount rates used	8,98	8,02
General Earnings Inflation rate	5,74	3,01
Net discount rate	3,07	3,88
Salary increase rate	-	4,01
Medical aid benefits	-	%

Actual returns

Other assumptions

Demographic Assumptions

Normal retirement age	65	65
Average retirement age	62	62

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Expanded Public Works Programme Integrated Grant	129 557	-
Municipal Infrastructure Grant	11 779 188	8 588 434
Integrated National Electrification Programme	64 090	1 986 353
IDC Grant	2 068 616	2 068 616
	14 039 451	10 641 403

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the entity has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised

See note 26 for reconciliation of grants from National/Provincial Government.

In the 2020/21 financial year, the rollover application for unspent funds of R5 600 000 was denied and will be paid back to National Treasury.

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand 2021 2020

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	19 816 680	12 578 264	32 394 944

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	13 580 624	6 236 056	19 816 680

As at 30 June 2021

The Municipality has the obligation to rehabilitate the landfill sites of Naledi. The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites.

The provision is recognised at the present value of the expenditure valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Aiden Bowers PrEng, with extensive experience and expertise relevant for this type of work. The

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material to settle the obligation.

The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Rehabilitation and Closure Cost Estimate-Key Assumptions

Total site area m2	131 875 m2
Area of waste body to be rehabilitated (m2)	23 300 m2
Estimated site closure date	2041
Assumed site start date (receiving waste)	2015
Assumed total site life (years)	30
Remaining site life (as at 1 July 2021) years	20
Estimated annual airspace consumption (2021)(m3)	16 339 m3
Estimated total airspace (m3)	873 710 m3
Estimated airspace remaining (m3)	764 946 m3
Airspace consumed to date	12.4%

17. Consumer Deposit

Consumer deposits represent amounts received in advance and held as surety for service accounts and other services

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
17. Consumer Deposit (continued)		
Electricity	4 675 108	4 669 375
Hiring	155 942	149 647
Rental	-	6 460
Building Deposit	251 625	289 308
	5 082 675	5 104 790
18. Revaluation reserve		
Revaluation reserve	2 470 085	2 470 085
19. Service charges		
Sale of prepaid electricity	89 708 808	75 727 028
Sale of electricity	67 282 896	57 769 238
Sale of water	30 926 467	32 198 296
Waste management	26 935 076	24 555 842
Refuse removal	24 606 539	22 064 445
	229 459 675	212 314 849
20. Rental of facilities and equipment		
Premises		
Rental income	165 652	317 964
21. Interest income		
Interest income from bank	579 582	531 708
Interest income from outstanding receivables	29 966 015	21 103 503
	30 545 597	21 635 211
22. Licences and permits		
Licences and permits	6 854 252	5 600 974
A Principal - Agent arrangement exists between the municipality and the Department of Transport. The municipality received 20% as Agency fees. No changes to the arrangement were done during the period under review. The purpose of the arrangement is to allow for the public to obtain licenses. The system ENATIS that is used belongs to the Department of Transport.		
23. Other income		
Clearance fees	147 900	114 937
Tender documents	82 583	34 669
Entrance fees	4 419	138 213
Advertising	10 541	26 391
Cemetery Fees	411 069	300 333
Building plans	208 074	115 355
Consolidation Fees	137 970	165 349
Administration, management fees and other	1 687 639	974 771
	2 690 195	1 870 218

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Property rates		
Rates received		
Residential	17 753 421	16 326 962
Business and Commercial	18 129 140	17 278 123
State owned properties	12 572 471	704 946
Industrial properties	2 673 800	2 566 367
Agricultural properties	6 885 785	5 909 053
	58 014 617	42 785 471
Valuations		
Residential	2 127 181 500	2 043 656 489
Business and Commercial	1 331 230 000	938 717 240
State owned	229 985 000	224 800 000
Industrial	156 685 000	130 562 000
Agricultural	4 141 880 000	4 454 907 250
Municipal	566 033 000	633 654 244
	8 552 994 500	8 426 297 203
25. Interest income		
Interest - Receivables from non exchange transactions	6 126 856	4 460 594

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
26. Government grants and subsidies		
Operating grants		
Equitable share	65 667 000	52 554 000
Financial management grant	2 600 000	2 235 000
Disaster Relief Grant	-	268 000
Expanded public works programmes	1 411 443	1 569 000
SETA	126 188	221 400
	69 806 631	56 847 400
Capital grants		
Municipal infrastructure grant	10 506 812	10 390 566
Integrated National Electrification Programme	7 570 698	24 973 647
	18 077 510	35 364 213
	87 884 141	92 211 613
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	26 341 000	39 657 613
Unconditional grants received	65 667 000	52 554 000
	94 008 000	92 211 613

Equitable Share

In terms of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Financial management grant

Current-year receipts	2 600 000	2 235 000
Conditions met - transferred to revenue	(2 600 000)	(2 235 000)
	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded public works programmes

Current-year receipts	1 541 000	1 569 000
Conditions met - transferred to revenue	(1 411 443)	(1 569 000)
	129 557	-

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: roads maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2021 2020

26. Government grants and subsidies (continued)

Disaster Relief Grant

Current-year receipts	-	268 000
Conditions met - transferred to revenue	-	(268 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 15).

Grant was used for COVID-19 relief purposes.

Municipal infrastructure grant

Balance unspent at beginning of year	6 588 434	-
Current-year receipts	16 686 000	16 979 000
Conditions met - transferred to revenue	(10 506 812)	(10 390 566)
Amount Withheld	(988 434)	-
	<u>11 779 188</u>	<u>6 588 434</u>

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; a Municipal Infrastructure Grant-2 funding stream is introduced in 2018/19 as a step towards a new funding arrangement for intermediate city municipalities to facilitate more integrated planning and funding of capital investments.

In the 2020/21 financial year, the rollover application for unspent funds of R5 600 000 was denied and will be paid back to National Treasury.

Integrated national electrification programme

Balance unspent at beginning of year	1 986 353	-
Current-year receipts	7 514 000	26 960 000
Conditions met - transferred to revenue	(7 570 697)	(24 973 647)
Amount withheld	(1 865 568)	-
	<u>64 090</u>	<u>1 986 353</u>

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply in Eskom licenced areas.

IDC Grant

Balance unspent at beginning of year	2 066 616	1 995 770
Current-year receipts	-	70 846
	<u>2 066 616</u>	<u>2 066 616</u>

Conditions still to be met - remain liabilities (see note 15).

Transport Infrastructure Grant

We received confirmation that the municipality does not owe the department.

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
27. Fines, Penalties and Forfeits		
Traffic Fines Issued	4 308 000	4 431 750

Naledi Local Municipality

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Figures in Rand	2021	2020
28. Employee related costs		
Basic	121 673 603	116 394 004
Bonus	10 052 360	9 408 189
Medical aid - company contributions	9 445 357	8 540 272
UIF	1 035 143	1 004 088
SDL	1 010 170	1 463 411
Other payroll levies	5 803 184	6 261 002
Leave pay provision charge	2 808 993	4 461 402
Scarcity Allowance	280 325	309 862
Current Service Cost	669 207	2 869 047
Night shifts	217 406	220 440
Travel, motor car, accommodation, subsistence and other allowances	10 688 091	10 880 138
Overtime payments	3 391 871	1 941 521
Long-service awards	1 252 674	1 947 407
Acting allowances	671 233	343 522
Housing benefits and allowances	2 372 616	2 212 651
Pension	20 436 441	18 323 941
Uniform/special/ protective clothing	-	160 000
Cellphone allowance	359 500	319 955
	192 158 174	187 061 852
Remuneration of Municipal Manager (TM Bloom)		
Basic Salary	-	396 893
Rural Allowance	-	21 329
Contributions to UIF, Medical Aid and Pension Funds	-	15 760
Travel Allowance	-	123 671
Telephone Allowance	-	6 000
Public Office Allowance	-	40 000
Settlement	-	1 090 852
		1 694 505
<p>The post of the Municipal Manager of Naledi Local Municipality was vacant in the 2021 Financial Period. TM Bloom vacated the position on 01 December 2019. The following acted in that position Ms ME Makgahlela, Mr T.N. Appolus and Mr SN Mongale. The duration of their Acting is disclosed on the Index page.</p>		
Remuneration of Chief Finance Officer		
Basic Salary	223 612	147 012
Subsistence	-	720
Rural Allowance	8 944	9 801
Housing benefit	-	39 528
Contributions to UIF, Medical Aid and Pension Funds	2 794	10 076
Travel Allowance	-	74 541
Telephone Allowance	2 250	2 250
Leave payout	-	18 966
	237 600	302 894
<p>Mr TD Tshikundu resigned as Chief Finance Officer in September 2019 Mr K.N Gasebue was the Acting Chief Finance Officer from 1 June 2020 to 31 March 2021. K.M Maruping is the current Chief Finance Officer and was appointed 1 April 2021. Acting allowances for the Chief Finance Officer have been disclosed in this note.</p>		
Remuneration of Corporate services Director (TN Appolus)		
Annual Remuneration	430 678	428 766

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
28. Employee related costs (continued)		
Back pay	12 429	-
Rural allowance	-	17 151
Contributions to UIF, Medical and Pension Funds	109 706	5 397
Leave term	28 690	-
Housing Allowance	119 271	-
Back pay housing allowance	10 716	-
Telephone allowance	4 800	4 500
Travell allowance	91 416	-
	807 707	455 834
TN Appolus was appointed on 1 January 2020.		
Remuneration of Technical Services Director (SN Mongale)		
Annual Remuneration	422 257	428 786
Back pay salary	2 314	-
Annual Bonuses	35 381	-
Rural Allowance	-	17 151
Contributions to UIF, Medical and Pension Funds	132 923	5 397
Travel allowance	129 662	-
Housing allowance	10 059	-
Telephone allowance	6 000	4 500
	738 596	455 834
SN Mongale was appointed on 1 January 2020.		
Remuneration of Community Services Director (ME Makgahlela)		
Annual Remuneration	430 679	357 321
Back pay salary	12 429	-
Leave term	28 690	-
Contributions to UIF, Medical and Pension Funds	109 706	4 530
Telephone allowance	4 800	-
Housing allowance	119 271	-
Back pay housing allowance	10 716	-
Travel allowance	91 416	2 838
	807 707	364 689
ME Makgahlela was appointed on 1 February 2020.		
Remuneration of Acting Municipal Manager (ME Makgahlela)		
Acting Allowance	14 705	21 316
ME Makgahlela Acted in the month of July 2020		
Remuneration of Acting Municipal Manager (TN Appolus)		
Acting Allowance	123 133	-
TN Appolus acted from 01 August 2020 to 31 January 2021		
Remuneration of Acting Municipal Manager (SN Mongale)		
Acting Allowance	45 015	-

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
28. Employee related costs (continued)		
SN Mongale acted from 01 February 2021 to 30 June 2021		
Remuneration of Acting Municipal Manager (TD Tshikundu)		
Acting Allowance	-	37 768
TD Tshikundu Acted from 13 March 2019 to 31 July 2019		
Remuneration of Acting Chief Financial Officer (KN Gasebue)		
Acting Allowance	66 860	5 580
KN Gasebue acted from 01 June 2020 to 31 March 2021		
Remuneration of Acting Corporate Services Director (D Appolus)		
Acting Allowance	-	18 527
D Appolus acted from 28 August 2019 to 25 November 2019.		
Remuneration of Acting Technical Services Director (RT Mokeana)		
Acting Allowance	-	15 180
RT Mokeana acted from 01 July 2019 to 31 December 2019.		
Remuneration of Acting Community Services Director (OP Makobo)		
Acting Allowance	2021	2020
	-	18 409
OP Makobo acted from 01 October 2019 to 31 December 2019.		
29. Remuneration of councillors		
Executive Mayor	966 295	931 628
Finance Portfolio Chairperson	715 065	688 669
Executive Committee Members	1 462 015	701 424
Speaker	756 828	737 877
Councillors	4 953 479	5 369 800
	8 843 682	8 449 398
The Mayor and Speaker are both full-time councillors of the municipality. Each is provided with an office and secretarial support at the cost of the Council		
The Mayor and Speaker each have the use of separate Council owned vehicles and are provided with a driver for official duties.		
Salaries, allowances and benefits are within the upper limits in line with section 164 of the MFMA.		
30. Depreciation and amortisation		
Property, plant and equipment	39 607 679	35 676 315

VOLUME II

Naledi Local Municipality

(Demarcation Code NW392)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
31. Finance costs		
Interest	25 085 567	33 609 536
Included in Finance costs is interest on long term borrowings, interest on creditors, interest on landfill sites and interest on employee benefit obligations.		
32. Debt impairment		
Debt impairment	42 408 318	40 214 492
33. Bulk purchases		
Electricity - Eskom	99 441 379	92 754 974
Electricity losses		
Units purchased	82 484 085	72 580 766
Units sold	(66 423 879)	(59 591 985)
Total loss	14 060 206	12 988 781
Comprising of:		
Tariff of 0.8859	12 455 936	-
Percentage Loss:		
Technical losses	15 %	19 %
34. Contracted services		
Outsourced Services		
Administrative and Support Staff	980 646	1 666 688
Catering Services	7 632 236	7 447 146
Personnel and Labour	1 840 683	2 317 893
Refuse Removal	-	5 100
Electrical	1 301 757	860 617
Consultants and Professional Services		
Business and Advisory	2 691 512	2 661 556
Legal Cost	2 624 312	4 913 150
Contractors		
Repairs and Maintenance	761 050	478 342
Safeguard and Security	7 362 183	4 351 170
	25 194 379	24 701 662

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. General expenses		
Advertising	97 497	233 564
Audit Fees	3 717 014	3 465 924
Bank charges	664 013	735 103
Computer expenses	421 103	1 200 194
Consumables	6 539 988	464 493
Entertainment	-	9 197
Hire Charges	1 978 747	2 173 356
Insurance	1 890 020	1 461 651
Conferences and seminars	450 195	333 355
Motor vehicle expenses	341 229	54 477
Fuel and oil	1 242 572	1 528 395
Subscriptions and membership fees	-	1 884 110
Telephone and fax	2 370 933	2 870 681
Travel - local	35 111	185 229
Title deed search fees	7 579	123
Ward Committee	1 291 285	1 083 730
Repairs and maintenance	560 276	736 538
Uniforms	909 690	509 987
	22 517 252	18 930 107
36. Auditors' remuneration		
Fees	3 717 014	3 465 924
37. Cash generated from operations		
Deficit	(31 565 779)	(34 539 276)
Adjustments for:		
Depreciation and amortisation	39 607 579	35 676 315
Other non-cash item	146 464 907	(5 796 033)
Actuarial gains	3 099 887	-
Fair value adjustments	(624 786)	-
Finance costs	5 557 964	-
Debt impairment	42 406 316	40 214 492
Movements in retirement benefit assets and liabilities	12 588 525	-
Movements in provisions	29 457	-
Fair value adjustment on biological assets	-	(438 032)
Changes in working capital:		
Inventories	713 928	156 693
Fines Receivables	-	10 393 205
Consumer debtors	(24 248 728)	(67 452 692)
Other receivables from non-exchange transactions	(10 670 863)	(7 545 842)
Payables from exchange transactions	(83 183 404)	121 964 919
VAT	(64 669 412)	-
Unspent conditional grants and receipts	3 398 048	5 930 349
Consumer deposits	(53 579)	-
Employee benefit obligation	-	14 103 534
Provisions: Environmental Rehabilitation	-	(104 677 578)
	38 862 062	7 990 054

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Figures in Rand	2021	2020
38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	29 919 196	21 943 819
Total capital commitments		
Already contracted for but not provided for	29 919 196	21 943 819

This committed expenditure relates to plant and equipment and will be financed by unspent grants (MIG) rolled over as per the conditions of DoRA.

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39. Contingencies

The municipality had the following contingent liabilities as at year end.

Plaintiff claimed from the Naledi Local Municipality a total amount of R509 992,62 plus interest and costs. We filed a plea and furthermore our opponents did file their discovery affidavit. The Municipality was asked to discover but till now we have not received the documentation to discover and the affidavit was therefore not be drawn. The opponents however did nothing since that in 2015 and we do not know if they intend to proceed with this action or not.	509 993	509 993
HB Macala is suing the municipality Matter defended, Plea filed	65 772	65 772
Thatoo Maine instituted the matter. Notice of intention to defend was filed on 12/7/2019.	200 000	200 000
African Hotel Dev. Pty Ltd t/a Onomo Hotel Durban summoned the Municipality for certain accommodation in Durban	25 000	25 000
Karenza Erasmus summoned municipality for not maintaining the roads and is suing the municipality for R8059,82	8 060	8 060
Joherde Electrical contractors Instituted action for an amount of 105 147,8 for services rendered	105 148	105 148
Maximum Profit Recovery claiming costs plus interest.Matter is defended. Plaintiff has been appointed to assist the Municipality with VAT Recovery. Waiting for a trial date.	897 418	897 418
Matter defended and plea drafted. MP Nthali is suing the municipality for costs and interest	2 000 000	2 000 000
Instituted action for r17490,64 plus interest and costs	17 491	17 491
Vryburg Truck & Auto is suing the municipality for costs R399 000,00 plus costs for service rendered	399 000	399 000
Kalesitse Beauty Baatege and 3 others suing the Municipality for a total amount of R4 041 960,00 for damages suffered as a result of sewer spillages in their far.	4 041 960	4 041 960
Erante Consultants CC Matter is defended and still pending before court.	2 898 796	2 898 796
Malankane Consulting Engineering is suing the municipality for an amount of R1 219 910,25 for professional engineering services in various projects.	1 219 910	1 219 910
MAFABATA MOILWA is claiming for an amount of R21 934 – 48 for damages suffered for the repairs on her vehicle following a collision with a pothole at Hoffman Galeng Street.	21 934	21 934
Telkom SA is suing the Municipality for damaged Cables	31 619	31 619
	12 442 100	12 442 100

Contingent assets

Erante Consultants Vs Municipality.In this matter the Plaintiff instituted 192 000 action against the Municipality and claimed an amount of R250 000,00, R642954,97, R704559,65 and R1301281,20. The matter was defended in 2012 and Defendant also filed a counterclaim for an amount of R192000,00. Nothing thereafter transpired.	192 000
In this matter summons was issued against Segapo ,Pestana and Best 5 598 930 Ever Trading. The amounts claimed herein is Claim A – R5102774,45, Claim B – R496155,68.	5 598 930
Cathey construction VS Naledi local municipality,Municipality is claiming 92 700 an amount of R92 700 for goods paid for but not delivered	92 700

The municipality had the following contingent liabilities as at year end

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40. Related parties		
Relationships	Nature of relationship	
Accounting Officer	Refer to Accounting Officer's report note	
Members of key management	Refer to employee cost note 28	
Councillors	Refer to note below	
Close family member of key management	D.M Bareng (Daughter to Bareng AN)	
Related party balances		
Salaries paid to related parties of Councillors and key management		
D.M Bareng (Daughter to Bareng AN)	144 247	121 324
A.G Groep (Elder brother to C.J Groep)	440 128	432 760
Q Groep (Twin brother to C.J Groep)	133 069	115 651
Remuneration of management		
Executive management		
Refer to note "Employee Related Costs"		
Councillors arrears accounts		
Refer to note "Additional disclosure in terms of Municipal Finance Management Act 45"		
Remuneration of Councillors		
Mr NW SKALK (Mayor)	966 295	931 628
Mr CJ GROEP (Speaker)	756 828	737 877
Mr L EKKELTON	747 671	701 424
Mr JA ADONIS	715 065	688 670
Mrs OR MODISE	704 343	470 443
Ms KB TAUWE	404 763	402 477
Ms AN BARENG	325 464	314 000
Mr EP RENOSTER	325 484	315 862
Ms G GAMMA	321 616	320 195
Ms KL BOME	324 533	313 813
Mr OK NYAMANE	324 533	314 173
Mr BJ MOHOLO	324 319	316 910
Mr ME NCOBO	324 319	319 508
Ms SM MUSTAFA	324 365	317 338
Mr JG BRAND	324 319	316 910
Mrs ME LEBONA	324 834	316 385
Mrs H VAN HUYSSTEEN	325 814	310 019
Mr LM MOENG	325 408	312 217
Mr KD TSHITE	325 814	312 259
Mr GS BOSMAN	322 714	177 180
Ms KL BOSANTSI	5 181	217 242
Ms HL PRETORIUS	-	15 342
Mr H PHILANDER	-	4 699
Mr GC PULANE	-	2 846
Remuneration of management		
41. Risk management		
Financial risk management		
The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.		

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41. Risk management (continued)

Liquidity risk

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. The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is mitigated by approaching cash funded budgets at all times to ensure that commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligation.

There were no changes to the exposure to liquidity risk and how the risk is managed during the period under review.

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41. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

ERF5673 portion of ERF 506 Vryburg with a fair value of R26 430 000 was pledged as security for DBSA loan.

Financial assets exposed to credit risk at year end were as follows:

Financial Instrument		
Receivables from exchange transactions	88 556 797	64 308 069
Receivables from non exchange transactions	34 397 195	23 726 333
Cash and Cash Equivalents	50 656 475	25 984 983

There were no changes in the approach on how credit risk is managed during the period under review.

Cash and Cash Equivalents

Deposits of the municipality are only held by reputable banks. There are no restrictions on the deposits held, no cash was pledged as security.

Credit risk is further managed and guided by the Cash Management and Investment Policy.

Receivables from Exchange Transactions

Receivables comprise of a large number of local users. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderated due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors, the effectively has the right to terminate services to consumers but in practice this is difficult to apply.

For accounts that are in arrears the municipality encourages settlement by "levying of penalty charges" demand for payment and as a last resort "handing over to lawyers", whichever procedure is applicable in terms of Council's credit control and debt collection policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable. Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be past due.

The following receivables are past due but not impaired:

Service		
Electricity	10 578 401	22 216 189
Water	8 088 979	6 975 761
Waste Water Management	6 346 576	6 325 267
Waste Management	5 682 880	5 685 514
Property Rentals and Sundry	441 389	399 558
	31 138 225	41 602 309

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41. Risk management (continued)		
1 Month Past Due	12 712 037	22 152 891
2 Months Past Due	9 281 910	9 865 412
3 Months Past Due	9 144 278	9 484 005
	31 138 225	41 502 308

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in milk prices. The municipality does not anticipate that milk prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in milk prices. The municipality reviews its outlook for milk prices regularly in considering the need for active financial risk management.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to amortised cost interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2021 and 2020, the municipality's borrowings at variable rate were denominated in the Rand value.

The following balances are exposed to interest rate fluctuations:

Interest Rate Risk	2021	2020
Cash and Cash Equivalents	50 658 475	25 960 299
Long-term borrowing (including current portion)	(12 330 905)	(13 759 672)
	38 325 570	12 200 627

42. Going concern

We draw attention to the fact that at 30 June 2021, the entity had an accumulated deficit of R (48 711 589). -

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to 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 following indicators have a negative outlook on the going concern of the municipality:

The municipality had a deficit of R 31 565 779 during the year under review. The municipality's current assets to current liability ratio is 1:3,7 which poses a material uncertainty on the municipality's going concern.

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.

Contingent Liabilities - Naledi Local Municipality has disclosed Contingent Liabilities in the 20/21 Financial year. Should the outcome of the cases be not be favourable to the Municipality this could result in significant Financial Losses to the entity thus casting significant doubt on the entity's ability to continue as a going concern.

Despite the above negative indicators, the municipality is a going concern because of the following:

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42. Going concern (continued)

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution. The municipality is adequately funded by national government to continue its operations.

Were applicable the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

The municipality is implementing optimal revenue enhancement strategy and credit control and debt collection policy along with cost containment policy to improve liquidity. In line with debt collection management has proposed incentive scheme to encourage consumer payment of services.

Management has developed the UIF and W reduction strategy and reviewing the current financial plan for adoption by council.

National Treasury assisted the Municipality by providing additional funding to manage the effects of Covid-19.

43. Fruitless and wasteful expenditure

Opening balance	172 260 118	138 650 582
Opening balance as restated	172 260 118	138 650 582
Add: Current year	17 990 305	32 506 038
Add: Prior period adjustment	-	1 103 498
Closing balance	190 250 423	172 260 118

The fruitless and wasteful expenditure mainly relates to interest charged by Eskom on electricity account arrears, interest on DBSA loan and interest on creditors accounts.

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43. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Eskom	13 537 338	29 833 392
AGSA	810 079	806 428
Telkom	48 654	50 458
SARS	514 419	1 201 314
DBSA	871 233	614 446
Other creditors	2 208 582	-
Restated- SARS and Telkom	-	1 103 498
	17 990 305	33 609 536

44. Irregular expenditure

Opening balance

231 950 353

227 727 258

Opening balance as restated

231 950 353

227 727 258

Add: Irregular Expenditure - current

7 504 311

4 223 095

Closing balance

239 454 664

231 950 353

Incidents/cases identified in the current year include those listed below:

Disciplinary steps taken/criminal proceedings

Under investigation

2 279 512

Under investigation

1 943 583

Competitive bidding not invited

-

Three written quotations not invited

-

Payment made without following correct SCM

7 504 311

processes

-

7 504 311

4 223 095

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45. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	6 302 263	3 580 107
Current year subscription / fee	1 772 093	1 735 903
Amount paid	(172 078)	(13 747)
	6 902 278	6 302 263
Audit fees		
Opening balance	6 839 473	2 612 274
Current year fee	3 985 813	3 940 924
Current year interest on outstanding balance	800 687	462 073
Amount paid	(1 022 992)	(175 796)
	10 602 981	6 839 473
PAYE		
Current year charge	21 811 471	18 727 859
Amount paid - current year	(21 811 471)	(18 727 859)
	-	-
UIF		
Current year subscription / fee	1 278 429	1 346 431
Amount paid - current year	(1 278 429)	(1 346 431)
	-	-
SDL		
Current year charge	2 043 826	-
Amount paid during the year	(2 043 826)	-
	-	-

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mr BJ MOHOLO	2 003	27 847	29 850
Mr CJ GROEP	4 268	4 688	8 956
Mr EP RENOSTER	3 956	3 415	7 371
Mr GS BOSMAN	138	7 538	7 676
Mr JA ADONIS	208	-	208
Mr JG BRAND	714	-	714
Mr KD TSHITE	6 586	37 425	44 011
Mr ME NCOBO	16	-	16
Mr NW SKALK	(130)	-	(130)
Mr OK NYAMANE	3 022	-	3 022
Mrs H VAN HUYSSTEEN	2 085	961	3 046
Mrs ME LEBONA	1 876	16 351	18 227
Mrs OR MODISE	-	353	353
Ms AN BARENG	90	212	302
Ms G Gamma	64	357	421
Ms KB TAUWE	22 479	17 376	39 855
Ms SM MUSTAFA	2 028	18 348	20 376
	49 403	134 871	184 274

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Boekhouer MA	4 484	7 586	12 050
Van Huyssteen HCB	3 379	730	4 109
Jonker EG	3 956	3 415	7 371
Mustafa M	138	7 538	7 676
Adonis JA	208	-	208
Groep CJ	714	-	714
Bareng BP	6 586	37 425	44 011
Renoster EP	16	-	16
Brand JG	(130)	-	(130)
Diedericks A	3 022	-	3 022
McCathy MA	2 085	961	3 046
Magabe GK	1 876	16 351	18 227
Mongale G	90	353	443
Tshekisho KV	64	212	276
Lebona CV	22 479	357	22 836
Modise M	2 028	17 376	19 404
Mongale KR	2 028	18 348	20 376
Tshekisho D	2 028	50 509	52 537
Tauwe MJ	2 028	18 555	20 583
Tshite MJ	2 028	6 833	8 861
Moholo OD	2 028	23 199	25 227
	61 136	209 728	270 863

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46. Revenue		
Service charges	229 459 575	212 314 849
Rental of facilities and equipment	165 652	317 984
Interest income	30 645 597	21 635 211
Licences and permits	6 854 252	5 600 974
Other income	2 690 195	1 870 218
Property rates	58 014 617	42 785 471
Interest income	6 126 856	4 460 594
Government grants & subsidies	87 884 141	92 211 613
Fines, Penalties and Forfeits	4 308 000	4 431 750
	426 048 885	385 628 664
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	229 459 575	212 314 849
Rental of facilities and equipment	165 652	317 984
Interest income	30 645 597	21 635 211
Licences and permits	6 854 252	5 600 974
Other income	2 690 195	1 870 218
	269 715 271	241 739 236
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	58 014 617	42 785 471
Interest income	6 126 856	4 460 594
Transfer revenue		
Government grants & subsidies	87 884 141	92 211 613
Fines, Penalties and Forfeits	4 308 000	4 431 750
	156 333 614	143 889 428
47. Financial instruments disclosure		
Categories of financial instruments		
2021		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	88 555 797	88 556 797
Receivables from non-exchange transactions	34 397 196	34 397 196
Cash and cash equivalents	50 656 475	50 656 475
	173 610 468	173 610 468
Financial liabilities		
	At amortised cost	Total
Other financial liabilities	12 330 905	12 330 905
Payables from exchange transactions	737 743 312	737 743 312
Consumer deposits	5 082 675	5 082 675
Unspent grants	14 039 451	14 039 451
	769 196 343	769 196 343

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2021

2020

47. Financial instruments disclosure (continued)

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	64 308 069	64 308 069
Receivables from non-exchange transactions	23 726 333	23 726 333
Cash and cash equivalents	25 964 983	25 964 983
	113 999 385	113 999 385

Financial liabilities

	At amortised cost	Total
Other financial liabilities	13 759 672	13 759 672
Payables from exchange transactions	620 012 108	620 012 108
Consumer deposits	5 104 789	5 104 789
Unspent grant	10 641 403	10 641 403
	649 517 972	649 517 972

48. Events after the reporting date

The Mayor passed away on the 4th of October 2021.

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2021 2020

49. 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.

Deviations

Emergency	17 480 104	-
Sole supplier	631 584	-
Impractical or impossible to follow procurement process	227 604	-
	<u>18 339 292</u>	-

50. Unauthorised expenditure

Opening balance as previously reported

Add: Prior year adjustment

343 394 704 150 344 689

- 146 367 077

343 394 704 296 711 776

10 129 849 48 682 928

353 524 553 343 394 704

Closing balance

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50. Unauthorised expenditure (continued)

Unauthorised expenditure: Reconciliation of operating and capital expenditure versus actual

Vote Description- Expenditure by vote	Amount as per adjusted budget	Actual spent as per GL	Variances	Unauthorised expenditure
Vote 1- Executive and Council	14 604 684	13 285 137	1 319 547	-
Vote 2 - MUNICIPAL MANAGER	20 712 888	27 296 503	(6 583 617)	(6 583 617)
Vote 3 - ADMINISTRATION & CORPORATE SERVICES	47 162 908	35 917 737	11 245 171	-
Vote 4 - FINANCIAL SERVICES	70 022 935	50 352 592	19 670 343	-
Vote 5 - COMMUNITY DEVELOPMENT SERVICES	67 030 370	99 753 154	(2 031 407)	(2 031 407)
Vote 6 - COMMUNITY DEVELOPMENT SERVICES	30 691 377	-	-	-
Vote 7 - TECHNICAL SERVICES	232 596 499	227 457 223	5 139 276	-
Vote 8 - ECONOMIC DEVELOPMENT	2 779 044	4 293 869	(1 514 825)	(1 514 825)
	485 600 703	458 356 215	27 244 488	(10 129 849)

Vote description- Capital expenditure	Amounts as per adjusted budget	Actual as per GL	Variances	Unauthorised expenditure
Vote 3 - ADMINISTRATION & CORPORATE SERVICES	730 000	-	730 000	-
Vote 5 - COMMUNITY DEVELOPMENT SERVICES	9 640 225	1 021 386	11 118 839	-
Vote 6 - COMMUNITY DEVELOPMENT SERVICES	2 500 000	-	-	-
Vote 7 - TECHNICAL SERVICES	17 121 048	13 813 449	3 307 599	-
	29 991 273	14 834 835	15 156 438	-

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51. Prior period errors

Statement of Financial Position

Figures in Rand

Note(s)

Previously reported

Adjustment

Re-classification

Restated

Re

Assets

Current Assets

Inventories	3	1 936 257	-	-	1 936 257
Fines Receivables		10 393 205	-	(10 393 205)	-
Receivables from non-exchange transactions	4	89 487 522	(58 800 859)	13 069 470	23 726 333
Receivables from exchange transactions	5	42 987 161	23 987 173	(2 866 265)	64 308 069
Cash and cash equivalents	6	25 964 983	-	-	25 964 983
		150 749 128	(34 813 486)	-	115 936 642

Non-Current Assets

Biological assets	7	2 715 558	(1 192 424)	-	1 523 134
Investment property	8	-	57 606 000	-	57 606 000
Property, plant and equipment	9	1 111 729 877	(554 735 392)	-	556 994 485
Heritage assets	10	1 102 500	(24 980)	-	1 077 520
		1 116 647 935	(498 346 796)	-	617 201 139
Total Assets		1 266 297 063	(533 160 282)	-	733 136 781

Liabilities

Current Liabilities

Other financial liabilities	11	12 499 104	-	(853 162)	11 645 942
VAT Payables		22 786 599	9 003 312	-	31 789 911
Payables from exchange transactions	13	629 766 714	(9 754 606)	-	620 012 108
Employee benefit obligation	14	2 373 680	-	-	2 373 680
Unspent conditional grants and receipts	15	1 214 681	9 426 722	-	10 641 403
Provisions	16	16 435 841	-	(16 435 841)	- ²
Consumer deposits	17	6 588 760	(1 461 971)	-	5 104 789
		691 643 379	7 213 457	(17 289 003)	681 567 833

Non-Current Liabilities

Other financial liabilities	11	1 260 568	-	853 162	2 113 730
Employee benefit obligation	14	44 314 263	-	-	44 314 263
Provisions	16	-	3 380 839	16 435 841	19 816 680
		45 574 831	3 380 839	17 289 003	66 244 673

Total Liabilities

737 218 210 **10 594 296** **-** **747 812 606**

Net Assets

529 078 853 **(543 754 578)** **-** **(14 675 725)**

Reserves

Revaluation reserve	18	2 470 085	-	-	2 470 085
Accumulated surplus/(deficit)		526 608 768	(744 689 188)	-	(218 080 418)

Naledi Local Municipality

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51. Prior period errors (continued)

Total Net Assets	529 078 853	(744 669 186)	- (215 590 333)
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* See Note 51

Naledi Local Municipality

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Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
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51. Prior period errors (continued)

Statement of Financial Performance for the year ending 30 June 2021

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	19	212 314 849	-	-	212 314 849	
Rental of facilities and equipment	20	1 710 148	(1 392 162)	-	317 986	
Interest income		21 835 211	-	-	21 835 211	
Licences and permits		4 685 541	935 433	-	5 600 974	
Other income	23	1 870 218	-	-	1 870 218	
Total revenue from exchange transactions		250 795 490	(9 056 254)	-	241 739 236	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	24	42 785 471	-	-	42 785 471	
Interest income		4 460 594	-	-	4 460 594	
Transfer revenue						
Government grants & subsidies	26	92 724 044	(512 431)	-	92 211 613	
Fines, Penalties and Forfeits		4 410 250	21 500	-	4 431 750	
Total revenue from non-exchange transactions		144 380 358	(490 931)	-	143 889 428	
Total revenue	46	395 175 849	(9 547 185)	-	385 628 664	
Expenditure						
Employee related costs	28	(180 148 235)	(1 445 647)	4 532 030	(187 061 852)	
Remuneration of councillors	29	(8 449 398)	-	-	(8 449 398)	
Depreciation and amortisation	30	(87 250 860)	31 574 545	-	(35 676 315)	
Finance costs	31	(31 576 112)	2 498 606	(4 532 030)	(33 609 536)	
Debt Impairment	32	(89 268 537)	29 054 045	-	(40 214 492)	
Repairs and maintenance		-	-	-	-	
Bulk purchases	33	(92 754 974)	-	-	(92 754 974)	
Contracted services	34	(24 701 662)	-	-	(24 701 662)	
Fair value adjustments		-	-	-	-	
General Expenses	35	(21 783 833)	2 853 726	-	(18 930 107)	
Total expenditure		(505 933 611)	64 535 275	-	(441 398 336)	
Operating deficit		(110 757 762)	54 988 090	-	(55 769 672)	
Fair value adjustments		1 024 871	11 606 000	-	12 630 871	
Actuarial gains/losses	14	-	8 599 525	-	8 599 525	
		1 024 871	20 205 525	-	21 230 396	
Deficit for the year		(109 732 891)	75 193 615	-	(34 539 276)	

* See Note 51

Naledi Local Municipality

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51. Prior period errors (continued)

Related Parties (Salaries paid to related parties of councilors)	-	669 735	-	669 735
Related Parties (Key management remuneration)	4 351 409	(960 874)	-	3 390 535
Related Parties (DR Ruth District municipality)	34 202 328	(34 202 328)	-	-
Unauthorised expenditure	150 344 699	145 367 077	-	296 711 776
Contingencies liability	28 813 848	(16 371 748)	-	12 442 100
Commitments	17 602 738	4 341 081	-	21 943 819
	235 315 022	99 842 943	-	335 157 965

Reasons for restatement

1. Fines Receivables was re-classified to Receivables from non-exchange transactions to enable uniformity of reporting. Fines receivables balance was also adjusted as a result of errors on schedules submitted in the prior year. Allowance for impairment on Fines receivables was also adjusted as a result of the change in the gross balance for Fines receivable.

2. Receivables from non-exchange transactions were restated as a result of reclassification from exchange transactions. Fines were also reclassified from Fines receivables to Receivables from non-exchange transactions. Receivables from exchange transactions were restated as a result of recalculation of impairment which is compliant with the policy of the municipality. Debt impairment was also restated accordingly

3. Other Financial Liabilities-An amount of R853 162 was reclassified from Other financial liabilities current portion to Other financial liabilities non-current portion as a result of an error on the amount owed to DBSA

4. Payables from exchange transactions were adjusted as a result of errors with employee related costs, advance payments and unallocated deposits

5. Unspent Grants as a result of an opening balance error

6. Provisions were adjusted as a result of re-classification from current to non-current liabilities in line with GRAP disclosure requirements. Further adjustments were due to a cross casting error that was identified on the 19/20 Valuation report

7. Biological assets

Movement in biological assets is due to a finding raised by AGSA where it was noted that valuation report used was outdated. Management obtained an updated report which resulted in the adjustment.

7b Investment property-Movement in IP is due to that in the previous years, management had lumped all land assets under one vote which was not correct. This then resulted in a new disclosure that was never presented before including fair valuation.

7c Heritage assets-Movement is due to an error of including an asset that did not exist

* See Note 51

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance for the year ending 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
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51. Prior period errors (continued)

7d *Property Plant and Equipment* Movement in the opening balance is due to that Naledi LM has not been audited for the past 3yrs because there was no FAR that corroborates the amounts being disclosed. In 2020/21, municipality appointed a service provider to assist in preparation of these registers using a base of 2016/17 FY where the entity received an overall qualification opinion with minimal asset findings. Recompilation of these FARs resulted in an adjustment in 2019/20 of R554m decrease as all movement in the past 3yrs did not have support. Depreciation was also restated as a result of the restatements on Property, plant and equipment.

8. Consumer deposits - The restatement was caused by the alignment of the general ledger to the support.

9. Rental of facilities - The restatement was as a result of the derecognition of items that do not meet the definition.

10. Licenses and permits - The rate used was in constant as per the Principal Agent relationship

11. fair value adjustment - This was as a result of the valuation of biological assets as well as Investment property..

7. Accumulated surplus was restated as a result of the net adjustments mentioned.

8. Employee costs have been restated due to non-reconciliation of payroll to the accounting system in the prior year. Employee costs have subsequently been reconciled and restatements effected. Salaries for key management were also restated as per note 26 which resulted in restatement of related parties.

9. Finance costs were adjusted with balances previously reported under employee costs.

10. General Expenses were restated as a result of a cross casting error in the 19/20 valuation report. This affected the landfill site operational decommissioning expense.

11. Contingent Liabilities - Contingent Liabilities have been restated due to lawyers confirmations not received in the prior period but subsequently obtained in the 20/21 Financial Period

12. VAT was restated due to the misstatement on VAT liability.

12. Commitments were restated as a result of differences identified between schedules and the submitted AFS.

13. Related parties have been restated to exclude the DR Ruth District Municipality which does not meet the definition of a related party. Remuneration of councillors and other related parties have also been disclosed under related party balances as they were previously not included. Furthermore, Related parties were also restated to include salaries paid to related parties of councillors of R669 735. Refer to note 40 of the Annual Financial Statements. Salaries for key management were also restated as per note 28 which resulted in restatement of related parties.

14. Government grants - The recognition was not done as per the conditions met hence the adjustment.

15. Fines income - Adjustment was a result of the understatement in prior year.

16 Unauthorised expenditure was restated in order to correct the errors on the calculated unauthorised expenditure amount for the opening balance for 2020 financial year and the current year expenditure for 2020.

52. Budget differences

Material differences between budget and actual amounts

A difference of more than 10% on budget vs actual amounts is regarded as material by the municipality

2. Rental facilities and equipment - Due to Covid 19 most properties were not being rented out.

3. Interest income - The increase was as a result of more interest being charged on receivables. This is also linked to the increase in actual receivables compared to budgeted receivables.

4. Licenses and permits - The increase was as a result of more people renewing their licenses as the lockdown restrictions eased up.

5. Fair value adjustments - There was no budget done for fair value adjustments hence the variance.

6. Other Income - This was caused by an increase in administration, management and other fees than anticipated

8. Interest Income (non-exchange): - All interest income was budgeted as part of exchange interest income

9. Government Grants and Subsidies - The municipality anticipated to realise more grants during the year compared to the actual amounts. This decrease in revenue is also attributed to the increase in the higher unspent grants compared to the budgeted amount of 0.

* See Note 51

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Figures in Rand	Note(s)	2021	2020 Restated*
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52. Budget differences (continued)

10. Fines, Penalties and Forfeits - The increase is as a result of the lockdown being eased resulting to more fines being issued compared to the budgeted.

* See Note 51

Naledi Local Municipality

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Statement of Financial Performance for the year ending 30 June 2021

Figures in Rand	Nota(s)	2021	2020 Restated*
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52. Budget differences (continued)

14. Finance costs - This was mainly as a result of the reduction on interest on Eskom arrear accounts
15. Debt impairment - This was as a result of the lower receivables that had been budgeted for resulting in a lower debt impairment than the actual.
16. Bulk purchases - Purchases of electricity from Eskom reduced compared to the anticipated purchases. This also is attributable to the decrease in electricity revenue.
17. Contracted services - The decrease was as a result of cost containment measures implemented by the municipality on contracted services.
18. Transfers and subsidies- There were no transfers and subsidies incurred by the municipality.
19. General expenses - The decrease was as a result of cost containment measures implemented by the municipality
- 19b- Actuarial gains/losses- These were not budgeted for hence the variance.
20. Inventories- The reduction is mainly as a result of cost containment measures implemented thereby resulting in less inventory being bought than anticipated
21. Receivables from exchange transaction- The Receivables from exchange transactions are more than budgeted amounts as a result of non payment from customers than anticipated
22. Receivables from non-exchange transactions - The Receivables from non exchange transactions are more than budgeted amounts as a result of non payment from customers than anticipated
23. Cash and cash equivalents- The difference is as a result of the bank overdraft that was budgeted for. The municipality had a higher cash balance as a result of the cost containment measures implemented
24. Biological assets- This was as a result of more assets held at year end than anticipated
25. Property, plant and equipment- A physical verification of the PPE was done after the final budget had been approved. Amounts for actuals are aligned to the actual assets that existed as at year end.
26. Heritage assets- The variance is as a result of an adjustment on the valuation of the assets at year end
28. Other financial liabilities- This balance is composed of loans from DBSA and the municipality did not manage to repay the loan during the year
29. VAT Payables- The municipality did not anticipate to have payables as at year end.
30. Payables from exchange transactions- The municipality was not paying its suppliers resulting in an increase in Payables.
31. Employee benefit obligation (current) - These were not budget for.
32. Unspent conditional grants and receipts- The municipality had anticipated to spend all of its grants at year end, however the full amount was not spent.
33. Provisions- Provisions were accounted for as non-current on the actual amounts as the municipality does not anticipate to rehabilitate in the next year
34. Consumer deposits - The municipality was anticipating more customer deposits compared to prior year. However there were lesser applicants than budgeted resulting in material variance.
36. Bank overdraft- The difference is as a result of the bank overdraft that was budgeted for. The municipality had a higher cash balance as a result of the cost containment measures implemented

* See Note 51

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Statement of Financial Performance for the year ending 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
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52. Budget differences (continued)

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37. Employee benefit obligation (non-current)-These were not budget for

38. Provisions- Provisions were accounted for as non-current on the actual amounts as the municipality does not anticipate to rehabilitate in the next year. The variance was as a result in changes in discount rates

39. Borrowings-This balance is composed of loans from DBSA and the municipality did not manage to repay the loan during the year. The full amount was transferred to current as the full amount is due within the next year.

41. Accumulated surplus- the variance is as result of the net effect of all Statement of Financial Position amounts

42. Vat Receivable - The vat balance was a receivable in the 2020/2021 financial year as the municipality was not anticipating the R58 million recovered from SARS from returns previously denied in prior years.

43. Investment property was budgeted for as part of PPE but then reclassified to Investment property on actual.

53. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

* See Note 51

Naledi Local Municipality

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53. Segment information (continued)

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	Goods and/or services
Municipal governance and administration	This segment consists of services such as executive services, support services to the executive and finance & administration services
Finance and administration Services	Provision of financial and administrative services to other segments of the municipality
Administration & Corporate Services	The department is responsible for the general operations of the Municipality including administration, human resources and document management.
Community Development Services	Provision of public safety, an acceptable standard of Social Services, Emergency Services, Environmental and Health Services, Community Safety and Road Traffic Management
Economic Development	Provision of planning and development including policy and procedures. Co-ordination work relating to the preparation of the Annual Development Programme and its review
Technical Services	This segment consists of the following infrastructure services delivered to the community. -- Energy Sources:- This segment consists of all services for energy supply to the community. -- Waste Management:- This segment consists of all services for the management of solid waste in the municipal area. -- Waste Water Management:- Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information. This segment consists of all services for the management of waste water, including sewage, in the municipal area. -- Water Management:- This segment consists of all services for water supply to the community.
Executive & Council	Provision of overall governance to other segments of the municipality

Naledi Local Municipality

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53. Segment information (continued)

Segment surplus or deficit

2021

	Municipal governance and administration	Finance and administration Services	Administration & Corporate Services	Community Development Services	Economic Development	Technical Services	Executive & Council	Total
Revenue								
Revenue from exchange transactions	-	-	-	-	-	-	-	229 459 575
Service charges	-	-	-	24 606 539	-	204 853 036	-	165 852
Rental of facilities and equipment	-	-	-	165 652	-	-	-	30 545 597
Interest income	-	5 585 995	-	4 887 089	-	20 072 513	-	6 854 252
Licences and permits	-	-	-	6 854 252	-	-	-	741 652
Fair Value adjustment	-	1 361 275	-	-	-	-	(619 723)	2 690 195
Other income	-	270 948	-	2 021 448	-	397 799	-	58 014 617
Revenue from non-exchange transactions	-	-	-	-	-	-	-	6 126 856
Property Rates	-	58 014 617	-	-	-	-	-	87 884 141
Interest Income	-	1 120 442	-	1 000 970	-	4 005 444	-	4 308 000
Government grants and subsidies	-	68 267 000	128 188	1 411 443	-	18 077 510	-	-
Fines, Penalties and Forfeits	-	-	-	4 308 000	-	-	-	-
Total segment revenue	-	134 620 277	128 188	45 255 393	-	247 406 302	(619 723)	426 790 437
Entity's revenue								426 790 437

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53. Segment information (continued)

Expenditure	Municipal governance administration and administration	Finance and administration Services	Administration & Corporate Services	Community Development Services	Economic Development	Technical Services	Executive & Council	Total
Employee related costs	(17 238 148)	(12 108 657)	(27 628 652)	(82 391 170)	(4 073 791)	(35 621 321)	(3 098 435)	(152 158 174)
Remuneration of councillors	-	-	-	-	-	-	(8 843 681)	(8 843 681)
Depreciation and amortisation	-	-	(1 548 538)	(4 034 157)	(153 528)	(33 870 356)	-	(39 607 579)
Finance costs	-	(25 085 568)	-	-	-	-	-	(25 085 568)
Debt Impairment	-	-	-	-	-	(42 408 318)	-	(42 408 318)
Bulk purchases	-	-	-	-	-	(99 441 379)	-	(99 441 379)
Contracted services	(10 058 355)	(3 435 519)	(117 213)	(1 706 149)	(66 550)	(9 758 821)	(51 769)	(25 194 376)
Actuarial losses	-	(3 089 887)	-	-	-	-	-	(3 089 887)
General Expenses	-	(6 622 960)	(6 624 334)	(1 621 678)	-	(6 357 028)	(1 281 252)	(22 517 252)
Total segment expenditure	(27 296 503)	(50 352 591)	(35 917 737)	(99 753 154)	(4 293 869)	(227 457 223)	(13 285 137)	(458 356 214)
Total segmental surplus/(deficit)								(31 565 779)

Naledi Local Municipality

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53. Segment information (continued)

2020

Revenue	Municipal governance and administration	Finance and administration Services	Administration & Corporate Services	Community Development Services	Economic Development	Technical Services	Executive & Council	Total
Services charges	-	-	-	22 064 445	-	190 250 404	-	212 314 849
Rental of facilities and equipment	-	-	2 125	315 859	-	-	-	317 984
Interest income	-	46 992 302	-	4 473 922	-	16 629 581	-	68 095 805
Licences and Permits	-	-	-	5 600 974	-	-	-	5 600 974
Fair Value adjustment	-	-	-	-	-	-	12 630 871	12 630 871
Other Income	-	164 154	-	1 368 241	-	337 823	-	1 870 218
Actuarial gain	-	-	8 599 525	-	-	-	-	8 599 525
Property Rates	-	42 785 471	-	-	-	-	-	42 785 471
Government grants and subsidies	-	54 788 000	489 400	1 569 000	-	36 364 213	-	92 211 613
Fines, Penalties and Forfeits	-	-	-	4 431 750	-	-	-	4 431 750
Total segment revenue	-	144 730 927	9 091 050	39 824 191	-	242 582 021	12 630 871	448 859 060
Entity's revenue								448 859 060
Expenditure								
Employee related costs	(5 464 650)	(20 339 872)	(25 125 632)	(76 077 322)	(3 394 863)	(52 266 764)	(4 392 749)	(187 061 852)
Remuneration of councillors	-	-	-	-	-	-	(8 449 398)	(8 449 398)
Depreciation and amortisation	-	-	(13 289 269)	(5 708 028)	-	(16 669 019)	-	(35 676 316)
Finance costs	-	(33 609 536)	-	-	-	-	-	(33 609 536)
Debt Impairment	-	(5 938 302)	-	(11 000 545)	-	(22 275 646)	-	(40 214 492)
Bulk purchases	-	-	-	-	-	(92 754 974)	-	(92 754 974)
Contracted services	(9 320 250)	(3 328 120)	(766 110)	(1 747 607)	(127 071)	(9 328 016)	(94 487)	(24 701 861)
General Expenses	(282 846)	(6 558 063)	(6 760 523)	(1 054 144)	-	(1 264 910)	(3 009 621)	(16 930 107)
Total segment expenditure	(15 067 746)	(70 773 893)	(45 941 533)	(96 587 646)	(3 521 934)	(194 559 328)	(15 946 255)	(441 398 335)
Total segmental surplus/(deficit)								(34 539 276)

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53. Segment information (continued)

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

VOLUME II

