



# **DRAFT ANNUAL REPORT**

## **2019/20**

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**Acronyms**

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## **Acronyms**

CoGTA	Cooperative Governance and Traditional Affairs
CWP	Community Works Programme
DCoG	Department of Cooperative Governance
ICIP	Integrated Comprehensive Infrastructure Plan
IDP	Integrated Development Planning
IEP	Integrated Energy Plan
KPI	Key Performance Indicators
LEDP	Local Economic Development Plan
LED	Local Economic Development
mSCOA	Municipal Standard Chart of Account
MSA	Municipal System Act
MFMA	Municipal Finance Management Act
MDGs	Millennium Development Goals
NDP	National Development Plan
PMS	Performance Management System
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SMART	Specific, Measurable, Attainable, Realistic and Timely

### ***Municipal Manager's Accountability Statement***

Honourable Executive Mayor, Councillor L Tshongwe, it is with pleasure that I present the Annual Report of Metsimaholo Local Municipality for the financial year ended on 30 June 2020.

In presenting this Annual Report, it is important to highlight that, section 121(3) of the Municipal Finance Management Act 56 of 2003 and section 46 of the Municipal Systems Act 32 of 2000, both prescribes the core contents of an Annual Report for a municipality. In preparation of this annual report, I have therefore considered these and other legislative requirements and National Treasury Guidelines regarding the preparation of a municipality's Annual Report.

Moreover, I have also considered the importance of reliability, usefulness and relevance of the annual financial statements and performance information contained herein as will be submitted to the Auditor-General on 30<sup>th</sup> of October 2020 for auditing purposes.

This Annual Report therefore, serves as an authoritative record of the activities of the Metsimaholo Local Municipality for the period 1 July 2019 to 30 June 2020 in a manner that seeks to promote accountability to the community.

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**Mr M. Mathe**  
**Acting Municipal Manager**

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**CHAPTER 1: EXECUTIVE MAYOR'S FOREWORD & EXECUTIVE SUMMARY**

**1.1 Executive Mayor's Foreword**

The Annual Report of Metsimaholo Local Municipality draws a curtain on the financial year 2019/20, which is the second last year of the term of office of the current political leadership after the Metsimaholo bi-elections in November 2017.

The Annual Report reflects the important milestones achieved by our municipality in its quest to improve and better the life of the community, through the delivery of accessible, affordable and good quality services such as water and electricity. Most importantly, the report also reflects the municipality's limitations and constraints encountered during this difficult reporting period, due to outbreak of the COVID-19 pandemic, which will have to be addressed going forward. The administrative and political leadership of the municipality was equal to the task seeing that against these challenges related to COVID-19, the stability is being restored in the municipality.

The deployment of the administrator and his team by the provincial government after our municipality was placed under administration in terms of Section 139 1 (b) was beneficial in two ways - in which one side it focused on mending the internal stability and on the other side managing stakeholders to restore confidence in the municipality. The administrator and his team was supported by a recommitted council which doubled its effort to bring back the stability that Metsimaholo municipality is known for and discharged its mandate of developmental local government

The Annual Report is an account of how the municipality has taken up the challenge to grow the Metsimaholo municipal area, to effectively engage the community and develop partnerships with business sector. In the process of drafting it, public participation is of paramount importance. The communities' inputs are solicited and the Oversight Committee, which in part comprises of community representatives sit and peruse the tabled report. We have chosen to be open and transparent in this matter.

The trust that the community of Metsimaholo have placed in the municipality, after the Metsimaholo bi-elections, cannot be betrayed. We will spare no effort in ensuring that the municipality continuously enhances the quality of the services it offers.

Metsimaholo municipality still continues to grapple with the following:

- Service delivery
- Limited resources
- Needs of our Citizens
- High levels of poverty and unemployment

We are confident that the 2019/20 Annual Report highlights a large number of the positives that exist in Metsimaholo, that viewed collectively, should give our people a sense of hope and optimism that we are

serious about achieving our vision, sooner rather than later. The Municipality has been persistent in its efforts to garner support from other levels of Government; we have continued to invest in the infrastructure needed to ensure Metsimaholo continues to provide appropriate services, facilities, business and employment opportunities to meet the growing needs of our community.

As we leap forward into the next financial year and also the final year of this current political administration, 2020/21, we do so filled with a deep sense of appreciation of the challenges that lie ahead of us as a collective during this difficult time impacting on our economic and social life. These include overhauling a municipality that has at best produced mixed outcomes, and converting it to a well-oiled machinery that meets the service delivery needs and expectations of our community who depend on it.

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**Cllr Lindiwe Tshongwe**  
**Executive Mayor**

## 1.2 Municipal Manager's Executive Summary

This report reflects on the actual performance and financial information against the set strategic objectives on service delivery for the year under review (July 2019 to June 2020). Metsimaholo Local Municipality is fully committed in executing its core functions in order to fulfil the Local Government obligations as set out in section 156 of the RSA, Constitution.

The developmental priorities and objectives as espoused in the IDP, are directly linked to a specific developmental needs and objectives which must be measured in terms of the organizational Performance Management System, and give effect to annual SDBIP indicators and targets. Subsequently, the compilation of Municipal Annual Report on service delivery in line with MFMA, Section 121.

Our strategic focus has always been aligned to the National Key Performance Areas which served as the compass to set our Municipal pre-determined objectives, namely:

- Basic Service Delivery
- Local Economic Development
- Financial Viability and Management
- Municipal Transformation and Institutional Development and
- Good Governance and Public Participation

The Free State EXCO has placed the Metsimaholo under Administration since 2017/18 Financial Year till the financial year under review with an intent to ensure that communities continue receive basic services as mandated by RSA Constitution of 1996, Section 152.

In order to fulfill this task, the Provincial EXCO has delegated a dedicated team to provide strategic support and complement service delivery efforts in the Municipality. Notwithstanding some considerable administrative and political challenges, the Municipality continued to provide efficient basic services to its communities. In the year under review the focus was given on completion of certain critical infrastructure key projects, to mention but few:

- Installation of High Mast Lights in Amelia which is completed
- Paved Roads in Ward 8, 9 & 11(all completed)
- Construction of Electricity bulk line supply in Leitrim
- Gortin Sanitation sewer yard connections which is at 75% completion
- Gortin Sanitation Phase 4 which is at 99% completion
- Gortin Phase 3 sewer connection to 3000 stands completed
- Refengkgotso Sport Complex which is under construction

I have led the Management team as an Acting Municipal Manager working closely with Administrator with clear strategic focus on improvement measures on areas including corporate governance, financial and management accounting (including revenue collection) and institutional stability which must be complemented by finalization of Senior Managers.

In conclusion, I would like to appreciate and thank the Executive Mayor, Municipal Council and the Administrator with the oversight role played during the process; the entire administrative staff with their undying support and commitment regardless of difficult time during the COVID 19 pandemic.

Finally, give my sincere gratitude to the Metsimaholo Local Municipality residents with their unconditional contribution towards shaping this Municipality.

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**Mr M. Mathe**

**Acting Municipal Manager**

## 1.3 Municipal Overview

Metsimaholo is a category B municipality as envisaged in section 155(1) (h) of the Constitution, and thus has specific legislative powers and performs such duties and functions which are attributable to a local municipality by the constitution. The municipality is located within Fezile Dabi District Municipality and covers an estimated area of 1 739 square kilometers. The major towns within the Metsimaholo areas of jurisdiction include Sasolburg, Zamdela, Deneysville, Oranjeville Viljoensdrif and Coalbrook.

### 1.3.1 Overview of Sasolburg / Zamdela

The town owes its existence to the petro-chemical industry. Its refinery is one of the only two viable coal-derived oil refineries in the world (the other is at Secunda in Mpumalanga). The town was established in the early 1950s in order to provide housing and facilities for SASOL (South African Coal, Oil & Gas) employees.

The town has won the prize for the most attractive town entrance several years in a row and is a leader in environmental awareness as statistics show there are more trees and shrubs in the town. (Source: [www.freestatetourism.org](http://www.freestatetourism.org))

### 1.3.2 Deneysville / Refengkgotso

Named after Deneys Reitz, son of a former Free State president, Deneysville is a small rural village established on the banks of the Vaal Dam in 1939. The town is also known as the Highveld's inland sea and the yachting mecca for its landlocked neighbours. The biggest inland regatta in South Africa, 'Round the Island Race', is held on the dam annually, during February. With six yacht clubs, marinas, boat chandlers, boat builders and repair yards, Deneysville is the home of yachting enthusiasts. (Source: [www.freestatetourism.org](http://www.freestatetourism.org))

### 1.3.3 Oranjeville / Metsimaholo

This town, situated on the banks of the Wilge River, was established during 1919 as a halfway stop for ox wagons between Heilbron, Frankfort and Vereeniging. The town was named after the Prins van Orange of Holland. (Source: [www.freestatetourism.org](http://www.freestatetourism.org))

Table 1.1 - Quick Statistical Facts about Metsimaholo Local Municipality

Details	2016 Community Survey	% Change 2011 - 2016	2011 Census	% Change 2001 - 2011	2001 Census
Total population	163 564	10%	149 108	29%	115 955
Young (0-14)	23.74%	-10%	26.30%	-5%	27.70%
Working Age (15-64)	70.99%	2%	69.30%	0%	69.30%
Elderly (65+)	5.25%	19%	4.40%	19%	3.70%
Dependency ratio	51	15%	44.3	-3%	45.7
Sex ratio	109.6	1%	108.6	4%	104.4
Growth rate	2.10%	-16%	2.51%	55%	1.62%
Population density	95 persons/km2	9%	87 persons/km2	30%	67 persons/km2
Unemployment rate	n/a	n/a	32.10%	-13%	37%
Youth unemployment rate	n/a	n/a	41.60%	-13%	47.70%
No schooling aged 20+	9.30%	63%	5.70%	-47%	10.70%
Higher education aged 20+	9.80%	-21%	12.40%	49%	8.30%
Matric aged 20+	33.20%	11%	29.80%	34%	22.20%
Number of households	59 113	29%	45 757	42%	32 260
Average household size	2.80%	-10%	3.10%	-6%	3.30%
Female headed households	33.60%	3%	32.50%	2%	32.00%
Formal dwellings	87.50%	4%	83.90%	32%	63.60%
Housing owned/paying off	73.60%	28%	57.30%	33%	43.20%
Flush toilet connected to sewerage	74.10%	-3%	76.00%	10%	69.00%
Weekly refuse removal	78.30%	-1%	78.90%	29%	61.10%
Piped water inside dwelling	95.50%	33%	71.70%	66%	43.20%
Electricity for lighting	85.50%	-1%	86.40%	11%	77.70%

Source: Stats SA: CS 2016

## CHAPTER 2: GOVERNANCE

### Component A – Governance Structures

#### 1. Political Governance Structure

The political structure of the municipality is made up of the entire municipal Council, the Executive Mayor, the Speaker and the Mayoral Committee. The Council has executive and legislative authority over the affairs of the municipality. The Council is thus has the ultimate decision making powers over the affairs of the municipality. The Executive Mayor is the link between the Council and Administration and is accountable for ongoing monitoring and for tabling of reports to the Council.

#### 1.1 Municipal Council

For the reporting period under review, the Council comprised of forty two (42) councillors from eight (8) political parties. The Executive Mayor and the Speaker also form part of this council and are both full time political office-bearers. As at the end of the reporting period under review, the structure of composition of the Council was as follows:

Table 2.1 - Political governance structure

Composition of the Municipal Council	
Name of Political Party	Number of Councillors / Seats
African National Congress (ANC)	16
Democratic Alliance (DA)	11
Economic Freedom Fighters (EFF)	8
Metsimaholo Community Association (MCA)	1
Freedom Front Plus (FF+)	1
Forum for Service Delivery (4FSD)	1
African Independent Congress (AIC)	1
South African Communist Party (SACP)	3
<b>Total</b>	<b>42</b>

## 1.2 Political Office Bearers and Mayoral Committee

For the reporting period under review, the Political Officer Bearers and the Mayoral Committee were as follows below:

Table 2.2 - Structure of Political Officer Bearers and Mayoral Committee

Political Office Bearers	
<b>Executive Mayor</b>	Ms S L Tshongwe
<b>Speaker</b>	Mr K T Mabasa
<b>Council Whip</b>	Mr V L Mashia
Mayoral Committee	
<b>Name</b>	<b>Portfolio Responsible for</b>
<b>Councillor M S Poho</b>	Municipal Infrastructure and Technical and Services
<b>Councillor M J Malindi</b>	Corporate Services
<b>Councillor L S Semonyo</b>	Spatial Planning, Rural Development and Human Settlement
<b>Councillor F Mosokweni</b>	Community/Social Services
<b>Councillor L Fisher</b>	Finance, IDP and Performance Management
<b>Councillor N P Mokoena (Ms)</b>	SMME's and Economic Development
<b>Councillor N M Mtshali (Ms)</b>	Special Programme
<b>Councillor K B Mofokeng</b>	Public Safety and Transport
<b>Councillor L Makhefu</b>	Ethics Committee
<b>Councillor M Molawa</b>	Municipal Public Accounts Committee (MPAC)
<b>Councillor S S Kobo</b>	Public Places and Street Naming Committee

## 1.3 Decision-Making

Table 2.3 - Key council resolutions taken

<b>Type of Council Meeting</b>	<b>Date of Meeting</b>	<b>Matter(s) tabled</b>	<b>Resolution Number</b>	<b>Status as at 30 June 2020</b>
Spc. Council Continuation	15 June 2020	Adjustment Budget for the 2019/20 financial year	Item 4	Approved
Spc. Council Continuation	15 June 2020	Terms of reference: Financial Misconduct Board	Item 7	Approved
Spc. Council Continuation	15 June 2020	Terms of reference: Ethics Committee	Item 8	Approved
Spc. Council	15 June 2020	Audit and Performance Committee Charter	Item 8.1	Approved

Type of Council Meeting	Date of Meeting	Matter(s) tabled	Resolution Number	Status as at 30 June 2020
Spc. Council	26 June 2020	Oversight report in respect of the 2018/19 Annual report Metsimaholo L Municipality	Item 4	Approved
Spc. Council	26 June 2020	Final reviewed 2020/21 Reviewed IDP	Item 5	Approved
Spc. Council	26 June 2020	2020/21 MTREF report & Budget Policies	Item 6	Approved
Spc. Council	15 June 2020	2020/21 Draft SDBIP	Item 7	Approved
Spc. Council	15 June 2020		Item 7	Approved
Spc. Council	15 June 2020	Terms of reference: Ethics Committee	Item 8	Approved
Spc. Council	15 June 2020	Audit and Performance Committee Charter	Item 8.1	Approved
Spc. Council	26 June 2020	Oversight report in respect of the 2018/19 Annual report Metsimaholo L Municipality	Item 4	Approved
Spc. Council	26 June 2020	Final reviewed 2020/21 Reviewed IDP	Item 5	Approved
Spc. Council	26 June 2020	2020/21 MTREF report & Budget Policies	Item 6	Approved

## 2. Administrative Governance Structure

As legislatively prescribed, the administrative structure of the municipality is headed by the Municipal Manager. As at the end of the reporting period under review, the administrative structure of the municipality consisted of the following administrative departments:

- The Office of the Municipal Manager
- Finance Department
- Technical Services
- Social Services
- Corporate Services
- Economic Development & Planning

As the Accounting Officer, the Municipal Manager accounts to the Council for all the administrative issues of the municipality, including implementation of Council resolutions. In execution of his duties, the Municipal Manager was assisted by his senior managers, who serve as departmental heads and all together, constitutes the senior management team of the municipality.

The table below outlines the macro-administrative assembly of the municipality as at the end of the reporting period under review.

Table 2.4 - Administrative Governance Structure

Position	Incumbent	Full time / Acting
Municipal Manager	Mr. S M Molala	Full Time
Chief Financial Officer	Vacant	Acting
Director: Technical Services	Vacant	Acting
Director: Corporate Service	Vacant	Acting
Director: Social Services	Vacant	Acting
Director: Economic Development and Planning	Vacant	Acting

## Component B: Intergovernmental Relations (IGR)

Intergovernmental relations in the municipality were mostly facilitated by the three interrelated structures during the period under review, viz – The District Coordinating Forum, The Speakers Forum, and Technical Intergovernmental Relations Forum.

The responsibilities and activities of these forums were as follows during the reporting period under review:

Table 2.5 - IGR Structures

Name of the IGR Structure	Conveners	Core Responsibilities
The District Coordinating Forum	Executive Mayors within the district	Promotion and facilitation of intergovernmental relations within the district.
The Speakers Forum	Speakers within the district	Sharing ideas and integration of municipal programs.
The Technical Intergovernmental Relations Forum	Municipal Managers within the district	Promotion of Intergovernmental Relations within the district and other sector departments at the higher spheres of government.

The table below shows a summary of information for intergovernmental meetings that were attended during the reporting period under review through the above IGR structures.

Table 2.6 - Details of IGR Structures meetings held

The District Coordinating Forum			
Meeting	Date	Venue	Attended? (Yes / No)
No meetings took place / attended during the reporting period under review			
The Speakers' Forum			
Meeting	Date	Venue	Attended? (Yes / No)
No meetings took place / attended during the reporting period under review			
Technical Intergovernmental Relations Forum			
Meeting	Date	Venue	Attended? (Yes / No)
No meetings took place / attended during the reporting period under review			

## Component C: Public Accountability & Participation

### 1. Public Meetings

During the period under review, the municipality's public meetings were coordinated through Ward Committees in different wards. A table below provides in detail meetings held during this reporting period.

### 2. IDP Alignment and Participation

During the reporting period under review, the municipality held public participation in all key planning and reporting procedures. The municipality relied on public contributions through conferences to inform critical decisions involving the Integrated Development Plans, Budgets, Service Delivery and Budget Implementation Plan (SDBIP).

The Public Participation Meetings were planned and held as follows:

Table 2.7 - IDP Public Participation Meetings held

Ward	Date	Time	Venue	Ward Councillor	Progress
Ward 1 (Phase 3 & 4)	05/11/2019	17h00	Open Space: Zakwe's House & Clinic	Cllr M P Mokoena	Not Held
Ward 3	29/10/2019	17h00	Refengkgotso Community Hall	Cllr M M Telane	Held 29/10/2019
Ward 4				Cllr G B Mnune	Held 29/10/2019
Ward 1: Amelia	05/11/2019	17h00	Amelia-Pastor Morota's Church	Cllr M P Mokoena	Not Held
Ward 5	30/10/2019	17h00	Metsimaholo Community Hall	Cllr S S Kobo	Held 30/10/2019
Ward 2	06/11/2019	17h00	Lehutso Primary School	Cllr M Molawa	Not Held
Ward 6	04/11/2019	17h00	Multipurpose	Cllr M Nkheloane	Not Held
Ward 5	30/10/2019	18h00	Oranjeville Primary School	Cllr S S J Kobo	Held 30/10/2019
Ward 7	04/11/2019	17h00	Sports Ground next to Tomato Shop	Cllr P Mahlaela	Not Held
Ward 8	31/10/2019	17h00	Iketsetseng Secondary School	Cllr S J Nteso	Held 31/10/2019
Ward 9	31/10/2019	17h00	Iketsetseng Secondary School	Cllr N N Dywili	Held 31/10/2019
Ward 10	31/10/2019	17h00	Iketsetseng Secondary School	Cllr: N M Mtshali	Held 31/10/2019
Ward 11	31/10/2019	17h00	Zamdela Hall	Cllr T K Mabasa	Not Held
Ward 12	31/10/2019	17h00	Zamdela Hall	Cllr L A Makhefu	Not Held
Ward 13	04/11/2019	17h00	Multipurpose	Cllr F D Mosokweni	Not Held
Ward 14	28/10/2019	18h00	Vaal Park Primary School	Cllr F J Van der Merwe	Not Held
Ward 18				Cllr R Meyer	Not Held

Ward	Date	Time	Venue	Ward Councillor	Progress
Ward 19	05/11/2019	17h 00	Bekezela Secondary School	Cllr K A Mare	Not Held
Ward 15	28/10/2019	18h00	Council Foyer 2 <sup>nd</sup> Floor Finance Building	Cllr J J Grobbelaar	Not Held
Ward 20 (T Khubheka)	29/10/2019	17h00	Nomsa Secondary School	Cllr L Fisher	Not Held
Ward 16	28/10/2019	18h00	Council Foyer 2 <sup>nd</sup> Floor Finance Building	Cllr JJ Barnard	Not Held
Ward 17	28/10/2019	18h00	Council Foyer 2 <sup>nd</sup> Floor Finance Building	Cllr G Burger	Not Held
Ward 20 (Denyeville)	29/10/2019	18h00	Nomsa Secondary School	Cllr L Fisher	Not Held
Ward 21	04/11/2019	17h00	Multipurpose	Cllr N P Mokoena	Not Held
Stakeholders(Publ ic & Private Business / CBOs / Farmers)	23/08/2019	09h00	Harry Gwala Multi-Purpose Centre	All Councillors / Senior Management / Officials	Not Held

## Component D: Corporate Governance

### 1. Risk Management

According to section 62 Municipal Finance Management Act (MFMA), the municipality must maintain effective, efficient and transparent system of financial and risk management. This therefore means that risk management is an integral part of the internal processes of a municipality.

From the municipality's point of view, risk management is a logical and systematic process of

establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables the municipality to minimise losses and maximise opportunities.

During the period under review, the following risk management related activities were performed:

Table 2.8 - Risk Management Activities Performed during 2019/20

Activity / Function	Date Completed
Review of Risk Management Committee (RMC) Charter	Annually (July)
Review of Risk Management (RM) Policy and Strategy	Last adoption and approval was in September 2017  Recommended Annually
Quarterly Risk Assessment reports	Qtr. 1 (July – Sept), Qtr. 2 (Oct Dec), Qtr. 3 (Jan – Mar), Qtr. 4 Apr - Jun)
Risk Management Implementation Plan report	Internal working schedule done Annually (July)
Risk Management Maturity model	N/A

Having an understanding of risks to the strategy, allows the municipality to measure and position its strengths in optimising opportunities and take the appropriate actions in reducing its losses. Over the period under review, risk management trends and components within the municipality were indicating an overlap with those of internal auditing, performance management, project management, financial management, organisational development & change management, customer care, communication, and therefore require incremental inclusion in current and future planning of the entire organisation.

The following were the identified top risks that the municipality faced during 2019/20.

Table 2.9 - Top risks in 2019/20

Top Risks in 2019/20 financial year	
No	Risk Description
1	Absence of landfill sites and absence of licenses
2	Failure of governance
3	Non Compliance with the establishment of a functional Disciplinary Board Committee
4	Inability to collect rental income from hostels
5	Non-compliance with section 116 of the MFMA (Contract and Contract Management).

Top Risks in 2019/20 financial year	
No	Risk Description
6	Unaccounted water distribution loss
7	Cable theft
8	Fruitless and wasteful expenditure
9	Inadequate control over Irregular expenditure
10	Payments of creditors not done within 30 days.
11	Deterioration of Roads Infrastructure
12	Encroachment of roads, reserves, servitudes and building lines

## 2. Anti-Fraud and Corruption

During the period under review, the municipality continued to monitor the implementation of anti-fraud strategies to combat fraud and corruption. The Council has since approved the use of the National Anti-Corruption Hotline number **0800 701 701** to report all cases of fraud and corruption which relates to the Metsimaholo Local Municipality.

The table below listed anti-fraud and anti-corruption plans / strategies that were adopted by Council which serves as guiding principles to deal with any fraud or corruption related activities.

Table 2.10 - Fraud Prevention Plan

Name of plan / strategy	Date Approved by Council
Fraud Prevention Plan	26 September 2017

### Investigations conducted

For the financial year 2019/20, there were no investigations conducted in regard to fraud.

## 3. Supply Chain Management

Although not sufficiently staffed in line with the approved organisational structure, the Supply Chain Management unit has appropriately skilled personnel. The unit is headed by a senior official who assume the duties of a senior supply chain practitioner. The table below provides an overview of the staffing capacity within the unit.

Table 2.11 - Supply Chain Management Staff Compliment

Designation	Number of available positions	Number of positions filled	Number of vacancies
Manager	1	0	1
Secretary	1	1	0
Supply Chain Practitioner	3	2	1
Supply Chain Clerk (Buyer)	1	1	0
Supply Chain Administration Clerk	1	1	0
Stock Clerk	1	1	0
<b>Total</b>	<b>8</b>	<b>6</b>	<b>2</b>

The composition of the bid committees was also in accordance with the provisions of the Supply Chain Management Regulations, 2005.

The Supply Chain Management function is a supportive strategy and the objective is to manage procurement and provisioning processes in order to eliminate non-value added cost, infrastructure, time and activities to improve service delivery.

The table below provides an overview of the number of procurements within specified thresholds for the period under review:

Table 2.12 - Tenders / Bids Awarded (Excluding as and when required tenders) in 2019/20

Procurement Range: >R 200 000 & long-term contract		
Period	Number of Tenders Awarded	Total Awarded Amount
First Quarter	6	R 19 871 859.97
Second Quarter	2	R 11 435 714.14
Third Quarter	0	0
Fourth Quarter	0	0
<b>Sub-Total</b>		
Procurement Range: R 30 001 - R 200 000		
Period	Number of Tenders Awarded	Total Awarded Amount
1 <sup>st</sup> Quarter	12	R 468 77.00
2 <sup>nd</sup> Quarter	8	<b>R 329 575.00</b>
3 <sup>rd</sup> Quarter	0	0
4 <sup>th</sup> Quarter	0	0
<b>Sub-Total</b>		

Procurement Range: R 1 - R 30 000		
Period	Number of Tenders Awarded	Total Awarded Amount
1 <sup>st</sup> Quarter	172	R 1 418 982.45
2 <sup>nd</sup> Quarter	161	R 1 230 997.53
3 <sup>rd</sup> Quarter	142	R 1 274 686.72
4 <sup>th</sup> Quarter	84	R1 106 761.23
<b>Sub-Total</b>		

Supply Chain Management Activities are conducted were conducted within the framework of the approved supply chain management policy which is in line with the MFMA, Supply Chain Management Regulation and Preferential Procurement Policy Framework Regulations of 2011.

Table 2.13 – Supply Chain Management Policy

Name of Policy	Date Approved by Council
Supply Chain Management Policy	29 May 2019

The municipality has also entered in contracts for the supply of goods and / or services on an “as-and-when required” basis during the period under review. This means that these contracts have no precise price and because a service requirement for such goods and / or service is determined as and when a need arises from the municipality and subsequently procurement occurs based on the scale of the evaluated requirement.

The details of such contracts as follows:

Table 2.14 - Contracts procured on an “As-and-When Required” basis

Commodities	
Period	Number of Tenders Awarded
1 <sup>st</sup> Quarter	0
2 <sup>nd</sup> Quarter	0
3 <sup>rd</sup> Quarter	1
4 <sup>th</sup> Quarter	0
<b>Sub-Total</b>	<b>1</b>
Professional Services	
Period	Number of Tenders Awarded
1 <sup>st</sup> Quarter	3
2 <sup>nd</sup> Quarter	0
3 <sup>rd</sup> Quarter	0

4 <sup>th</sup> Quarter	0
<b>Sub-Total</b>	<b>3</b>
<b>Equipment Rental/Lease Services</b>	
<b>Period</b>	<b>Number of Tenders Awarded</b>
1 <sup>st</sup> Quarter	0
2 <sup>nd</sup> Quarter	0
3 <sup>rd</sup> Quarter	1
4 <sup>th</sup> Quarter	0
<b>Sub-Total</b>	<b>1</b>
<b>Other Services</b>	
<b>Period</b>	<b>Number of Tenders Awarded</b>
1 <sup>st</sup> Quarter	2
2 <sup>nd</sup> Quarter	2
3 <sup>rd</sup> Quarter	0
4 <sup>th</sup> Quarter	0
<b>Sub-Total</b>	<b>4</b>

#### 4. By-Laws

No new by-laws were promulgated or reviewed for 2019/20 financial year.

#### 5. Publication of Information on the Municipality's Websites

Section 21A of Municipal Systems Act requires that all documents that must be made public by a municipality in terms of a requirement of this Act, the Municipal Finance Management Act or other applicable legislation, must be conveyed to the local community: -

- a) by displaying the documents at the municipality's head and satellite offices and libraries;
- b) by displaying the documents on the municipality's official website, if the municipality has a website as envisaged by section 21B; and
- c) by notifying the local community, in accordance with section 21, of the place, including the website address, where detailed particulars concerning the documents can be obtained.

On the other hand, section 21B(3) states that the Municipal Manager must maintain and regularly update the municipality's official website, if in existence, or provide the relevant information as required by subsection (2).

Pursuant to the foregoing legislative provisions, the municipality's website was functional and accessible throughout the period under review and the table below provides details of important information that was publicised on the website.

Table 2.15 - Publication of information on municipal website

Documents to be published on the municipality's website	Published / Not published
<b>Budget</b>	
Draft Budget	
Approved Annual Budget and quality certificate	
Adjustment budget and quality certificate	
<b>Annual Reports</b>	
Annual Report	
Oversight report	
<b>Quarterly Reports</b>	
SCM Quarterly reports	Published
Financial Reports	
Supply Chain Management Reports	Published
<b>Budget Related Policies</b>	
Asset Management Policy	
Bad Debts Write Off Policy	
Borrowings Policy	
Budget Policy	
Cash Management Policy	
Credit Control Debt Collection and Customer Care Policy	
Indigent Policy	
Property Rates Policy	
Rates Policy	
Unauthorized, Irregular, Fruitless and Wasteful Expenditure	
Virement Policy	
Revised SCM Policy	

Risk Management Policy	
<b>Documents to be published on the municipality's website</b>	
	<b>Published / Not published</b>
<b>Financial Statements</b>	
AFS	
<b>Mid-Year budget and performance assessment Reports</b>	
Mid-Year Budget & Performance Assessment Report	
<b>Bid Register</b>	
Bid Register	

## 6. Public Satisfaction on Municipal Services

No public satisfaction survey was conducted during the period under review.

## 7. Municipal Oversight Committees

Municipal Public Accounts Committee (MPAC) and the Audit and Performance Committee are the two committees responsible for the exercise of oversight over the executive functionaries of council; ensure good governance in the municipality. These committees are also responsible advising the council, the political office-bearers, the accounting officer and the management staff of the municipality on various matters dealt with under their responsibilities.

During the period under review, the respective committees have discharged their responsibilities as follows in accordance with their terms of reference:

Table 2.16 - Activities performed by the MPAC

<b>Municipal Public Accounts Committee</b>	
<b>Matters considered in 2019/20</b>	<b>Date</b>
Oversight by MPAC over mid-year budget and performance assessment report as	
Budget Implementation report for the quarter ending 31 December 2019	
Quarterly financial Indicators for the period ending 31 December 2019	
Compliance status report for month July to December 2019	
Adjustment Budget for 2019/20 financial year	
Approval of the 2019/20 Integrated development plan (IDP)	

Table 2.17 - Activities performed by the Audit &amp; Performance Committee

Audit & Performance Committee	
Matters considered in 2019/20	Date
Draft Annual Financial Statement – 2018/19	27 August 2019
Draft Annual Report – 2018/19	27 August 2019
Internal Audit Charter	09 June 2020
Audit and Performance Audit Committee Charter	09 June 2020
Internal Audit Annual Plan – 2020/21	09 June 2020
First Quarter Performance Audit Report – 2019/20	09 June 2020
Traffic, Fire and Disaster Management Audit Report	09 June 2020
Schedule C	All AC Meetings
Auditor General – 2018/19 Draft Audit Report	04 November 2019
Auditor General – 2018/19 Audit Strategy	04 November 2019
IA finding tracking document	04 November 2019
Assets Management Audit report – 2018/19	04 November 2019
Third, Fourth Quarter and Annual Performance Audit Report	27 August 2019
Supply Chain Management Audit report	27 August 2019
Auditor General – 2018/19 Engagement letter	27 August 2019
Draft Annual Financial Statement – 2018/19	27 August 2019
Draft Annual Report – 2018/19	27 August 2019

### Chapter 3: Service Delivery Performance (Performance Report Part I)

#### Component A: Introduction to Performance Report

This chapter focuses on reporting on service delivery on a service-by-service in line with the approved IDP and SDBIP of the municipality for the 2019/20 financial year. This chapter therefore aims at demonstrating what has been achieved and what remains outstanding as initially planned in terms of the municipality's IDP.

#### Component B: Overview of the relevant progress achieved on the relevant outcomes for Local Government as required by National and Provincial Spheres

##### 1. Water Services

Table 3.1 – Water Service Delivery Levels per Household

Description	2019/20 Actual No.	2018/19 Actual No.	% Variance
<b>Water: (above min level)</b>			
Piped water inside dwelling	44 938	34 189	
Piped water inside yard (but not in dwelling)	2 536	10 645	
Using public tap (within 200m from dwelling)	-	-	
Other water supply (within 200m)	40	40	
Minimum Service Level and Above sub-total	47 514	44 874	
Minimum Service Level and Above Percentage	94.58%	76.19%	
<b>Water: (below min level)</b>			
Using public tap (more than 200m from dwelling)	3000	-	
Other water supply (more than 200m from dwelling)	750	2 600	
No water supply	-	-	
Below Minimum Service Level sub-total	3750	2 600	
Below Minimum Service Level Percentage		0%	
<b>Total number of households</b>	<b>51 264</b>	<b>47 74</b>	

Table 3.2 – Total Use by Sector

Total Use of Water by Sector (Kilolitres)	2019/20	2018/19	% Variance
Agriculture	0	0	
Forestry	0	0	
Industrial		8 534 248	
Domestic		11 312 840	
Unaccounted Water		16.32%	

Table 3.3 – Water Services Capital Expenditure

Capital Expenditure 2019/20: Water Services R' 000				
Capital Projects	2019/20			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustmen t budget
Water network	16 55	16 253	49	0.3%
Water network (DWS Grant)	5 000	5 000	2 318	46%
Vehicles (Finance lease)	280	-	-	-
Plant and equipment	1 951	1 851	642	34%
<b>Total All</b>	<b>23 784</b>	<b>23 104</b>	<b>2 991</b>	<b>13%</b>

Table 3.4 – Water Services Financial Performance

Financial Performance – Water Services Financial Performance 2019/20: Water Services			
R'000			
Details	2019/20 Actual	2018/19 Actual	% Variance
Total Operational Revenue	528 893	405 468	130,4%
<b>Expenditure</b>			
Employees	(18 609)	(16 021)	116,1%
Repairs and Maintenance	(6 964)	(3 297)	211,2%
Other	-	(343 767)	3%
<b>Total Operational Expenditure</b>	<b>(312 801)</b>	<b>(363 085)</b>	<b>86,1%</b>
<b>Net Operational Expenditure</b>	<b>(216 091)</b>	<b>(42 383)</b>	

Table 3.5 – Sanitation Service Delivery Levels per Household

Description	2019/20 Actual No.	2018/19 Actual No.	% Variance
<b>Sanitation/sewerage: (above minimum level)</b>			
Flush toilet (connected to sewerage)	41 247	34 391	
Flush toilet (with septic tank)	3 617	3 617	
<b>Pit toilet (ventilated)</b>			
	-	-	
<b>Other toilet provisions (above minimum service level)</b>			
Minimum Service Level and Above sub-total	38 008	37 008	
Minimum Service Level and Above Percentage	80%	78%	
<b>Sanitation/sewerage: (below minimum level)</b>			
Bucket toilet	2 533	2 610	
<b>Other toilet provisions (below minimum service level)</b>			
No toilet provisions	3 750	6 856	
Below Minimum Service Level sub-total	6 283	9 466	
Below Minimum Service Level Percentage	60%	20%	
<b>Total households</b>	<b>51 147</b>	<b>47 474</b>	

## 2. Sanitation Services

Table 3.6 - Sanitation Services Financial Performance

Financial Performance 2019/20: Sanitation Services				R'000
Details	2019/20 Actual	2018/19 Actual	% Variance	
<b>Total Operational Revenue</b>	<b>63 485</b>	<b>97 014</b>	65,4%	
<b>Expenditure:</b>				
Employees	(11 583)	(10 555)	109,7%	
Repairs and Maintenance	(44 082)	(22 051)	200%	
Other	(5 580)	(13 145)	42,4%	
<b>Total Operational Expenditure</b>	<b>(61 246)</b>	<b>(45 751)</b>	<b>133,8%</b>	
<b>Net Operational Income</b>	<b>2 238</b>	<b>51 263</b>	<b>4,3%</b>	

Table 3.7 - Sanitation Services Capital Expenditure

Capital Expenditure 2019/20: Sanitation Services					R'000
Capital Projects	2019/20				
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget	
Sewer network (MIG)	29 525	29 525	17 795	60,2%	
Vehicles (Finance Lease)	250	-	-	-	
Plant and equipment	4	4	-	-	
Sewer Network (own funding)	23 940	23 093	7 420	32%	
Waste Water Treatment(DWS)/(RBIG)	80 000	80 000	2 869	3,6%	
<b>Total All</b>	<b>133 719</b>	<b>132 622</b>	<b>28 084</b>	<b>21,1%</b>	

## 3. Electricity Services

Table 3.8 - Electricity Service Delivery Levels per Household

Description	2019/20 Actual No.	2018/19 Actual No.	% Variance
<b>Energy: (above minimum level)</b>			
Electricity (at least minimum service level)	51 927	51 927	0%

Electricity - prepaid (minimum service level)			
Minimum Service Level and Above sub-total			
Minimum Service Level and Above Percentage			
<b>Energy: (below minimum level)</b>			
Electricity (<minimum service level)			
<b>Total number of households</b>			

Table 3.9 - Electricity Services Financial Performance

Financial Performance 2019/20: Electricity Services		R'000	
Details	2019/20 Actual	2018/19 Actual	% Variance
<b>Total Operational Revenue</b>	<b>322 072</b>	<b>308 332</b>	<b>95,7%</b>
<b>Expenditure:</b>			
Employees	(17 360)	(16 976)	97,7%
Repairs and Maintenance	(9 186)	(6 755)	73,5%
Other	(290 768)	(255 482)	87,8%
<b>Total Operational Expenditure</b>	<b>(317 315)</b>	<b>(297 096)</b>	<b>93,6%</b>
<b>Net Operational Revenue</b>	<b>4 757</b>	<b>11 236</b>	<b>236%</b>

Table 3.10 - Electricity Service Capital Expenditure

Capital Expenditure 2019/20: Electricity Services		R'000		
Capital Projects	2019/20			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Electrical Network (DoE)	10 000	10 000	8 695	87%
Electrical infrastructure (own funding)	21 266	20 166	949	4,7%
Electrical infrastructure(MIG)	4 492	4 492	3 931	87,5%
Vehicles (Finance Lease)	560	601	601	100%
Plant + equipment	950	550	-	-
<b>Total All</b>	<b>37 268</b>	<b>35 809</b>	<b>14 177</b>	<b>39,5%</b>

Table 3.11 - Gravel Road Infrastructure in Kilometers

Gravel Road Infrastructure in Kilometers	2019/20	2018/19	% Variance
Total gravel roads	322	322	
New gravel roads constructed	-	-	
Gravel roads upgraded to tar	0	6	
Gravel roads graded/maintained	60	114	

Table 3.12 - Tarred Road Infrastructure in Kilometers

Tarred Road Infrastructure in Kilometers	2019/20	2018/19	% Variance
Total tarred roads	354	354	0
New tar roads	-	6	-100%
Existing tar roads re-tarred	-	-	-
Existing tar roads re-sheeted	-	-	-
Tar roads maintained	354	354	0%

#### 4. Roads

Table 3.13 - Roads Infrastructure Capital Expenditure

Capital Expenditure 2019/20 : Roads Services R'000				
Capital Projects	2019/20			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Roads (Paved) MIG	4 808	4 808	2 371	49,3%
Vehicles Finance Lease)	1 280	-	-	-
Plant and equipment	180	-	-	-
Resealing of roads	42 000	37 000	-	-
<b>Total All</b>	<b>48 268</b>	<b>41 808</b>	<b>2 371</b>	<b>5.67%</b>

#### 5. Storm-water Infrastructure

Table 3.15 – Storm Water Infrastructure in Kilometers

Storm water Infrastructure in Kilometres	2019/20	2018/19	% Variance
Total Storm water measures	219	219	0%
New storm water measures	0	0	0%
Storm water measures upgraded	0	0	0%
Storm water measures maintained	3	5	-40%

Table 3.16 - Cost of Storm-water Infrastructure Construction/Maintenance

Storm water measures	2019/20	2018/19	% Variance
New (R'000)			
Upgraded (R'000)	0	0	
Maintained (R'000)	100	50	

## 6. Waste Management

Table 3.17 - Waste Management Services Financial Performance

Details	2019/20 Actual	2018/19 Actual	% Variance
<b>Total Operational Revenue</b>	<b>49 043</b>	<b>45 851</b>	107%
Employees	(32 429)	(30 885)	105%
Repairs and Maintenance	(4 197)	(5 221)	80,38%
Other	(4 086)	(9 821)	41,6%
<b>Total Operational Expenditure</b>	<b>(40 712)</b>	<b>(60 284)</b>	<b>67.53%</b>
<b>Net Operational Revenue</b>	<b>8 330</b>	<b>(711)</b>	<b>117%</b>

Table 3.18 - Waste Management Services Capital Expenditure

Capital Expenditure 2019/20: : Waste Management Services R'000				
Capital Projects	2019/20			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Purchasing of landfill site	0	0	0	-
Compactor Truck (Lease)	0	0	0	-
Vehicles	2 000	0	0	-
Buildings	100	0	0	-
Plant & Equipment	3 850	100	0	-
<b>Total All</b>	<b>5 950</b>	<b>100</b>	<b>0</b>	<b>-</b>

## 7. Libraries & Theatre

Table 3.19 - Libraries &amp; Theatre Financial Performance

	Actual 2019/20 R 000	Actual 2018/19 R 000	% Variance
<b>Total Operational Revenue</b>	-	-	-
<b>Employees</b>	-	-	-
<b>Repairs and Maintenance</b>	-	-	-
<b>Other</b>	-	(4)	-
<b>Total Operational Expenditure</b>	-	(4)	-
<b>Net Operational Expenditure</b>	-	(4)	-

Table 3.20 - Libraries &amp; Theatre Capital Expenditure

Capital Expenditure 2018/19: : Libraries and Theatre R'000				
Capital Projects	2019/20			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Equipment	-	-	-	-
<b>Total All</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Performance Analysis:**

NB: Local libraries are no longer part of the municipality, they are part of Provincial Government and the Civic theatre is also no longer part of the municipality; Sasol Factory has taken full ownership of the Theatre.

**8. Cemeteries**

Table 3.21 - Number of People Buried

Area	Actual 2019/20 R 000	Actual 2018/19 R 000	% Variance
	Number of People Buried		
Sasolburg	425	92	33,3%
Zamdela	555	617	6,2%
Refengkgotso/Deneysville	197	252	0,55%
Oranjeville/Metsimaholo	44	33	0,11%
<b>Total</b>	<b>1 221</b>	<b>994</b>	<b>40,16%</b>

Table 3.22 - Cemeteries Financial Performance

Details	Actual 2019/20 R 000	Actual 2018/19 R 000	% Variance
<b>Total Operational Revenue</b>	367	428	85,7%
<b>Expenditure:</b>			
Employees	(1 136)	(1 046)	108,6%
Repairs and Maintenance	-	-	-
Other	(88)	(86)	102,3%
<b>Total Operational Expenditure</b>	<b>(1 224)</b>	<b>(1 132)</b>	<b>108,1%</b>
<b>Net Operational Expenditure</b>	<b>(857)</b>	<b>(704)</b>	<b>121,7%</b>

Table 3.23 - Cemeteries Capital Expenditure

Capital Expenditure 2019/20: : Cemeteries R'000				
Capital Projects	2019/20			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Plant & Equipment	440 000	35 000	-	-
Synapsis Software	200 000	0	-	-
Upgrading cemetery(MIG)	1 233 420	1 233 420	-	-
Fence	30 000	30 000	-	-
<b>Total All</b>	<b>1 903 420</b>	<b>1 298 420</b>	<b>-</b>	<b>-</b>

## 9. Traffic Police Services

Table 3.24 - Traffic Police Service Performance Data

Details	2019/20 Actual No	2018/19 Actual No	% Variance
Number of road traffic accidents reported	937	741	79.0%
Number of by-law infringements attended	134	117	87.3%
Average number of police officers in the field on a day	18	16	88%
Average number of police officers on duty on a day	16	14	87%

Table 3.25 - Traffic Police Service Financial Performance

Financial Performance 2019/20: Traffic Police R'000			
Details	2019/20	2018/19	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	<b>769</b>	4 252	18,8%
<b>Expenditure:</b>			
Employees	<b>(13 607)</b>	(13 518)	100,6%
Repairs and Maintenance	(899)	(1 101)	81,6%
Other	(668)	(5 604)	12%

<b>Total Operational Expenditure</b>	<b>(15 175)</b>	<b>(20 223)</b>	<b>75%</b>
<b>Net Operational Expenditure</b>	<b>(14 405)</b>	<b>(15 971)</b>	<b>90,2%</b>

Table 3.26 - Traffic Police Service Capital Expenditure

Capital Expenditure 2019/20: Traffic Police Service R'000				
Capital Projects	2019/20			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Plant & Equipment	R655 500	0	R4050 00.00	250 500
Traffic measures				
<b>Total All</b>	<b>R655 500</b>		<b>R4050 00.00</b>	<b>R250 500</b>

## 10. Fire Services

Table 3.27 - Fire Services Financial Performance

Financial Performance 2019/20: Fire Services R'000			
Details	2019/20	2018/19	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	<b>546</b>	510	107%
<b>Expenditure:</b>			
Employees	(19 971)	(18 487)	108%
Repairs and Maintenance	(441)	(564)	78,1%
Other	(796)	(1 257)	63,3%
<b>Total Operational Expenditure</b>	<b>(21 209)</b>	<b>(20 263)</b>	<b>104,7%</b>
<b>Net Operational Expenditure</b>	<b>(20 663)</b>	<b>(19 753)</b>	<b>104,6%</b>

Table 3.28 - Fire Services Capital Expenditure

Capital Expenditure 2019/20: Fire Services R'000				
Capital Projects	2019/20			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Specialized Vehicles	6 000000			
Specialized Vehicles(Donated)	250 000 000		R250 000 000	R250 2000 000
Plant & Equipment	200 000		R200 000	
<b>Total All</b>	<b>R256 200 000</b>		<b>R250 200 000</b>	<b>R250 2000 000</b>

## 11. Disaster Management

Table 3.29 - Disaster Management Financial Performance

Financial Performance 2019/20: Disaster Management R'000			
Details	2019/20	2018/19	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	-	-	-
<b>Expenditure:</b>			
Employees	(1 035)	(800)	129,3%
Repairs and Maintenance	(42)	(47)	89,3%
Other	(67)	(60)	111,7%
<b>Net Operational Expenditure</b>	<b>(1 144)</b>	<b>(907)</b>	<b>126,1%</b>

Table 3.30 - Disaster Management Capital Expenditure

Capital Expenditure 2019/20: Disaster Management R'000				
Capital Projects	2019/20			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Specialised Vehicles	0			
Plant & Equipment	R20000-00		0	0
<b>Total</b>	<b>R20000-00</b>			

## 12. Sports & Recreation

Table 3.31 - Sports &amp; Recreation Financial Performance

Financial Performance 2016/17: Sports & Recreation R'000			
Details	2019/20	2018/19	%
	Actual	Actual	Variance
Total Operational Revenue	<b>4 497</b>	717	627,2%
<b>Expenditure:</b>			
Employees	<b>(54)</b>	(51)	105,9%
Repairs and Maintenance	-	-	-
Other	(190)	(193)	98,4%
<b>Total Operational Expenditure</b>	<b>(224)</b>	<b>(244)</b>	<b>91,8%</b>
<b>Net Operational Income</b>	<b>4 252</b>	<b>99</b>	<b>42,9%</b>

Table 3.32 - Sports &amp; Recreation Capital Expenditure

Capital Expenditure 2019/20: Sports & Recreation R'000				
Capital Projects	2019/20			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Buildings(MIG-Sports complex)	9 009	9 009	4 497	200%
Upgrading of stadium	7 000 000	-	-	-
Equipment	10 000	-	-	-
<b>Total All</b>	<b>16 019 340</b>	<b>9 009 340</b>	<b>-</b>	<b>-</b>

## 13. Planning &amp; Development

Table 3.33 - Applications for Land Use Development

Area	Actual 2019/20 R 000	Actual 2018/19 R 000	Variance
	Number of Applications Received		
Sasolburg		15	
Zamdela		1	
Refengkgotso		0	
Oranjeville		0	
Vaalpark		6	
Other areas		5	
<b>Total</b>		<b>26</b>	

Table 3.34 - Planning Services Financial Performance

Financial Performance 2019/20: Planning Services R'000			
Details	2019/20	2018/19	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	<b>728</b>	690	105,5%
<b>Expenditure:</b>			
Employees	<b>(5 384)</b>	(5 339)	100,8%
Repairs and Maintenance	<b>(238)</b>	(125)	190,4%
Other	(203)	(187)	108,5%
<b>Total Operational Expenditure</b>	<b>(5 827)</b>	<b>(5 651)</b>	<b>103,1%</b>
<b>Net Operational Expenditure</b>	<b>(5 098)</b>	<b>(4 961)</b>	<b>102,7%</b>

Table 3.35 - Planning Services Capital Expenditure

Capital Expenditure 2019/20: : Planning Services R'000				
Capital Projects	2019/20			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Buildings (housing and property)	-	-	-	-
Vehicles	-	-	-	-
Plant and equipment	-	-	-	-
<b>Total All</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 3.36 - Local Economic Development Services Financial Performance

Financial Performance 2019/20: Local Economic Development R'000			
Details	2019/20	2018/19	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	-	-	-
<b>Expenditure</b>			
Employees	<b>(1 282)</b>	(1 211)	105,8%
Repairs and Maintenance	(6)	(9)	66,7%
Other	(25)	(35)	71,4%
<b>Total Operational Expenditure</b>	<b>(1 313)</b>	(1 255)	<b>104,8%</b>
<b>Net Operational Expenditure</b>	<b>(1 313)</b>	(1 255)	<b>104,8%</b>

Table 3.37 - Local Economic Development Services Capital Expenditure

Capital Expenditure 2019/20: : Local Economic Development R'000				
Capital Projects	2019/20			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Buildings	1 200 000	600 000	-	-
Vehicles	-	-	-	-
Plant and equipment	-	-	-	-
<b>Total All</b>	<b>1 200 000</b>	<b>600 000</b>	<b>-</b>	<b>-</b>

#### 14. Free Basic Services & Indigent Support

Table 2 - Free Basic Services Structure

Description	2019/20	2018/19	% Variance
Property Rates (per month per household)indigent	R50	R50	100%
Sanitation/sewerage additional (per month per household)Indigent	Free	Free	-
Sanitation/sewerage (per month per household)	Free	Free	-
Water (per month per household)	6kl	6kl	-
Water (per month per household) Indigent	6kl	6kl	-
Electricity (per month per household)	50kwh	50kwh	-
Electricity (per month per household) indigent	50kwh	50kwh	-
Refuse Removal (per month per household)	Free	Free	-

#### Performance Analysis:

Free basic services are provided to indigent households according to the municipality's indigent policy. This includes 6kl of water, 50kWh electricity, R50 subsidy on assessment rates, free sanitation and refuse removal per household per month.

A total of 10 222 households were recorded in the indigent register at the end of the 2019/2020 financial year.

**Component C: Annual Performance Report against Pre-Determined Objectives**

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**KPA 1: Basic Service Delivery & Infrastructure Development**

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KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: INTEGRATED DEVELOPMENT PLANNING</b>							
Ensure that the municipality broadly delivers service according to the strategic orientation based on key sector plans	1.1.1 WSDP and Roads and Storm and Water Plan developed and approved by Council	Draft WSDP in place	WSDP and roads and storm water plan developed and submitted to Council for approval by 30 June 2020	Approved sector plans and Council resolution	Target not achieved - Draft submitted to council	Council did not sit	Administrator and Council to sit on the items for approval
To ensure development of legally compliant and credible IDP.	4.5.1. Improved assessment ratings of the municipality's IDP year on year expressed as a % of number of areas rated and compliance achieved over the total number	0	80% improvement of annual assessment ratings of the IDP by CoGTA by 30 June 2020	Assessment reports	Target achieved – (There were no assessments conducted by CoGTA)	n/a	n/a
To ensure development of legally compliant and credible IDP.	4.5.1.1 Legally compliant and credible IDP developed	Achieved	Legally compliant and credible IDP reviewed and approved by Council by the 31 <sup>st</sup> of May 2020	Approved IDP; Council resolution	Target not achieved- (The IDP was only tabled in Council on the 26 of June as opposed to 31st of May 2020)	Due to lockdown on Covid 19	The IDP was subsequently tabled on the 26 of June 2020

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: ROADS</b>							
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.1 Number of kms of internal roads repaired and maintained	2236m2	5 kms of internal roads repaired and maintained by 30 June 2020	Quarterly Reports from Technical services	Target not achieved	No budget	Council to approve adjustment budgets in time
	1.2.1.1 Number of km of roads identified for paving and storm water construction.	6 km achieved	Construction of 6 km's paved roads and storm-water in wards 8,9 and 11 by 30 June 2020	Progress Report, site minutes and completion certificate	Target achieved Construction has been completed	n/a	n/a
	1.2.1.2 Number of kms of roads graded	26.8 achieved	20 kms of roads graded by 30 June 2020	Report from Technical Services	Target not achieved	No budget	Council to approve adjustment budgets in time

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: ELECTRICITY</b>							
Ensure universal access to reliable and quality basic municipal services by all communities.	1.2.2 New electricity connections installed in all newly established formal settlement areas by June 2020	Not achieved	Completion of Themba Kubeka Phase 1 of bulk supply by 30 June 2020	Quarterly Progress reports and site meetings minutes for Phase 1 Bulk supply	Target achieved	n/a	n/a
	1.2.2.1 % Provision of new electrical connections provided in Themba Kubeka by June 2020	New KPI	50% installation of electricity connections in Themba Kubeka by 30 June 2020	Quarterly Progress reports and close up report	Target achieved	n/a	n/a
	1.2.2.2 Electricity Maintenance Plan developed and approved by council	Not achieved	Electricity Maintenance Plan developed and approved by Council by 30 June 2020	Approved maintenance plan and Council resolution	Target not achieved Draft Electricity Maintenance Plan tabled in Management		
	1.2.2.3 % of electricity distribution losses minimized	20% achieved	Electricity distribution losses minimized to 20%	Report	Target achieved 20% has been achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: PORTABLE WATER</b>							
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.3 Conventional water meters replaced with prepaid meters in all the identified areas	Not achieved	1000 targeted meter installations and replacement of meters by prepaid meters completed by 30 June 2020	Report from Technical Services	Target not achieved- 0% completed	Budget constraints and lack proper advertisement	The department has budgeted and the adverts to be done through the office of public communication and the awareness
	1.2.4 Obsolete / Old asbestos water pipes replaced.	Not achieved	5 kms obsolete/old asbestos water pipes replaced by 30 June 2020	Report from Technical Services	Target not achieved- 0km was completed	Adjustment budget not approved in time and Bid Committees not seating	Project budgeted through MIG, awaiting BAC to seat
	1.2.4.1 % minimization of water distribution losses	Not achieved	Water distribution losses minimised to 10%	Report from Finance	Target not achieved- It was achieved only in 2nd quarter (15.54%)	Incorrect billing due to readings, challenges of areas where meters needs to be replaced/ take readings due to locked yards and for this quarter	Introduction of pre-paid meters, replacement of meter in time and appointment of meter readers in 2020/21

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure universal access to reliable and quality basic municipal services by all communities						readings could not be taken due COVID-19	
	1.2.4.2 % compliance with the blue drop water quality accreditation system	Not achieved	>99 % compliance with the blue drop water quality accreditation system	Report from the BDS	Target not achieved,	Challenges of micros due to some of the containers couplings rusted	Resampling done and couplings replaced
PRIORITY AREA/PROGRAMME: SANITATION							
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.5 Upgrade the WWTW	40% achieved	40% of the Construction works completed by 30 June 2020 to upgrade the WWTW in Refengkgotso	Construction progress report and completion certificate	Target achieved- (project is under construction)	n/a	n/a
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.5.1 Water and Sanitation Maintenance Plan developed and submitted to Council for approval	Not achieved	Water and Sanitation Maintenance Plan developed and submitted	Construction progress report and completion certificate	Target not achieved- Draft submitted to Council	Council did not sit for approval	Administrator to rectify where necessary or Council to approve the report

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
			to council for approval by 30 June 2020				
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.5.2 % compliance with the green drop quality accreditation system	Not achieved	>99 % compliance with the green drop water quality accreditation system	Report from the BDS	Target not achieved- the inflow exceeds the design capacity of the plant	Inflow excessive and the projects not been completed in time	The projects to be completed to assist the department with compliance
PRIORITY AREA/PROGRAMME: PROJECT MANAGEMENT							
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.5.3 Number of new projects for which funding is sourced (MIG,DOE,DWS)	3 Achieved	Sourcing of funding for 3 new capital projects by 30 June 2020.	Proof of submission of business plans, minute ,register and approval from sector departments	Target achieved- Projects under procurement	n/a	n/a
	1.2.5.4 % spending on grants as per DORA requirements per quarter	Not achieved	100% compliance on spending on grants as per DORA requirements quarterly	Progress report with regard to spending on grants and proof of payment	Target not achieved	Non appointment of service providers. Lockdown affected expenditure months	Urgent appointment of service providers

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	1.2.5.5 Number of progress reports submitted to Management and Council on monitoring of all capital projects	4 Achieved	4 progress reports on monitoring of all capital projects submitted to Management and Council on a quarterly basis	Site meetings and progress reports, completion certificates	Target achieved	n/a	n/a
<b>PRIORITY AREA/PROGRAMME: SOLID WASTE MANAGEMENT</b>							
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.6 Refuse removal service extended to all new formal settlements as per township register within Metsimaholo LM.	49000 hhs	Establishment of the new Industrial and Business Area as a collection station by 30 June 2020	Waste management report signed by HOD on refuse collection	Target achieved	n/a	n/a
	1.2.6.1 IWMP reviewed, submitted to Council for approval and implemented	Not achieved	Review of the IWMP and 80% implementation of the plan by 30 June 2020	Council resolution, Schedule and report of the implementation of IWMP	Target not achieved	The Plan needs financial and expertise support	The implementation plan is still at developing stage. It is expected to be implemented in the next financial year

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.6.2 Number of illegal dumping sites removed	Achieved	12 illegal dumping sites removed by 30 June 2020	Report supported with photos on illegal dumping sites removed	Target achieved (12 illegal dumping sites were removed)	n/a	n/a
	1.2.6.3 Number of Waste management awareness programmes implemented	Achieved	4 Waste management awareness programmes implemented by 30 June 2020	Attendance register and photos	Target not achieved (Target was only achieved in Quarter 2 for 2 awareness's held and could not be achieved in Quarter 4)	No awareness was conducted due to Covid 19 regulations	Waste management awareness programmes will be organised once the President of the Country announces that it is safe to do so
	1.2.6.4 % of community facilities (cemeteries, parks, community halls, sports, arts and culture) maintained	Achieved	100% maintenance of community facilities by 30 June 2020	Report on Maintenance conducted and photos	Target achieved 100%	n/a	n/a
Ensure universal access to reliable and quality basic	1.2.6.5 Number of cemetery (s) established and functional	Achieved	1 cemetery established by 30 June 2020	Report and photos of an established cemetery	Target achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
municipal services by all communities	1.2.6.6 Number of recreational parks developed	Achieved	1 Recreational park developed by 30 June 2020	Report and photos for developed recreational park	Target achieved	n/a	n/a
	1.2.6.7 Number of arts and culture activities organised	Achieved	2 Arts and Culture activities organized by 30 June 2020	Report, attendance register and photos of culture activities organised.	Target not achieved	Covid 19 National Disaster	Activities will be organised once it is permitted to do so
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.7 New landfill site established in Sasolburg	Not achieved	New landfill site established by 30 June 2020	Approval to close old landfill site by department of environmental affairs	Target not achieved	Obtain Suitable land to establish a site	Consultant provided the Municipality with project execution plan for continuation of site selection, Environmental authorisation and engineering services

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: PUBLIC SAFETY</b>							
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.8. Number of road traffic blocks conducted	Achieved	12 Road traffic blocks conducted by 30 June 2020	Quarterly reports	Target achieved	n/a	n/a
	1.2.9 Number of safety and security programmes attended	Achieved	8 security cluster programmes attended by 30 June 2020	Attendance registers	Target achieved	n/a	n/a
<b>PRIORITY AREA/PROGRAMME: DISASTER MANAGEMENT</b>							
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.10 % of fire and disaster incidents within the municipality attended as and when they occur.	Achieved	2 Fire service management awareness programmes or campaign conducted by 30 June 2020	Attendance register and Photos.	Target achieved	n/a	n/a
	1.2.10.1. Number of disaster management awareness programmes conducted	Achieved	2 Disaster management awareness	Attendance registers and Photos.	Target not achieved		

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
			programmes or campaigns conducted by 30 June 2020				
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.10.2 Number of disaster management training provided to volunteers	Achieved	2 Disaster management training provided to Volunteers by 30 June 2020	Attendance registers and photos.	Target not achieved		
	1.2.10.3 Municipal Disaster Management Advisory Forum established (MDMAF) and functional	Not achieved	Establishment of MDMAF and 4 meetings convened by 30 June 2020	Attendance registers and minutes of the meetings	Target not achieved	Disaster Management advisory forum was established but could not sit due to non-attendance of Managers and decision was taken by Manager Public Safety that disaster Coordinator should attend the district disaster management advisory forum.	

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure universal access to reliable and quality basic municipal services by all communities.	1.2.10.4 Review Disaster Management Plan and submit to Council for approval	Not achieved	Review DMP Annually and submit to Council for approval by 30 June 2020	Approved DMP and Council resolution	Target not achieved		
	1.2.10.5 Number of fire awareness programmes conducted	Achieved	2 Fire awareness programmes or campaign conducted by 30 June 2020	Attendance register and Photos.	Target achieved	n/a	n/a

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## KPA 2: Local Economic Development

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KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
PRIORITY AREA/PROGRAMME: LOCAL ECONOMIC DEVELOPMENT							
Create conducive environment for improving local economic development.	2.1.1 Annually reviewed LED strategy and submitted for council approval	Not achieved	LED strategy reviewed and submitted to Council for approval by 30 June 2020	Approved LED Strategy and Council resolution	Target not achieved	The service of Service Provider was not secured as all Bidder didn't meet the requirement as per specification	COGTA is assisting the municipality with the review and the process is still in progress
	2.1.2 LED stakeholder forum established and ensuring functionality of the forum	Not achieved	Establishment of LED stakeholder forum and 3 quarterly meetings by 30 June 2020	Report on the established LED Forum and the attendance registers for the LED forum meetings	Target not achieved	The forum previously worked together with Eskom Stakeholders but it looks that there is no more memontum any longer from Eskom	The LED Forum need to be configured whre SCM will also be the main stakeholder and do its part as expected by local business people failure to do so it will remain an illusion not reality

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Create conducive environment for improving local economic development.	2.1.3 Number of jobs created through EPWP initiatives	100	100 EPWP jobs created by 30 June 2020	Appointment letters/ employment contracts	Target achieved	n/a	n/a
	2.1.4 Number of jobs created through CWP initiatives	1023	1000 CWP jobs created by 30 June 2020	Appointment letters and employment contracts	Target achieved	n/a	n/a
Use the municipality's buying power to advance economic empowerment of SMMEs and Cooperatives	2.2.1 Number of trainings provided to SMMEs as part of ongoing support	Not achieved	2 Trainings provided to SMMEs by 30 June 2020 as part of ongoing support	Attendance registers	Target not achieved	Lack of budget	To be budgeted accordingly
	2.2.2 % of Increase in local procurement spent towards SMME and cooperatives	Not achieved	80% of procurement directed to SMMEs and cooperatives by 30 June 2020	Report	Target not achieved Quarter 1-66.7% Quarter 2- 62.5% Quarter 3- 0% Quarter 4- 20%)	The was no award for local SMMEs in 3rd quarter	Trainings must be done for our local SMMEs and Cooperatives.

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Use the municipality's buying power to advance economic empowerment of SMMEs and Cooperatives.	2.2.3 Number of LED Capital projects implemented	Not achieved	2 LED Capital Projects implemented by 30 June 2020	Reports	Target not achieved	The process is at the SCM stage	The process will be executed once the SCM processes have been finalised
<b>PRIORITY AREA/PROGRAMME: SPATIAL PLANNING</b>							
Create conducive environment for improving local economic development.	2.3.1 Annually reviewed Spatial Development Framework (SDF) submitted to council for approval	Not achieved	Review the SDF and submit it for council approval by 30 June 2020	Approved SDF and Council resolution	Target not achieved Appointment of a service provider undertaken (panel of service providers in place. BEC recommend for appointment of a service provider.	Awaiting BAC to approve the recommendations of BEC to enable appointment of a service provider.	Assist SCM to have all committees in place.
	2.3.2 Developed annual SPLUMA implementation plan	Achieved	Develop SPLUMA implementation plan and	Report on the implementation of	Target not achieved SPLUMA operational	SPLUMA regulations require a council to give	Urban Planning has developed an item to

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	submitted to council for approval together with a report on monitoring of tribunals		submit to Council for approval together with a report on monitoring of tribunals.	SPLUMA, Council resolution and functionality of tribunals	procedure is in place. Term of MPT has expired.	approval in order to make a call for nomination.	council to enable a call for nomination for MPT.
Create conducive environment for improving local economic development.	2.3.2.1 % of Identified informal settlements formalised	Not achieved	100% formalization of identified informal settlements by 30 June 2020	Human settlement Report	Target not achieved Appointment of a service provider undertaken (panel of service providers in place.	Awaiting BAC to approve the recommendations of BEC to enable appointment of a service provider.	Assist SCM to have all committees in place.
	2.3.2.2 % of rezoning and subdivisions applications approved within 30 days of receipt	Not achieved	100% of rezoning and subdivisions applications approved within 30 days of receipt quarterly	Register	Target achieved - Applications approved within a prescribed timeframe under authorised official	n/a	n/a
	2.3.2.3 % of building plans approved within a specified period of time of receipt: (30 days ≤ 500m2 and 60 days ≥ 500m2 )	Achieved	100% of building plans approved within a specified period of time: 30 days ≤ 500m2 and	Register	Target achieved - Building plans approved within a prescribed timeframe.	n/a	n/a

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
			60 days≥ 500m2 ) quarterly				
Create conducive environment for improving local economic development.	2.3.3 Review of Human Settlement Plan and submitted to council for approval	Not achieved	Review of the Human Settlement Plan and submission to Council for approval by 30 June 2020	Approved HSP and Council resolution	Target not achieved- (TOR prepared awaiting SCM processes to unfold in order to appoint a suitable service provider).	Due to the unavailability of budget the division was unable to appoint a service provider	Support of provincial department of Human settlement's expertise required for satisfactory compliance review, alignment and finalization.
<b>PRIORITY AREA/PROGRAMME: TOURISM</b>							
Maximise on the tourism potential of the municipality	2.3.4 Directional signs installed for tourism facilities throughout Metsimaholo	Not achieved	100% installation of directional signs local tourism facilities throughout Metsimaholo by 30 June 2020	Report and completion certificate on Installed directional signs	Target not achieved	SCM delays on sitting of the Bid evaluation committee due to COVID 19 level 3 regulations	Secure sufficient budget for 2020/21 financial year
	2.3.5 Number of Tourism promotional events organised	Not achieved	2 Tourism promotional events organised by 30 June 2020	Attendance register, Report	Target not achieved	SCM delays on sitting of the Bid evaluation committee due to COVID 19 level 3 regulations	Secure sufficient budget for the financial year 2020/21

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**KPA 3: Financial Management & Viability**

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KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS

ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS

Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME:REVENUE MANAGEMENT</b>							
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.1 Revenue enhancement strategy reviewed and submitted for Council approval	Not achieved	Review Revenue Enhancement Strategy and submit it for Council approval by September 2019.	Approved strategy and Council resolution Minutes of the workshop and resolutions taken	Target not achieved	Strategy workshop keep on being postponed	Political office to arrange Strategy session
	3.1.1.1 % of Revenue Enhancement Strategy implemented	Not achieved	100% of Revenue Enhancement Strategy implemented by 30 June 2020	Report on the implementation of the strategy.	Target not achieved Revenue Enhancement Strategy was not approved by Council.	Strategy workshop keep on being postponed	Political office to arrange Strategy session
	3.1.1.2 Draft Budget compiled and final budget finalized in time in accordance with applicable legislation	Achieved	Draft Budget compiled and tabled by no later than 31 March and final budget tabled before end of May 2020	Approved budget and Council resolution	Target not achieved	Due to lock down -budget was tabled 26 May 2020	2020/2021 MTREF approved at Council meeting of 26 June 2020.

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.1.3 % of Revenue targets in the budget met (Excluding Capital Grant income)	0	100% of Revenue targets in the budget met	Schedule C Budget comparison to Actuals	Target not achieved (94.80%)	No water readings taken. Technical and Social departments does not submit information to Revenue department	The Revenue Enhancement meeting to be re-established
	3.1.3 % in Improved annual consumer debtors' revenue collection rate.	Not achieved	Improve consumer debtors' collection rate to 83% by June 2020	Debt collection report and Schedule C	Target not achieved 65,08%	Debt collection not fully implemented	To ensure full implementation of credit control and debt collection, also Operation Patala. COVID-19 Lock down
<b>PRIORITY AREA/PROGRAMME: INDIGENT MANAGEMENT</b>							
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.2 Review and updating of the indigent register (addresses issues of indigents)	Not achieved	Review and quarterly updating of the indigent register and submission to Council by June 2020.	Updated indigent register and Council resolution.	Target not achieved 90%	Register not submitted to Council	To submit to Council with next sitting

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: FINANCIAL MANAGEMENT AND CONTROL</b>							
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.4 % of revenue targets in the budget met (Excluding Grant income)	0	100% of Revenue targets in the budget met	Schedule C Budget comparison to Actuals	Target not achieved 94.8%	Water readings not taken. Data from other departments not forthcoming.	The Revenue Enhancement meeting to be re-established
	3.1.5 % of Creditors paid within 30 days of receipt of invoice	98%	80% of creditors paid within 30 days of receipt of invoice	Expenditure Report	Target achieved Q1: 96% Q2: 98% Q3: 98% Q4: 98% Overall: 97%	n/a	n/a
	3.1.5.1 Insurance claims submitted in time	98%	Claims submitted within 5 working day of receipt	Expenditure Report	Target achieved 100% in all 4 quarters	n/a	n/a

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.5.2 % of FMG allocation spent	100% Achieved	FMG allocation spent 100% as per plans	Expenditure Report	Target achieved	n/a	n/a
	3.1.6 100% of debt older than 12 months cleaned up	Not achieved	100% of debt older than 12 months cleaned up by 30 June 2020	Debt management report	Target not achieved (0%)	Operation Patala program not well used by customers	To continue with Operation Patala program. Debt collection policy implemented in all areas when we move to Level 2 of the COVID-19 Lock down

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.7 Financial reports including AFS compiled and submitted to appropriate authorities	Achieved	Financial reports (Monthly, Quarterly )including AFS compiled and submitted to appropriate authorities within set timeframes (AFS 31st August and monthly reports within 10 days)	Monthly and quarterly Schedules  Annual Financial Statements  Schedule C reports	Target achieved	n/a	n/a
	3.1.7.1 Fixed Asset Register (FAR) compiled and updated annually in line with GRAP requirements	Not achieved	Fixed Asset Register (FAR) compiled and updated quarterly in line with GRAP requirements	Update Fixed Assets Register	Target not achieved	Consultant to assist with verifications not appointed. Specifications submitted 26 November 2019, specification committee in December 2019. Advert of tender in March 2020. BEC met 15 and 18 May 2020. Wait for appointment by BAC.	In process to update FAR with assets for the year. SCM requested to prioritise appointment of consultant.

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.10 % of Post Audit Action Plan matters relating to financial matters fully addressed	Not achieved	100% of Post Audit Action Plan matters relating to financial matters addressed	Report on the implementation of the action plan	Target not achieved	Lack of co-operation from various sections	Audit action plan on regular basis sent to all departments to complete the audit action plan.
	3.1.11 Reduction in irregular expenditure incurred due to non-compliance with SCM processes	Not achieved	Zero irregular expenditure incurred by 30 June 2020	Expenditure Report	Target achieved 100% There was no irregular expenditure from Finance directorate	n/a	n/a

KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: ANTI-FRAUD AND CORRUPTION</b>							
Ensure financial management that enhance financial viability and compliance with the requirement of MFMA & other relevant legislation and the applicable accounting standards	3.1.8 % of instances of fraud and corruption formally reported to the SAPS for investigation and Council, Executive Mayor and Speaker for noting as and when they occur	Achieved	100% instances of fraud and corruption formally reported to the SAPS for investigation and Council, Executive Mayor and Speaker for noting as and when they occur	Incidents register and reports	Target achieved	n/a	n/a

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**KPA 4: Municipal Transformation & Institutional Development**

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KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: INSTITUTIONAL DEVELOPMENT</b>							
To capacitate and empower workforce.	4.1.1 Organisational Structure reviewed and submitted to Council for approval	2012 approved Organisational structure in place	Organisational Structure reviewed and approved by Council by 30 June 2020	Reviewed organisational structure. Council resolution	Target not achieved	Legal issues with the service provider	Legal counsel appointed
	4.1.1.1 Human Resource Strategy developed and done with the organizational structure	Not achieved	Development of HR strategy and submission to Council for approval by 30 June 2020	Specification submitted to SCM and the advert	Target not achieved	Dependent on approval of reviewed organogram	Legal counsel appointed
	4.1.1.2 % of funded posts filled within 90 days	Not achieved	100% filling of funded posts as per requests from the departments filled within 90 days	Date of request submitted by the departments against the filling of those posts	Target not achieved	National Lockdown	The process was finalised in June 2020

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To capacitate and empower workforce.	4.1.1.3 % of the Organizational Development Plan developed and implemented	Not achieved	100% development and implementation of OD by 30 June 2020	OD Plan and the minutes of Senior Management; proposal of the intervention, attendance register	Target not achieved	KPI depended on the completion of Organogram	Legal counsel appointed
	4.1.4 Enhance Change Management efforts in the municipality	Not achieved	Develop, Implement and report on the organisational Change management by 30 June 2020	Organisational Change management plan and implementation reports	Target not achieved	KPI depended on the completion of Organogram	Negotiations with the service provider are taking place
To improve the administrative capability of the municipality	4.3.3 % in monitoring of compliance with Code of Conduct for employees and councillors	Achieved	100% of monitoring of compliance with Code of Conduct for employees and councillors	Reports on compliance with Code of conduct	Target achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality	4.3.10 Number of prescribed minimum business processes implemented within the systems and integrated transaction processing environment of the municipality	Not achieved	Fully implement 3 prescribed minimum business processes within the systems and integrated transaction processing environment of the municipality by March 2020	Implementation reports	Target not achieved	lack of capacity	Capacity will be sought and implementation will take place in the next financial year
	4.3.11 % of attendance to litigations in favour or against the municipality as and when they occur	New KPI	100% attendance to litigations in favour or against the municipality as and when they occur	Litigation register	Target achieved	n/a	n/a
	4.3.12 % of contract and service level agreement developed in line with tenders/contracts issued	New KPI	100% development of contract and service level agreement in line with tenders/contracts issued	Contract register	Target not achieved	service level agreements not submitted timeously by relevant departments	service level agreement must be submitted timeously by relevant departments

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality	4.3.13 Number of Integrated Document Management System (IDMS) developed and approved	Not achieved	One Integrated Document Management System developed (IDMS) by 30 June 2020	Approved IDMS	Target not achieved		
	4.3.14 % in disposal of records in accordance with the National Archives Act	Not achieved	100% disposal of records in accordance with the National Archives Act	100% disposal of records in accordance with the National Archives Act throughout the quarters	Target not achieved	The disposal programme was delayed	The programme will be finalised on the 30 March 2021
PRIORITY AREA/PROGRAMME: HUMAN RESOURCE DEVELOPMENT							
To capacitate and empower workforce.	4.1.2 Workplace Skills Plan and Annual Training Report reviewed, implemented and submitted to LGSETA	Achieved	Workplace skills plan (WSP) and ATR compiled, implemented 100% and submitted to	Compiled WSP & ATR; Proof of submission to LGSETA; Copy of approved training	Target achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To capacitate and empower workforce.			the LGSETA by 30 June 2020	schedule by the training committee			
	4.1.3 Increased internal funding towards Human Resource development.	Achieved	Ensure that all identified skills development / training needs in the WPSP are sufficiently budgeted for and fully funded.	WSP and Training report	Target achieved	n/a	n/a
PRIORITY AREA/PROGRAMME: LABOUR RELATIONS							
To ensure sound labour relations so as to minimise labour disputes and disruptions	4.2.1 % of reported cases of misconduct attended to within 90 days of reporting	Achieved	100% of reported cases of misconduct attended to within 90 days as and when they occur	Case Management Register from SLRO	Target achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To ensure sound labour relations so as to minimise labour disputes and disruptions	4.2.1.1 Number of LLF meetings Convened	Not achieved	12 LLF meetings convened by 30 June 2020	Notice of a meeting, agenda and attendance registers.	Target not achieved	National Lockdown	Outstanding matters were finalised in June 2020
<b>PRIORITY AREA/PROGRAMME: HEALTH AND SAFETY</b>							
To improve the administrative capability of the municipality.	4.3.1 Occupational Health and Safety function in the municipality strengthened	Achieved	100% strengthening of Occupational Health and Safety function	Attendance register of meetings	Target achieved	n/a	n/a
	4.3.1.1 OHS Reps committee trained	Achieved	OHS Reps and committee trained once by 30 June 2020	Proof of training attended from SDF (Attendance register)	Target achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality.	4.3.1.2 Employment Equity Plan reviewed and submitted to DoL by 15 January	Achieved	Employment Equity (EE) Plan, reviewed, 100% of targets met and EE report compiled and submitted report to DoL in time	Draft plan, final EE plan and proof of submission on time	Target achieved	n/a	n/a
<b>PRIORITY AREA/PROGRAMME: INFORMATION COMMUNICATION TECHNOLOGY</b>							
To improve the administrative capability of the municipality.	4.3.2 Establish and maintain disaster Recovery facility (offsite)	Achieved	Establish and maintain disaster Recovery facility (offsite) by the 31st of December	Report on the established disaster recovery facility	Target Achieved	n/a	n/a
	4.3.2.1 Review of ICT policy and submission to Council	Not achieved	Review of ICT policy and submission to Council by 30 June 2020	Approved ICT policy and Council resolution	Target not achieved	Non-sitting of Senior Management Committee	Convene the SM committee meeting

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality.	4.3.2.2 Number of ICT Steering committee meetings convened	Achieved	4 ICT Steering committee meetings convened by 30 June 2020	Attendance registers and minutes	Target not Achieved	Non-sitting of the committee	Appoint new members to serve in the committee
	4.3.2.3 % Wide Area Network uptime to be over 95% as per the system (to be generated by the system)	Achieved	% Wide Area Network uptime to be over 95% as per the system (to be generated by the system)	System reports	Target Achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: PERFORMANCE MANAGEMENT</b>							
To improve the administrative capability of the municipality.	4.3.4 Senior Managers entered into performance agreement and their performance assessed on a quarterly basis.	Achieved	Senior Managers entered into performance agreement and their performance reviewed on a quarterly basis.	Report on quarterly reviews conducted	Target not achieved (The performance agreements were only signed by the incumbents acted as Senior Managers in the first quarter)	Lack of Senior Managers. The MEC CoGTA has intervened and brought Acting Senior Managers for 2 Directorates (Finance and Corporate). Other directorates have no HODs	The Council should appoint full time Senior Managers for all Directorates
	4.3.5 Number of Internally Audited performance of all Senior Manager's and the Municipal Manager's as part of monitoring of their performance agreements.	Achieved	4 internal audit reports on audit of Performance of all Senior Manager's as part of monitoring of their performance agreements.	Quarterly Internal Audit Reports	Target not achieved	2nd quarter, midyear and 3rd quarter PMS audit could not be executed due to delay in submission of the PMS report by the responsible dept and non-submission of the Portfolio of evidence file	Annual PMS (2019/20) to be audited in the first quarter of 2020/21 FY & the report to be submitted to the Audit Committee.

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	4.3.5.1 Quarterly, mid- term and annual performance reports compiled and approved	Achieved	Quarterly, mid- term and annual performance reports compiled and approved quarterly and by the 31 <sup>st</sup> of January 2020 (Mid-term and Annually)	Approved reports; Council resolutions	Target achieved (All quarterly reports were compiled)	n/a	n/a
To improve the administrative capability of the municipality.	4.3.6 Number of Internally Audited performance reports and draft annual reports submitted to the Audit Committee	Achieved	4 Internally Audited quarterly performance reports and a draft annual report submitted to the Audit Committee	Audit Committee agenda and minutes of the meetings	Target not achieved	2nd quarter, midyear and 3rd quarter PMS audit could not be executed due to delay in submission of the PMS report by the responsible dept and non-submission of the Portfolio of evidence file	Annual PMS (2019/20) to be audited in the first quarter of 2020/21 FY & the report to be submitted to the Audit Committee.

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	4.3.7 Number of Senior Management meetings convened for inclusive and continuous strategic alignment of organisational goals and performance.	Achieved	12 monthly Senior Management meetings convened quarterly for inclusive and continuous strategic alignment of organisational goals and performance	Attendance registers of the meetings convened	Target not achieved (Quarter 2- 3 meetings held Quarter 4 -1 informal meeting sat during May 2020).	Due to the National Lockdown. Other departments did not have Acting Directors appointed.	Arrangement has been made with the Acting Manager: Office of the MM for the senior Management to sit before the end of June 2020.
To improve the administrative capability of the municipality.	4.3.7.1 Development of a Compliance Policy and submission to Council for approval	Not achieved	Compliance policy developed and submitted to Council for approval by 30 June 2020	Approved Compliance policy and Council resolution	Target not achieved	Compliance Officer post is vacant	Appointment of the compliance Officer to be prioritised
	4.3.7.2 Development of a Regulatory Universe and submission to Council for approval	Not achieved	Regulatory Universe developed and submitted to Council for approval by 30 June 2020	Approved Regulatory Universe and Council resolution	Target not achieved	Compliance Officer post is vacant	Appointment of the compliance Officer to be prioritised

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	4.3.7.3 Monitoring of Compliance on applicable laws quarterly	Not achieved	Monitoring of Compliance on applicable laws conducted on a quarterly basis and report submitted to Management	Progress reports	Target not achieved	Compliance Officer post is vacant	Appointment of the compliance Officer to be prioritised
To improve the administrative capability of the municipality.	4.3.7.4 Number of Quarterly Reports on service delivery units (Oranjeville & Deneysville) submitted to the Municipal Manager	New KPI	4 Quarterly Reports on service delivery units (Oranjeville & Deneysville) submitted to the Municipal Manager by 30 June 2020	4 produced reports	Target not achieved	Due to challenges with regard to limitations of duties executed by the Unit Manager against the ones executed by the Directors of service delivery directorates	Clear segregation of duties of the Unit Manager is required to be able to execute the work adequately
Ensure transparency, accountability and regular engagements with communities and stakeholders	4.3.7.5 Security plan developed and submitted to Council for approval	Not achieved	Security management plan developed and submitted to Council for approval by 30 June 2020	Approved security management plan and Council resolution	Target not achieved	Lockdown	Development of a draft security management plan in the next financial year

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability	4.3.8 Tenders / bids evaluated and Adjudicated within the set time frames from the date of advertisement / re-advertisement.	Not achieved	Evaluate and Adjudicate all tenders / bids as follows from the date of advertisement / re-advertisement: <ul style="list-style-type: none"> <li>• 15 days for tenders / bids up to R 30 000 (VAT incl.)</li> <li>• 25 days for tenders / bids from R 30 001 up to R 200 000 (VAT incl).</li> <li>90 days for tenders / bids from R 200 001 and above (VAT incl).</li> </ul>	Reports on tenders awarded	Target not achieved 50% 7 days procurement was awarded within 25 days.	Most of the tenders that were evaluated have not been adjudicated due none appointment of Directors.	The Acting MM and the Administrator are still in a process of appointing Acting Directors.

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality	4.3.9 Appointment letters for adjudicated bids / tenders issued within the set time frames from the date of date of adjudication report.	Not achieved	Issue appointment letters to successful bidders for all categories of tenders / bids within 10 days after receiving the report of the Adjudication Committee / Report of the SCM Manager.	Report on successful bidders	Target not achieved 50% 7 days procurement was awarded within 25 days.	Most of the tenders that were evaluated have not been adjudicated due none appointment of Directors.	The Acting MM and the Administrator are still in a process of appointing Acting Directors.
PRIORITY AREA/PROGRAMME: RISK MANAGEMENT							
To build a risk conscious culture within the organisation.	4.4.1 Review of risk management policy and submission to Council for approval	Not achieved	Review of Risk Management Policy and submission to Council for approval by 30 June 2020	Minutes of Senior Management, Risk Management Committee, Approved risk management policy and Council resolution	Target not achieved	lack of prioritisation, in the submission for the adoption of the council due to changing structures representation (Senior Management Meetings, RMC members/Directors)	1. Sitting of the management committee as scheduled 2. Appointment or Acting of Directors/Senior Management

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	4.4.2 Review of risk management strategy and submission to Council for approval	Not achieved	Review of Risk Management strategy and submission to Council for approval by 30 June 2020	Minutes of Senior Management, Risk Management Committee, Approved risk management strategy and Council resolution	Target not achieved	lack of prioritisation in the submission for the adoption of the council due to changing structures representation (Senior Management Meetings, RMC members/Directors)	1. Sitting of the management committee as scheduled 2. Appointment or Acting of Directors/Senior Management
To build a risk conscious culture within the organisation.	4.4.3 Compilation and updating of the risk register and risks assessments conducted quarterly	Achieved	Quarterly compilation and updating of the risk register and quarterly risk assessments conducted	Updated risk register	Target achieved	n/a	n/a
	4.4.4 Number of risk management committee meetings convened	Not achieved	4 Risk management committee meetings convened by 30 June 2020	Minutes of Risk Management Committee, and attendance registers	Target not achieved	Quorum leading to non-sitting and Risk ownership	1. Appointment of Directors' vacancies. 2. Schedule of sitting

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**KPA 5: Good Governance & Public Participation**

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KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
<b>PRIORITY AREA/PROGRAMME: PUBLIC PARTICIPATION/STAKEHOLDER ENGAGEMENT</b>							
Ensure transparency, accountability and regular engagements with communities and stakeholders.	5.1.1 Number of report back meetings to communities and stakeholders held by the Executive Mayor and/or Mayoral/Committee to communicate policies, plans and progress of council	Achieved	4 Quarterly report back meetings to communities and stakeholders by the Executive Mayor and/or Mayoral/Committee held to communicate policies, plans and progress of council	Attendance registers of the meetings held	Target not achieved (Only 3 meetings were achieved)	due to covid19 Regulations	The meetings will be held in the financial year

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure transparency, accountability and regular engagements with communities and stakeholders	5.1.1.1 Structures including Ward Committees and IDP Representative Forum established and involved in IDP and Budget processes	Achieved	Structures including Ward Committees and IDP Representative Forum established and involved in IDP and Budget processes	Attendance registers of the meetings of the structures	Target not achieved	The Disaster Management Act and COVID 19 Regulations state that there should not be any public gatherings or large meetings held within institutions as the Country is under lockdown trying to curb the spread of the corona virus	Structures will be resuscitated as soon as the Country is no longer under lockdown
	5.1.1.2. Communities invited and attending Council proceedings	Achieved	Communities invited and attending Council proceedings quarterly	Notices inviting community to Council proceedings	Target not achieved	The Disaster Management Act and COVID 19 Regulations state that there should not be any public gatherings or large meetings held within institutions as the Country is under lockdown trying to curb the spread of the corona virus	Virtual Council meetings are being conducted, members of the community shall be invited to meetings as soon as the President announces that it is now safe to do so

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure that ward committees are functional and interact with communities continuously.	5.1.2 Number of awareness campaigns and special programmes dedicated towards community upliftment held	Achieved	4 awareness campaigns and special programmes dedicated towards community upliftment held	Attendance registers	Target achieved (4 Programmes were held)	n/a	n/a
	5.1.3 Number of visits to hotspots / areas where there are breakdowns in community services and what was subsequently done	Achieved	Visits all hotspots / areas where there are breakdowns in community services and subsequently submit a report to Council on what done in each such instances.	Report	Target achieved areas of breakdowns where visited as and when they occurred	n/a	n/a

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	5.2.1 Ward development plans developed, approved by council and implemented.	Not achieved	Develop and approve ward-based plans for 21 wards within the municipality and ensure that Ward	Approved ward based plans and reports on quarterly assessment	Target not achieved	The Disaster Management Act and COVID 19 Regulations state that there should not be any public gatherings or large meetings held within institutions as the Country is under lockdown trying to curb the spread of the corona virus	Training of ward committees on ward operational planning will be conducted as soon as the Country is no longer under lockdown
<b>PRIORITY AREA/PROGRAMME: GOOD GOVERNANCE</b>							
Ensure transparency, accountability and regular engagements with communities and stakeholders	5.1.4 Number of reports on monitoring and oversight over Councillors' fulfilment of their duties and obligations towards communities on a continuous basis.	Achieved	4 Quarterly consolidated reports of Councillors on fulfilment of their duties and obligations towards communities on a	Quarterly reports	Target achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
			continuous basis compiled.				
	5.3.1 Number of Ordinary Council meetings convened to consider and endorse reports.	Achieved	4 Ordinary Council meetings convened by 30 June 2020	Attendance registers and minutes	Target not achieved (Target achieved for Quarter 1,2 and 3 only in Quarter 4 only special council sittings were held)	Only Special Council meetings for approval of compliance matters were held during May and June 2020.	It would be checked if Ordinary Council could be arranged to sit once management has sat to discuss the operational reports.
Ensure that ordinary council meetings are held regularly to consider and endorse reports.	5.3.2 % in Monitoring of the implementation of Council resolutions	Not achieved	100% Monitoring of the implementation of Council resolutions by 30 June 2020	Resolution register indicating how many resolution registered against those implemented	Target not achieved	A progress report was not finalised to be submitted to the Senior Management for updating.	A progress report will be finalised during the month of August 2020 and circulated to managers for updating.
Ensure that all council committees (s 79 committees) sit regularly and process items for council decisions	5.4.1 Number of Council Committee meetings convened by each committee to consider reports	Not achieved	4 Council Committee meetings convened by each committee to consider reports by 30 June 2020	Minutes and attendance register of Council committees meeting	Target not achieved Only two Portfolio meetings sat during the month of June 2020.	There was a National lockdown and things have not been normal since we returned back to work.	We are still trying to find our feet back as management and politicians since the lockdown.

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	5.4.2 Number of Whippery meetings convened to deal with municipal matters	Not achieved	12 Whippery meetings convened by 30 June 2020 to deal with municipal matters	Attendance registers of Whippery meetings held	Target not achieved	Whippery Meetings could not sit as the situation at Council was extremely turbulent over Sec 154 fierce disagreements by parties with some not allowing support requested by Council to take effect, instability at the building with bouncers and EFF blockading access to the building etc.	Whippery meetings would insistently be convened in the circumstances though not being attended by some. The turbulence ultimately subsided and parties are now able to communicate as normal.
Ensure a functional governance structures and systems.	5.5.1 Number of Internally Audited financial management controls conducted.	Achieved	4 Internally Audited Financial Management Controls conducted by 30 June 2020	Report on the reviews and the updates conducted	Target achieved	n/a	n/a
	5.5.1.1 Annual internal audit plan developed and approved by	Achieved	Annual internal audit plan developed and approved by audit	Approved annual internal audit plan and	Target achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	audit committee before end of June		committee before end of 30 June 2020	Audit Committee minutes of approval			
Ensure a functional governance structures and systems.	5.5.1.2 % in execution of annual internal audit plan	Achieved	100% Execution of annual internal audit plan by 30 June 2020	Reports on the execution of the plan	Target not achieved	Audit plan not executed in full due to Lockdown & delay in submission of information by departments	Outstanding audits to be completed in the first quarter of 2020/21
	5.5.2 % review of audit charters and completed annually.	Achieved	100% review of audit charters completed and approved annually by 30 June 2020	Reviewed and approved audit charters	Target achieved	n/a	n/a
Ensure a functional governance structures and systems.	5.5.2.1 Number of Audit Committee meetings convened annually	Achieved	Audit Committee meetings convened at least 4 times a year by 30 June 2020	Minutes and attendance register of AC meeting	Target not achieved 3 meetings conveyed	3 meetings conveyed. Audit committee meeting did not take place in third quarter. Meeting was scheduled for 25 March 2020 but postponed.	Meeting was held on 09 June 2020
Ensure that Councillors fulfil their duties and obligations	5.7.1 Number of public meetings convened by each Ward	Not achieved	12 public meetings convened by each Ward Councillor and reports	Attendance registers, minutes/report on the meetings convened	Target not achieved	The Disaster Management Act and COVID 19 Regulations state that there should not be any public gatherings or large	Public meetings will be held as soon as the President announces that it is now safe to do so

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
towards communities on a continuous basis	Councillor and reports submitted to the Speaker.		submitted to the Speaker by 30 June 2020.			meetings held within institutions as the Country is under lockdown trying to curb the spread of the corona virus	
<b>PRIORITY AREA/PROGRAMME: INTERGOVERNMENTAL RELATIONS</b>							
To promote intergovernmental relations amongst stakeholders and maintain effective communication between the municipality and community	5.6.1 % in attendance of IGR meetings and agreements and decisions implemented	0 Not achieved	100% of IGR meetings attended and agreements and decisions implemented	Attendance registers and reports	Target not achieved	No invitations for IGR meetings were received.	Will attend the IGR meetings if invites are received.
To promote intergovernmental relations amongst stakeholders and maintain effective	5.6.2 % of Publications publicized to community (Public Notices/Adverts) as and when received.	Achieved	100% of publications made to community (Public Notices/Adverts) as and when received.	Publications register	Target achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
communication between the municipality and community	5.6.3 Number of newsletters regarding Municipal service delivery produced	Not achieved	4 Newsletters regarding Municipal service delivery produced by 30 June 2020	Copies of produced newsletters.	Target not achieved	Adjudication committee identified needed specifications which were not included in the specifications for the newsletter.	The tender will be re-advertised.
<b>PRIORITY AREA/PROGRAMME: SPECIAL PROGRAMMES</b>							
To ensure that there is a coherent approach in the municipality in dealing with HIV/	5.8.1 HIV/AIDS day commemorated and dedicated public awareness programs on HIV/AIDS, TB, Cancer, etc held together with the community.	Achieved	1 HIV/AIDS day commemorations held in December and 2 dedicated public awareness programs on HIV/AIDS, TB, Cancer, etc held together with the community	Attendance registers	Target not achieved	The District was holding the same event and the MLM supported that event	The program will be held in the next quarter
To implement special programmes aimed at the needs of vulnerable groups	5.9.1 Number of public and special outreach programmes aimed at empowering vulnerable groups within the community conducted.	Achieved	12 public and special outreach programmes aimed at empowering vulnerable groups within the community	Attendance registers of the outreach programmes conducted	Target Achieved	n/a	n/a

KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2018/19 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
and youth within the community.			conducted by 30 June 2020.				
	5.9.2 Number of Youth Summit held Annually	New KPI	1 Youth Summit held by 30 June 2020	Attendance register	Target not achieved	due to covid19 Regulations	The program will be held in the next financial year
	5.9.3 Number of Youth awareness programmes conducted (Alcohol/Drug Abuse, Teenage pregnancy. Youth Day commemoration etc.)	New KPI	4 Youth Awareness programmes conducted by 30 June 2020.	Attendance register	Target not achieved (Only 3 awareness campaigns were conducted)	Due to covid19 Regulations	The program will be held in the next financial year

## **Chapter 4: Organisational Development Performance (Performance Report Part II)**

### **1. Introduction to Organisational Development**

The focus of chapter is on details pertaining to the implementation of an efficient and effective organisational performance management system, organisational development and performance of a municipality in line with performance management regulations. This information in this chapter is therefore vital in identifying skills gaps and plans for the purpose of sourcing and / or development of such skills.

Below are the key organisational development areas that are reported on in order to measure the outcome of effective organisational development against the municipality's strategic plans:

- Municipal Human Resource;
- Capacitating the municipal workforce;
- Managing the municipal workforce expenditure;
- Organisational structure enhancement;
- Increased accountability;
- Increased participation in problem solving, goal setting and new ideas; and
- Identifying and development of skills needed to perform.

### **Component A: Introduction to the Municipal Workforce**

#### **1. Workforce Profile**

The chapter addresses information pertaining to the implementation of an effective performance management system, organisational development and performance of municipality. The information that follows in this chapter is important in identifying skills gaps and plans for the development of such skills.

During the period under review, the Municipality had 1148 approved posts on its Organisational Structure. As at the Financial Year under review, the vacancy rate stood at 35% and the turnover rate at 4.24%. The table below summarizes the total workforce of the municipality per race group for the period under review.

Table 4.1 - Workforce profile of the municipality

Occupations	Females				Males				Total
	A	C	I	W	A	C	I	W	
Legislators	10	00	00	02	26	00	00	05	43
Managers	03	01	00	01	25	01	01	00	32
Professionals	17	00	00	01	26	00	01	00	45
Technicians And Trade Workers	17	00	00	04	38	00	00	02	61
Community and Personal Service	32	00	00	01	53	00	00	05	91
Clerical and Administrative Workers	54	00	00	03	24	00	00	00	81
Skilled Agricultural, Forestry, Fishery, Craft and Related Trade Workers	00	00	00	00	44	00	00	00	44
Machinery Operators And Drivers	04	00	00	00	52	00	00	00	56
Elementary Occupations	85	00	00	00	240	00	00	00	325
<b>Total</b>	<b>222</b>	<b>01</b>	<b>00</b>	<b>12</b>	<b>528</b>	<b>01</b>	<b>02</b>	<b>12</b>	<b>778</b>

## 2. Employment Equity Profile

The municipality's employment equity profile as presented on the below provides an overview of the municipality's employment equity achievements. The overall objectives of the Employment Equity is to enable the municipality, as an employer to achieve reasonable progress towards employment equity, to assist in eliminating unfair discrimination in the workplace, and to achieve equitable representation of employees from designated groups by means of affirmative action measures

Table 4.2 - Employment Equity Profile

Category	2019/20		2018/19	
	Total	% of total Employees	Total	% of total Employees
Black* employees	702	90%	761	94%
Women employees	235	30%	223	27%
Employees with Disabilities	03	0.3%	03	0.3%
Employees over age 51	143	18%	112	13%
Employees between 31 & 50	517	66%	479	59%
Employees under age 30	118	15%	211	26%

\* African, Coloured, Indian

### 3. Staff Turnover

The staff turnover of the municipality over the period under review is presented in the table below under the different termination categories:

Table 4.3 - Staff turnover rate

Category	Numerical Data					
	2019/20			2018/19		
	Male	Female	Total	Male	Female	Total
New appointments	17	7	24	01	01	01
Resignations	(3)	(1)	(4)	(4)	(2)	(6)
Pensioned	(9)	(2)	(11)	(3)	(3)	(6)
Dismissed	(0)	(0)	(0)	(3)	(0)	(3)
End of Contract	(0)	(0)	(0)	(0)	(0)	(0)
Deceased	(3)	(2)	(5)	(5)	(5)	(10)

Medical Board	(0)	(0)	(0)	(1)	(1)	(2)
<b>Net Movement</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>-15</b>	<b>-11</b>	<b>-26</b>
<b>Turnover Rate</b>			<b>2.74%</b>			<b>3.59%</b>

## Component B: Managing the Municipal Workforce Levels

### 1. Vacancy Rate by Occupational Category

The table below provides an overview of vacancy rate for the period under review per occupational category in line with the municipality's current organisational structure.

Designations	Total approved post No.	Vacancies (Total time that vacancies exist using fulltime)	Vacancies (as proportion of total posts in each)
Municipal Manager	1	0	0
CFO	1	1	100%
Other S57 Managers (Excl. Finance posts)	4	4	100%
Other S57 Managers (Finance Posts)	0	0	0
Traffic Officials	61	34	56%
Fire Officials	55	26	47%
Officials : level 13-15 (Excl. Finance Posts)	125	63	50%
Officials: level 13-15 (Finance posts)	29	11	38%
Officials: levels 9-12 (Excl. Finance Posts)	149	90	60%
Officials: levels 9-12 (Finance posts)	37	16	43%
Other Officials: level 1-3	56	15	27%
Officials: level 4-6	150	64	43%
Officials: level 7-8	141	62	44%
<b>Average Vacancy Rate</b>	<b>1147</b>	<b>386</b>	<b>34%</b>

## 2. Sick Leave

During the period under review, employees took sick leave which made up 14.37% of the total sick leave days' provision. A total number of sick leave days taken is 7482.56 at an estimated cost of R5 920 759.03 Full details are set on the table below:

Table 4.5 - Number of Days and Cost of Sick Leave

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 Employee	Estimated Cost
	Days	Days	No.	No.	%	R' 000
Lower skilled (Levels 1-2)	5643	1312	307	315	7.17	R4177013.64
Skilled (Levels 3-5)	816	162	96	168	2.7	R889395.80
Highly skilled production (Levels 6-8)	211	39	35	141	2.85	R280003.18
Highly skilled supervision	259	48	41	75	2.23	R362880.81
Middle management (Levels 13-MM and S56)	91	11	12	29	3.03	R206237.63
	0	0	0	1	0	0
<b>Total /Average</b>	<b>7020</b>	<b>1572</b>	<b>491</b>	<b>729</b>	<b>5.36</b>	<b>R2 954476.02</b>

## Component C: Capacitating Municipal Workforce

During the period under review, a number of skills programmes were in place to support the employees and all programmes were aimed at building capacity for acceleration of knowledge and skills within workplace.

The following table provides a comprehensive summary of a number of employees who participated in different skills development programmes and also provides details of associated expenditure.

Table 4.6 - Skills Development Expenditure

Original Budget and Actual Expenditure on skills development 2019/20										
Details	Gender	Employees as at the beginning of the financial	Learner ships		Skills programmes & other short courses		Other forms of training		Total	
Budget Details			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Occupational level		No.	R'000							
MM and S57	Female	00	00	00	00	00	00	00	00	00
	Male	03	00	00	00	00	00	00	00	00
Legislators, senior officials and managers	Female	17	100	00	30	13	20	00	50	13
	Male	55	100	00	40	20	30	00	170	20
Professionals	Female	18	80	00	20	08	30	12	130	20
	Male	27	120	00	30	28	30	20	180	48
Technicians and associate professionals	Female	21	120	00	70	04	30	07	220	11
	Male	40	120	00	120	120	60	14	300	134
Clerks	Female	57	140	00	30	02	30	00	200	02
	Male	24	200	00	20	02	60	00	280	00
Skilled Agricultural, Forestry, Fishery, Craft and Related Trade Workers	Female	00	00	00	00	00	30	00	30	00
	Male	44	240	00	10	10	30	00	280	00
Service and sales workers	Female	33	120	00	10	04	30	13	160	17
	Male	58	120	00	20	02	30	10	170	12

## Metsimaholo Local Municipality

Plant and machine operators and assemblers	Female	04	40	00	00	02	30	00	70	02
	Male	52	280	00	00	02	30	00	310	02
Elementary occupations	Female	85	240	00	30	06	30	09	300	15
	Male	240	300	00	70	12	51	10	421	22
Sub total	Female	235	840	00	190	39	230	41	1 260	80
	Male	543	1 480	00	310	196	321	54	2 111	250
<b>Total</b>		<b>778</b>	<b>2 320*</b>	<b>00</b>	<b>500</b>	<b>235</b>	<b>551</b>	<b>95</b>	<b>3 371</b>	<b>330</b>

\*Learnership budget are based on the approval of discretionary grants projects that the municipality submitted as declaration of intent to Local Government Sector Education and Training Authority.

## Component D: Managing Municipal Workforce Expenditure

Table 4.7 - Workforce Expenditure

Details	2019/20 R	2018/19 R	Year on Year Movement (%)
Original Budget	359 389 670	307 178 430	85.5%
Budget Adjustment	25 561 270	13 993 500	54.7%
Final Budget	333 828 400	321 171 930	96.2%
Actual Outcome	307 824 178	288 617 758	93.8%
Unauthorised Expenditure	-	-	
Variance	26 004 222	32 554 172	125.2%
Actual Outcome as % of Final Budget	92%	90%	
Actual Outcome as % of Original Budget	86%	94%	

### Other Matters

Table 4.8 - Competency Levels

No of Sec 57 Managers employed	Total no of Sec 57 Managers' competency assessments completed	Total no of SCM officials employed	Total no of Sec 57 Managers that meet the prescribed competency levels
15	10	08	10

No of financial officials employed	Total no of finance officials' competency assessments completed	Total no of SCM officials employed	Total no of SCM officials competency assessments completed	Total no of SCM &finance officials that meet the prescribed competency levels
89	26	08	05	26

## *Chapter 5: Financial Performance*

### **1. Implementation of mSCOA**

mSCOA, being the municipal Standard Chart of Accounts, is part of the broader local government reform process initiated and driven by the National Treasury.

mSCOA is a regulated reform and its regulations came into effect on 1 July 2017. The municipality has in line with the National Treasury guidelines developed an activity plan that guides the implementation process for the mSCOA and continues to ensure seamless implementation of the reform.

There were no mSCOA meetings/trainings that took place during the period under review as the mSCOA has already been implemented by the municipality.

## Component A: Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	767,532,947	693,519,589
Rental of facilities and equipment		5,983,037	5,854,292
Interest received - consumers		37,983,021	31,535,822
Income legal costs		3,901,301	2,755,174
Sale of stands		225,881	396,849
Operational revenue	25	2,544,036	3,516,521
Interest received - investment	26	4,490,865	3,408,691
Adjustments to assets			- 1,513,879
Fair value adjustments on other financial assets			- 374,946
Dividends received	26	123,203	115,088
<b>Total revenue from exchange transactions</b>		<b>822,784,291</b>	<b>742,990,851</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	199,276,819	143,648,432
Licenses and permits (non-exchange)		56,315	105,569
Interest received -outstanding property rates		7,944,355	5,791,011
<b>Transfer revenue</b>			
Government grants and subsidies	29	237,140,395	269,173,065
Public contributions and donations	30	18,989,933	33,923,437
Fines, penalties and forfeits	23	2,507,907	4,055,117
<b>Total revenue from non-exchange transactions</b>		<b>465,915,724</b>	<b>456,696,631</b>
<b>Total revenue</b>		<b>1,288,700,015</b>	<b>1,199,687,482</b>
<b>Expenditure</b>			
Employee related costs	31	(307,824,153)	(288,068,845)
Remuneration of councilors	32	(19,379,734)	(17,554,110)
Depreciation and amortization	33	(46,367,646)	(77,805,135)
Finance costs	34	(9,386,032)	(8,801,843)
Lease rentals on operating lease	24	(3,989,115)	(7,671,201)
Debt impairment	35	(230,763,368)	(234,585,991)
Bulk purchases	36	(449,401,794)	(397,419,784)
Contracted services	37	(79,498,478)	(82,659,736)
Transfers and subsidies	28	(175,615)	(301,033)
Loss on investment share price		(886,215)	-
Inventories losses/write-downs		(88,633)	(193,720)
Operating expenditure	38	(92,293,507)	(82,201,942)
<b>Total expenditure</b>		<b>(1,240,054,290)</b>	<b>(1,197,263,340)</b>
<b>Surplus for the year</b>		<b>48,645,725</b>	<b>2,424,142</b>

## Component B: Spending Against Capital Budget

Vote Description	Budget Year 2019/20		
	Original Budget	Adjusted Budget	YearTD actual
<b>R thousands</b>			
<b>Multi-Year expenditure appropriation</b>			
Vote 01 - Executive & Council	–	–	–
Vote 02 - Municipal Manager	2,980	3,530	507
Vote 03 - Corporate Services	5,600	2,400	32
Vote 04 - Social Services	1,504	344	–
Vote 05 - Technical Services	167,510	161,602	36,427
Vote 06 - Financial Services	–	–	–
Vote 07 - Local Economic Development And Planning	1,000	500	–
<b>Total Capital Multi-year expenditure</b>	<b>178,594</b>	<b>168,376</b>	<b>36,965</b>
<b>Single Year expenditure appropriation</b>			
Vote 01 - Executive & Council	80	40	–
Vote 02 - Municipal Manager	1,735	400	–
Vote 03 - Corporate Services	653	380	8
Vote 04 - Social Services	34,632	10,720	4,546
Vote 05 - Technical Services	77,777	72,046	11,551
Vote 06 - Financial Services	747	133	77
Vote 07 - Local Economic Development And Planning	300	100	–
<b>Total Capital single-year expenditure</b>	<b>115,923</b>	<b>83,818</b>	<b>16,182</b>
<b>Total Capital Expenditure</b>	<b>294,517</b>	<b>252,194</b>	<b>53,147</b>
<b>Capital Expenditure - Functional Classification</b>			
<b>Governance and administration</b>	<b>14,141</b>	<b>7,186</b>	<b>796</b>
Executive and council	80	40	–
Finance and administration	14,061	7,146	796
Internal audit			
<b>Community and public safety</b>	<b>30,186</b>	<b>10,964</b>	<b>4,546</b>
Community and social services	2,281	1,385	49
Sport and recreation	20,953	9,043	4,497
Public safety	6,951	535	–
Housing			
Health			
<b>Economic and environmental services</b>	<b>49,468</b>	<b>42,408</b>	<b>1,897</b>
Planning and development	1,200	600	–
Road transport	48,268	41,808	1,897
Environmental protection			
<b>Trading services</b>	<b>200,723</b>	<b>191,637</b>	<b>45,908</b>
Energy sources	37,269	35,810	14,831
Water management	23,784	23,104	2,992

Waste water management	133,720	132,623	28,085
Waste management	5,950	100	–
<i>Other</i>	–	–	–
<b>Total Capital Expenditure - Functional Classification</b>	<b>294,517</b>	<b>252,194</b>	<b>53,147</b>
<b>Funded by:</b>			
National Government	151,069	144,069	42,004
Provincial Government	–	–	–
District Municipality			
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)			
	26,200	26,801	601
<b>Transfers recognised – capital</b>	<b>177,269</b>	<b>170,870</b>	<b>42,605</b>
<b>Borrowing</b>	<b>55,972</b>	<b>37,709</b>	<b>–</b>
<b>Internally generated funds</b>	<b>61,275</b>	<b>43,615</b>	<b>10,542</b>
<b>Total Capital Funding</b>	<b>294,517</b>	<b>252,194</b>	<b>53,147</b>

### Component C: Cash flow Management and Investment

Figures in Rand	Note(s)	2020	2019
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#### Cash flows from operating activities

##### Receipts

Property Rates		160,589,903	116,494,972
Service charges		550,628,029	489,062,798
Grants		268,259,394	284,828,097
Interest income		4,490,865	3,408,691
Dividends received		123,203	115,088
Other receipts		16,618,654	19,790,498
VAT Receivable/Payable		5,186,055	8,000,463
		<b>1,005,896,103</b>	<b>921,700,607</b>

##### Payments

Employee Related costs		(299,921,743)	(280,447,142)
Remuneration of Councillors		(19,379,734)	(17,554,110)
Suppliers paid		(608,858,656)	(560,813,062)
Finance costs		(379,912)	(372,980)
		<b>(928,540,045)</b>	<b>(859,187,294)</b>
<b>Net cash flows from operating activities</b>	<b>39</b>	<b>77,356,058</b>	<b>62,513,313</b>

#### Cash flows from investing activities

Purchase of property, plant and equipment	4	(40,919,194)	(71,445,858)
Proceeds from sale of property, plant and equipment	4	-	8,182,172
Purchase of investment property	3	-	(478,439)
Purchase of other intangible assets	5	-	15,872
Purchases of heritage assets	6	-	(133,986)

<b>Net cash flows from investing activities</b>		<b>(40,919,194)</b>	<b>(63,860,239)</b>
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#### Cash flows from financing activities

Movement in Long Term Loan		(1,742,712)	(1,501,886)
Finance lease payments		(3,899,955)	(4,316,889)

<b>Net cash flows from financing activities</b>		<b>(5,642,667)</b>	<b>(5,818,775)</b>
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<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30,794,197</b>	<b>(7,165,701)</b>
Cash and cash equivalents at the beginning of the year		13,877,193	21,042,894

<b>Cash and cash equivalents at the end of the year</b>	14	<b>44,671,390</b>	<b>13,877,193</b>
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## Component D: Other Financial Matters

### 3. Financial Ratios based on Key Performance Indicators

#### 3.1 Revenue Management

##### 3.1.1 Level of Reliance on Government Grants

**Purpose:** The purpose of this ratio is to determine what percentage of the municipality's revenue is made up of government grants, to determine level of reliance on government funding by the municipality.

Formula	2019/20			2018/19
	Government Grants	Total Revenue	%	%
Grants & Subsidies/Total Revenue	237 140	1 288 700	18.4%	22.5%

##### **Analysis and Interpretation:**

The ratio above indicates that the municipality is less reliant on grant revenue, which constitutes about 18.4% of the total revenue. This ratio has decreased the last year due to low spending on capital projects.

##### 3.1.2 Actual Revenue versus Budgeted Revenue

**Purpose:** The purpose of this ratio seeks to determine deviations between actual and budgeted revenue and to ascertain reasons for the deviations.

Formula	Actual Revenue 2019/20	Budgeted Revenue 2019/20	Variance	Variance	
Formula	R'000			2019/20 %	2018/19 %
Variance/Actual Revenue	1 288 700	1 475 086	(186 386)	(12.6%)	(3.4%)

**Analysis and Interpretation:**

The acceptable standard is that the actual revenue for a financial year must equal or exceed the approved budget for the financial year. The municipality's actual revenue is less than the budget by 12.6%. In the previous financial year, actual revenue was less than budgeted revenue by 3.4%. Fluctuations are mainly as a result of fluctuation in consumption of water and electricity due to COVID, less spending on capital assets from grants (revenue then not reflected, although budget for) amounts to R123 million, fines not issued as the system was not in place, the revenue for the sale of land was lower than anticipated.

**3.2 Expenditure Management**

**3.2.1 Employee Related Costs to Total Operating Expenditure**

**Purpose:** The purpose of this ratio is to indicate Personnel Cost as a percentage of Total Expenditure.

Formula	2019/20			2018/19
	Employee Cost	Total Operating Expenditure	%	%
Actual Salaries, Wages and Allowances/Total Expenditure	307 824	1 240 054	24.8%	24.1%

**3.2.2 Remuneration of Councillors**

**Purpose:** The purpose of this ratio is to indicate Remuneration of Councillors as a percentage of Total Expenditure.

Formula	2019/20			2018/19
	Remuneration of Councillors	Total Expenditure	%	%
Actual Remuneration of Councillors/ Total Expenditure	19 379	1 240 054	1.6%	1.5%

**Analysis and Interpretation:**

From the above computations, it is evident that employee related cost remained increase from 24.1% in 2018/19 to 24.8% 2019/20 and on the other hand, remuneration of councillors as a percentage of total operating expenditure showed only an increase of 0.1 % on a year on year to total expenditure.

**3.2.3 Repairs and Maintenance to Total Expenditure**

**Purpose:** The purpose of this ratio is to indicate Repairs and Maintenance as a percentage of Total Expenditure.

Formula	2019/20			2018/19
	Repairs & Maintenance	Total Expenditure	%	%
Actual Repairs & Maintenance/ Total Expenditure	47 374	1 240 054	3.8%	1.8

**Analysis and Interpretation:**

The National Treasury's norm for this ratio is that it should equal at least 10% of Total Operating Expenditure. In this case the expenditure is below 10% for both periods, as the expenditure figure does not include the salaries of the employees responsible for the work performed on repair and maintenance of assets. However, the percentage increase from 1.8% in 2018/2019 to 3.8% in 20219/2020

**3.3Liability Management****3.4.1 Acid Test Ratio**

**Purpose:** To test the extent to which the municipality's current assets can cover the short term obligations.

	2019/20			2018/19
Formula	Current Assets less Inventory	Current Liabilities	Ratio	Ratio
Current Assets less Inventory/Current Liabilities.	354 281 -1 183 = 353 098	352 119	1:1	0.83: 1

**Analysis and Interpretation:**

The norm for this ratio is 1.5:1, in other words, current assets less inventor must be able to cover the current liabilities 1.5 times.

From the above analysis, the municipality's current is equal (1:1) for the current period and although still slightly below the norm, it is however an improvement from 2018/19. The current assets exceed the current liabilities by R978 514.

## *Chapter 6: Auditor-General's Findings*

### **Component A: Background**

In terms of section 20 of the Public Audit Act, 25 of 2004 (PAA), the Auditor-General must in respect of each audit performed in respect of the auditee, in this case Metsimaholo Local Municipality, prepare a report on the audit.

With the above background in mind, this chapter outlines the final Auditor-General's Report in respect of the audit of the financial year under review (i.e 2019/20 financial year).

This chapter further provides an overview of the Auditor-General Report of the previous financial year (2018/19) with specific focus on the following:

- a) Matters raised during the previous financial year's audit; and
- b) Remedial action taken to address those issues and preventative measures taken.

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## Report of the auditor-general to the Free State Legislature and the council on the Metsimaholo Local Municipality

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### I Report on the audit of the financial statements

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#### Qualified opinion

1. I have audited the financial statements of the Metsimaholo Local Municipality set out on pages XX to XX, which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information and actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Metsimaholo Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 16 of 2019 (Dora).

#### Basis for qualified opinion

##### Property plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the municipality did not maintain an adequate asset register and could not provide supporting records for disposals. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment, stated at R1 225 813 747 (2019: R1 223 944 817) in note 4 to the financial statements.
4. The municipality did not account for property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Various movable assets and additions on infrastructure disclosed in the asset register did not physically exist, resulting in property, plant and equipment being overstated by R35 820 335. This has a resultant impact on the surplus for the period and the accumulated surplus. The municipality also incorrectly classified land as buildings, resulting in land being overstated and buildings understated by R12 722 235 in note 4 to the financial statements.

5. The municipality did not correctly classify community assets, resulting in property, plant and equipment being overstated and investment property being understated by R13 196 552. In addition, infrastructure projects that had been finalised as at 30 June 2020 were incorrectly included in the closing balance of work-in-progress, as reflected in the reconciliation of work-in-progress in note 4 to the financial statements. Consequently, work-in-progress was overstated by R23 740 444 (2019: R123 353 761).

### Investment property

6. I was unable to obtain sufficient appropriate audit evidence for investment property as the municipality did not maintain an adequate asset register and could not provide the required supporting documentation. In addition, adequate supporting documentation could not be provided to confirm the restatement made to the investment property opening balance. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property, stated at R444 879 258 (2019: R445 937 342) in note 3 to the financial statements.

### Payables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions as the required supporting documents were not provided. I could not confirm payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to payables from exchange transactions, stated at R281 446 155 in note 19 to the financial statements. In addition, the municipality did not account for payables in accordance with GRAP 1, *Presentation of financial statements*. Payables from exchange transactions were accounted for in an incorrect accounting period, resulting in payables from exchange transactions and operating expenditure being overstated by R17 644 733. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

### Irregular expenditure

8. The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements, which were not disclosed. I was unable to determine the full extent of the understatement of irregular expenditure as disclosed in note 53 to the financial statements, as it was impracticable to do so.

### Operating expenditure

9. I was unable to obtain sufficient appropriate audit evidence for operating expenditure. Adequate supporting documentation could not be provided to confirm that the goods and services were actually received and at the correct quantity, quality and price. I could not confirm operating expenditure by alternative means. Consequently, I was unable to

determine whether any adjustment was necessary to operating expenditure, stated at R92 293 507 in note 38 to the financial statements. In addition, the municipality did not classify transactions in accordance with GRAP 1, *Presentation of financial statements* as items relating to assets were incorrectly classified as operating expenditure (inventory consumables). This resulted in inventory consumables being overstated and property, plant and equipment being understated by R10 101 436. This also has an impact on the surplus for the period and on the accumulated surplus.

### Contracted services

10. I was unable to obtain sufficient appropriate audit evidence relating to contracted services. Adequate supporting documentation could not be provided to confirm that the goods and services were actually received and at the correct quantity, quality and price. I could not confirm contracted services by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contracted services, stated at R79 498 478 in note 37 to the financial statements.

### Depreciation and amortisation

11. During 2019, the municipality did not correctly provide for depreciation on items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. The depreciation was calculated using the incorrect useful lives. Consequently, depreciation and amortisation was understated by R13 727 130 and property, plant and equipment overstated by the same amount. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.

### Service charges

12. During 2019, I was unable to obtain sufficient appropriate audit evidence for revenue from service charges and to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges, stated at R693 519 589 in note 22 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.

### Property rates

13. During 2019, I was unable to obtain sufficient appropriate audit evidence for property rates and to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates, stated at R143 648 432 in note 27 to the financial statements. My audit opinion on the financial statements for

the period ended 30 June 2019 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period

### Context for the opinion

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

### Emphasis of matters

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

### Restatement of corresponding figures

18. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2020.

### Material uncertainty relating to claims against the municipality

19. With reference to note 42 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were provided for in the financial statements.

### Material losses

20. As disclosed in note 36 to the financial statements, material water distribution losses of R35 492 405 (2019: R28 093 100) and electricity distribution losses of R34 572 353 (2019: R15 278 740) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.

### Material impairment

21. As disclosed in notes 11 and 13 to the financial statements, receivables from non-exchange and consumer debtors were impaired by R1698988 453 (2019: R1415146 023).

### **Other matters**

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

### **Service delivery**

23. A project to construct the Refeng Kgotso sports complex was awarded in December 2019 with a planned project duration of 36 months and a budgeted cost of R7 545 383. The actual project expenditure at 30 June 2020 was R5 171 767 with additional payments of R1 863 927 being made up to May 2021. During a site visit conducted in February 2021, discrepancies were noted between the actual work that had been constructed and the work certified as completed, although the majority of the project costs were paid.

### **Unaudited disclosure notes**

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

### **Unaudited supplementary schedules**

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

### **Responsibilities of the accounting officer for the financial statements**

26. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
27. In preparing the financial statements, the accounting officer is responsible for assessing the Metsimaholo 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 has no realistic alternative but to do so.

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

28. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
29. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

30. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas (KPAs) presented in the annual performance report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.
31. 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 KPA presented in the annual performance report of the municipality for the year ended 30 June 2020:

KPA	Pages in the annual performance report
KPA 1 - basic service delivery and infrastructure investment	x-x

32. 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.
33. The material findings in respect of the usefulness and reliability of the selected KPA are as follows:

## KPA 1 - basic service delivery and infrastructure investment

### Various indicators

34. I was unable to obtain sufficient appropriate audit evidence for the achievement and the related measures taken to improve performance, as reported in the annual performance report, for the indicators listed below. Limitations were placed on the scope of my work, as the actual level of achievement for the year was not quantified. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and the reported measures taken to improve performance.

Indicator descriptions	Planned targets	Reported achievements
% minimisation of water distribution losses	Water distribution losses minimised to 10%	Target not achieved - it was achieved only in the 2nd quarter (15,54%)
% compliance with the blue drop water quality accreditation system	> 99% compliance with the blue drop water quality accreditation system	Target not achieved
% compliance with the green drop quality accreditation system	> 99% compliance with the green drop water quality accreditation system	Target not achieved - the inflow exceeds the design capacity of the plant

*Upgrade the waste water treatment works*

35. The achievement for the target upgrade the waste water treatment works reported in the annual performance report was 40%. However, the supporting evidence provided did not agree with the reported achievement and indicated an achievement of 53%.

*Ensure that the municipality broadly delivers service according to the strategic orientation based on key sector plans*

36. The reported strategic objective did not agree with the planned objective stated in the approved service delivery and budget implementation plan (SDBIP). Additionally, the strategic objective in the approved SDBIP was changed without the necessary approval.

**Other matter**

37. I draw attention to the matter below.

**Achievement of planned targets**

38. Refer to the annual performance report on pages ... to ... 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 34 to 36 of this report.

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**Report on the audit of compliance with legislation**

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**Introduction and scope**

39. 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.
40. The material findings on compliance with specific matters in key legislation are as follows:

### Annual financial statements

41. 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 current assets, and disclosures 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 qualified audit opinion.

### Expenditure management

42. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the **MFMA**. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred, as indicated in the basis for qualified opinion paragraphs.
43. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R7 197 491, as disclosed in note 52 to the annual financial statements, in contravention of section 62(1)(d) of the **MFMA**.
44. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
45. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval and payment of funds, as required by section 65(2)(a) of the MFMA.

### Procurement and contract management

46. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Similar non-compliance was also reported in the prior year.
47. Some invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year.
48. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were

employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.

49. Sufficient appropriate audit evidence could not be obtained that contracts were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43. Similar non-compliance was also reported in the prior year.
50. The preference point system was not applied to some procurement of goods and services above R30 000, as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). Similar non-compliance was also reported in the prior year.
51. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process, as required by section 2(1)(f) of the PPPFA and the 2017 Preferential Procurement Regulations.
52. Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5.
53. The performance of the contractors or providers was not monitored monthly, as required by section 116(2)(b) of the MFMA.
54. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e), the code of conduct for councillors issued in terms of the Municipal Systems Act 32 of 2000 and the code of conduct for staff members issued in terms of the Municipal Systems Act.

### Consequence management

55. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
56. Irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by

section 32(2)(b) of the MFMA.

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

#### **Asset management**

58. 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.

#### **Strategic planning and performance management**

59. A performance management system was not established, as required by section 38(a) of the Municipal Systems Act.

#### **Utilisation of conditional grant**

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

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#### **| Other information**

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

64. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

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### **I Internal control deficiencies**

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65. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
66. The municipal manager was on suspension for the financial year under review. All the manager positions that reported directly to the municipal manager were also vacant for the same period. This resulted in various officials acting in these vacant positions, contributing to the instability in the leadership of the municipality. At the time of finalising this report, none of these vacancies had been filled.
67. Although the municipality was placed under administration, the implementation of the corrective measures included in the audit action plan were inadequate and not effectively monitored to ensure that the weaknesses relating to the finance, performance and supply chain management were addressed.
68. A lack of commitment from key officials and the staff supporting them to implement and monitor internal controls over daily and monthly processing of transactions resulted in the material audit findings included in this report.
69. Inadequate oversight and accountability resulted in officials not being held accountable for transgressions with laws and regulations and an increase in the number of compliance findings raised during the year under review.

70. Management did not implement proper recordkeeping to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.
71. Management's inability to prioritise, develop and apply standard operating procedures to manage financial and performance reporting, including the safeguarding of information and ineffective monitoring and evaluation of reported financial and performance information, resulted in significant findings.
72. Management's lack of detailed review of the financial statements and the underlying records resulted in material misstatements that were not detected by the department's internal processes.

*Auditor-General*

Bloemfontein

n

7 April 2021



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure - Auditor-general's responsibility for the audit**

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

### **Financial statements**

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

operating as a going concern

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

### **Communication with those charged with governance**

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

## Component B (i): Matters Raised during the Previous Financial Year's Audit

Table 6.1: Matters raised by the Auditor-General during 2018/19 audit

ACTION PLAN TO ADDRESS ISSUES RAISED BY AUDITOR GENERAL	
Status of Audit report: Qualified	
Issues Raised	Remedial Action Taken/To be taken
<b>Property, plant and equipment</b>	
<p>I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the municipality did not maintain an adequate asset register and could not provide me with supporting records for disposals. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R1 390 096 253 (2018: R1 359 565 341) in note 11 to the financial statements. In addition, the municipality did not correctly classify various items of property, plant and equipment between the classes of assets as reflected in note 11, in accordance with GRAP 17, <i>Property, plant and equipment</i>. I was unable to determine the full extent of the misclassifications as it was impracticable to do so.</p> <p>The municipality also did not disclose property, plant and equipment in accordance with GRAP 17, <i>Property, plant and equipment</i>. Infrastructure projects which have been finalised as at 30 June 2019 were incorrectly included in the closing balance of work-in-progress as reflected in the reconciliation of work-in-progress in note 11 to the financial statements. Consequently, work-in-progress was overstated by R123 353 761.</p>	<p>All assets on the asset register will be verified for existence and classification. The asset register will be updated with additional information such as GPS coordinates, erf numbers, location address and length of roads.</p> <p>Classification of all assets will be revised and correct to be in line with GRAP and mSCOA</p> <p>Control measures will be put in place to verify all work in progress as well as the work is done before sign off for payment by PMU</p> <p>Work-in-progress will be revisited and adjustments made will be provided if required. Completion certificates and bill of quantities will be obtained to validate the WIP.</p> <p>The disclosure of Work-in-progress completed and transfer to assets that depreciated will be clearly disclosed in note to AFS to avoid any uncertainty as well as to avoid problems with cash flow.</p> <p>All departments as per Asset champion will take responsibility of assets in their section. Assistance from engineers will be implemented.</p> <p>Provision in adjustment budget and 2020/2021 budget to be made for revised FAR and to determine completeness of assets.</p>

<p><b>Investment property</b></p>	
<p>I was unable to obtain sufficient appropriate audit evidence for investment property as the municipality did not maintain an adequate asset register and could not provide lease agreements. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R295 200 836 (2018: R295 221 476) in note 10 to the financial statements. In addition, the municipality incorrectly classified properties that do not meet the definition of investment properties as outlined in GRAP 16, <i>Investment property</i>. Consequently, investment property is overstated by R58 004 887. There was also a resultant impact on the surplus for the period and on the accumulated surplus.</p>	<p>A land audit will be done. Property will be classified as per GRAP requirements. Housing and Property section will also provide all the lease agreements.</p>
<p><b>Irregular expenditure</b></p>	
<p>The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements and made overtime payments not in line with the municipality's overtime policy, which were not disclosed. I was unable to determine the full extent of the understatement of irregular expenditure stated at R58 040 885 in note 51 to the financial statements as it was impracticable to do so.</p>	<p>The whole population of payments (2017/18 and 2018/2019) will be revisited to correct the completion and accuracy of the register, thereafter the annual financial statements will be corrected.</p> <p>Measures will be put in place to reduce the extent of Irregular expenditure</p> <p>More workshops will be held for all stakeholders.</p> <p>System be implemented to assist SCM.</p> <p>SCM activities be centralised to minimize irregular expenditure</p>

<b>Service charges</b>	
<p>I was unable to obtain sufficient appropriate audit evidence that all service charges had been properly accounted for, due to the status of the accounting records. I could not confirm that consumer debtors registered as indigent, did qualify for indigent status in terms of the municipality's indigent policy. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R698 481 721 in note 22 to the financial statements</p>	<p>The whole population will be checked. We will seek links to Department of Home Affairs to also check on Indigents that has deceased.</p> <p>With the assist of Provincial Treasury we will check other system to assist us with Indigent verification</p>
<b>Property rates</b>	
<p>I was unable to obtain sufficient appropriate audit evidence that all property rates had been properly accounted for, due to the status of the accounting records. I could not confirm that consumer debtors registered as indigent, did qualify for indigent status in terms of the municipality's indigent policy. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates stated at R143 648 432 in note 26 to the financial statements.</p>	<p>The whole population will be checked. We will seek links to Department of Home Affairs to also check on Indigents that has deceased.</p> <p>With the assist of Provincial Treasury we will check other system to assist us with Indigent verification</p>

<p><b>Depreciation and amortisation</b></p>	
<p>The municipality did not correctly provide for depreciation on items of property, plant and equipment in accordance with GRAP 17, <i>Property, plant and equipment</i>. The depreciation was calculated using the incorrect useful lives. Consequently, depreciation and amortisation included in note 32 to the financial statements is understated by R13 727 130 and property, plant and equipment included in note 11 to the financial statements is overstated by R13 727 130</p>	<p>The lifespan of assets was not adjusted on the asset register but adjustments were made to increase the lifespan of the assets as it reflected less than a year on FAR. Recalculations were done that the Auditor General not took into account.</p> <p>It will be also be re-checked again.</p>
<p><b>Public contributions and donations</b></p>	
<p>I was unable to obtain sufficient appropriate audit evidence that all public contributions and donations received have been accounted for in accordance with GRAP 23, <i>Revenue from non-exchange transactions</i>. Donations reflected on third party confirmations could not be traced to the accounting records of the municipality and I could not confirm if the municipality actually received the donated assets or services. I was unable to confirm public contributions and donations by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to public contributions and donations stated at R25 690 347 in note 28 to the financial statements.</p>	<p>Internal controls must be in place that Departments report all donations, capital and operating, to be included in the financial system. The letter from SASOL will be distribute again to all departments in order to verify. Corrections will be done if the municipality did received the services and assets, as indicated in the letter.</p>

<b>Emphasis of matters</b>	
<b>Unauthorised expenditure</b>	
As disclosed in note 49 to the financial statements, unauthorised expenditure of R77 564 428 was incurred, due to overspending of a vote in the approved budget	The unauthorised expenditure is non-cash items – provision for bad debts (impairment). The collection for services charges to consumers (payment rate) must increase. The provision of bad debts as per the budget must increase that will result in reduce other budget expenditure to have a balanced budget.
<b>Fruitless and wasteful expenditure</b>	
As disclosed in note 50 to the financial statements, fruitless and wasteful expenditure of R22 372 735 (2018: R2 255 167) was incurred, mainly due to interest on arrear payments to creditors and the payment for work not performed	<p>An amount of R21million is the expenditure on the Oranjeville Sport stadium that is currently under investigation.</p> <p>Most other of fruitless expenditure is interest on late payments to creditors</p> <p>Revenue enhancement strategy will be implemented once it's approved to improve the cash flow position.</p> <p>Measures will be put in place to reduce the extent of fruitless expenditure.</p>
<b>Restatement of corresponding figures</b>	
As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.	<p>Restatement of 30 June 2018 figures was as a result of invoices received late, corrections made on billing and re-classifying with the implementation of mSCOA</p> <p>Process regarding year end cut-off procedures will be improved</p> <p>Co-operation of all departments to adhere to the financial procedures for any expenses.</p>
<b>Material uncertainty relating to claims against the municipality</b>	
With reference to note 43 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is	

<p>opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.</p>	
<p><b>Material losses</b></p>	
<p>As disclosed in note 36 to the financial statements, material water losses of R30 300 137 (2018: R16 307 842) and electricity losses of R10 352 646 (2018: R15 686 341) were incurred by the municipality mainly due to internal use, illegal connections and supply to informal areas.</p>	<p>Distribution losses are reported on a monthly basis to management. The distribution losses are within the norms of National Treasury</p> <p>It will also be addressed in the proposed Revenue enhancement strategy.</p> <p>Water meters need to be installed in areas where water is used but no control over.</p>
<p><b>Material impairment</b></p>	
<p>As disclosed in note 7 to the financial statements, consumers and other receivables were impaired by R1 290 138 259 (2018: R1 091 545 789).</p>	<p>The cumulative provision for impairment is significant. The provision will continue to be augmented for as long as payment levels are below 100%.</p> <p>We need to also improve our cash collection levels per area.</p> <p>Operation Patala was implemented in 2019/2020</p> <p>Revenue Enhancement Strategy will be implemented</p>
<p><b>Report on the audit of the annual performance report</b></p>	
<p>Auditor General identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of key performance area 1: basic service delivery and infrastructure</p>	<p>Engagement with the directorates will be held on a quarterly basis to address performance information and the portfolio of evidence.</p> <p>The PMS Policy will also be submitted to Council for adoption and subsequently implementation.</p>

development. As management subsequently corrected only some of the misstatements, Auditor General raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for disclaimer of opinion paragraphs.	

<b>Expenditure management</b>	Irregular, fruitless and unauthorised expenditure are addressed above. Non-payment within 30 days are linked to the cash flow and not submitting of invoices in time. Internal controls be put in place as well as workshops held to empower all departments
<b>Revenue management</b>	Revenue Enhancement Strategy to be approved by Council.
<b>Asset management</b>	The asset champions of each department must improve their control. Internal controls will be compiled as distribute together with the Asset policy. Awareness be done that assets is not only responsibility of Finance. Refer to Workshop by Provincial Treasury. Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Strategic planning and performance management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Procurement and contract management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Human resource management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Consequence management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Conditional grants</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Internal control deficiencies</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report

## Component B (ii): Action Plan to Address Matters Raised during the Financial Year Under Review (2019/20).

### Status of Audit Report: Qualified

Table 61.1: Action Plan to address Auditor General's findings on 2019/20 audit report issues

ACTION PLAN TO ADDRESS ISSUES RAISED BY AUDITOR GENERAL	
Status of Audit report: Qualified	
Issues Raised	Remedial Action Taken/To be taken
<b>Property, plant and equipment</b>	
<p>I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the municipality did not maintain an adequate asset register and could not provide me with supporting records for disposals. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R1 225 803 747 (2019: R1 223 944 817) in note 4 to the financial statements.</p> <p>The municipality also did not disclose property, plant and equipment in accordance with GRAP 17, <i>Property, plant and equipment</i>. Various movable assets and additions on infrastructure disclosed in the asset register did not physically exist, resulting in property, plant and equipment being overstated by R35 820 335. This has a resultant impact on the surplus for the period and the accumulated surplus. The municipality also incorrectly classified land as buildings, resulting in land being overstated and buildings understated by R12 722 235 on note 4 of the financial statements.</p>	<p>All assets on the asset register will be verified for existence and classification. The asset register will be updated with additional information such as GPS coordinates, erf numbers, location address and length of roads. All available information will be included in the fixed asset register.</p> <p>Classification of all assets will be revised and correct to be in line with GRAP and Mscoa. Additions will correctly be disclosed. Working papers will be available. Problems with classification as per Mscoa will also referred to National Treasury. Community assets will be re-classified</p> <p>PMU to address issues on Refengkgotso Sport Stadium</p> <p>Wonderfontein will be address by Technical services</p> <p>Control measures will be put in place to verify all work in progress as well as the work is done before sign off for payment by PMU</p> <p>Work-in-progress will be revisited and adjustments made will be provided if required. Completion certificates and bill of quantities will be obtained to validate the WIP.</p> <p>The disclosure of Work-in-progress completed and transfer to assets that depreciated will be clearly disclosed in note to AFS to avoid any uncertainty as well as to avoid problems with cash flow.</p> <p>All departments as per Asset champion will take responsibility of assets in their section. Assistance from engineers will be implemented.</p>

<p>The municipality did not correctly classify community assets, resulting in property plant and equipment being overstated and investment property understated by R13 196 552. In addition, infrastructure projects that had been finalised as at 30 June 2020 were incorrectly included in the closing balance of work-in-progress, as reflected in the reconciliation of work-in-progress in note 4 to the financial statements. Consequently, work – in-progress was overstated by R23 740 444 (2019: R123 353 761)</p>	
<p><b>Investment property</b></p>	
<p>I was unable to obtain sufficient appropriate audit evidence for investment property as the municipality did not maintain an adequate asset register and could not provide the required supporting documentation. In addition, adequate supporting documentation could not be provided to confirm the restatement made to investment property opening balance. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R444 879 258 (2019: R445 937 342) in note 3 to the financial statements.</p>	<p>Duplications will be investigated and address on Asset register. The asset register will be updated with additional information such as GPS coordinates, and erf numbers A land audit will be done. Property will be classified as per GRAP requirements.</p>
<p><b>Payables from exchange transactions</b></p>	
<p>I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions as the required supporting documents were not provided. I could not confirm payables from exchange transactions by alternative means. Consequently, I was unable to</p>	<p>Outstanding information will be submitted to the Auditor General with the 2020/2021 audit. Transactions will be re-check to ensure that transactions are recorded in correct financial year. All departments must follow the procedures and ensure to submit invoices for payment in time.</p>

<p>determine whether any adjustments was necessary to payables from exchange transactions, stated at R281 446 155 in note 19 to the financial statements. In addition, the municipality did not account for payables in accordance with GRAP1, Presentation of financial statements. Payables from exchange transactions were accounted in the incorrect accounting period, resulting in payables from exchange transactions and operating expenditure overstated by R17 644 733. Additionally, there was an impact on the surplus for the period and accumulated surplus.</p>	
<p><b>Irregular expenditure</b></p>	
<p>The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements, which were not disclosed. I was unable to determine the full extent of the understatement of irregular expenditure stated in note 53 to the financial statements, as it was impracticable to do so.</p>	<p>The whole population of payments (2017/18, 2018/2019 and 2019/2020) will be revisited to correct the completion and accuracy of the register, thereafter the annual financial statements will be corrected.</p> <p>Outstanding information will be available for Auditor General</p> <p>SCM unit has since developed a spreadsheet to monitor the expenditure on the RFQ between R30K and R200K as a control measure</p> <p>Deviation report are submitted to Council Management will ensure that deviations are in accordance with the correct procurement processes are followed to avoid irregular expenditure and non-compliance with the Municipal Supply Chain Management Regulations.</p> <p>Control implemented over allocation of work to panels.</p> <p>Measures will be put in place to reduce the extent of Irregular expenditure</p> <p>More workshops will be held for all stakeholders.</p> <p>System be implemented to assist SCM. compliance with the relevant laws and regulations and the internal policies of the entity</p> <p>SCM activities be centralised to minimize irregular expenditure</p>

<p><b>Operating Expenditure</b></p>	
<p>I was unable to obtain sufficient appropriate audit evidence for operating expenditure. Adequate supporting documentation could not provide to confirm that the goods and services were actually received and at the correct quantity, quality and price. I could not confirm operating expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to operating expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to operating expenditure, stated at R92 293 507 in note38 to the financial statements. In addition, the municipality did not classify transaction in accordance with GRAP1, Presentation of financial statements as items relating to assets were incorrectly classified as operating expenditure (inventory consumables). This resulted in inventory consumables overstated and property, plant and equipment being understated by R10 101 436. This also has an impact on the surplus for the period and on the accumulated surplus.</p>	<p>The expenditure will be checked for reclassification to capital from expenditure and then will be capitalized on FAR Reclassifications be done where applicable with 2020/2021 AFS</p> <p>Expenditure will be check that that departments confirmed that services and or goods were received. Departments informed to confirmed that services and or goods were received.</p>
<p><b>Contracted services</b></p>	

<p>I was unable to obtain sufficient appropriate audit evidence for contracted expenditure. Adequate supporting documentation could not be provided to confirm that the goods and services were actually received and at the correct quantity, quality and price. I could not confirm by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contract service by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contracted services, stated at R79 498 478 in note37</p>	<p>Invoices received for payments are signed off by the relevant person in the department who has received the goods and/or services rendered and sent to Supply Chain to attached it to the purchase order, purchase request and quotation. The documents are thereafter sent to the creditor section. The signature on the invoice indicates that goods were delivered/ services rendered Not all suppliers have formal delivery notes where end users can sign off upon receipt of goods/services. All user department are requested all the time to sign the invoices from suppliers as an indication/ con formation that goods were received or service was rendered.</p>
<p><b>Depreciation and amortisation</b></p>	
<p>During 2019, the municipality did not correctly provide for depreciation on items of property, plant and equipment in accordance with GRAP 17, <i>Property, plant and equipment</i>. The depreciation was calculated using the incorrect useful lives. Consequently, depreciation and amortisation was understated by R13 727 130 and property, plant and overstated by the same amount. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current years financial statements as also modified because of the possible effect of this mattes on the comparability of the operating expenditure for the current period.</p>	<p>The lifespan of assets was not adjusted on the asset register but adjustments were made to increase the lifespan of the assets as it reflected less than a year on FAR. Recalculations were done that the Auditor General not took into account.</p> <p>It will be also be re-checked again.</p>
<p><b>Service charges</b></p>	

<p>During 2019, I was unable to obtain sufficient appropriate audit evidence for revenue from service charges and to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R693 519 589 in note 22 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current years financial statements as also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.</p>	<p>The whole population will be checked. We will seek links to Department of Home Affairs to also check on Indigents that has deceased.</p> <p>With the assist of Provincial Treasury, we will check other system to assist us with Indigent verification</p>
<p><b>Property rates</b></p>	
<p>During 2019, I was unable to obtain sufficient appropriate audit evidence for property rates and to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates stated at R143 648 432 in note 27 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current year's financial statements as also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.</p>	<p>The whole population will be checked. We will seek links to Department of Home Affairs to also check on Indigents that has deceased.</p> <p>With the assist of Provincial Treasury, we will check other system to assist us with Indigent verification</p>

<b>Emphasis of matters</b>	
<b>Restatement of corresponding figures</b>	
As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2020.	Restatement of 30 June 2019 figures was as a result of invoices received late, corrections made on billing and re-classifying with the implementation of mSCOA  Process regarding year end cut-off procedures will be improved Co-operation of all departments to adhere to the financial procedures for any expenses. All departments in May 2021 informed of year end producers
<b>Material uncertainty relating to claims against the municipality</b>	
With reference to note 42 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.	
<b>Material losses</b>	
As disclosed in note 36 to the financial statements, material water losses of R35 492 405 (2019: R28 093 100) and electricity losses of R34 572 353 (2019: R15 278 740) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.	Distribution losses are reported on a monthly basis to management. It will also be addressed in the proposed Revenue enhancement strategy. Water meters need to be installed in areas where water is used but no control over. Electricity meters (pads) must also be replace to resolve the issue of consumers receiving free electricity(pre-paid electricity)

<p><b>Material impairment</b></p>	
<p>As disclosed in note 11 and 13 to the financial statements, receivables from non-exchange and consumers were impaired by R1 698 988 453 (2019: R1 415 146 023).</p>	<p>The cumulative provision for impairment is significant. The provision will continue to be augmented for as long as payment levels are below 100%.</p> <p>We need to also improve our cash collection levels per area.</p> <p>Operation Patala was implemented in 2020/2021, without a high success rate.</p> <p>Revenue Enhancement Strategy will be implemented after strategy session.</p>
<p><b>Report on the audit of the annual performance report</b></p>	
<p>Auditor General identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of key performance area 1: basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, Auditor General raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for disclaimer of opinion paragraphs.</p>	<p>Engagement with the directorates will be held on a quarterly basis to address performance information and the portfolio of evidence.</p> <p>The PMS Policy will also be submitted to Council for adoption and subsequently implementation.</p>

<b>Expenditure management</b>	Irregular, fruitless and unauthorised expenditure are addressed above. Non-payment within 30 days are linked to the cash flow and not submitting of invoices in time. Internal controls be put in place as well as workshops held to empower all departments
<b>Procurement and contract management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Consequence management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Asset management</b>	The asset champions of each department must improve their control. Internal controls will be compiled as distribute together with the Asset policy. Awareness be done that assets is not only responsibility of Finance. Refer to Workshop by Provincial Treasury. Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Strategic planning and performance management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report. However due to late receiving of audit report, it will be difficult to address all the audit findings as per audit action plan.
<b>Conditional grants</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report. However due to late receiving of audit report, it will be difficult to address all the audit findings as per audit action plan.
<b>Internal control deficiencies</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report. However due to late receiving of audit report, it will be difficult to address all the audit findings as per audit action plan.

## Appendices

### Appendix A: Councillors; Committee Allocation and Council Attendance

Table A1: List of Councillors and record of Council Meetings Attendance

Number of Council Meetings held for the year						
Total number of meetings held for the year						
			Ordina	Special	Total	
Details			Record of Council Meetings			
Full Names & Surname	Political	Ward / PR	Ordinary	Special	Total	Number of
Ms Patricia Malitaba Mokoena	ANC	1	5	11	16	-
Mr Morena Molawa	ANC	2	5	10	15	0
Ms Mathithi Merriam Telane	ANC	3	5	11	16	-
Ms Gabaikitsi Beauty Nnune	ANC	4	5	11	16	-
Mr Sky Simon Kobo	ANC	5	5	11	16	-
Ms Mahadi Nkheloane	ANC	6	5	10	15	0
Ms Portia Mahlaela	ANC	7	5	11	16	-
Mr Jack Nteso	ANC	8	5	9	14	2
Mr Nelson Nhato Dywili	ANC	9	5	11	16	-
Ms Nokuthula Mirriam Mtshali	ANC	10	5	11	16	-
Mr Thabo Kenneth Mabasa	ANC	11	5	11	16	-
Mr Lebohang Makhefu	ANC	12	5	11	16	-
Mr Fikile Mosokweni	ANC	13	5	11	16	-
Mr Francois Jacobus van der Merwe	DA	14	3	9	12	2
Mr Jacobus Johannes Grobbelaar	DA	15	3	11	14	-
Mr Jan Jacobus Barnard	DA	16	3	10	13	1
Mr George Burger	DA	17	3	10	13	1
Ms Ruanda Meyer	DA	18	3	9	12	2
Mr Khomoliileng Alexis Mare	ANC	19	5	11	16	-
Mr Lucas Fisher	ANC	20	4	10	14	1
Ms Ntombizodwa Prudence Mokoena	ANC	21	4	11	15	1
Mr April Tibisi Motaung	EFF	PR 1	3	9	12	1

Number of Council Meetings held for the year						
Total number of meetings held for the year						
			Ordina	Special	Total	
Details			Record of Council Meetings			
Full Names & Surname	Political	Ward / PR	Ordinary	Special	Total	Number of
Ms Selloane Motjeane	EFF	PR2	3	7	10	4
Ms Modiehi Granny Leotlela	EFF	PR3	3	9	12	1
Mr Teleki Taats	EFF	PR4	3	8	11	2
Mr Lefa Nhlapo	EFF	PR5	3	9	12	1
Mr Moeketsi Maseko	EFF	PR6	3	8	11	1
Ms Leetoane Tsotetsi	EFF	PR7	3	8	11	2
Mr Tshepo MacDonald Motloung	EFF	PR8	3	9	12	1
Mr Lois J van Heerden	DA	PR9	3	10	13	1
Mr Zisindo Jafta Zwane	Da	PR10	3	11	14	-
Mr Phineas Mohapi	DA	PR11	3	9	12	1
Mr Michael Thulani Mbanana	DA	PR12	3	10	13	1
Mr Simpson Morena Matwa	DA	PR13	3	11	14	-
Mr Thabiso Mofokeng	DA	PR14	3	10	13	1
Ms Lindiwe Tshongwe	SACP	PR15	5	10	15	1
Mr Lebohang Samuel Semonyo	SACP	PR16	5	10	15	1
Mr Mosiuoa Poho	SACP	PR17	4	10	15	1
Mr Theo du Toit	FF	PR18	3	9	12	0
Mr Vuyo Lenny Mashia	MCA	PR19	5	11	16	-
Mr Mthakathi Jack Malindi	AIC	PR20	5	11	16	-
Mr Khodu Bula Mofokeng	4FSD	PR21	5	11	16	-

\*\*Two ordinary meetings did not form a quorum and no apologies were received, hence you find the number of ordinary meetings for other Councillors were 3 instead of 5.

**Appendix B: Committees & their respective purposes**

Table A2: Name & Purpose of the Committee

Name of Committee	Purpose of the Committee
Portfolio Committee: Corporate Services (s80)	Oversight over Corporate Services departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Finance and Audit (s80)	Oversight over Finance departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the
Portfolio Committee: Technical Services (s80)	Oversight over Technical Services departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Public Safety (s80)	Oversight over Public Safety sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral
Portfolio Committee: Cleansing, Parks and Cemeteries (s80)	Oversight over Social Services sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral
Portfolio Committee: Urban Planning and Human Settlements (s80)	Oversight over Urban Planning & Human Settlement departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: LED, Tourism and Agriculture (s80)	Oversight over LED & Tourism departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral
Portfolio Committee: Sports, Arts and Culture (s80)	Oversight over Sports, Arts & Culture sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral
Audit and Performance Audit Committee (s79)	Roles and responsibilities as outlined in section 166 of the MFMA and the approved charter
Oversight Committee (s79)	Roles and responsibilities as outlined in section 129 of the MFMA and the National Treasury guidelines issued in MFMA Circular 32 (18

Table A3: Members of Corporate Services Committee and Attendance Records of Committee Meetings

Corporate Services (s80)			
Initials & Surname	Political Party	No. of Meetings Attended	No. of Apologies
M J Malindi	AIC	1	-
Mare K A	ANC	0	1
Dywili N.N	ANC	1	-
Tsotetsi L (Ms)	EFF	1	-
L van Heerden	DA	1	-

Table A4: Members of Finance & Audit Committee and Attendance Records of Committee Meetings

Finance and IDP (s80)			
Initials & Surname	Political Party	No. of Meetings Attended	No. of Apologies
L Fisher	ANC	1	-
N N Dwyili	ANC	1	-
M P Mokoena (Ms)	ANC	1	-
J J Barnard	DA	1	-
A Motaung	EFF	0	0

Table A5: Members of Technical Services Committee and Attendance Records of Committee Meetings

Technical Services (s80)			
Initials & Surname	Political Party	No. of Meetings Attended	No. of Apologies
M S Poho	SACP	2	-
S J Nteso	ANC	1	1
G B Nnune (Ms)	ANC	0	1
J J Grobbelaar	DA	2	-
T Du Toit	FF+	1	1

S Motjeane (Ms)	EFF	1	1
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Table A6: Members of Public Safety Committee and Attendance Records of Committee Meetings

Public Safety (s80)			
Initials & Surname	Political Party	No. of Meetings Attended	No. of Apologies
K B Mofokeng	4FSD	1	-
P Mahlaela (Ms)	ANC	1	-
Van der Merwe	DA	1	-
S J Nteso	ANC	1	-
T Taats	EFF	1	-

Table A7: Members of Cleansing, Parks & Cemeteries Committee and Attendance Records of Committee Meetings

Cleansing, Parks and Cemeteries (s80)			
Initials & Surname	Political Party	No. of Meetings Attended	No. of Apologies
S Mosokweni	ANC	1	-
M M Telane (Ms)	ANC	1	-
M Nkheloane (Ms)	ANC	1	-
M Maseko	EFF	1	-
P Mohapi	DA	1	-

Table A8: Members of Urban Planning & Human Settlements Committee and Attendance Records of Committee Meetings

Urban Planning and Human Settlements (s80)			
Initials & Surname	Political Party	No. of Meetings Attended	No. of Apologies
L S Semonyo	SACP	2	-
R Meyer (Ms)	DA	2	-
K A Mare	ANC	2	-
G B Nnune (Ms)	ANC	2	-
T M Motloug	EFF	2	-

Table A9: Members of LED, Tourism & Agriculture Committee and Attendance Records of Committee Meetings

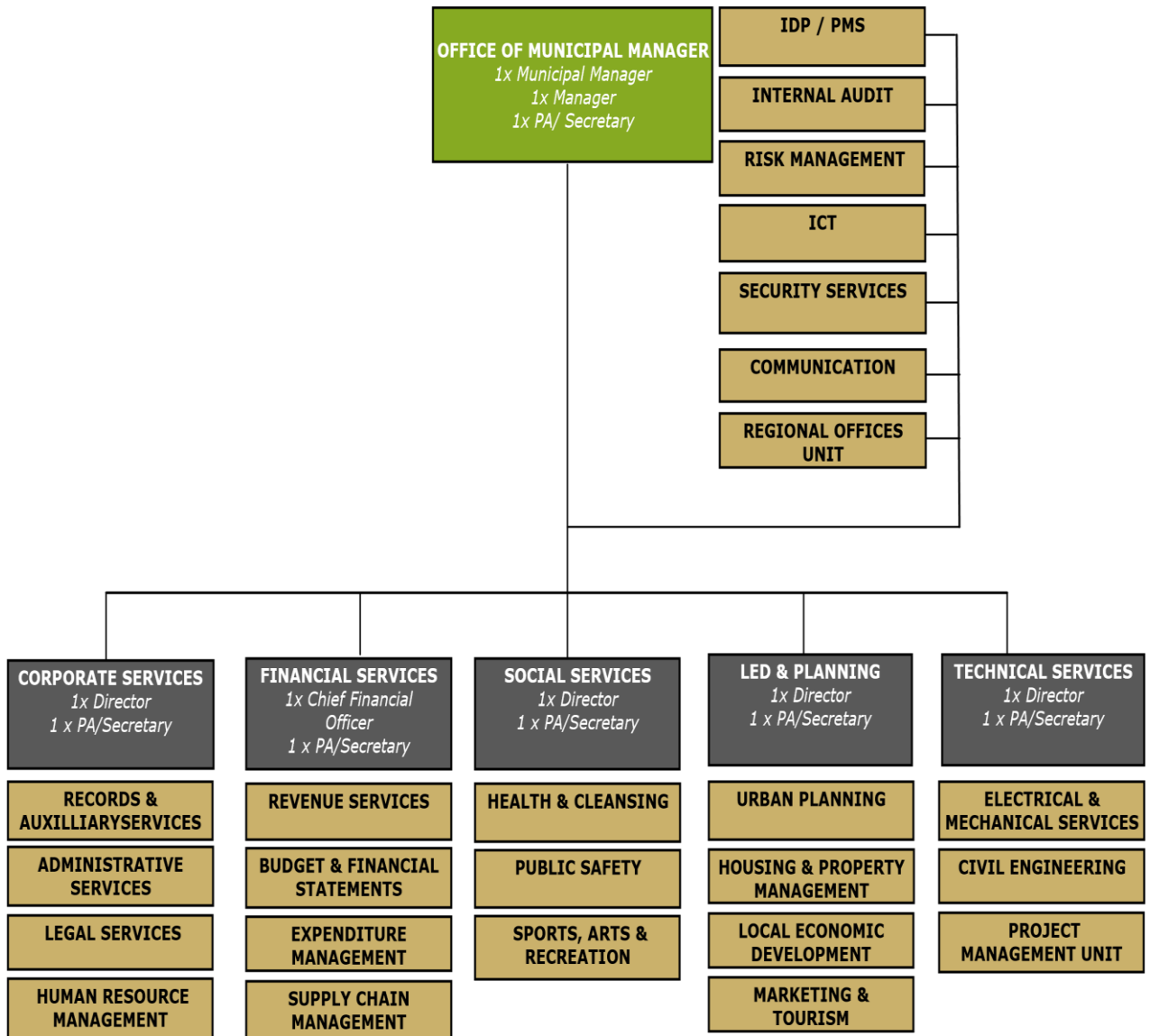
LED, Tourism and Agriculture (s80)			
Initials & Surname	Political Party	No. of Meetings Attended	No. of Apologies
N P Mokoena (Ms)	ANC	1	-
M M Telane (Ms)	ANC	1	-
L Nhlapo	EFF	1	-
M P Mahlaela (Ms)	ANC	1	-
T Mofokeng	DA	0	0

Table A10: Members of Sports, Arts & Culture Committee and Attendance Records of Committee Meetings

Sports, Arts and Culture (s80)			
Initials & Surname	Political Party	No. of Meetings Attended	No. of Apologies
N M Mtshali (Ms)	ANC	1	-
P M Mkokena (Ms)	ANC	1	-
M Nkheloane (Ms)	ANC	1	-
G Burger	DA	1	-
M Leotlela (Ms)	EFF	1	-

**Appendix C: Third Tier Administrative Structure**

Figure A1 - Third Tier Administrative Structure



**Appendix D: Functions of the Municipality**

Table A12: Powers and Functions of the Municipality

Powers & Functions	Reference	Performed (Yes/No)
<b>Schedule 4 Part B and Schedule 5 Part B Powers and Functions:</b>		
Air pollution	Schedule 4 Part B	No
Building regulations	Schedule 4 Part B	Yes
Child care facilities	Schedule 4 Part B	No
Electricity and gas reticulation	Schedule 4 Part B	Yes
Firefighting services	Schedule 4 Part B	Yes
Local tourism	Schedule 4 Part B	No
Municipal airports	Schedule 4 Part B	No
Municipal planning	Schedule 4 Part B	Yes
Municipal health services	Schedule 4 Part B	No
Municipal public transport	Schedule 4 Part B	No
Municipal public works	Schedule 4 Part B	No
Pontoons, ferries, jetties, piers and harbours.	Schedule 4 Part B	No
Stormwater management systems in built-up areas	Schedule 4 Part B	No
Trading regulations	Schedule 4 Part B	Yes
Water and sanitation services	Schedule 4 Part B	Yes
Beaches and amusement facilities	Schedule 5 Part B	No
Billboards and the display of advertisements in public places	Schedule 5 Part B	Yes
Cemeteries, funeral parlours and crematoria	Schedule 5 Part B	Yes
Cleansing	Schedule 5 Part B	Yes
Control of public nuisances	Schedule 5 Part B	Yes
Control of undertakings that sell liquor to the public	Schedule 5 Part B	No
Facilities for the accommodation, care and burial of animals	Schedule 5 Part B	No
Fencing and fences	Schedule 5 Part B	Yes
Licensing of dogs	Schedule 5 Part B	No
Licensing and control of undertakings that sell food to the public	Schedule 5 Part B	No
Local amenities	Schedule 5 Part B	Yes
Local sport facilities	Schedule 5 Part B	Yes
Markets	Schedule 5 Part B	No

# Metsimaholo Local Municipality

Powers & Functions	Reference	Performed (Yes/No)
<b>Schedule 4 Part B and Schedule 5 Part B Powers and Functions:</b>		
Municipal abattoirs	Schedule 5 Part B	No
Municipal parks and recreation	Schedule 5 Part B	Yes
Municipal roads	Schedule 5 Part B	Yes
Noise pollution	Schedule 5 Part B	No
Pounds	Schedule 5 Part B	No
Public places	Schedule 5 Part B	Yes
Refuse removal, refuse dumps and solid waste disposal	Schedule 5 Part B	Yes
Street trading	Schedule 5 Part B	Yes
Street lighting	Schedule 5 Part B	Yes
Traffic and parking	Schedule 5 Part B	Yes
<b>Fiscal Powers and Functions in terms of Section 229 of the Constitution:</b>		
Levying of rates on property and surcharges on fees for services provided by or on behalf of the		Yes
<b>Other powers and function not specified by the Constitution</b>		
Disaster management (*)		Yes
Integrated development planning		Yes
Libraries and museums (other than national libraries and museums)		No
Nature conservation Tourism promotion (at local level only)		Yes

**Appendix E: Ward Reporting**

Table A14: Ward Reporting

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Ms. Patricia Malitaba Mokoena	Yes			
2	Mr. Morena Molawa	Yes			
3	Ms. Mathithi Telane	Yes			
4	Ms. Gabaikitsi Beauty Nnune	Yes			
5	Mr. Sky Kobo	Yes			
6	Ms. Mahadi Nkheloane	Yes			
7	Ms. Portia Mahlaela	Yes			
8	Mr. Seatle Jack Nteso	Yes			
9	Mr. Nelson Dywili	Yes			
10	Ms. Nokuthula Mirriam Mtshali	Yes			
11	Mr. Kenneth Thabo Mabasa	Yes			
12	Mr. Lebohang Andries Makhefu	Yes			
13	Mr. Fikile Mosokweni	Yes			
14	Mr. Francois Jacobus Van der	Yes			
15	Mr. Jacobus Johannes Grobbelaar	Yes		3	
16	Mr. Jan Jacobus Barnard	Yes			
17	Mr. George Burger	Yes		5	
18	Ms. Raunda Meyer	Yes			
19	Mr. Khomoliileng Alexis Mare	Yes			
20	Mr. Lucas Fisher	Yes			
21	Ms. Ntombizodwa Prudence Mokoena	Yes			

Due to COVID 19 regulations no contact meetings were held

**Appendix F: Ward Information**

Table A15: Ward Information

First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
Activities	Wards	Activities	Wards	Activities	Wards	Activities	Wards
Due to COVID 19 regulations no ward activities were undertaken							

**Appendix G: Recommendations of the Audit Committee**

Table A16: Recommendations of the Audit Committee

Municipal Audit Committee Recommendations		
Date of Meeting	Committee recommendations during 2019/20	Recommendations adopted?
In all AC meeting	Recommends approval of all the outstanding policies which need to be implemented urgently for the effective day to day functioning of the municipality.	In progress
All meetings	Irregular, fruitless and wasteful expenditure remains one of the key factors preventing the municipality from moving towards a clean audit.  Therefore, we recommend council to ensure; <ul style="list-style-type: none"> <li>• MPAC to fulfil all its responsibilities as required by section 32 of the MFMA as well as other oversight issues.</li> </ul>	In progress
All meetings	That a performance management policy be developed and implemented with immediate effect as the municipality is functioning without having an approved PMS policy.	In progress
All meetings	Organizational structure to be finalized as a matter of urgency.	In progress
27 August 2019	Irregular and deviation register are compiled and updated	In progress
04 November 2019	That all income received from traffic be submitted to finance and fast track the appointment of service provider	In progress



Name of the supplier / service provider	Description of the Project	Service Level Agreement signed (Yes/No)	Project Start Date	Project Completion Date	Status as at 30 June 2020

**Appendix I: Municipal Entity/Service Provider Performance Schedule**

Table A18: Municipal Entity/Service Provider Performance Schedule

Name of the supplier / service provider	Description of the Project	Service Level Agreement signed (Yes/No)	Status as at 30 June 2020 (e.g in progress, completed, etc)	Performance Measurement as at 30 June 2020 (Good/Fair/Poor)

**Appendix J: Disclosure of Financial Interest**

Table A19: Disclosure of Financial Interest

Register of Declaration of Financial Interests as at 30 June 2020				
Surname	Names	Name of Business & Registration Number	Address of Business	Association with the Business
Ramovha	MM	-	-	-
Vorster	A	-	-	-
Oanyane	B	-	-	-
Thile	LP	-	-	-
Ndaba	MD	MTN	-	-
Theko	M	-	-	-

**Appendix K: Revenue Collection Performance****Appendix K (i): Revenue Collection Performance By Vote**

Table A20: Revenue Collection Performance By Vote

Revenue Collection Performance by Vote						
R' 000						
Vote Description	2018/19	2019/20			2019/20 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %
Council Speaker Council	-	-	-	-	-	-
Municipal Manager	-	-	-	-	-	-
Organisational Development and Corporate Services	141 055	141 887	137 283	156 435	110.25%	114%
Social Services	166 928	269 616	235 931	235 931	87.5%	100%
Technical and Infrastructure	860 019	1 068 967	1 092 957	884 075	82.7%	88.9%
Financial Services	46	30	35	29	96.6%	85.8%
Local development and Urban	26 891	8 716	8 775	5 659	68.3%	64.5%
<b>Total Revenue by Vote</b>	<b>1 194 939</b>	<b>1 489 321</b>	<b>1 475 086</b>	<b>1 271 950</b>	<b>85.4%</b>	<b>86.2%</b>

Appendix K (ii): Revenue Collection Performance By Source

Table A21: Revenue Collection Performance By Source

Revenue Collection Performance by Source						
R '000						
Description	2018/19	2019/20			2019/20 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget %	Adjustments Budget %
Property rates	143 648	215 204	201 773	199 277	92.6%	98.8%
Service Charges - electricity revenue	272 953	293 928	296 860	298 686	101.6%	100.6%
Service Charges - water revenue	365 987	478 442	485 493	407 802	85.2%	84%
Service Charges - sanitation revenue	27 518	29 892	29 900	28 185	94.3%	94.2%
Service Charges - refuse revenue	32 024	28 836	33 920	32 860	114%	96.9%
Service Charges – other	-	-	-	-	-	-
Rentals of facilities and equipment	5 852	6 567	6 083	5 983	91.1%	98.3%
Interest earned - external investments	3 784	1 500	2 000	4 560	304%	228%
Interest earned - outstanding debtors	37 327	36 270	41 470	45 927	126.6%	110.7%
Dividends received	115	-	100	123	-	123%
Fines	4 055	16 920	2 920	742	43.8%	25.4%
Licenses and permits	106	211	211	56	26.5%	26.5%
Agency services	-	-	-	-	-	-
Transfers recognised - operational	168 246	189 039	189 337	189 337	100.1%	100%
Other revenue	7 121	15 243	14 751	6 716	44%	45.5%
Gains on disposal of PPE	83	-	-	41	-	-
<b>Total Revenue (excluding capital transfers and</b>						

**Appendix L: Conditional Grants Received (Excluding MIG)**

Table A22: Conditional Grants Received (Excluding MIG)

Conditional Grants: excluding MIG						
R' 000						
Details	Original Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor
				Original Budget %	Adjustments Budget %	
Department of Energy	3 289	10 000	9 999	304%	99.9%	
Department of Water	10 000	15 000	8 216	82.1%	54.7%	
Regional Bulk	-	-	-	-	-	
Financial Management	1 770	2 235	2 235	126.2%	100%	
Equitable Share	163 296	183 064	183 064	112.1%	100%	
<b>Total</b>	<b>178 355</b>	<b>210 299</b>	<b>203 514</b>	<b>114.1%</b>	<b>96.8%</b>	

**Appendix M: Capital Expenditure – New & Upgrade/Renewal Programmes (Including MIG)****Appendix M (i): Capital Expenditure - New Assets Programme**

FS204 Metsimaholo - Supporting Table SC13a Monthly Budget Statement - capital expenditure on new assets by asset class - M12 June

Description	Ref	2018/19	Budget Year 2019/20							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands	1								%	
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
-										
<b>Infrastructure</b>		<b>97 638</b>	<b>181 686</b>	<b>170 736</b>	<b>12 183</b>	<b>44 135</b>	<b>170 736</b>	<b>126 601</b>	<b>74.2%</b>	<b>170 736</b>
Roads Infrastructure		20 101	9 501	9 401	3 587	6 303	9 401	3 098	33.0%	9 401
Roads		20 101	4 808	4 808	868	2 371	4 808	2 437	50.7%	4 808
Road Structures		-	-	-	-	-	-	-		-
Road Furniture		-	4 693	4 593	2 719	3 932	4 593	661	14.4%	4 593
Capital Spares		-	-	-	-	-	-	-		-
Storm water Infrastructure		-	-	-	-	-	-	-		-
Drainage Collection		-	-	-	-	-	-	-		-
Storm water Conveyance		-	-	-	-	-	-	-		-
Attenuation		-	-	-	-	-	-	-		-

Electrical Infrastructure	13 692	18 216	17 766	4 525	10 299	17 766	7 467	42.0%	17 766
Power Plants							-		
HV Substations	-	-	-	-	-	-	-		-
HV Switching Station							-		
HV Transmission Conductors							-		
MV Substations	-	150	150	-	-	150	150	100.0%	150
MV Switching Stations	-	-	-	-	-	-	-		-
MV Networks	10 759	1 650	800	-	-	800	800	100.0%	800
LV Networks	2 907	15 916	15 916	3 926	9 278	916	6 638	41.7%	15 916
Capital Spares	26	500	900	599	1 021	900	(121)	-13.4%	900
Water Supply Infrastructure	8 696	9 593	9 343	(2 250)	2 318	9 343	7 025	75.2%	9 343
Dams and Weirs							-		
Boreholes							-		
Reservoirs							-		
Pump Stations							-		
Water Treatment Works	8 696	9 593	9 343	(2 250)	2 318	9 343	7 025	75.2%	9 343
Bulk Mains							-		
Distribution	-	-	-	-	-	-	-		-
Distribution Points							-		
PRV Stations							-		
Capital Spares	-	-	-	-	-	-	-		-
Sanitation Infrastructure	55 149	144	133	6 321	25	133	108	81.1%	133
Pump Station		126	226		215	226	011		226
Reticulation	11 057	31 876	30 976	4 799	13	30	17 872	57.7%	30 976
Waste Water Treatment Works	34 756	80 000	70 000	(332)	-	70	70 000	100.0%	70 000
Outfall Sewers							-		
Toilet Facilities	9 336	32 250	32 250	1 854	12	32	20 139	62.4%	32 250
Capital Spares							-		
Solid Waste Infrastructure	-	-	-	-	-	-	-		-
Landfill Sites	-	-	-	-	-	-	-		-
Waste Transfer Stations							-		
Waste Processing Facilities							-		
Waste Drop-off Points							-		
Waste Separation Facilities	-	-	-	-	-	-	-		-
Electricity Generation Facilities							-		
Capital Spares							-		
Rail Infrastructure	-	-	-	-	-	-	-		-
Rail Lines							-		
Rail Structures							-		
Rail Furniture							-		
Drainage Collection							-		
Storm water Conveyance							-		

<i>Attenuation</i>								-		
<i>MV Substations</i>								-		
<i>LV Networks</i>								-		
<i>Capital Spares</i>								-		
Coastal Infrastructure	-	-	-	-	-	-	-	-		-
<i>Sand Pumps</i>								-		
<i>Piers</i>								-		
<i>Revetments</i>								-		
<i>Promenades</i>								-		
<i>Capital Spares</i>								-		
Information and Communication Infrastructure	-	250	1 000	-	-	1 000	1 000	100.0 %		1 000
<i>Data Centres</i>								-		
<i>Core Layers</i>								-		
<i>Distribution Layers</i>	-	250	1 000	-	-	1 000	1 000	100.0 %		1 000
<i>Capital Spares</i>								-		
<b>Community Assets</b>	<b>625</b>	<b>17 049</b>	<b>9 122</b>	<b>1 939</b>	<b>4 497</b>	<b>9 122</b>	<b>4 625</b>	<b>50.7%</b>		<b>9 122</b>
Community Facilities	621	17 005	9 098	1 939	4 497	9 098	4 601	50.6%		9 098
<i>Halls</i>	-	-	-	-	-	-	-	-		-
<i>Centres</i>								-		
<i>Crèches</i>								-		
<i>Clinics/Care Centres</i>								-		
<i>Fire/Ambulance Stations</i>	-	-	-	-	-	-	-	-		-
<i>Testing Stations</i>								-		
<i>Museums</i>								-		
<i>Galleries</i>								-		
<i>Theatres</i>								-		
<i>Libraries</i>								-		
<i>Cemeteries/Crematoria</i>	-	470	65	-	-	65	65	100.0 %		65
<i>Police</i>								-		
<i>Purfs</i>	-	-	-	-	-	-	-	-		-
<i>Public Open Space</i>	621	16 535	9 033	1 939	4 497	9 033	4 536	50.2%		9 033
<i>Nature Reserves</i>								-		
<i>Public Ablution Facilities</i>								-		
<i>Markets</i>								-		
<i>Stalls</i>	-	-	-	-	-	-	-	-		-
<i>Abattoirs</i>								-		
<i>Airports</i>								-		
<i>Taxi Ranks/Bus Terminals</i>								-		
<i>Capital Spares</i>								-		
Sport and Recreation Facilities	4	44	24	-	-	24	24	100.0 %		24
<i>Indoor Facilities</i>								-		
<i>Outdoor Facilities</i>	4	44	24	-	-	24	24	100.0 %		24
<i>Capital Spares</i>								-		
<b>Heritage assets</b>	-	-	-	-	-	-	-	-		-

Monuments							-		
Historic Buildings							-		
Works of Art							-		
Conservation Areas							-		
Other Heritage							-		
<b>Investment properties</b>	-	-	-	-	-	-	-		-
Revenue Generating	-	-	-	-	-	-	-		-
<i>Improved Property</i>							-		
<i>Unimproved Property</i>							-		
Non-revenue Generating	-	-	-	-	-	-	-		-
<i>Improved Property</i>							-		
<i>Unimproved Property</i>							-		
<b>Other assets</b>	-	3 800	2 000	-	-	2 000	2 000	100.0 %	2 000
Operational Buildings	-	3 800	2 000	-	-	2 000	2 000	100.0 %	2 000
<i>Municipal Offices</i>	-	300	-	-	-	-	-		-
<i>Pay/Enquiry Points</i>							-		
<i>Building Plan Offices</i>							-		
<i>Workshops</i>							-		
<i>Yards</i>	-	-	-	-	-	-	-		-
<i>Stores</i>							-		
<i>Laboratories</i>							-		
<i>Training Centres</i>							-		
<i>Manufacturing Plant</i>							-		
<i>Depots</i>							-		
<i>Capital Spares</i>	-	3 500	2 000	-	-	2 000	2 000	100.0 %	2 000
Housing	-	-	-	-	-	-	-		-
<i>Staff Housing</i>							-		
<i>Social Housing</i>							-		
<i>Capital Spares</i>							-		
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-		-
Biological or Cultivated Assets							-		
<b>Intangible Assets</b>	-	1 400	1 200	(831)	-	1 200	1 200	100.0 %	1 200
Servitudes							-		
Licences and Rights	-	1 400	1 200	(831)	-	1 200	1 200	100.0 %	1 200
<i>Water Rights</i>							-		
<i>Effluent Licenses</i>							-		
<i>Solid Waste Licenses</i>							-		
<i>Computer Software and Applications</i>	-	1 400	1 200	(831)	-	1 200	1 200	100.0 %	1 200
<i>Load Settlement Software Applications</i>							-		
<i>Unspecified</i>							-		
<b>Computer Equipment</b>	310	1 330	1 330	33	507	1 330	823	61.9%	1 330

Computer Equipment		310	1 330	1 330	33	507	1 330	823	61.9%	1 330
<b>Furniture and Office Equipment</b>		<b>164</b>	<b>2 636</b>	<b>1 070</b>	<b>-</b>	<b>11</b>	<b>1 070</b>	<b>1 059</b>	<b>99.0%</b>	<b>1 070</b>
Furniture and Office Equipment		164	2 636	1 070	-	11	1 070	1 059	99.0%	1 070
<b>Machinery and Equipment</b>		<b>2 449</b>	<b>1 479</b>	<b>592</b>	<b>39</b>	<b>250</b>	<b>592</b>	<b>342</b>	<b>57.8%</b>	<b>592</b>
Machinery and Equipment		2 449	1 479	592	39	250	592	342	57.8%	592
<b>Transport Assets</b>		<b>8 606</b>	<b>17 548</b>	<b>601</b>	<b>601</b>	<b>601</b>	<b>601</b>	<b>0</b>	<b>0.0%</b>	<b>601</b>
Transport Assets		8 606	17 548	601	601	601	601	0	0.0%	601
<b>Land</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
Land		-	-	-	-	-	-	-		-
<b>Zoo's, Marine and Non-biological Animals</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-		-
<b>Total Capital Expenditure on new assets</b>	<b>1</b>	<b>109 792</b>	<b>226 928</b>	<b>186 650</b>	<b>13 964</b>	<b>50 001</b>	<b>186 650</b>	<b>136 650</b>	<b>73.2%</b>	<b>186 650</b>

FS204 Metsimaholo - Supporting Table SC13b Monthly Budget Statement - capital expenditure on renewal of existing assets by asset class - M12 June

Description	Ref	2018/19	Budget Year 2019/20							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands	1								%	
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>										
-										
<b>Infrastructure</b>		<b>7 461</b>	<b>58 604</b>	<b>62 957</b>	<b>2 969</b>	<b>3 543</b>	<b>62 957</b>	<b>59 414</b>	<b>94.4%</b>	<b>62 957</b>
Roads Infrastructure		-	42 000	37 000	-	-	37 000	37 000	100.0%	37 000
Roads		-	42 000	37 000	-	-	37 000	37 000	100.0%	37 000
Road Structures										
Road Furniture										
Capital Spares										
Storm water Infrastructure		-	-	-	-	-	-	-		-
Drainage Collection										
Storm water Conveyance										
Attenuation										
Electrical Infrastructure		7 461	13 600	12 950	-	-	12 950	12 950	100.0%	12 950
Power Plants										
HV Substations										
HV Switching Station										
HV Transmission Conductors										
MV Substations										

MV Switching Stations										
MV Networks	7 461	-	-	-	-	-	-	-		-
LV Networks										
Capital Spares	-	13 600	12 950	-	-	12 950	12 950	100.0%		12 950
Water Supply Infrastructure	-	3 000	2 950	100	673	2 950	2 277	77.2%		2 950
Dams and Weirs										
Boreholes										
Reservoirs	-	-	-	-	-	-	-			-
Pump Stations										
Water Treatment Works	-	1 300	1 250	-	49	1 250	1 201	96.1%		1 250
Bulk Mains										
Distribution	-	-	-	-	-	-	-			-
Distribution Points										
PRV Stations										
Capital Spares	-	1 700	1 700	100	624	1 700	1 076	63.3%		1 700
Sanitation Infrastructure	-	4	10 057	2 869	2 869	10 057	7 188	71.5%		10 057
Pump Station	-	4	4	-	-	4	4	100.0%		4
Reticulation										
Waste Water Treatment Works	-	-	10 000	2 869	2 869	10 000	7 131	71.3%		10 000
Outfall Sewers										
Toilet Facilities										
Capital Spares	-	-	53	-	-	53	53	100.0%		53
Solid Waste Infrastructure	-	-	-	-	-	-	-			-
Landfill Sites										
Waste Transfer Stations										
Waste Processing Facilities										
Waste Drop-off Points										
Waste Separation Facilities										
Electricity Generation Facilities										
Capital Spares										
Rail Infrastructure	-	-	-	-	-	-	-			-
Rail Lines										
Rail Structures										
Rail Furniture										
Drainage Collection										
Storm water Conveyance										
Attenuation										
MV Substations										
LV Networks										
Capital Spares										
Coastal Infrastructure	-	-	-	-	-	-	-			-
Sand Pumps										
Piers										
Revetments										
Promenades										
Capital Spares										

Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
Data Centres	-	-	-	-	-	-	-	-	-
Core Layers	-	-	-	-	-	-	-	-	-
Distribution Layers	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>	-	2 983	1 733	-	-	1 733	1 733	100.0%	1 733
Community Facilities	-	2 983	1 733	-	-	1 733	1 733	100.0%	1 733
Halls	-	-	-	-	-	-	-	-	-
Centres	-	-	-	-	-	-	-	-	-
Crèches	-	-	-	-	-	-	-	-	-
Clinics/Care Centres	-	-	-	-	-	-	-	-	-
Fire/Ambulance Stations	-	-	-	-	-	-	-	-	-
Testing Stations	-	-	-	-	-	-	-	-	-
Museums	-	-	-	-	-	-	-	-	-
Galleries	-	-	-	-	-	-	-	-	-
Theatres	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Cemeteries/Crematoria	-	1 233	1 233	-	-	1 233	1 233	100.0%	1 233
Police	-	-	-	-	-	-	-	-	-
Purfs	-	-	-	-	-	-	-	-	-
Public Open Space	-	1 750	500	-	-	500	500	100.0%	500
Nature Reserves	-	-	-	-	-	-	-	-	-
Public Ablution Facilities	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-
Stalls	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-
Taxi Ranks/Bus Terminals	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Indoor Facilities	-	-	-	-	-	-	-	-	-
Outdoor Facilities	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-
<b>Heritage assets</b>	-	-	-	-	-	-	-	-	-
Monuments	-	-	-	-	-	-	-	-	-
Historic Buildings	-	-	-	-	-	-	-	-	-
Works of Art	-	-	-	-	-	-	-	-	-
Conservation Areas	-	-	-	-	-	-	-	-	-
Other Heritage	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Improved Property	-	-	-	-	-	-	-	-	-
Unimproved Property	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Improved Property	-	-	-	-	-	-	-	-	-

<i>Unimproved Property</i>									
<b>Other assets</b>	-	200	-	-	-	-	-	-	-
Operational Buildings	-	200	-	-	-	-	-	-	-
Municipal Offices	-	200	-	-	-	-	-	-	-
Pay/Enquiry Points									
Building Plan Offices									
Workshops									
Yards									
Stores									
Laboratories									
Training Centres									
<i>Manufacturing Plant</i>									
Depots									
Capital Spares									
Housing	-	-	-	-	-	-	-	-	-
Staff Housing									
Social Housing									
Capital Spares									
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets									
<b>Intangible Assets</b>	-	1 200	-	-	-	-	-	-	-
Servitudes									
Licences and Rights	-	1 200	-	-	-	-	-	-	-
Water Rights									
Effluent Licenses									
Solid Waste Licenses									
Computer Software and Applications	-	1 200	-	-	-	-	-	-	-
Load Settlement Software									
Applications									
Unspecified									
<b>Computer Equipment</b>	85	200	-	-	-	-	-	-	-
Computer Equipment	85	200	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>	-	966	404	49	78	404	326	80.7%	404
Furniture and Office Equipment	-	966	404	49	78	404	326	80.7%	404
<b>Machinery and Equipment</b>	-	521	450	-	-	450	450	100.0%	450
Machinery and Equipment	-	521	450	-	-	450	450	100.0%	450
<b>Transport Assets</b>	-	715	-	-	-	-	-	-	-
Transport Assets	-	715	-	-	-	-	-	-	-
<b>Land</b>	-	-	-	-	-	-	-	-	-
Land									
<b>Zoo's, Marine and Non-biological Animals</b>	-	-	-	-	-	-	-	-	-

Zoo's, Marine and Non-biological Animals								-		
<b>Total Capital Expenditure on renewal of existing assets</b>	<b>1</b>	<b>7 546</b>	<b>65 389</b>	<b>65 544</b>	<b>3 018</b>	<b>3 621</b>	<b>65 544</b>	<b>61 923</b>	<b>94.5%</b>	<b>65 544</b>

**Appendix N: Capital Programme by Project current year**

Table A253: Capital Programme by Project current year

Capital Programme by Project: 2019/20					
R' 000					
Capital Project	Original Budget	Adjustment Budget	Actual Budget	Variance (Act - Adj) %	Variance (Act - OB) %
<b>Sanitation/Sewerage</b>					

**Appendix O: Capital Programme by project by ward current year**

Table A26: Capital Programme by project by ward current year

Project description	Ward	Total Budget	Start Date	Completion Date	Physical Progress %	Comments
<b>MIG Projects - 2019/20</b>						
<b>DWS Projects - 2019/20</b>						
<b>EPWP Projects - 2019/20</b>						
<b>DOE Projects - 2019/20</b>						

**Appendix P: Service Connection Backlogs at Schools and Clinics**

The municipality is responsible for provision of service connections when needed. As at 30 June 2020, please insert number and the type of service connections provided, if any.

***Appendix Q: Service Backlogs Experienced by the Community where another Sphere of Government is responsible for service provision***

Other than the municipality itself, Eskom also supply electricity to certain areas within the municipality's areas of jurisdiction. There were no backlogs as a result of another sphere of government.

***Appendix R: Declaration of Loans and Grants made by the municipality***

No new loans and grants made by the municipality in 2019/2020 financial year.

***Appendix S: Declaration of returns not made due time under MFMA s71***

S71 are always submitted on time (within 10 working days)

Schedule C for January 2020 was not submitted on time, as we were not allowed to enter the municipal building.

***Appendix T: National and Provincial Outcome for local government***

Table A27: National and Provincial Outcome for local government

National and Provincial Outcomes for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
<b>Output: Improving access to basic services</b>	<u>Access to all</u> -Water -Electricity -Sanitation -Refuse	95% 85.5% 74.1% 78.1%
<b>Output: Implementation of the Community Work Programme</b>	Functional 985/1000 participants	99%
<b>Output: Deepen democracy through a refined Ward Committee model</b>	Functional	-
<b>Output: Administrative and financial capability</b>	Fair- Critical posts to be filled. Qualified Audit opinion	-

***VOLUME II – ANNUAL FINANCIAL STATEMENTS***



Metsimaholo Local Municipality  
Annual Financial Statements  
for the year ended June 2020

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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<b>Legal form of entity</b>	FS 204 - Local Municipality. Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
<b>Nature of business and principal activities</b>	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (supplying water to the public); and Rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).
<b>Mayoral Committee</b>	Mosokweni FD Mofokeng KB Malindi MJ Fisher L Semonyo LS Mokoena NP Poho MS
Executive Mayor	Tshongwe SL
Speaker	Mabasa KT
Councillors	Barnard JJ Burger GS Du Toit T Dywili NN Grobelaar JJ Kobo SS (Chairperson Streetnaming) Leotlela MG Mahlaela PM Makhefu L (Chairperson Ethics) Mare AK Maseko ME Mashia VL (Council Whip) Matwa SM Mvana MT Meyer R Mofokeng TH Mohapi P Mokoena MP Molawa M (MPAC chairperson) Motaung TA Motjeane S Motloung TM Mtshali NM Nhlapo LL Nkheloane M

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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Nnune GB  
Nteso SJ  
Taats TJ  
Telane MM  
Tsotetsi L  
Van der Merwe FJ  
Van Heerden LJ  
Zwane ZJ

### Capacity and grading of local authority

Metsimaholo Local Municipality is a grade 9 local authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998  
High Capacity  
FS 204

### Accounting Officer

S M Molala

### Chief Financial Officer (CFO)

Acting  
Ms K Lepesa

### Registered office

Civic Centre  
Fichardt Street  
Sasolburg  
1947

### Business address

Civic Centre  
Fichardt Street  
Sasolburg  
1947

### Postal address

PO Box 60  
Sasolburg  
1947

### Bankers

The Standard Bank of South Africa Ltd  
ABSA Bank Ltd

### Auditors

Auditor-General of South Africa

### Attorneys

Katake Attorneys  
Khumalo Masondo Attorneys Incorporated  
Lawrence Melato Incorporated Nchupetsang  
Incorporated Attorneys  
Ponoane Attorney, Notaries and Conveyancers Popela  
Maake Incorporated  
Raphela Inc. Attorneys  
Verveen Attorneys Lizele  
Venter Attorneys

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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### Legislation governing the municipality's operations

Local Government: Municipal Finance Management Act (Act No. 56 of 2003)

Local Government: Municipal Systems Act (Act No. 32 of 2000) Local

Government: Municipal Structures Act (Act No. 117 of 1998)

Constitution of the Republic of South Africa (Act No. 108 of 1996)

Municipal Property Rates Act (Act No. 6 2004)

Division of Revenue Act (Act No. 1 of 2007)

### Jurisdiction

Metsimaholo Local Municipality is a local government institution and is located in the Free State Province of South Africa and is one of four municipalities under the jurisdiction of the Fezile Dabi District Municipality.

Cities/Towns:

Sasolburg, Oranjeville, Deneysville , Viljoensdrift, Zamdela, Refenggotso and Metsimaholo

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Index

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

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ASB	Accounting Standard Board
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Officer's Responsibilities and Approval

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The Accounting Officer is responsible for the preparation of the audited financial statements in terms of section 126(1) of the Municipal Finance Management Act (Act 56 of 2003). The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

I am 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.

I have reviewed the municipality's cash flow forecast for the year to June 30, 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the community and government 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 I am primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 31 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 6 to page 122, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 October 2020.

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**Accounting Officer**

**Sasolburg**

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019
<b>Assets</b>			
Current Assets			
Inventories	9	1,183,309	1,467,433
Fruitless and wasteful expenditure recoverable		18,451,758	18,451,758
Other financial assets	7	2,730,475	3,640,357
Receivables from exchange transactions	10&13	230,022,645	169,524,819
Receivables from non-exchange transactions	11&13	57,221,498	46,441,383
Cash and cash equivalents	14	44,671,390	13,877,193
		<b>354,281,075</b>	<b>253,402,943</b>
Non-Current Assets			
Investment property	3	444,879,258	445,937,342
Property, plant and equipment	4	1,225,813,747	1,223,944,817
Intangible assets	5	4,555,920	4,189,199
Heritage assets	6	4,427,968	4,427,969
Receivables from exchange transactions	10	45,118	567,217
		<b>1,679,722,011</b>	<b>1,679,066,544</b>
<b>Total Assets</b>		<b>2,034,003,086</b>	<b>1,932,469,487</b>
<b>Liabilities</b>			
Current Liabilities			
Short term portion - long term loan	17		- 1,634,939
Finance lease obligation	15	3,287,522	3,347,599
Payables from exchange transactions	19	281,446,155	255,279,180
VAT payable	20	11,092,173	5,906,118
Consumer deposits	21	25,477,270	24,100,760
Employee benefit obligation	8	3,700,083	4,565,000
Unspent conditional grants and receipts	16	27,116,049	8,360,979
		<b>352,119,252</b>	<b>303,194,575</b>
Non-Current Liabilities			
Finance lease obligation	15	540,509	3,828,028
Employee benefit obligation	8	54,084,377	50,116,000
Provisions	18	87,620,304	84,337,965
		<b>142,245,190</b>	<b>138,281,993</b>
<b>Total Liabilities</b>		<b>494,364,442</b>	<b>441,476,568</b>
<b>Net Assets</b>		<b>1,539,638,644</b>	<b>1,490,992,919</b>
Accumulated surplus		1,539,638,644	1,490,992,919

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	767,532,947	693,519,589
Rental of facilities and equipment		5,983,037	5,854,292
Interest received - consumers		37,983,021	31,535,822
Income legal costs		3,901,301	2,755,174
Sale of stands		225,881	396,849
Operational revenue	25	2,544,036	3,516,521
Interest received - investment	26	4,490,865	3,408,691
Adjustments to assets			- 1,513,879
Fair value adjustments on other financial assets			- 374,946
Dividends received	26	123,203	115,088
<b>Total revenue from exchange transactions</b>		<b>822,784,291</b>	<b>742,990,851</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	199,276,819	143,648,432
Licenses and permits (non-exchange)		56,315	105,569
Interest received -outstanding property rates		7,944,355	5,791,011
<b>Transfer revenue</b>			
Government grants and subsidies	29	237,140,395	269,173,065
Public contributions and donations	30	18,989,933	33,923,437
Fines, penalties and forfeits	23	2,507,907	4,055,117
<b>Total revenue from non-exchange transactions</b>		<b>465,915,724</b>	<b>456,696,631</b>
<b>Total revenue</b>		<b>1,288,700,015</b>	<b>1,199,687,482</b>
<b>Expenditure</b>			
Employee related costs	31	(307,824,153)	(288,068,845)
Remuneration of councillors	32	(19,379,734)	(17,554,110)
Depreciation and amortisation	33	(46,367,646)	(77,805,135)
Finance costs	34	(9,386,032)	(8,801,843)
Lease rentals on operating lease	24	(3,989,115)	(7,671,201)
Debt impairment	35	(230,763,368)	(234,585,991)
Bulk purchases	36	(449,401,794)	(397,419,784)
Contracted services	37	(79,498,478)	(82,659,736)
Transfers and subsidies	28	(175,615)	(301,033)
Loss on investment share price		(886,215)	-
Inventories losses/write-downs		(88,633)	(193,720)
Operating expenditure	38	(92,293,507)	(82,201,942)
<b>Total expenditure</b>		<b>(1,240,054,290)</b>	<b>(1,197,263,340)</b>
<b>Surplus for the year</b>		<b>48,645,725</b>	<b>2,424,142</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus	Total net assets
Opening balance as previously reported	1,509,732,176	1,509,732,176	
Adjustments			
Prior year adjustments	(21,163,399)		(21,163,399)
<b>Balance at 01 July 2018 as restated*</b>	<b>1,488,568,777</b>	<b>1,488,568,777</b>	
Changes in net assets			
Surplus for the year	2,424,142		2,424,142
Total changes	2,424,142		2,424,142
<b>Balance at 01 July 2019</b>	<b>1,490,992,919</b>	<b>1,490,992,919</b>	
Changes in net assets			
Surplus for the year	48,645,725		48,645,725
Total changes	48,645,725		48,645,725
<b>Balance at 30 June 2020</b>	<b>1,539,638,644</b>	<b>1,539,638,644</b>	

Refer to note 44 for prior year adjustments

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Cash Flow Statement

Figures in Rand	Note(s)	2020	2019
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property Rates		160,589,903	116,494,972
Service charges		550,628,029	489,062,798
Grants		268,259,394	284,828,097
Interest income		4,490,865	3,408,691
Dividends received		123,203	115,088
Other receipts		16,618,654	19,790,498
VAT Receivable/Payable		5,186,055	8,000,463
		<b>1,005,896,103</b>	<b>921,700,607</b>
<b>Payments</b>			
Employee Related costs		(299,921,743)	(280,447,142)
Remuneration of Councillors		(19,379,734)	(17,554,110)
Suppliers paid		(608,858,656)	(560,813,062)
Finance costs		(379,912)	(372,980)
		<b>(928,540,045)</b>	<b>(859,187,294)</b>
<b>Net cash flows from operating activities</b>	39	<b>77,356,058</b>	<b>62,513,313</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(40,919,194)	(71,445,858)
Proceeds from sale of property, plant and equipment	4	-	8,182,172
Purchase of investment property	3	-	(478,439)
Purchase of other intangible assets	5	-	15,872
Purchases of heritage assets	6	-	(133,986)
<b>Net cash flows from investing activities</b>		<b>(40,919,194)</b>	<b>(63,860,239)</b>
<b>Cash flows from financing activities</b>			
Movement in Long Term Loan		(1,742,712)	(1,501,886)
Finance lease payments		(3,899,955)	(4,316,889)
<b>Net cash flows from financing activities</b>		<b>(5,642,667)</b>	<b>(5,818,775)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30,794,197</b>	<b>(7,165,701)</b>
Cash and cash equivalents at the beginning of the year		13,877,193	21,042,894
<b>Cash and cash equivalents at the end of the year</b>	14	<b>44,671,390</b>	<b>13,877,193</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments on comparable basis	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	260,000	(250,000)	<b>10,000</b>	-	<b>(10,000)</b>	
Service charges	831,098,130	15,074,640	<b>846,172,770</b>	767,532,947	<b>(78,639,823)</b>	55.1
Rental of facilities and equipment	6,566,910	(484,000)	<b>6,082,910</b>	5,983,037	<b>(99,873)</b>	
Interest received (trading)	30,869,800	2,759,400	<b>33,629,200</b>	37,983,021	<b>4,353,821</b>	
Income legal cost	5,300,000	(300,000)	<b>5,000,000</b>	3,901,301	<b>(1,098,699)</b>	55.4
Sale of land	5,107,260	18,000	<b>5,125,260</b>	225,881	<b>(4,899,379)</b>	55.22
Other income - (rollup)	3,576,190	39,570	<b>3,615,760</b>	2,544,036	<b>(1,071,724)</b>	55.3
Interest received - investment	1,500,000	500,000	<b>2,000,000</b>	4,490,865	<b>2,490,865</b>	55.5
Dividends received	-	100,000	<b>100,000</b>	123,203	<b>23,203</b>	55.6
<b>Total revenue from exchange transactions</b>	<b>884,278,290</b>	<b>17,457,610</b>	<b>901,735,900</b>	<b>822,784,291</b>	<b>(78,951,609)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	215,204,160	(13,431,350)	<b>201,772,810</b>	199,276,819	<b>(2,495,991)</b>	55.7
Licenses and Permits (Non-exchange)	210,930	-	<b>210,930</b>	56,315	<b>(154,615)</b>	55.2
Interest received - outstanding property	5,400,000	2,440,450	<b>7,840,450</b>	7,944,355	<b>103,905</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	367,308,000	(6,702,000)	<b>360,606,000</b>	237,140,395	<b>(123,465,605)</b>	55.8
Public contributions and donations	-	-	-	18,989,933	<b>18,989,933</b>	55.9
Fines, Penalties and Forfeits	16,920,100	(14,000,000)	<b>2,920,100</b>	2,507,907	<b>(412,193)</b>	55.10
<b>Total revenue from non-exchange transactions</b>	<b>605,043,190</b>	<b>(31,692,900)</b>	<b>573,350,290</b>	<b>465,915,724</b>	<b>(107,434,566)</b>	
<b>Total revenue</b>	<b>1,489,321,480</b>	<b>(14,235,290)</b>	<b>1,475,086,190</b>	<b>1,288,700,015</b>	<b>(186,386,175)</b>	
<b>Expenditure</b>						
Personnel	(359,389,670)	25,561,270	<b>(333,828,400)</b>	(307,824,153)	<b>26,004,247</b>	55.11
Remuneration of councillors	(19,855,440)	-	<b>(19,855,440)</b>	(19,379,734)	<b>475,706</b>	55.12
Depreciation and amortisation	(83,085,060)	479,677	<b>(82,605,383)</b>	(46,367,646)	<b>36,237,737</b>	55.13
Finance costs	(6,448,030)	4,622,680	<b>(1,825,350)</b>	(9,386,032)	<b>(7,560,682)</b>	55.14
Lease rentals on operating lease	(10,550,180)	5,316,290	<b>(5,233,890)</b>	(3,989,115)	<b>1,244,775</b>	55.15
Debt Impairment	(152,750,950)	(10,239,630)	<b>(162,990,580)</b>	(230,763,368)	<b>(67,772,788)</b>	55.16
Bulk purchases	(479,006,620)	-	<b>(479,006,620)</b>	(449,401,794)	<b>29,604,826</b>	55.17
Contracted Services	(110,421,000)	4,619,420	<b>(105,801,580)</b>	(79,498,478)	<b>26,303,102</b>	
Transfers and Subsidies	(42,020)	(114,000)	<b>(156,020)</b>	(175,615)	<b>(19,595)</b>	55.18
General Expenses	(88,838,585)	(7,418,690)	<b>(96,257,275)</b>	(92,293,507)	<b>3,963,768</b>	55.19 & 55.20
<b>Total expenditure</b>	<b>(1,310,387,555)</b>	<b>22,827,017</b>	<b>(1,287,560,538)</b>	<b>(1,239,079,442)</b>	<b>48,481,096</b>	
<b>Operating surplus</b>	<b>178,933,925</b>	<b>8,591,727</b>	<b>187,525,652</b>	<b>49,620,573</b>	<b>(137,905,079)</b>	
Loss on foreign exchange	-	-	-	(886,215)	<b>(886,215)</b>	55.21
Inventories losses/write-downs	-	-	-	(88,633)	<b>(88,633)</b>	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments on comparable basis	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
-			-	-	(974,848)	(974,848)
<b>Surplus before taxation</b>	<b>178,933,925</b>	<b>8,591,727</b>	<b>187,525,652</b>	<b>48,645,725</b>	<b>(138,879,927)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>178,933,925</b>	<b>8,591,727</b>	<b>187,525,652</b>	<b>48,645,725</b>	<b>(138,879,927)</b>	
<b>Reconciliation</b>						

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## 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						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	18,676,480	(17,054,046)	<b>1,622,434</b>	1,183,309	<b>(439,125)</b>	55.23
Loans to economic entities		- 18,451,758	<b>18,451,758</b>	18,451,758		-
Other financial assets	3,851,498	78,859	<b>3,930,357</b>	2,730,475	<b>(1,199,882)</b>	55.24
Receivables from exchange transactions	221,825,312	(74,399,787)	<b>147,425,525</b>	230,022,645	<b>82,597,120</b>	55.25
Receivables from non-exchange transactions	69,741,490	(4,691,561)	<b>65,049,929</b>	57,221,498	<b>(7,828,431)</b>	55.25
Cash and cash equivalents	30,328,180	(16,461,181)	<b>13,866,999</b>	44,671,390	<b>30,804,391</b>	55.26
	<b>344,422,960</b>	<b>(94,075,958)</b>	<b>250,347,002</b>	<b>354,281,075</b>	<b>103,934,073</b>	
<b>Non-Current Assets</b>						
Investment property	86,658,916	207,442,121	<b>294,101,037</b>	444,879,258	<b>150,778,221</b>	55.27
Property, plant and equipment	1,533,976,689	27,794,982	<b>1,561,771,671</b>	1,225,813,747	<b>(335,957,924)</b>	55.27 & 55.28
Intangible assets	4,587,601	(3,663,219)	<b>924,382</b>	4,555,920	<b>3,631,538</b>	55.27
Heritage assets	561,001	-	<b>561,001</b>	4,427,968	<b>3,866,967</b>	55.27
Receivables from exchange transactions		-	-	- 45,118	<b>45,118</b>	55.25
	<b>1,625,784,207</b>	<b>231,573,884</b>	<b>1,857,358,091</b>	<b>1,679,722,011</b>	<b>(177,636,080)</b>	
<b>Total Assets</b>	<b>1,970,207,167</b>	<b>137,497,926</b>	<b>2,107,705,093</b>	<b>2,034,003,086</b>	<b>(73,702,007)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Short term portion - long term loan		- 1,996,772	<b>1,996,772</b>		<b>(1,996,772)</b>	55.29
Finance lease obligation	4,363,878	(1,076,360)	<b>3,287,518</b>	3,287,522		4
Payables from exchange transactions	151,363,198	167,095,022	<b>318,458,220</b>	281,446,155	<b>(37,012,065)</b>	
VAT payable	10,026,756	(85,944,490)	<b>(75,917,734)</b>	11,092,173	<b>87,009,907</b>	55.30
Consumer deposits	26,293,783	4,593,987	<b>30,887,770</b>	25,477,270	<b>(5,410,500)</b>	
Employee benefit obligation		-	-	- 3,700,083	<b>3,700,083</b>	
Unspent conditional grants and receipts		- 784,040	<b>784,040</b>	27,116,049	<b>26,332,009</b>	55.31
	<b>192,047,615</b>	<b>87,448,971</b>	<b>279,496,586</b>	<b>352,119,252</b>	<b>72,622,666</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	22,365,291	(21,824,781)	<b>540,510</b>	540,509		(1)
Employee benefit obligation	49,633,247	10,347,753	<b>59,981,000</b>	54,084,377	<b>(5,896,623)</b>	
Provisions	43,431,342	46,230,211	<b>89,661,553</b>	87,620,304	<b>(2,041,249)</b>	
Borrowings	37,204,326	(2,012,685)	<b>35,191,641</b>		<b>(35,191,641)</b>	55.29
	<b>152,634,206</b>	<b>32,740,498</b>	<b>185,374,704</b>	<b>142,245,190</b>	<b>(43,129,514)</b>	
<b>Total Liabilities</b>	<b>344,681,821</b>	<b>120,189,469</b>	<b>464,871,290</b>	<b>494,364,442</b>	<b>29,493,152</b>	
<b>Net Assets</b>	<b>1,625,525,346</b>	<b>17,308,457</b>	<b>1,642,833,803</b>	<b>1,539,638,644</b>	<b>(103,195,159)</b>	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments on comparable basis	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1,625,525,346	17,308,457	<b>1,642,833,803</b>	1,539,638,644	<b>(103,195,159)</b>	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Figures in Rand

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<b>Reported</b>	<b>Expenditure</b>	<b>Balance to be</b>	<b>Restated</b>
<b>unauthorised</b>	<b>authorised in</b>	<b>recovered</b>	<b>audited outcome</b>
<b>expenditure</b>	<b>terms of</b>		
	<b>section 32 of</b>		
	<b>MFMA</b>		

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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget outcome	Actual	Unauthorised expenditure	Variance	Actual Outcome as % of final budget	Actual outcome as % of original budget
<b>2020</b>											
<b>Financial Performance</b>											
Property rates	215 204 160	(13 431 350)	201 772 810	-	-	201 772 810	199 276 819	-	(2 495 991)	99 %	93 %
Service charges	831,098,130	15,074,640	846,172,770	-	-	846,172,770	767,532,947	-	(78,639,823)	91 %	92 %
Investment revenue	1,500,000	600,000	2,100,000	-	-	2,100,000	4,614,068	-	2,514,068	220 %	308 %
Transfers recognised - operational	190,038,600	298,000	190,336,600	-	-	190,336,600	201,482,134	-	11,145,534	106 %	106 %
Other own revenue	74,211,190	(9,776,580)	64,434,610	-	-	64,434,610	61,145,853	-	(3,288,757)	95 %	82 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,312,052,080</b>	<b>(7,235,290)</b>	<b>1,304,816,790</b>	<b>-</b>	<b>-</b>	<b>1,304,816,790</b>	<b>1,234,051,821</b>	<b>-</b>	<b>(70,764,969)</b>	<b>95 %</b>	<b>94 %</b>
Employee costs	(359,389,670)	25,561,270	(333,828,400)	-	-	(333,828,400)	(307,824,153)	-	26,004,247	92 %	86 %
Remuneration of councillors	(19,855,440)	-	(19,855,440)	-	-	(19,855,440)	(19,379,734)	-	475,706	98 %	98 %
Debt impairment	(152,750,950)	(10,239,630)	(162,990,580)	-	-	(162,990,580)	(230,763,368)	-	(67,772,788)	142 %	151 %
Depreciation and asset impairment	(83,085,060)	479,677	(82,605,383)	-	-	(82,605,383)	(46,367,646)	-	36,237,737	56 %	56 %
Finance charges	(6,448,030)	4,622,680	(1,825,350)	-	-	(1,825,350)	(9,386,032)	-	(7,560,682)	514 %	146 %
Materials and bulk purchases	(479,006,620)	-	(479,006,620)	-	-	(479,006,620)	(449,401,794)	-	29,604,826	94 %	94 %
Transfers and grants	(42,020)	(114,000)	(156,020)	-	-	(156,020)	(175,615)	-	(19,595)	113 %	418 %
Other expenditure	(209,809,765)	2,517,020	(207,292,745)	-	-	(207,292,745)	(176,755,948)	-	30,536,797	85 %	84 %
<b>Total expenditure</b>	<b>(1,310,387,555)</b>	<b>22,827,017</b>	<b>(1,287,560,538)</b>	<b>-</b>	<b>-</b>	<b>(1,287,560,538)</b>	<b>(1,240,054,290)</b>	<b>-</b>	<b>47,506,248</b>	<b>96 %</b>	<b>95 %</b>
<b>Surplus/(Deficit)</b>	<b>1,664,525</b>	<b>15,591,727</b>	<b>17,256,252</b>	<b>-</b>	<b>-</b>	<b>17,256,252</b>	<b>(6,002,469)</b>	<b>(23,258,721)</b>	<b>(35)%</b>	<b>(361)%</b>	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Figures in Rand

	Original	Budget	Final	Shifting of	Virement	Final budget	Actual	Unauthorised	Variance	Actual	Actual
as % of final budget	budget	adjustments	adjustments	funds (i.t.o.	(i.t.o. council	outcome		expenditure		outcome	outcome
		(i.t.o. s28 and	budget	s31 of the	approved					as % of	as % of
		s31 of the		MFMA)	policy)					original	original
		MFMA)								budget	budget
Transfers recognised - capital	177,269,400	(7,000,000)	170,269,400	-		170,269,400	35,658,261		(134,611,139)	21 %	20 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	18,989,933		18,989,933	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>178,933,925</b>	<b>8,591,727</b>	<b>187,525,652</b>	<b>-</b>		<b>187,525,652</b>	<b>48,645,725</b>		<b>(138,879,927)</b>	<b>26 %</b>	<b>27 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>178,933,925</b>	<b>8,591,727</b>	<b>187,525,652</b>	<b>-</b>		<b>187,525,652</b>	<b>48,645,725</b>		<b>(138,879,927)</b>	<b>26 %</b>	<b>27 %</b>

### Capital expenditure and funds sources

Total capital expenditure	281,435,800	(36,895,831)	244,539,969	-		244,539,969	59,172,409		(185,367,560)	24 %	21 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	177,269,400	(6,398,931)	170,870,469	-		170,870,469	50,048,226		(120,822,243)	29 %	28 %
Public contributions and donations	-	-	-	-		-	6,626,004		6,626,004	DIV/0 %	DIV/0 %
Borrowing	55,972,400	(18,263,400)	37,709,000	-		37,709,000	-		(37,709,000)	- %	- %
Internally generated funds	61,275,300	(17,660,500)	43,614,800	-		43,614,800	2,498,179		(41,116,621)	6 %	4 %
<b>Total sources of capital funds</b>	<b>294,517,100</b>	<b>(42,322,831)</b>	<b>252,194,269</b>	<b>-</b>		<b>252,194,269</b>	<b>59,172,409</b>		<b>(193,021,860)</b>	<b>23 %</b>	<b>20 %</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Figures in Rand

	Original	Budget	Final	Shifting of	Virement	Final budget	Actual	Unauthorised	Variance	Actual	Actual
as % of final budget	budget	adjustments (i.t.o. s28 and s31 of the MFMA)	adjustments budget	funds (i.t.o. s31 of the MFMA)	(i.t.o. council approved policy)	outcome		expenditure		outcome	outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	234,869,000	(38,160,770)	196,708,230	-	-	196,708,230	77,356,058	-	(119,352,172)	39 %	33 %
Net cash from (used) investing	(286,467,000)	61,073,800	(225,393,200)	-	-	(225,393,200)	(40,919,194)	-	184,474,006	18 %	14 %
Net cash from (used) financing	50,359,000	(17,753,075)	32,605,925	-	-	32,605,925	(5,642,667)	-	(38,248,592)	(17)%	(11)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,239,000)</b>	<b>5,159,955</b>	<b>3,920,955</b>	-	-	<b>3,920,955</b>	<b>30,794,197</b>	-	<b>26,873,242</b>	<b>785 %</b>	<b>(2,485)%</b>
Cash and cash equivalents at the beginning of the year	35,419,000	(21,542,000)	13,877,000	-	-	13,877,000	13,877,193	-	193	100 %	39 %
<b>Cash and cash equivalents at year end</b>	<b>34,180,000</b>	<b>(16,382,045)</b>	<b>17,797,955</b>	-	-	<b>17,797,955</b>	<b>44,671,390</b>	-	<b>(26,873,435)</b>	<b>251 %</b>	<b>131 %</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Figures in Rand

	Reported	Expenditure	Balance to be Restated
	unauthorised expenditure	authorised in terms of section 32 of MFMA	recovered audited outcome
<b>2019</b>			
<b>Financial Performance</b>			
Property rates			143,648,432
Service charges			693,519,589
Investment revenue			3,523,779
Transfers recognised - operational			178,079,553
Other own revenue			59,389,422
<b>Total revenue (excluding capital transfers and contributions)</b>			<b>1,078,160,775</b>
Employee costs	-	-	-(288,068,845)
Remuneration of councillors	-	-	-(17,554,110)
Debt impairment	-	-	-(234,585,991)
Depreciation and asset impairment	-	-	-(77,805,135)
Finance charges	-	-	-(8,801,843)
Materials and bulk purchases	-	-	-(397,419,784)
Transfers and grants	-	-	-(301,033)
Other expenditure	-	-	-(176,322,410)
<b>Total expenditure</b>	-	-	<b>-(1,200,859,151)</b>
<b>Surplus/(Deficit)</b>			<b>(122,698,376)</b>
Transfers recognised - capital			91,093,512
Contributions recognised - capital and contributed assets			33,923,437
<b>Surplus (Deficit) after capital transfers and contributions</b>			<b>2,318,573</b>
<b>Surplus/(Deficit) for the year</b>			<b>2,318,573</b>
<b>Capital expenditure and funds sources</b>			
Total capital expenditure			114,974,334

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Figures in Rand

	Reported	Expenditure	Balance to be Restated
<b>unauthorised expenditure</b>		<b>authorised in terms of section 32 of MFMA</b>	<b>recovered audited outcome</b>
<hr/>			
<b>Cash flows</b>			
Net cash from (used) operating			62,513,313
Net cash from (used) investing			(63,860,239)
Net cash from (used) financing			(5,818,775)
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>(7,165,701)</b>
Cash and cash equivalents at the beginning of the year			21,042,894
<b>Cash and cash equivalents at year end</b>			<b>13,877,193</b>

Accordance to the MFMA and MFMA Circular 12, unauthorised expenditure relates to overspending of the total amount appropriated for a vote which should be according to GFS functions in terms of circular 12. According to this circular, departments must be defined in terms of functions (eg electricity, water, sanitation etc.) To facilitate comparisons, functions in government must be related to international classification system like the Government Finance Statistics (GFS) system. The GFS functions provide a reasonable high level grouping of related service delivery activities for local government.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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Figures in Rand	Note(s)	2020	2019
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### 1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

#### 1.1 Going concern assumption

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

The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the Going concern assumption.

#### 1.2 Materiality

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

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

#### 1.3 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:

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### Loans and receivables

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

The impairment for loans and receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and poor payment history/default of payments are all considered indicators of impairment.

For loans and receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

#### Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided

The write down is included in surplus or deficit.

#### Fair value estimation

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

#### 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 selling price assumption may change, for example, which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

#### Value in use of cash-generating assets

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

#### Value in use of non-cash-generating asset

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

#### Provisions

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

#### Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 8.

#### Effective interest rate

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

#### Allowance for doubtful debts

On trade receivables from exchange and non-exchange, 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 trade receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these nonexchange receivables.

#### Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

#### Budget Information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

#### Water Inventory

The estimation of the Water Inventory in reservoirs is based on actual dip readings, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. t

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.4 Investment property

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

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

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

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

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

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

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

#### Cost model

Subsequent to initial measurement Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

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

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

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

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

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

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

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 are 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:

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<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Land	Straight-line	Indefinite
Buildings	Straight-line	50 years
Plant and machinery	Straight-line	3-15 years
Furniture and office equipment	Straight-line	3-30 years
Motor vehicles	Straight-line	3-20 years
IT equipment	Straight-line	3-10 years
Infrastructure	Straight-line	3-50 years
Community	Straight-line	50 years

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

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual audited financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted (see note 11).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

### 1.7 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software as intangible assets.

An asset is identifiable if it either:

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

Amortisation is provided on a straight-line basis over the expected useful lives of the intangible assets

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Amortisation is provided to write down the intangible assets, on a straight-line basis, on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

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

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Intangible assets are derecognised:

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

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

### 1.8 Heritage assets

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. The municipality has classified a site of historical significance and council regalia as heritage assets.

#### 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.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 6 - Heritage assets.

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

Subsequent to initial measurement, classes of heritage assets are carried at cost less any accumulated impairment losses.

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### 1.8 Heritage assets (continued)

#### 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. The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

### 1.9 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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## Accounting Policies

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### 1.9 Financial instruments (continued)

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

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the 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 entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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.

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

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

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

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

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

- derivatives;
- 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.

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## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Classification

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

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other financial assets - collateral	Financial asset measured at amortised cost
Other financial assets - Shares	Financial asset measured at fair value

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

<b>Class</b>	<b>Category</b>
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Taxes and transfers payable	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

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### 1.9 Financial instruments (continued)

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality 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 plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

#### 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 fair value.

Financial instruments at amortised cost. Financial

instruments at cost.

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### 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.

#### 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

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## Accounting Policies

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### 1.9 Financial instruments (continued)

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 (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced 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 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.

### 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:

- derecognises the asset; and
- recognises 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.

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

#### 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.

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).

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Presentation

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

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

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

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

### 1.10 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

#### Operating leases - lessee

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

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

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

### 1.11 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.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.11 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value or current replacement cost . Inventories

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the FIFO Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

### 1.12 Fruitless and Wasteful expenditure recoverable

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 and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 50 - Fruitless and wasteful expenditure.

### 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.

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## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows: the current profitability of the unit, as well as management's assessment of the possibility of a unit becoming profitable.

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

#### Identification

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

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

#### Value in use

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

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

# Metsimaholo Local Municipality

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### 1.13 Impairment of cash-generating assets (continued)

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the

products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments, where applicable.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Cash-generating units

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

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

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

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

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

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

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

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

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### 1.13 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

#### Redesignation

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

### 1.14 Impairment of non-cash-generating assets

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows: consideration is given to the nature of the asset, whether it is primarily to provide a service to the community, and whether there is any realistic possibility of the asset being used in a commercial and profitable manner.

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## Accounting Policies

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

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

#### Identification

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

#### Redesignation

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

### 1.15 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

### 1.16 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

The municipality accounts for VAT on the payment basis.

### 1.17 Employee benefits

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

benefits are employee benefits payable as a result of either:

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

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

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

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.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Provision for Staff Leave

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

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

Accumulated leave is vesting.

#### Staff Bonuses Accrued

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

#### Post-employment benefits

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

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

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

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

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

The 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 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.

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

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

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.17 Employee benefits (continued)

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.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees

The municipality's liability is based on an actuarial valuation. The projected Unit Credit Method is used to determine the present value of the obligation.

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

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

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

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

### 1.18 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.18 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 the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or  
a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

1.13 and 1.14.

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.19 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 made in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to leases. Refer to notes 16 Finance lease obligation and 42 - Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements.

The municipality discloses capital commitments (Property Plant and Equipment, Investment properties, Intangible assets and Heritage assets) in the financial statements, as well as future minimum lease payments for each of the following periods if applicable:

Within one year;

In second to fifth year inclusive; and Later than five years

### 1.20 Revenue from exchange transactions

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

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

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

### Measurement

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

### Sale of goods

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.20 Revenue from exchange transactions (continued)

#### Rendering of services

Service charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

#### Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.20 Revenue from exchange transactions (continued)

#### Interest and dividends

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

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

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

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

### 1.21 Revenue from non-exchange transactions

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

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, the municipality 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.

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

#### Recognition

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

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

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

#### Measurement

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

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

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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.21 Revenue from non-exchange transactions (continued)

#### Property Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time- proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

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

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

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

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

#### Transfers

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

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

#### Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. The debt is written off and recognised as an expense.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

Fines constitute both spotfines and summonses.

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

#### Gifts and donations, including goods in-kind

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.21 Revenue from non-exchange transactions (continued)

#### Services in-kind

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

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

#### Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

\*Unspent conditional grants are recognised as a liability when the grant is received.

\*When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.

\*The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

\*Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

#### Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

### 1.22 Investment income

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

### 1.23 Borrowing costs

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 44 - Comparative figures.

### 1.25 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 and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 50 - Unauthorised expenditure..

### 1.26 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.

For details on fruitless and wasteful expenditure, refer to note 51 - Fruitless and wasteful expenditure..

### 1.27 Irregular expenditure

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 52 - Irregular expenditure.

### 1.28 Budget information

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.28 Budget information (continued)

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.29 Related parties

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

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

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

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

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

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

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

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

### 1.30 Events after reporting date

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

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

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

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

### 1.31 Accumulated surplus/(deficit)

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.32 Grants in Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:  
receive any goods or services directly in return, as would be expected in a purchase of sale transaction; expect to be repaid in future; or  
expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation: Years beginning on or after	Effective date:	Expected impact:
• GRAP 18 (as amended 2016)	01 April 2020	Unlikely there will be a material impact
• Guideline on the Application of Materiality to Financial Statements	01 April 2021 material impact	Unlikely there will be a material impact
• Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	04 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020 material impact	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020 material impact	Unlikely there will be a material impact

#### Additional text

- Additional text
- Additional text
- Additional text

The effective date of the is for years beginning on or after .

The municipality expects to adopt the for the first time in the 2000 annual financial statements.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2020			2019		
	Cost / Accumulated Carrying value			Cost / Accumulated Carrying value		
	Valuation	depreciation and accumulated impairment	Valuation		depreciation and accumulated impairment	
Land and buildings	472,384,777	(27,505,519)	444,879,258	472,384,777	(26,447,435)	445,937,342

#### Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Land and buildings	445,937,342	(1,058,084)	444,879,258

#### Reconciliation of investment property - 2019

	Opening balance	Disposals	Depreciation	Total
Land and buildings	447,513,148	(476,060)	(1,099,746)	445,937,342

#### Pledged as security

No investment property was pledged as security.:

#### Rental income generated

During the year, rental income of R5 944 313 (2019: R5 585 582) was generated from investment property (primarily hostels).

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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Figures in Rand	2020	2019
<b>3. Investment property (continued)</b>		
<b>Maintenance of investment property</b>		
Expenditure during the year	<u>10,000</u>	<u>2,500</u>

Maintenance is low due to cash constraints and necessary cost cutting.

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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2020			2019		
	Cost / Accumulated Carrying value			Cost / Accumulated Carrying value		
	Valuation	depreciation and accumulated impairment	Valuation		depreciation and accumulated impairment	
Land	-	-	-	-	-	-
Buildings	52,763,371	(20,405,586)	32,357,785	52,535,871	(20,428,134)	32,107,737
Leasehold property	11,432,825	(4,241,453)	7,191,372	11,889,827	(3,239,748)	8,650,079
Plant and machinery	53,444,441	(29,931,841)	23,512,600	49,942,933	(29,154,018)	20,788,915
Furniture and fixtures	8,838,595	(6,170,039)	2,668,556	7,212,030	(6,289,120)	922,910
Motor vehicles	21,490,671	(11,968,854)	9,521,817	28,334,304	(12,227,340)	16,106,964
IT equipment	19,832,770	(15,185,222)	4,647,548	19,426,836	(16,123,763)	3,303,073
Infrastructure	2,344,637,064	1,348,185,922)	996,451,142	2,304,284,696	1,311,280,111)	993,004,585
Community	178,272,508	(28,809,581)	149,462,927	155,203,928	(6,143,374)	149,060,554
<b>Total</b>	<b>2,690,712,245</b>	<b>(1,464,898,498)</b>	<b>1,225,813,747</b>	<b>2,628,830,425</b>	<b>(1,404,885,608)</b>	<b>1,223,944,817</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Donations	WIP Additions	Adjustment of opening balances	Depreciation	Total
Buildings	32,107,737	-	-	-	1,436,039	(1,185,991)	32,357,785
Leased assets	8,650,079	-	-	-	(1,358,594)	(100,113)	7,191,372
Plant and machinery	20,788,915	853,897	-	-	2,506,305	(636,517)	23,512,600
Furniture and fixtures	922,910	174,239	-	-	1,317,238	254,169	2,668,556
Motor vehicles	16,106,964	-	601,069	-	(6,271,941)	(914,275)	9,521,817
IT equipment	3,303,073	433,895	-	-	52,477	858,103	4,647,548
Infrastructure	993,004,585	1,036,148	5,818,717	45,551,037	(7,245,772)	(41,713,573)	996,451,142
Community assets	149,060,554	-	206,218	4,497,190	(2,062,963)	(2,238,072)	149,462,927
	<b>1,223,944,817</b>	<b>2,498,179</b>	<b>6,626,004</b>	<b>50,048,227</b>	<b>(11,627,211)</b>	<b>(45,676,269)</b>	<b>1,225,813,747</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

#### Reconciliation between fixed asset register and annual financial statements

	Opening balance as per 2018/19	WIP completed & capitalised in prior years	Donations included in opening balance	Restated opening balance as per Asset register
Property plant and equipment	1,223,944,817	17,591,673	6,024,935	1,247,561,425

	Opening balance	Additions	Donations	Disposals	WIP additions	Prior year adjustment	Depreciation	Total
Buildings	34,788,155	-	-	-	-	(1,436,039)	(1,244,379)	32,107,737
Leasehold property	8,422,678	-	-	-	-	1,358,594	(1,131,193)	8,650,079
Plant and machinery	18,707,804	3,540,101	5,021,679	36,326	-	(2,506,305)	(4,010,690)	20,788,915
Furniture and fixtures	2,946,052	82,365	-	-	-	(1,317,238)	(788,269)	922,910
Motor vehicles	8,866,770	-	2,558,897	-	-	6,271,941	(1,590,644)	16,106,964
IT equipment	8,660,245	416,916	-	(1,859,272)	-	(52,477)	(3,862,339)	3,303,073
Infrastructure	953,190,736	121,842	18,160,457	(3,909,834)	86,852,813	(2,090,486)	(59,320,943)	993,004,585
Community	149,083,250	-	-	(459,453)	612,800	2,062,963	(2,239,006)	149,060,554
	<b>1,184,665,690</b>	<b>4,161,224</b>	<b>25,741,033</b>	<b>(6,192,233)</b>	<b>87,465,613</b>	<b>2,290,953</b>	<b>(74,187,463)</b>	<b>1,223,944,817</b>

#### Pledged as security

None of the above property, plant and equipment have been pledged as security, other than obligations under finance leases that are secured by lessor's charge over the leased assets - refer to note: 16

Transport assets	-	7,895,610
Terms and conditions	-	581,188
Office Equipment	-	8,650,079
Terms and conditions	-	
Assets subject to finance lease (Net carrying amount)	-	
Terms and conditions	-	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 4. Property, plant and equipment (continued)

#### Assets subject to finance lease (Net carrying amount)

Motor vehicles	7,191,372	8,650,079
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#### Reconciliation of Work-in-Progress 2020

	Included within Infrastructure 358,701,472	Included within Community 1,132,221	Included within Other PPE 227,500	Total 360,061,193
Opening balance		1,132,221	227,500	360,061,193
Additions/capital expenditure	50,048,226	4,497,190		- 54,545,416
Other movements [specify]	(1,211,176)		-	- (1,211,176)
Transferred to completed items	(65,486,032)		-	- (65,486,032)
	<b>342,052,490</b>	<b>5,629,411</b>	<b>227,500</b>	<b>347,909,401</b>

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure 358,701,472	Included within Community 1,132,221	Included within Other PPE 227,500	Total 360,061,193
Opening balance	295,542,746	20,040,375	227,500	315,810,621
Additions/capital expenditure	86,852,814	612,800		- 87,465,614
Transferred to completed items	(23,694,088)	(19,520,954)		- (43,215,042)
	<b>358,701,472</b>	<b>1,132,221</b>	<b>227,500</b>	<b>360,061,193</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Property, plant and equipment (continued)</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Electrical Infrastructure -Contracted Services	2,308,218	3,604,539
Electrical Infrastructure -Inventory	6,398,724	1,110,200
Roads Infrastructure - Inventory	1,772,514	1,880,835
Sanitation Infrastructure - Contracted Services	2,127,998	2,554,801
Sanitation Infrastructure Inventory	12,183,249	149,437
Water Supply Infrastructure Contracted Services	-	799,030
Water Supply Infrastructure Inventory	674,392	912,182
Community Assets Inventory	-	11,196
Furniture and Office Equipment Contracted services	566,609	517,840
Furniture and Office Equipment Inventory	250,857	703,963
Furniture and Office Equipment other operational costs	3,115,628	2,284,848
Machinery and Equipment Contracted Services	-	100,387
Machinery and Equipment Inventory	65,329	772,259
Other Assets - Buildings Contracted Services	194,527	153,875
Other Assets Buildings Inventory	229,342	507,407
Transport Assets -Contracted Services	1,363,578	2,864,946
Transport Assets Inventory	3,186,236	2,848,057
	<b>34,437,201</b>	<b>21,775,802</b>

### Delayed projects

#### Gortin Sanitation Phase 4

Contractor went into liquidation and could not complete project. New contractors were brought in to complete the remaining works

#### Refengkgotso Sports Complex

Project went under investigation due to high expenditure and low output

#### Refengkgotso WasteWater treatment Plant

Contractor terminated project, however re-negotiation talks are in place to re- start the project

#### Zamdela Roads ward 08

Additional funding was applied to complete the project. Project was completed however not finalised contractually

#### Oranjeville Water treatment work

Poor performance by contractor which lead to site suspensions

#### Delayed projects

Gortin Sanitation Phase 4	99,510,610	95,376,374
Refengkgotso Sports Complex	5,109,999	612,800
Refengkgotso WasteWater treatment Plant	82,526,149	82,526,149
Zamdela Roads ward 08	-	10,547,877
Oranjeville Water treatment work	6,150,720	6,150,720
	<b>193,297,478</b>	<b>195,213,920</b>

### Maintenance of property, plant and equipment

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Intangible assets

	2020			2019		
	Cost / Accumulated		Carrying value	Cost / Accumulated		Carrying value
	Valuation	amortisation and accumulated impairment	Valuation		amortisation and accumulated impairment	
Computer software	21,899,467	(17,343,547)	4,555,920	20,242,450	(16,053,251)	4,189,199

#### Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	4,189,199	366,721	4,555,920

#### Reconciliation of intangible assets - 2019

	Opening balance	Disposals	Amortisation	Total
Computer software	6,734,644	(27,519)	(2,517,926)	4,189,199

#### Repair and Maintenance

Contracted Services	996,754	-
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#### Pledged as security

No intangible assets were pledged as security:

#### Sale of stands

Sale of stands of R 225,881 (2019: R 396,849) were recognised in Operating Surplus during the year under review. These properties were derecognised in prior years as the municipality concluded that it did not control the land after applying the criteria in GRAP 18. Legal ownership will only be transferred after full and final settlement of the purchase price.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 6. Heritage assets

	2020			2019		
	Cost / Accumulated Carrying value			Cost / Accumulated Carrying value		
	Valuation impairment losses	Valuation		impairment losses		
Historical buildings	561,000	-	561,000	561,000	-	561,000
Recreational parks	3,866,967	-	3,866,967	3,866,968	-	3,866,968
Mayoral chain	1	-	1	1	-	1
<b>Total</b>	<b>4,427,968</b>	<b>-</b>	<b>4,427,968</b>	<b>4,427,969</b>	<b>-</b>	<b>4,427,969</b>

#### Reconciliation of heritage assets 2020

	Opening balance	Transfers	Total
Historical buildings	561,000	-	561,000
Recreational parks	3,866,968	(1)	3,866,967
Mayoral Chain	1	-	1
	<b>4,427,969</b>	<b>(1)</b>	<b>4,427,968</b>

#### Reconciliation of heritage assets 2019

	Opening balance	Transfers	Total
Historical buildings	561,000	-	561,000
Recreational parks	3,872,343	(5,375)	3,866,968
Mayoral Chain	1	-	1
	<b>4,433,344</b>	<b>(5,375)</b>	<b>4,427,969</b>

#### Pledged as security

No heritage assets were pledged as security.:

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>7. Other financial assets</b>		
<b>Designated at fair value</b>		
Listed shares 2020: R58.94 2019: R78.16	2,717,665	3,603,880
<b>At amortised cost</b>		
Investment - ceded Terms and conditions	12,810	36,477
<b>Total other financial assets</b>	<b>2,730,475</b>	<b>3,640,357</b>
<b>Current assets</b>		
At fair value	2,717,665	3,603,880
At amortised cost	12,810	36,477
	<b>2,730,475</b>	<b>3,640,357</b>
<b>Financial assets at fair value</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Sanlam Limited shares Valued with reference to the ruling price of shares (being listed on a public exchange) at year end.	2,717,665	3,603,880
<b>Fair value hierarchy of financial assets at fair value</b>		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets. The municipality received shares in SANLAM in a prior year.		
Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates. Listed shares are measured at fair value using quoted market prices.		
The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions..		
<b>Level 1</b>		
Sanlam Limited Shares	2,717,665	3,603,880
<b>Financial assets at amortised cost</b>		
<b>Nominal value of financial assets at amortised cost</b>		
Investment ceded This investment was ceded to FNB as collateral for housing loan of employee. The investment may be held in perpetuity, and is invested in a financial institution with strong credit rating (First National Bank Pty Ltd), therefore this is not considered impaired.	12,810	36,477

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand				2020	2019
<b>8. Employee benefit obligations</b>					
<b>Defined benefit plan</b>					
<b>Reconciliation of employee benefits obligation - 2020</b>	Opening Balance	Additions	Total	Less current portion	Non current portion
Employee benefit cost medical	39,122,000	3,199,460	42,321,460	(1,951,083)	40,370,377
Employee benefits long service awards	15,559,000	(96,000)	15,463,000	(1,749,000)	13,714,000
	<b>54,681,000</b>	<b>3,103,460</b>	<b>57,784,460</b>	<b>(3,700,083)</b>	<b>54,084,377</b>
<b>Reconciliation of employee benefits obligation - 2019</b>	Opening Balance	Additions	Total	Less Current Portion	Non Current Portion
Employee benefit cost medical	33,994,000	5,128,000	39,122,000	(2,418,000)	36,704,000
Employee benefits long service awards	15,135,000	424,000	15,559,000	(2,147,000)	13,412,000
	<b>49,129,000</b>	<b>5,552,000</b>	<b>54,681,000</b>	<b>(4,565,000)</b>	<b>50,116,000</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>8. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(54,681,000)	(49,129,000)
Current service cost	(1,991,000)	(2,552,000)
Interest cost	(5,804,000)	(4,725,000)
Benefits paid	4,565,000	4,144,000
Actuarial loss/(gain)	126,540	(2,419,000)
	<b>(57,784,460)</b>	<b>(54,681,000)</b>

### **Employee benefit obligation - medical** **Continued Medical aid membership**

Municipal employees contribute to accredited medical schemes.

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy

Upon a member's death-in-service or death-in-retirement, the surviving dependents will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2020 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa.

The Projected Unit Credit Method has been used to value the liabilities

<b>Accrued liability</b>		
In - service members	18,534,916	17,208,000
Continuation member	23,786,544	21,914,000
<b>All members</b>		
Total liability	42,321,460	39,122,000

Liabilities and experience adjustments are made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

### **History of liabilities and assets**

Present value of accrued liability	42,321,460	39,122,000
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The experience adjustments for the current period is summarised below. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Liabilities: (gain) / loss	1,295 460	3,534,000
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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>8. Employee benefit obligations (continued)</b>		
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	39,122,000	33,994,000
Current service cost	536,000	534,000
Interest cost	3,786,000	3,304,000
Benefits paid	(2,418,000)	(2,244,000)
Actuarial loss/(Gains)	1,295,460	3,534,000
	<b>42,321,460</b>	<b>39,122,000</b>

### Best estimate of benefits payments expected in next annual period 2020/2021 (comparatives are for 2019/2020)

Opening accrued liability	42,321,460	39,122,000
Current service cost	756,144	536,000
Interest cost	3,903,055	3,786,000
Actuarial (gains) losses	-	1,295,460
Benefits vesting	(1,951,083)	(2,418,000)
<b>Total annual expense</b>	<b>45,029,576</b>	<b>42,321,460</b>

History of liabilities (R millions)	30/6/2020	30/06/2019	30/06/2018	30/06/2017	30/06/2016
Accrued liability	42.321	39.122	33.994	27.294	25.140

### Key financial assumptions

The table summarises the financial assumption used.

Discount rate:	Yield Curve
Consumer price index (CPI)	Difference between nominal and yield curves
Medical cost inflation	CPI + 1%
Net effective discount rate	Relationship between discount rate and health care inflation rate

Note: The valuation method calls for a basket of discount rates (matching bonds based on their remaining term to the expected lifespan of each individual); therefore it is not meaningful to indicate a single rate and not practical to indicate all rates used. This approach was used in 2018/19 and 2019/20

Average retirement age	63
Proportion assumed married at retirement	90%
Mortality during employment	SA 85-90
Mortality post-retirement PA	90 ultimate
Number of in-service members	64
Number of continuation members (pensioners)	50

### Summarised results of the sensitivity analysis

#### Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Valuation Assumption
Central assumptions		42 321 460
Mortality rate	-20%	45 321 342
	+20%	39 873 810
Medical aid inflation	-1%	37 799 338
Medical aid inflation	+1%	47 670 948

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>8. Employee benefit obligations (continued)</b>		
<b>Long service awards</b>		
Balance at beginning of year	15,559,000	15,135,000
Current service cost	1,455,000	1,967,000
Interest cost	2,018,000	1,421,000
Actuarial (gain)/loss	(1,422,000)	(1,064,000)
Employer Benefits payments.	(2,147,000)	(1,900,000)
	<b>15,463,000</b>	<b>15,559,000</b>

### Best estimate of benefits payments expected in next annual period 2020/2021 (comparative figures 2019/2020)

Opening accrued liability	15,463,000	15,559,000
Interest cost	1,378,000	2,018,000
Actuarial gains (losses)	-	(1,422,000)
Service cost	1,741,000	1,455,000
Employer Benefits payments	(1,749,000)	(2,147,000)
<b>Total actual expense</b>	<b>16,833,000</b>	<b>15,463,000</b>

#### Long service awards

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	205	522	727
Average annual salary			229 079
Average past service (years)			14.33

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There are two policies in place.

Completed service (in years)	Long service bonuses % annual salary	Description
5	2.0%	$(5/250 + 2\%) \times \text{annual salary}$
10	3.0%	$(10/250 + 3\%) \times \text{annual salary}$
15	4.0%	$(15/250 + 4\%) \times \text{annual salary}$
20	5.0%	$(15/250 + 5\%) \times \text{annual salary}$
25,30,35,40,45	6.0%	$(15/250 + 6\%) \times \text{annual salary}$

727 Employees benefit from this policy

#### Special leave pay

38 of the employees receive an additional six days of annual leave once they reach their five years of service.

#### Retirement gifts

260 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2020 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa.

The Projected Unit Credit Method has been used to value the liabilities.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 8. Employee benefit obligations (continued)

#### Key financial assumptions

The table summarised the financial assumptions used.

Discount rate:	Yield Curve
Consumer price index (CPI)	Difference between nominal and yield curves
Salary inflation	CPI + 1%
Net effective discount rate	Yield Curve based

Note: The valuation method calls for a basket of discount rates (matching bonds based on their remaining term to the expected lifespan of each individual); therefore it is not meaningful to indicate a single rate and not practical to indicate all rates used. This approach was used in 2018/19 and 2019/20.

The salaries used in the valuation include an assumed increase on 1 July 2020 of 6.25%. The next salary increase was assumed to take place in July 2020

Average retirement age	63
Mortality during employment	SA 85-90

#### Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Valuation Assumption
Central assumptions		15 463 000
Salary inflation	-1%	14 538 000
	+1%	16 480 000

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6.5% higher than that shown.

#### Other assumptions

#### History of liabilities (R millions)

	30/6/2020	30/6/2019	30/6/2018	30/6/2017	30/6/2016
	R	R	R	R	R
Accrued Liability	15,463	15,559	15,135	13,299	14,013

### 9. Inventories

Water (purified water in reservoirs and pipes)	682,314	658,664
Fuel (diesel, petrol)	94,857	270,488
Stores and materials	406,138	538,281
	<b>1,183,309</b>	<b>1,467,433</b>

After the inventory count, obsolete and/or lost Inventories was written off and recognised in Profit and loss during the period. 41,802 193,720

Inventories recognised as an expense during the year 2,600,932 4,352,000

#### Inventory pledged as security

During the year no inventory was pledged as security.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>10. Receivables from exchange transactions</b>		
Prepayments (if immaterial)	6,884,225	4,787,039
RD Cheques		20,199
Control, Clearing and Interface Accounts	6,852,559	6,697,652
Merchandise, job and control	1,280,388	-
Electricity	50,385,319	44,401,824
Water	135,640,376	97,584,397
Sewerage	6,889,071	3,987,579
Refuse	8,362,963	5,160,323
Other service charges	13,707,545	6,906,005
Sale of land		45,118
	<b>230,067,763</b>	<b>170,092,036</b>
Non-current assets		45,118
Current assets	230,022,645	567,217
	<b>230,067,763</b>	<b>170,092,036</b>

### Trade and other receivables pledged as security

No receivables from exchange transactions were pledged as security.

### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

#### Trade receivables

Included in Service Debtors is an amount of R22 924 619 (2019: R 22 716 323) in respect of the consumption of metered services not billed as at 30 June.

The municipality receives applications for basic services that it processes. Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. Receivables from government are not subject to impairment either. At 30 June 2020, R 215 103 954 (2019: R 158,607,345) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	10,338,743	13,621,625
2 months past due	6,458,692	49,747,226
3 months past due	137,637,991	75,090,414

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>10. Receivables from exchange transactions (continued)</b>		
<b>Trade and other receivables impaired</b>		
As of 30 June 2020, trade and other receivables of R1 402 424 286 - (2019: R 1,177,022,953) were impaired and provided for.		
The amount of the provision was R 199,863,755 as of 30 June 2020 (2019: R 211,707,655).		
The ageing of these receivables (gross) is as follows:		
Current	77,069,527	90,357,363
30 - 60 Days	29,133,850	39,941,729
60 - 90 Days	25,099,578	26,217,798
91 Days and over	1,486,151,723	1,179,549,247
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	(1,177,022,953)	(992,773,890)
Provision for impairment	(199,863,755)	(211,707,655)
Amounts written off as uncollectible	2,586,000	45,743,171
Movement in VAT due to impairment	(28,123,577)	(18,284,579)
	<b>(1,402,424,285)</b>	<b>(1,177,022,953)</b>

### 11. Receivables from non-exchange transactions

Traffic fines	390,080	462,210
Deposits	2,552,824	2,052,824
Receivables	1,706,632	1,692,632
Sundry receivables RBIG	6,328,550	11,280,093
Rates	46,243,412	30,953,624
	<b>57,221,498</b>	<b>46,441,383</b>

#### Receivables from non-exchange transactions pledged as security

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

#### Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates:

#### Receivables from non-exchange transactions

Fruitless expenditure: This amount of R18 451 758 (2018: nil) relates to expenditure on a sport ground, where the value was paid to the supplier, but the related work was not performed. The amount was paid in 2018, however, the investigation into the transaction was not sufficiently advanced to determine how to classify and disclose it.

None of the financial assets that are fully performing have been renegotiated in the last year.

#### Fair value of receivables from non-exchange transactions

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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Figures in Rand	2020	2019
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### 11. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions past due but not impaired

Receivables relating to traffic fines are impaired according to a recoverability rate and, therefore, it is not possible to split the ageing between impaired and unimpaired.

Receivables from non-exchange transactions (Rates), where the debtor has nothing outstanding for more than 2 months past due are not considered to be impaired; receivables from government are not subject to impairment either. At 30 June 2020, R 46 243 412 (2019: R 30,953,624) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	4,304,997	3,691,204
2 months past due	2,369,872	1,283,949
3 months past due	29,383,583	18,416,173

#### Receivables from non-exchange transactions impaired

As of 30 June 2020, other receivables from non-exchange transactions of R 141,416,745 (2019: R 113,551,144) were impaired and provided for.

The amount of the provision was R 29,064,386 as of 30 June 2020 (2019: R 19,225,939).

The ageing of these receivables (gross) is as follows:

Current	13,392,572	10,187,793
30 - 60 Days	7,977,058	6,134,233
60 - 90 Days	6,076,650	3,681,168
91 days and over	160,213,877	124,065,735

#### Reconciliation of allowance for impairment of receivables from non-exchange transactions

Opening balance	(125,007,765)	(105,797,758)
Allowance for impairment traffic fines	(1,838,217)	(13,892,460)
Amounts written off as uncollectible traffic fines		- 9,025,858
Allowance for impairment rates	(29,061,396)	(19,225,939)
Amounts written off as uncollectible Rates	759,956	4,882,534
	<b>(155,147,422)</b>	<b>(125,007,765)</b>

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The municipality does not hold any collateral as security.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>12. Statutory receivables</b>		
Utilisation of transitional provisions		-
<p>GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.</p> <p>The municipality is taking advantage of the transitional provisions by not classifying or measuring its Statutory Receivables in accordance with GRAP 108, and, therefore, no disclosures required by GRAP 108 has been made.</p> <p>The Statutory Receivables that exists in the municipality's books at year-end are those relating to Property Rates.</p> <p>The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2021.</p>		
<b>13. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Rates	187,660,157	144,068,929
Electricity	114,410,149	99,289,241
Water	1,208,782,076	981,726,970
Sewerage	59,938,817	51,905,154
Refuse	87,742,161	75,336,153
Other service charges	141,163,131	122,021,866
Sale of land	5,418,344	5,350,914
	<b>1,805,114,835</b>	<b>1,479,699,227</b>
<b>Less: Allowance for impairment</b>		
Rates	(141,416,745)	(113,115,305)
Electricity	(64,024,830)	(54,887,417)
Water	(1,073,141,700)	(884,142,573)
Sewerage	(53,049,746)	(47,917,575)
Refuse	(79,379,198)	(70,175,830)
Other service charges	(127,455,586)	(115,115,861)
Sale of land	(5,373,226)	(4,783,697)
	<b>(1,543,841,031)</b>	<b>(1,290,138,258)</b>
<b>Net balance</b>		
Rates	46,243,412	30,953,624
Electricity	50,385,319	44,401,824
Water	135,640,376	97,584,397
Sewerage	6,889,071	3,987,579
Refuse	8,362,963	5,160,323
Other service charges	13,707,545	6,906,005
Sale of land	45,118	567,217
	<b>261,273,804</b>	<b>189,560,969</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>13. Consumer debtors disclosure (continued)</b>		
<b>Included in above is receivables from exchange transactions</b>		
Electricity	50,385,319	44,401,824
Water	135,640,376	97,584,397
Sewerage	6,889,071	3,987,579
Refuse	8,362,963	5,160,323
Sale of land	45,118	567,217
Sundry receivables	13,781,107	6,883,526
	<b>215,103,954</b>	<b>158,584,866</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	46,243,412	30,953,624
<b>Net balance</b>	<b>261,347,366</b>	<b>189,538,490</b>
<b>Rates</b>		
Current (0 -30 days)	13,392,572	10,187,793
31 - 60 days	7,977,058	6,134,233
61 - 90 days	6,076,650	3,681,168
Over 90 days	160,213,877	124,065,735
Impairment	(141,416,745)	(113,115,305)
	<b>46,243,412</b>	<b>30,953,624</b>
<b>Electricity</b>		
Current (0 -30 days)	21,523,527	20,546,495
31 - 60 days	5,183,560	3,546,687
61 - 90 days	3,875,212	2,914,409
Over 90 days	83,827,850	72,281,650
Impairment	(64,024,830)	(54,887,417)
	<b>50,385,319</b>	<b>44,401,824</b>
<b>Water</b>		
Current (0 -30 days)	49,386,426	62,025,833
31 - 60 days	19,106,673	30,488,536
61 - 90 days	17,278,484	19,229,586
Over 90 days	1,123,010,493	869,983,016
Impairment	(1,073,141,700)	(884,142,574)
	<b>135,640,376</b>	<b>97,584,397</b>
<b>Sewerage</b>		
Current (0 -30 days)	2,079,868	2,134,879
31 - 60 days	1,587,956	1,493,289
61 - 90 days	1,329,397	1,174,015
Over 90 days	54,941,596	47,102,971
Impairment	(53,049,746)	(47,917,575)
	<b>6,889,071</b>	<b>3,987,579</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>13. Consumer debtors disclosure (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	2,483,242	2,878,326
31 - 60 days	2,005,078	1,979,485
61 - 90 days	1,781,727	1,645,177
Over 90 days	81,472,114	68,833,165
Impairment	(79,379,198)	(70,175,830)
	<b>8,362,963</b>	<b>5,160,323</b>
<b>Other service charges</b>		
Current (0 -30 days)	1,551,346	2,044,309
31 - 60 days	1,250,583	2,403,249
61 - 90 days	834,758	1,229,209
91 - 120 days	137,526,444	116,345,099
Impairment	(127,455,586)	(115,115,861)
	<b>13,707,545</b>	<b>6,906,005</b>
<b>Sale of Land</b>		
Current (0 -30 days)	45,118	226,757
31 - 60 days	-	30,483
61 - 90 days	-	25,402
Over 90 days	5,373,226	5,068,272
Impairment	(5,373,226)	(4,783,697)
	<b>45,118</b>	<b>567,217</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>13. Consumer debtors disclosure (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	59,759,955	90,471,240
31 - 60 days	26,742,804	36,376,002
61 - 90 days	23,816,960	26,196,322
Over 90 days	1,469,105,818	1,204,116,098
	<b>1,579,425,537</b>	<b>1,357,159,662</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	27,920,654	6,134,982
31 - 60 days	9,682,700	7,664,532
61 - 90 days	6,641,114	2,588,965
Over 90 days	147,635,418	70,302,022
	<b>191,879,886</b>	<b>86,690,501</b>
<b>National and provincial government</b>		
Current (0 -30 days)	2,781,490	3,938,934
31 - 60 days	685,404	2,035,428
61 - 90 days	718,154	1,113,679
Over 90 days	29,624,364	29,196,862
	<b>33,809,412</b>	<b>36,284,903</b>
<b>Total</b>		
Current (0 -30 days)	90,462,099	100,545,156
31 - 60 days	37,110,908	46,075,962
61 - 90 days	31,176,228	29,898,966
Over 90 days	1,646,365,600	1,303,614,982
	<b>1,805,114,835</b>	<b>1,480,135,066</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	19,682,173	28,061,778
31 - 60 days	22,467,168	28,763,133
61 - 90 days	22,347,664	23,640,791
Over 90 days	1,479,344,026	1,210,108,395
	<b>1,543,841,031</b>	<b>1,290,574,097</b>
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	70,779,926	72,483,378
31 - 60 days	14,643,740	17,312,830
61 - 90 days	8,828,564	6,258,174
Over 90 days	167,021,574	93,506,587
	<b>261,273,804</b>	<b>189,560,969</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year		(1,290,138,258)
Contributions to allowance	(228,925,151)	(229,719,390)
Movement in VAT component due to impairment	(28,123,578)	(19,553,988)
Debt impairment written off against allowance		3,345,957
		<b>50,680,909</b>
	<b>(1,543,841,030)</b>	<b>(1,290,138,258)</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>14. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	5,150	5,150
Bank balances	6,605,241	8,845,699
Short-term deposits	38,060,999	5,026,344
	<b>44,671,390</b>	<b>13,877,193</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 0.25% to 3.6% (2019: 1.3% to 6.6%)

### Funds reserved to support unspent grants:

Integrated National Electrification Programme Grant	728	8,360,979
Water Services Infrastructure Grant	9,034,037	-
Municipal Infrastructure Grant	17,800,469	-
Sector Education Training Authority Grant	280,815	-

### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for Guarantee: Eskom as Terms and conditions	990,000	990,000
Total financial assets pledged as collateral for Guarantee: Post Office as Terms and conditions	80,000	80,000

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand		2020		2019		
<b>14. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Absa Bank Cheque Account 520 0000 038	1,278,959	1,446,695	1,278,369	1,278,959	1,448,695	1,278,369
ABSA BANK - 520 0000 062	-	-	-	-	(1,105)	-
Standard Bank - current account (primary bank account) 24 034 786 2	-	12,200,971	6,228,940	5,325,177	7,398,109	1,401,477
Standard Bank - Revenue Account - 33 197 836 9	-	-	-	-	-	(8,798)
Absa Bank - Call Account 907 840 0708	55,309	255,309	402,455	55,309	255,309	1,055,309
Absa Bank Invest Tracker - 93 5502 8112	10,378,238	-	-	10,378,238	-	-
Absa Bank -Fixed deposit 20- 7741-7824	-	-	62,772	-	-	-
Absa Bank -Fixed deposit 20- 7741-7072	-	-	77,121	-	-	-
Standard Bank - Call deposit account 228 505 348 005	4,809,982	9,756	6,529,042	4,809,982	21,474	12,863,554
Standard Bank - Call deposit account - 228 505 348 007	4,314,252	334,286	6,658,318	4,314,252	382,264	323,806
Nedbank - Call deposit account -788 103 308 000060	8,058,788	927,095	11,954	8,058,788	1,461,328	1,461,328
Nedbank - Call deposit account -788 103 308 000074	124,519	534,233	42,128	124,519	-	-
Investec -Call account- 1100- 523923	5,117,888	709,205	2,634,973	5,117,888	709,205	2,634,974
Rand merchant Bank CDS - DC02J00005	-	-	27,726	-	-	27,726
FNB - Call account - 62772878909	5,203,128	2,196,764	-	5,203,128	2,196,764	-
<b>Total</b>	<b>39,341,063</b>	<b>18,614,314</b>	<b>23,953,798</b>	<b>44,666,240</b>	<b>13,872,043</b>	<b>21,037,745</b>

### Additional disclosures

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>15. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	3,522,621	3,920,333
- in second to fifth year inclusive		4,079,191
		556,574
	4,079,195	7,999,524
less: future finance charges		(823,898)
		(251,164)
<b>Present value of minimum lease payments</b>	<b>3,828,031</b>	<b>7,175,626</b>
<b>Present value of minimum lease payments due</b>		
- within one year	3,287,519	3,347,596
- in second to fifth year inclusive		3,828,030
		540,512
	<b>3,828,031</b>	<b>7,175,626</b>
Non-current liabilities		540,509
Current liabilities	3,287,522	3,347,599
	<b>3,828,031</b>	<b>7,175,627</b>

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases. The

average lease term was 3-5 years and the average effective borrowing rate was 10% (2019: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	17,800,469	-
Integrated National Electrification Programme Grant		728 8,360,979
Sector Education Training Authority Grant		280,815
Water Services Infrastructure Grant	9,034,037	-
		-
	<b>27,116,049</b>	<b>8,360,979</b>

### Movement during the year

<b>Grants</b>		
Balance at the beginning of the year	8,360,979	888,350
Additions during the year	86,424,802	140,728,041
Income recognition during the year	(54,357,232)	(131,966,419)
Withheld	(8,360,958)	(1,288,993)
Owed by Regional Bulk Infrastructure	(4,951,542)	-
		-
	<b>27,116,049</b>	<b>8,360,979</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>17. Long term loan</b>		
<b>At amortised cost</b>		
Development Bank of South Africa	-	1,634,939
<b>Current liabilities</b>		
At amortised cost	-	1,634,939
<b>Financial liabilities at amortised cost</b>		
<b>Nominal value of financial liabilities at amortised cost</b>		
Development Bank of South Africa - Current portion Terms and conditions	-	1,634,939

The original loan amount approved was R 19 000 000 but only R 9 000 000 was disbursed in the 2012/2013 financial year.

The interest on the loan is fixed at 8.67% with capitalisation every 6 months but will be levied at 10.67% on arrear amounts.

The interest and capital repayment is made every 6 months in 14 equal instalments of R 871 356 over 7 years.

The loan is unsecured but the application of the loan is conditional to specific projects

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### Nominal value of concessionary loans

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 18. Provisions

#### Reconciliation of provisions - 2020

	Opening Balance	Unwinding of interest	Change in timing, amount or discount factor	Total
Environmental rehabilitation	84,337,965	6,168,569	(2,886,230)	87,620,304

#### Reconciliation of provisions - 2019

	Opening Balance	Unwinding of interest	Change in timing, amount or discount factor	Total
Environmental rehabilitation	78,623,978	6,594,185	(880,198)	84,337,965

#### Provision for landfill closure

The landfill rehabilitation and closure are created for the rehabilitation and closure of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Sasolburg, Oranjeville and Deneysville landfill sites. The valuation for the landfill sites were performed by B van Schoor from iX Engineers (Professional Engineer and member of the Engineering Council of South Africa) and E Barnard from ZAQfinance (Member of the Institute of Waste Management).

#### Key financial assumptions used in this calculation were as follows:

Assumption	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
CPI	2.49%	8.27%	3.27%
Discount rate	5.12%	13.36%	7.26%

The original estimated years to rehabilitation was underestimated in the consultants 2018/19 report and the landfill provision was therefore corrected retrospectively as required by GRAP 3.

The 2020 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2020. The size of the landfill sites used up until now and estimate remaining useful lives are as follows

	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
Approximate footprint at 30 June 2019	150,160square meters	12,142square meters	15,716square meters
Remaining useful lives	approximately 2 years	approximately 17 years	approximately 5 years

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>19. Payables from exchange transactions</b>		
Trade payables	255,429	255,428
Payments received in advanced	27,176,589	26,287,307
Retentions	19,207,309	19,611,983
Other payables Auditor General	31,159	402,877
Accrued leave pay	23,560,151	19,479,719
Accrued bonus	6,336,227	5,617,707
Accrued expense	113,275,436	108,592,548
Insurance	1,574,565	1,397,383
Eskom	59,991,766	31,242,180
Rand Water	16,039,688	15,352,126
Control, Clearing and Interface Accounts	8,188,473	21,321,816
Unallocated deposits	5,809,363	5,718,106
	<b>281,446,155</b>	<b>255,279,180</b>
<b>Accrued expenses</b>		
Department of water	36,217,184	33,657,857
Department of Transport - Government Garage	16,349,297	17,185,033
Compensation Commissioner	10,757,389	9,429,444
Creditors - provision various	17,064,407	13,309,567
Creditors control	32,887,159	35,010,647
	<b>113,275,436</b>	<b>108,592,548</b>

**Staff Bonuses** accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Staff Leave** accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Payments Received in Advance** are due to payments received for hall prepaid electricity. Payments received in advance also include consumer debtors' accounts paid in advance.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

### 20. VAT payable

VAT payable	11,092,173	5,906,118
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

### 21. Consumer deposits

Electricity	230,550	-
Water	23,736,617	22,590,657
Other deposits	1,510,103	1,510,103
	<b>25,477,270</b>	<b>24,100,760</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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Figures in Rand	2020	2019
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### 21. Consumer deposits (continued)

Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

### 22. Service charges

Sale of electricity	298,686,318	270,583,906
Sale of water	407,802,140	365,747,520
Solid waste	32,859,646	30,974,133
Sewerage and sanitation charges	28,184,843	26,214,030
	<hr/>	<hr/>
	<b>767,532,947</b>	<b>693,519,589</b>

### Forgone income (free portion)

Electricity	(5,652,010)	(8,059,933)
Sewerage and sanitation	(11,392,835)	(7,598,641)
Solid waste	(13,632,362)	(12,657,618)
Water	(9,844,934)	(11,029,105)
	<hr/>	<hr/>
	<b>(40,522,141)</b>	<b>(39,345,297)</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

### 23. Fines, penalties and forfeits

Overdue Books Fines	-	93
Court Traffic Fines	-	859,092
Municipal Traffic Fines	2,447,650	3,019,778
Tender Withdrawal Penalties	60,257	176,154
	<hr/>	<hr/>
	<b>2,507,907</b>	<b>4,055,117</b>

### 24. Lease rentals on operating lease

<b>Motor vehicles</b>		
Contractual amounts	-	1,923,719
<b>Equipment</b>		
Contractual amounts	3,989,115	5,747,482
	<hr/>	<hr/>
	<b>3,989,115</b>	<b>7,671,201</b>

The leases are entered in to on month-to-month or ad hoc bases, and, therefore, do not have escalation clauses or commitments.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>25. Other income</b>		
Cemetery fees	322,737	472,765
Building plan fees	610,852	631,031
Entrance fees	328,242	1,034,424
Billboards	434,634	424,059
Valuation certificate	627	2,708
Private telephone calls	157,927	238,341
Sundry income	110,580	136,569
Fire service	578,437	576,624
	<b>2,544,036</b>	<b>3,516,521</b>
<b>26. Investment revenue</b>		
<b>Dividend revenue</b>		
Dividends Sanlam Limited	123,203	115,088
<b>Interest revenue</b>		
Interest received - short term investments	4,490,865	3,408,691
	<b>4,614,068</b>	<b>3,523,779</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>27. Property rates</b>		
<b>Rates revenue</b>		
Residential	105,737,800	83,458,537
Heavy Industries	34,130,069	11,822,634
State		2,880,224
Municipal		3,590,591
Small holdings and farms	23,333,943	18,428,187
Light Industries	67,717,396	33,516,167
Less: Income forgone	(38,113,204)	(20,216,177)
	<b>199,276,819</b>	<b>143,648,432</b>

### Valuations

5 year: Tax Holiday		8,590	21,781
Churches		133,535	97,960
State		-	692,751
Heavy/light industries		1,554,038	1,050,736
Small holdings and farms		1,424,774	3,033,719
Public Benefit Organisation/Service Infrastructure		75,003	49,393
Commercial		2,131,933	931,515
Municipal		424,374	450,991
Residential	14,853,372		8,336,680
Allocated, unregistered stands		671,115	169,366
	<b>21,276,734</b>		<b>14,834,892</b>

Valuations on land and buildings are normally performed every four years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation was implemented on 01 July 2019.

Rebates up to R50 000 (2018: R35 000) are granted to residential and state property owners.

Rates are levied on a monthly basis, except farmland that is levied on an annual basis. Interest at prime plus 1% per annum is levied on rates outstanding after due date for payment..

The following properties are exempted from property rates:

- Properties owned by a religious body or organisation and residential property occupied by a minister of religion in full time service of the church
- Road reserves
- Railway reserves.

### Tariff structure (cents per Rand)

Business	0.0174	0.0178
Industries	0.0436	0.0445
Residential	0.0087	0.0089
State-owned property	-	0.0178
<b>Farmland</b>		
Residential	-	0.0045
Business	-	0.0089
Industries	-	0.0022
Private owned towns, Body Corporate Sectional Titles	-	0.0045
Mining	-	0.0223
Agricultural	0.0023	0.0022
	<b>0.0720</b>	<b>0.1336</b>

Farmland is not categories on their own from 1 July 2019. Only agricultural land has its own tariff.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>28. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Bursaries	-	242,958
Burial	175,615	58,075
	<b>175,615</b>	<b>301,033</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>29. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	183,063,999	163,296,165
Financial Management Grant	2,235,000	1,770,000
Expanded Public Works Programme Integrated Grant	1,157,000	1,084,773
Sector Education Training Authority Grant		569,651
Municipal Infrastructure Grant	14,158,484	496,997
Disaster Relief Grant		298,000
		-
	<b>201,482,134</b>	<b>178,079,553</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	19,693,047	38,354,292
Water Services Infrastructure Grants	5,965,963	10,000,000
Integrated Electrification Programme Grant	9,999,251	3,289,021
Regional Bulk Infrastructure Grant		- 39,450,199
	<b>35,658,261</b>	<b>91,093,512</b>
	<b>237,140,395</b>	<b>269,173,065</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	54,076,396	105,379,903
Unconditional grants received	183,063,999	163,793,162
	<b>237,140,395</b>	<b>269,173,065</b>

### Equitable Share

In terms of the Constitution of the Republic of South Africa, this grant is used to subsidise the provision of basic services to indigent community members.

A Council Resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate basic water, basic electricity and basic sewer per month to all households. Indigent households are allocated 6kl of water, 50 kWh of electricity additional sewer, refuse, and R50 per month on Rates.

The allocation of equitable share has been reduced by R8 361 000 due to the non-spending of funds on the Intergrated National Electrification Programme Grant by the municipality as at 30 June 2019, as indicated below.

### Municipal Infrastructure Grant

Balance unspent at beginning of year		-	(90)
Current-year receipts	51,652,000		49,786,000
Conditions met - transferred to revenue	(33,851,531)		(49,785,910)
	<b>17,800,469</b>		-

Conditions still to be met - remain liabilities (see note 16).

Funds received for installation of infrastructure.

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No moneys have been withheld.

### Financial Management Grant

Current-year receipts		2,235,000	1,770,000
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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>29. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(2,235,000)	(1,770,000)
		-

Conditions still to be met - remain liabilities (see note 16).

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

This grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

### Sector Education Training Authority Grant

Current-year receipts	850,466	496,997
Conditions met - transferred to revenue	(569,651)	(496,997)
	<b>280,815</b>	-

Conditions still to be met - remain liabilities (see note 16).

The municipality received funds from Sector Education Training Authority to promote excellence performance by the human resources division. The funds must be utilised towards training.

### Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	-	2,654,498
Balance due by RBIG at beginning of year	11,280,093	-
Current-year receipts	(4,951,543)	(30,824,603)
Conditions met - transferred to revenue	-	39,450,198
Balance due by RBIG at the end of the year ( refer to Receivables from non - exchange)	(6,328,550)	(11,280,093)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The municipality received funds from the Department of Water Affairs for water purification.

The allocation as per Division of Revenue Act was R70 million from which only R4.9 million was received. As at 30 June 2019 R11.3 million was still due by Regional Bulk Infrastructure Grant.

### Disaster Relief Grant

Current-year receipts	(298,000)	-
Conditions met - transferred to revenue	298,000	-
	-	-

Disaster relief grant received to assist with COVID 19 expenditure.

### Integrated National Electrification Programme Grant

Balance unspent at beginning of year	8,360,979	510,480
Current-year receipts	10,000,000	11,650,000
Conditions met - transferred to revenue	(9,999,251)	(3,289,021)
Funds withheld	(8,361,000)	(510,480)
	<b>728</b>	<b>8,360,979</b>

Conditions still to be met - remain liabilities (see note 16).

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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Figures in Rand	2020	2019
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### 29. Government grants and subsidies (continued)

The Integrated Electrification Programme Grant is a conditional grant of which the purpose is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme. The grant was utilised as per intended purpose. Moneys have been withheld.

#### Water Services Infrastructure Grant

Balance unspent at beginning of year		- 2,947,684
Current-year receipts	15,000,000	10,000,000
Conditions met - transferred to revenue	(5,965,963)	(10,000,000)
Repayment of unspent		- (2,947,684)
	<b>9,034,037</b>	<b>-</b>

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Conditions still to be met - remain liabilities (see note 16).

This grant has been provided by Department of Water affairs and to try to get water to areas where it was recognised that full services would not become available.

#### Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year		- 84,773
Current-year receipts	1,157,000	1,000,000
Conditions met - transferred to revenue	(1,157,000)	(1,084,773)
		- -

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Conditions still to be met - remain liabilities (see note 16).

The Expanded Public Works Programme (EPWP) Grant is a conditional grant of which the purpose is the funding of the department's Extended Public Works Programme. The grant was utilised as per intended purpose. No moneys have been withheld.

### 30. Public contributions and donations

Public contributions and donations -capital	6,626,005	24,129,741
Government Garage		- 1,611,289
Public contributions and donations - operating	12,363,928	8,182,407
	<b>18,989,933</b>	<b>33,923,437</b>

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Conditions still to be met - remain liabilities (see note 16)

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>31. Employee related costs</b>		
Basic	165,993,105	158,236,232
Medical aid - company contributions	20,526,648	19,123,743
UIF	1,346,819	1,336,049
Leave pay and bonus provision	4,798,953	2,069,702
Leave pay accrual	2,055,078	838,002
Group Insurance	230,203	228,308
Actuarial (gain)/loss	(126,540)	2,687,000
Defined contribution plans	28,019,627	26,023,485
Overtime payments	27,153,860	25,044,959
Long-service awards	3,401,812	1,139,252
13th Cheques	13,519,530	12,932,001
Acting allowances	3,908,121	2,636,839
Car allowance	19,786,097	18,533,938
Housing benefits and allowances	2,543,974	2,433,165
Long service award provision	1,326,000	1,488,000
Cell phone allowance	1,325,712	1,224,227
Standby allowance	5,188,571	4,711,274
Industrial council levy contributions	80,928	77,483
Contribution post retirement	1,904,000	1,377,000
Senior management as below	4,841,655	5,928,186
	<b>307,824,153</b>	<b>288,068,845</b>

### Remuneration of Accounting Officer

Annual Remuneration	1,488,731	1,488,731
Car Allowance	240,000	240,000
Contributions to UIF, Medical and Pension Funds	2,231	1,785
Telephone allowance	36,000	36,000
Acting allowance to directors/managers	658,252	613,279
Acting allowance secondment by COGTA	139,010	-
Entertainment allowance	85,430	61,602
	<b>2,649,654</b>	<b>2,441,397</b>

### Remuneration of Chief Financial Officer

Annual Remuneration		-	341,057
Car Allowance		-	4,000
Contributions to UIF, Medical and Pension Funds		143	297
Telephone allowance		-	5,000
Leave pay		-	367,360
Entertainment	1,634		2,000
Acting allowance by Managers	414,859		476,620
Acting allowance secondment COGTA - Internal Advisor	49,506		-
	<b>466,142</b>		<b>1,196,334</b>

### Remuneration of Director Technical Service and Infrastructural Services

Acting allowance by Managers	407,125	561,965
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### Remuneration of Director Organisational Development and Corporate Services

Contributions to UIF, Medical and Pension Funds		95	-
Entertainment	1,978		-
Acting allowance secondment by COGTA	41,289		-
Acting allowance by Managers	414,859	569,843	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>31. Employee related costs (continued)</b>	<b>458,221</b>	<b>569,843</b>
<b>Remuneration of - Director Social Services</b>		
Entertainment	1,834	4,820
Acting allowance by Managers	444,652	514,441
	<b>446,486</b>	<b>519,261</b>
<b>Remuneration of Director Economic Development</b>		
Entertainment	1,650	1,748
Acting allowance by Managers	412,377	637,638
	<b>414,027</b>	<b>639,386</b>
<b>32. Remuneration of Councillors</b>		
Executive Mayor	938,250	902,971
Council Whip	714,787	688,103
Mayoral Committee Members	5,718,296	4,384,946
Speaker	759,478	731,075
Councillors	9,163,560	9,851,886
Chairpersons Section 79 committees	2,085,363	995,129
	<b>19,379,734</b>	<b>17,554,110</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>32. Remuneration of Councillors (continued)</b>		
<b>In-kind benefits</b>		
The Executive Mayor, Speaker, Council Whip, Section 79 Chairpersons and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in Section 219 of the Constitution.		
The Mayor and Speaker have use of a Council owned vehicle for official duties. The Mayor and Speaker each has a full-time driver.		
The Executive Mayor has two full-time bodyguards.		
<b>Remuneration per councillor</b>		
<b>Executive Mayor</b>		
Tshongwe S L	938,250	902,971
<b>Council Whip</b>		
Nyembe B V (Council Whip from 21 December 2017)	-	622,418
Mashia VL (Council Whip from 29 May 2019)	714,787	65,685
<b>Mayoral Committee Members</b>		
Semonyo LS ( from 18 January 2018)	714,787	689,003
Mtshali NM (from 20 March 2019 )	714,787	184,356
Mofokeng KB (from 18 June 2019)	714,787	24,804
Mosokweni F ( from 18 January 2018 - December 2018 and 20 March 2019 to 30 June 2019)	714,787	461,110
Fisher L (18 January 2018- 4 October 2018; 20 March 2019- 30 June 2019)	714,787	350,408
Mokoena NP (from 18 January 2018 to 4 October 2018 and 20 March 2019 to 30 June 2019)	714,787	350,408
Makhefu LA (from 18 January 2018- 30 November 2018)	-	276,755
Malindi MJ (from 18 January 2018)	714,787	689,003
Nyaku DJ (from 18 January 2018-28 May 2019)	-	659,146
Poho MS (from 18 January 2018)	714,787	689,003
<b>Speaker</b>		
Mabasa KT	759,478	731,075
<b>Chairpersons Section 79 committees</b>		
Molawa M (MPAC chairperson )	695,121	670,093
Kobo SS Chair person Streetnaming 3 April 2019 )	695,121	162,518
Makhefu L A (Chairperson Ethics 3 April 2019 -30 June 2019)	695,121	162,518
<b>Councillors</b>		
Barnard JJ	327,270	316,390
Burger GS	327,270	316,390
Du Plooy (till 21 November 2018)	-	127,254
Du Toit T	327,270	316,390
Dywili NN	327,270	316,390
Fisher L (from 1 December 2017 and MAYCO member 28 January 2018 - 4 October 2018 and from 20 March 2019 to 30 June 2019)	-	170,134
Grobbelaar JJ	327,270	316,390
Kobo SS ( Chair person Streetnaming 3 April 2019 )	-	237,382
Leotlela MG	327,270	316,390
Mbana MT (from 15 November 2018)	327,270	199,747
Mahlaela PM	327,270	316,390
Makhefu L A (from 1 February 2017; 1 December 2017; MAYCO 18 January 2018- 30 November 2018: Chairperson Ethics 3 April 2019 -30 June 2019)	-	113,707
Mare AK	327,270	316,390
Maseko ME	327,270	316,390
Matwa SM (from 18 July 2018)	327,270	302,680
Meyer R (from 18 July 2018)	327,270	302,680
Mofokeng TH	327,270	316,390
Mohapi P	327,270	316,390

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>32. Remuneration of Councillors (continued)</b>		
Mokoena MP	327,270	316,390
Mokoena NP (from 1 December 2017; MAYCO 18 January 2018 30 September 2018; April 2019 -30 June 2019)		- 170,134
Mokoena TS		- 26,356
Mosokweni F ( from18 January 2018 - December 2018 and 20 March 2019 to 30 June 2019)	-	113,215
Motaung TA	327,270	316,390
Motjeane SM	327,270	316,391
Motlhale S (from December 2017 -23 October 2018)		- 99,346
Motloung TM	327,270	316,391
Mtshali NM ( from 1 December 2017: MAYCO member from 20 March 2019)		- 234,714
Nhlapo LL	327,270	316,391
Nkheloane M	327,270	316,391
Nnune GB	327,270	316,391
Nteso SJ	327,270	316,391
Taats TJ	327,270	316,391
Telane MM	327,270	316,391
Tsotetsi J L	327,270	316,391
Van der Merwe FJ	327,270	316,391
Van Heerden (from 4 January 2019 )	327,270	172,116
Zwane ZJ	327,270	316,391
	<b>19,379,734</b>	<b>17,554,110</b>
<b>33. Depreciation and amortisation</b>		
Property, plant and equipment	45,676,282	76,845,498
Investment property	1,058,086	23,020
Intangible assets	(366,722)	936,617
	<b>46,367,646</b>	<b>77,805,135</b>
<b>34. Finance costs</b>		
Non - current borrowings	107,773	240,826
Trade and other payables	5,063,650	1,655,749
Finance leases	552,359	818,300
Bank	379,912	372,980
Unwinding of interest on provision	3,282,338	5,713,988
	<b>9,386,032</b>	<b>8,801,843</b>
<b>35. Debt impairment</b>		
Contributions to debt impairment - non-exchange	30,899,613	22,878,336
Contributions to debt impairment - exchange	199,863,755	211,707,655
	<b>230,763,368</b>	<b>234,585,991</b>
<b>36. Bulk purchases</b>		
Electricity - Eskom	270,112,633	225,639,059
Water	179,289,161	171,780,725
	<b>449,401,794</b>	<b>397,419,784</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand				2020	2019
<b>36. Bulk purchases (continued)</b>					
<b>2020</b>	Total sales (units)	Less total purchases	(Loss)/gain (units)	% loss on purchases	Rand value of loss at
Electricity	194,528,351	220,622,127	(26,093,776)	(12)	34,572,353
Water	16,625,524	20,718,272	(4,092,745)	(20)	35,492,405
	<b>211,153,875</b>	<b>241,340,399</b>	<b>(30,186,521)</b>		<b>- 70,064,758</b>
<b>2019</b>	Total sales (units)	Less total purchases	(Loss)/gain (units)	% loss on purchases	Rand value of loss at
Electricity	205,644,368	218,799,914	(13,155,546)	(6)	15,278,740
Water	16,607,069	19,847,089	(3,240,020)	(16)	28,093,100
	<b>222,251,437</b>	<b>238,647,003</b>	<b>(16,395,566)</b>		<b>- 43,371,840</b>

### Unaccounted consumption can be a result of:

- Distributions losses;
- Internal use that is not metered and not read;
- Illegal connections and theft.
- Supply to informal areas that have not yet been formalised.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from Rand Water and the Department of Water and Sanitation.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>37. Contracted services</b>		
<b>Outsourced Services</b>		
Administrative and support staff (printing service)	1,601,398	2,976,975
Business : Advisory and Research	-	2,500
Catering services	15,500	191,651
Cleaning services	2,733,623	2,971,917
Connection/disconnection	953,240	1,222,492
Traffic fines management	42,485	143,477
Transport services	281,070	560,164
<b>Consultants and Professional Services</b>		
Business and advisory	11,544,632	13,201,288
Infrastructure and planning		208,272
Legal cost	12,914,372	873,094
		10,580,351
<b>Contractors</b>		
Catering services		241,260
Gardening Services		744,715
Graphic designers		1,351,424
Maintenance of buildings and facilities		-
Maintenance of equipment		183,000
Maintenance of unspecified assets		941,234
Plants, Flowers and Other Decorations		880,331
Traffic and street lights		3,457,959
Safeguard and security	20,209,010	6,536,585
Sewerage services	20,203,713	2,352,306
Stage and sound crew		1,129,093
		5,060
		62,600
		672,313
		18,901,662
		19,000,345
		379,320
		480,940
	<b>79,498,478</b>	<b>82,659,736</b>
<b>38. Operating expenditure</b>		
Advertising		477,916
Auditors remuneration		576,180
Bank charges		7,503,083
Commission paid		9,054,815
Inventory consumables	46,452,639	807,207
Entertainment		7,991,350
Hire		9,402,431
Insurance		35,025,210
IT expenses		31,129
Skills development levies		54,340
Postage and courier		44,575
Printing and publications		4,560,084
Royalties and license fees		4,768,933
Subscriptions and membership fees		7,613,713
Telephone		7,033,935
Travel - local		2,074,925
Uniforms		2,310,328
Workmens' Compensation Fund		1,509,426
Ward committee remuneration		2,029,157
Bursaries		-
Other expenses		190
		486,443
		474,599
		3,788,097
		3,050,876
		2,262,903
		2,234,050
		978,081
		1,443,119
		2,650,810
		932,582
		1,327,945
		1,265,890
		1,122,205
		1,127,489
		95,706
		246,482
		515,270
	<b>92,293,507</b>	<b>82,201,942</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>39. Cash generated from operations</b>		
Surplus	48,645,725	2,424,142
<b>Adjustments for:</b>		
Depreciation and amortisation	46,367,632	77,805,135
(Gain)/loss on disposal of assets and liabilities	- 88,633	- 193,720
(Gain)/loss on inventory count		
Fair value adjustments - financial assets	886,215	(374,946)
Finance cost - non-current borrowings	107,773	240,826
Finance costs - finance leases	552,359	818,300
Debt impairment - Provision for doubtful debts (Exchange Service charges)	199,863,755	211,707,655
Debt Impairment losses - Provision for doubtful debts (Non-exchange - Rates)	29,061,396	19,225,939
Debt Impairment losses - Provision for doubtful debts (Non-exchange - Fines)	1,838,217	13,892,460
Contribution to Employee Benefit Liabilities - Non-current	4,094,917	2,447,000
Contribution to Employee Benefit Liabilities - Current	(864,917)	418,000
Finance costs - Trade and other payables	5,063,650	1,655,749
Profit on disposal of assets		- (1,513,879)
Finance cost - Discounting of provision for rehabilitation of landfill site	3,282,338	5,713,988
Assets received as donations	(6,626,004)	(25,741,033)
Provision for staff bonus	718,518	527,466
Provision for staff leave	4,080,432	1,542,238
Employee cost - actuarial gains	(126,540)	2,687,000
Increase in Long-term receivables	522,099	(203,536)
<b>Changes in working capital:</b>		
Inventories	195,491	(260,513)
Receivables from exchange transactions	(255,410,038)	(241,580,088)
Trade receivables from non-exchange transactions - Rates	(44,351,184)	(23,187,718)
(Increase)/Decrease in Trade receivables from non-exchange transactions - Fines	(2,280,087)	(3,965,742)
(Increase)/Decrease in Other Financial Assets	23,667	-
(Increase)/Decrease in VAT	5,186,055	8,000,463
Unspent conditional grants and receipts	18,755,070	7,472,628
Increase/(Decrease) in Trade payables from exchange	16,304,376	(538,917)
Increase/(Decrease) in Consumer deposits	1,376,510	3,106,976
	<b>77,356,058</b>	<b>62,513,313</b>

## 40. Financial instruments disclosure

### Categories of financial instruments

#### 2020

#### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	2,717,665	12,810	2,730,475
Receivables from exchange transactions		- 230,022,645	230,022,645
Receivables from non-exchange transactions		- 57,221,498	57,221,498
Cash and cash equivalents		- 44,671,390	44,671,390
Receivables from non-exchange transactions (non-current)		- 45,118	45,118
Fruitless and wasteful expenditure recoverable		- 18,451,758	18,451,758
	<b>2,717,665</b>	<b>350,425,219</b>	<b>353,142,884</b>

#### Financial liabilities

	At amortised cost	Total
Consumer deposits	25,477,270	25,477,270
Employee benefit obligation	57,784,460	57,784,460

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>40. Financial instruments disclosure (continued)</b>		
Payables from exchange transactions	281,446,155	281,446,155
VAT Payable	11,092,173	11,092,173
Finance lease obligation	3,828,031	3,828,031
Unspent conditional grants and receipts	27,116,049	27,116,049
	<b>406,744,138</b>	<b>406,744,138</b>

### 2019

#### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	3,603,880	36,477	3,640,357
Receivables from exchange transactions		- 169,524,819	169,524,819
Receivables from non-exchange transactions		- 46,441,383	46,441,383
Cash and cash equivalents		- 13,877,193	13,877,193
Receivables from non-exchange transactions (non- current)		- 567,217	567,217
Fruitless and wasteful expenditure recoverable		- 18,451,758	18,451,758
	<b>3,603,880</b>	<b>248,898,847</b>	<b>252,502,727</b>

#### Financial liabilities

	At amortised cost	Total
Consumer deposits	24,100,760	24,100,760
Employee benefit obligation	54,681,000	54,681,000
Long term loan	1,634,939	1,634,939
Payables from exchange transactions	255,279,180	255,279,180
VAT Payable	5,906,118	5,906,118
Finance lease obligation	7,175,623	7,175,623
Unspent conditional grants and receipts	8,360,979	8,360,979
	<b>357,138,599</b>	<b>357,138,599</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>41. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	97,019,990	111,712,998
<b>Total capital commitments</b>		
Already contracted for but not provided for	97,019,990	111,712,998
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	97,019,990	111,712,998

This committed expenditure relates to other: specify and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### Operating leases - as lessee (expense)

Operating Leases relate to the rental of machinery, vehicles and plant & equipment for construction and waste collection purposes, on an ad hoc basis from a panel of contractors on instances where the municipal-owned plant and machinery have breakdowns or any other reasons where the municipal plant and machinery are not available. The tender is awarded on a rotational basis. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to uncertain lease periods. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be paid for each of the following periods as required by GRAP 13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

construction and waste collection vehicles	-
machinery and equipment	-

### Operating leases - as lessor (income)

Operating Leases relate to property leases for municipal houses. The lessee does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to some uncertain lease periods which are on a month to month basis. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- Buildings

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>42. Contingencies</b>		
<b>Housing loans</b>		
<b>Various attorneys</b>		
Ukwazi Force CC / Metsimaholo Municipality		- 6,500,000
SAMRO NPC / Metsimaholo Municipality		- 500,000
Isak A van der Watt/Metsimaholo LM		- 47,265
Nkadimeng M R & Mofokeng M O / Metsimaholo Municipality		- 100,000
Steven Murray & associates/Metsimaholo Municipality		- 41,034
Calitz ACJ/Metsimaholo Municipality		- 11,182
Johan van Zyl/Metsimaholo Municipality		- 12,135
Christo van der Vyfer/Metsimaholo Municipality		- 13,186
Multi Talent/Metsimaholo Municipality		- 20,790
Tjatja Nelson/Metsimaholo Municipality		- 110,060
Teboho Sylvester Khoathela //Metsimaholo LM		- 22,322
DDP Valuers (Pty) LTD/Metsimaholo Municipality		- 350,000
Loots Willem/Metsimaholo Municipality		- 51,913
Du Plooy T L/Metsimaholo Municipality		- 15,000
<b>Mkwanazi Melato Inc</b>		
Metsimaholo Municipality / J Schoultz		- 58,364
Dreyer Albertus JP /Metsimaholo Municipality		- 5,713,000
<b>Ponoane Attorneys</b>		
Ernest L Lehani / Metsimaholo Local Municipality		- 176,348
Thabo Twala / Metsimaholo Local Municipality	100,000	77,729
Taats - EFF/Metsimaholo Local Municipality		- 209,455
Safcrete Construction/Metsimaholo Municipality	60,000	24,419,308
Liezel Trust / Metsimaholo Local Municipality	300,000	-
MEC- Fisher group / Metsimaholo Local Municipality	80,000	-
Mokobe SS / Metsimaholo Local Municipality	85,000	-
Dreyer /Metsimaholo Municipality	150,000	-
<b>Lawrence Melato Attorneys</b>		
John Motloug/ Metsimaholo Local Municipality		154,906
<b>Raphela Incorporated Attorneys and Conveyancers</b>		
SM Molala/Metsimaholo Local Municipality	1,611,549	-
Lizelle Trust/Metsimaholo Local Municipality	171,600,521	-
	<b>174,141,976</b>	<b>38,449,091</b>

### Other contingent liabilities

Unlicensed landfill site

The municipality managed three landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>43. Related parties</b>		
<b>Relationships</b>		
Accounting Officer	Refer to accounting officer's report note	
Ultimate controlling entity		
Councillors		
Nthebe MD	Alaska One Enterprise (Pty) Ltd	
Grobbelaar JJ	In his footprints (Non-profitable Charity organisation)	
Semonyo L S	MATLA Dynamics	
Tshongwe SL	WHIPHOLD	
Omqusi-Amantimand Amahle Trading and Projects (PTY)(LTD)		
Flavius Mareka TVET College - ministerial appointee		
Matwa SM	Life V/A Kasi -private company	
Mbana MT	Botho Keng PTY LTD	
Makhefu LA	Financial Penicea PTY LTD	
Fisher L (company of spouse)	MONYESEMANE PTY LTD	
Mtshali NM (company of son -50%)	Gojeni Project - construction	
Themba Mtshali construction		
Zwanje ZJ	Phuthuma Natai	
Barnard JJ	Jacques Barnard Consultants	
Meyer R	Eclipz Doggy Parlour	
Ingwe Emergency Fire and Risk Consultants		
Key management	Name	
Molala SM	Afriscapes CC (Capacity building)	
Ndaba M D	MTN Shares	
Post employment benefit plan for employees	Refer to note]	
Members of key management	Refer to note	
Executive Council Members	Refer to note	

There were no transactions with the above listed entities subject to control by council members.

### Services rendered to Related Parties

Councillors 2020	Name	Rates Charges	Service Charges	Interest	Sundry Charges	Outstanding Balances
Executive Mayor Proportional	Tsongwe SL	7,012	23,596	280		- 11,079
Councillor: Proportional	Du Toit T	8,718	57,971	945		- 15,308
Councillor: Proportional	Leotlela M	650	716	776		- 23,796
Councillor: Proportional	Malindi MJ	650	1,369		-	- 5,340
Councillor: Proportional	Maseko ME	650	4,023	376		- 52,833
Councillor: Proportional	Mashia VL	1,219	12,479	199	769	101,154
Councillor: Proportional	Matwa SM	650	1,265		56	- 17,659
Councillor: Proportional	Mofokeng KB	600	977	443		- 8,236
Councillor: Proportional	Mofokeng TH	4,928	15,635		3	- 4,775
Councillor: Proportional	Mohapi P	600	333	345		- 5,797
Councillor: Proportional	Motaung TA	1,706	1,001	963		- 15,840
Councillor: Proportional	Motjeane SM	3,743	41,061	464	270	128,254
Councillor: Proportional	Motloung TM	2,656	1,987		- 769	24,239
Councillor: Proportional	Nhlapo LL	871	2,663		-	- 1,142
Councillor: Proportional	Poho MS	650	4,399		6	- 11,276
Councillor: Proportional	Semonyo LS	1,800	8,371		18	-
Councillor: Proportional	Taats TJ	650	3,882	459		- 7,964
Councillor: Proportional	Tsotetsi JL	1,185	33,226	486		- 76,614
Councillor: Proportional	Van Heerden L J	6,704	15,270		-	- 1,112
Councillor: Proportional	Zwane ZJ	6,728	6,434		7	- 1,426
Councillor: Ward 1	Mokoena MP	650	927	589		- 8,787
Councillor: Ward 2	Molawa JM	650	6,657		-	-
Councillor: Ward 3	Telane MM	650	25,034		-	- 102,446
Councillor: Ward 4	Nnune GB	650	5,172		6	- 3,391

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand		2020	2019			
<b>43. Related parties (continued)</b>						
Councillor: Ward 5	Kobo SS	650	3,912	-	- 29,794	
Councillor: Ward 6	Nkheloane M	650	8,273	120	- 56,444	
Councillor: Ward 7	Mahlaela PM	1,374	5,531	- 270	11,411	
Councillor: Ward 8	Nteso SJ	1,480	6,239	1,320	- 109,478	
Councillor: Ward 9	Dywili NN	2,274	7,025	356	270	29,745
Councillor: Ward 10	Mtshali NM	5,728	8,751	2,640	540	84,455
Councillor: Ward 11	Mabasa KT	1,421	6,300	-	-	- (3,675)
Councillor: Ward 12	Makhefu LA	1,262	642	-	-	- 196
Councillor: Ward 13	Mosokweni FD	853	5,273	260	-	- 63,678
Councillor: Ward 14	Van der Merwe FJ	7,297	36,233	-	-	- 2,781
Councillor: Ward 15	Grobbelaar JJ	7,770	5,729	11	-	- (234)
Councillor: Ward 16	Barnard JJ	6,728	16,468	-	-	- 1,740
Councillor: Ward 17	Burger GS	7,836	12,196	-	-	- 11
Councillor: Ward 18	Meyer R	13,496	12,471	-	-	- 2,274
Councillor: Ward 19	Mare AK	1,279	716	-	-	- (558)
Councillor: Ward 20	Fisher L	1,863	9,844	79	-	- 1,259
Councillor: Ward 21	Mokoena NP	650	13,057	1	-	- 55,448
Subtotal		- 117,581	433,108	11,208	2,888	1,073,839
		<b>117,581</b>	<b>433,108</b>	<b>11,208</b>	<b>2,888</b>	<b>1,073,839</b>

<b>Section 57 personnel 2020</b>	Name	Rates Charges	Service Charges	Interest	Sundry Charges	Outstanding Balances
Acting Municipal Manager	Mathe M	8,272	11,341		2 270	2,704
Acting Municipal Manager and Director Social Services	Mokoena SJ	18,024	55,583		2 396	9,028
Acting Director Corporate Services	Molotsi B	10,274	11,116	2,583	3,930	45,577
Acting Director Corporate Services	Moholi KA	3,519	7,869		3	- 696
Acting Director Social Services	Alberts G	9,752	44,242		- 126	2,019
Acting Director LED	Theko M	15,760	19,944	2,583	3,929	11,673
Subtotal		- 65,601	150,095	5,173	8,651	71,697
		<b>65,601</b>	<b>150,095</b>	<b>5,173</b>	<b>8,651</b>	<b>71,697</b>

<b>Councillors 2019</b>	Name	Rates Charges	Service Charges	Interest	Sundry Charges	Outstanding balances
Executive Mayor Proportional	Tsongwe SL	5,290	12,511	44	-	- 5,867
Councillor: Proportional	Du Plooy A	5,290	3,497	- 285	-	(4,485)
Councillor: Proportional	Du Toit T	9,468	41,365	1,033	-	- 11,865
Councillor: Proportional	Leotlela M	480	609	752	-	- 21,779
Councillor: Proportional	Malindi MJ	480	1,478	15	-	- 5,252
Councillor: Proportional	Maseko ME	480	2,824	303	-	- 10,839
Councillor: Proportional	Mashia VL	667	17,761	81	515	86,487
Councillor: Proportional	Matwa SM	480	1,116	99	258	20,046
Councillor: Proportional	Mofokeng KB	480	573	487	-	- 7,768
Councillor: Proportional	Mofokeng TH	3,067	10,785	-	-	- (48)
Councillor: Proportional	Mohapi P	480	300	311	-	- 4,517
Councillor: Proportional	Motaung TA	480	789	849	-	- 12,439
Councillor: Proportional	Mothale S	-	5,762	1,111	-	- 16,673
Councillor: Proportional	Motjeane SM	1,200	28,435	419	-	- 86,258
Councillor: Proportional	Motloung TM	667	2,266	-	515	18,827
Councillor: Proportional	Nhlapo LL	480	(408)	-	-	- 3,176
Councillor: Proportional	Nyembe B V	480	5,998	1,483	-	- 21,818
Councillor: Proportional	Poho MS	667	3,981	154	-	- 17,621
Councillor: Proportional	Semonyo LS	845	8,430	44	-	- 546
Councillor: Proportional	Taats TJ	480	3,669	127	-	- 4,625
Councillor: Proportional	Tsotetsi JL	480	7,875	407	-	- 42,320

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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Figures in Rand		2020	2019				
<b>43. Related parties (continued)</b>							
Councillor: Proportional	Van Heerden L J	5,823	10,147	-	-	718	
Councillor: Proportional	Zwane ZJ	5,467	5,247	1	-	1,210	
Councillor: Ward 1	Mokoena MP	480	7,827	1,083	-	16,130	
Councillor: Ward 2	Molawa JM	480	5,650	3	-	(911)	
Councillor: Ward 3	Telane MM	480	29,050	-	-	77,408	
Councillor: Ward 4	Nnune GB	480	3,029	12	-	1,121	
Councillor: Ward 5	Kobo SS	480	7,886	-	-	30,344	
Councillor: Ward 6	Nkheloane M	480	12,938	41	-	52,642	
Councillor: Ward 7	Mahlaela PM	480	2,137	-	-	4,477	
Councillor: Ward 8	Nteso SJ	933	6,537	1,330	1,248	100,439	
Councillor: Ward 9	Dywili NN	1,289	6,187	353	-	24,508	
Councillor: Ward 10	Mtshali NM	1,200	3,934	3,575	-	43,833	
Councillor: Ward 11	Mabasa KT	667	5,309	-	-	2,617	
Councillor: Ward 12	Makhefu LA	667	363	-	-	-	
Councillor: Ward 13	Mosokweni FD	480	18,736	297	-	63,051	
Councillor: Ward 14	Van der Merwe FJ	5,734	35,650	8	-	2,781	
Councillor: Ward 15	Grobbelaar JJ	5,645	9,865	66	-	3,008	
Councillor: Ward 16	Barnard JJ	4,667	11,033	-	-	1,369	
Councillor: Ward 17	Burger GS	6,623	13,034	-	-	2,887	
Councillor: Ward 18	Meyer R	11,913	20,229	57	-	1,673	
Councillor: Ward 19	Mare AK	480	609	1	-	392	
Councillor: Ward 20	Fisher L	667	5,959	204	-	1,564	
Councillor: Ward 21	Mokoena NP	480	8,981	239	-	31,944	
Subtotal		-	88,536	389,953	14,989	2,821	857,409
			<b>88,536</b>	<b>389,953</b>	<b>14,989</b>	<b>2,821</b>	<b>857,409</b>

<b>Section 57 Personnel 2019</b>						
	Name	Rates Charges	Service Charges	Interest Charges	Sundry	Outstanding Balances
Acting Municipal Manager	Steenkamp GP	7,068	12,870	-	-	944
Acting Director Social Service	Moshodi M D	4,578	6,378	-	-	794
Acting Director LED	Theko M	11,468	24,758	88	-	2,037
Subtotal		-	23,114	44,006	88	3,775
			<b>23,114</b>	<b>44,006</b>	<b>88</b>	<b>3,775</b>

<b>2020: Revenue of family of key management personnel and councillors that are employed at the municipality</b>						
	Name	Family Member	Department	Relationship	Remuneurati on	Total
Organisation Development and Corporate Services	E Sediane	SS Sediane	Human Resources	Wife	906,268	906,268
Social Service	MD Moshodi	DB Moshodi	Finance	Wife	235,727	235,727
Councillor	NN Dywili	N Dywili	Parks	Wife	376,512	376,512
Councillor Services	PM Mahlaela	RM Mahlaela	Technical	Daughter	141,143	141,143
Subtotal					1,659,650	1,659,650
					<b>1,659,650</b>	<b>1,659,650</b>

<b>2019: Revenue of family of key management personnel and councillors that are employed at the municipality</b>						
	Name	Family member	Department	Relationship	Remuneurati on	Total

# Metsimaholo Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand					2020	2019
<b>43. Related parties (continued)</b>						
Organisation Development and Corporate Services	E Sediane	SS Sediane	Human Resources	Wife	860,994	860,994
Social Service Councillor	MD Moshodi	DB Moshodi	Finance	Wife	223,428	223,428
Councillor	NN Dywili	N Dywili	Parks	Wife	356,395	356,395
Councillor	PM Mahlaela	RM Mahlaela	Technical Services	Daughter	133,262	133,262
Councillor management	NM Mtshali	VA Mtshali	Waste	Son	133,097	133,097
Subtotal	-	-	-	-	1,707,176	1,707,176
					<b>1,707,176</b>	<b>1,707,176</b>

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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 43. Related parties (continued)

#### Remuneration of management

#### Management class: Councillors

#### 2020

Name	Basic salary	Other benefits	Total	
			received	
Mayoral committee members	5,391,896		326,400	5,718,296
Mayor	897,450		40,800	938,250
Chief Whip	673,987		40,800	714,787
Speaker	718,678		40,800	759,478
Chairpersons Section 79 Committees	1,962,963		122,400	2,085,363
Other Councillors	8,021,160		1,142,400	9,163,560
	<b>17,666,134</b>		<b>1,713,600</b>	<b>19,379,734</b>

#### 2019

Name	Basic salary	Other benefits	Total	
			received	
Mayoral committee members	4,123,146		261,800	4,384,946
Mayor	862,171		40,800	902,971
Chief Whip	647,303		40,800	688,103
Speaker	690,275		40,800	731,075
Chairpersons Section 79 committees	933,929		61,200	995,129
Other Councillors	8,590,893		1,260,992	9,851,886
	<b>15,847,717</b>		<b>1,706,392</b>	<b>17,554,110</b>

Management class: Section 57 personnel - Refer to Note 30

**44. Change in estimate****Property, plant and equipment**

The useful life of 13 085 assets, included in Property, Plant and Equipment have been reassessed and the remaining useful lives of these assets were extended for 2 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R30 642 214.

**No changes in estimates had been made in following**

Loans and receivables; allowance for slow moving, damaged and obsolete stock; fair value estimation; impairment testing; post retirement benefits; effective interest rate, allowance for doubtful debts, budget information and water inventory.

**45. Prior-year adjustments**

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

**Statement of financial position 2018**

Note	As previously reported	Correction of error	Re-classification	Restated
<b>Current Assets</b>				
Inventories	1,400,640	-	-	1,400,640
Other financial assets	3,265,411	-	-	3,265,411
Receivables of exchange transactions	151,237,665	(305,187)	-	150,932,478
Receivables of non- exchange transactions	61,766,820	(2,188,833)	-	59,577,987
Cash and cash equivalents	21,042,894	-	-	21,042,894
VAT receivable	2,094,345	-	-	2,094,345
<b>Non-current Assets</b>				
Investment property	295,221,476	-	150,736,507	445,957,983
Property Plant and equipment	1,359,565,341	6,356,822	(156,126,507)	1,209,795,656
Intangible Assets	3,484,671	-	1,657,017	5,141,688
Heritage Assets	561,001	-	3,732,983	4,293,984
Long-term receivables	363,681	-	-	-363,681
<b>Current liabilities</b>				
Consumer deposits	(20,993,784)	-	-	-(20,993,784)
Finance lease obligation	(3,257,767)	-	-	-(3,257,767)
Current portion of long-term liabilities	(1,501,886)	-	-	-(1,501,886)
Payables from exchange transactions	(226,925,897)	(25,166,747)	-	-(252,092,644)
Employee benefit obligation	(4,147,000)	-	-	-(4,147,000)
Unspent grants	(1,672,391)	784,040	-	-(888,351)
<b>Non-current liabilities</b>				
Finance lease obligation	(7,175,623)	-	-	-(7,175,623)
Employee benefit obligation	(44,982,000)	-	-	-(44,982,000)
Long term loan -long term portion	(1,634,939)	-	-	-(1,634,939)
Provisions	(77,980,482)	(643,495)	-	-(78,623,977)
<b>Net Assets</b>				
Accumulated Surplus	(1,509,732,176)	21,163,400	-	-(1,488,568,776)
	-	-	-	-

**45. Prior-year adjustments (continued) 2019**

Note	As previously reported	Correction of Re- error	classification	Restated
Inventories	1,467,433	-	-	1,467,433
Other financial assets	3,640,357	-	-	3,640,357
Receivables from exchange transactions	152,499,183	(1,326,643)	18,352,278	169,524,818
Receivables from non-exchange transactions and cash equivalents	67,416,533	(2,624,672)	(18,350,478)	46,441,383 Cash
Fruitless and wasteful expenditure recoverable	13,877,193	-	-	13,877,193
	18,451,758	-	-	18,451,758
<b>Non Current assets</b>				
Investment property	295,200,836	-	150,736,506	445,937,342
Property, plant and equipment	1,390,096,253	(10,024,936)	(156,126,505)	1,223,944,812
Intangible assets	2,532,182	-	1,657,017	4,189,199
Heritage assets	561,001	133,986	3,732,982	4,427,969
Receivables from exchange transactions	1,643,807	(1,076,590)	-	567,217
<b>Current liabilities</b>				
Payables from exchange transactions	(222,661,126)	(34,126,357)	1,508,303	(255,279,180)
VAT payable	(5,906,118)	-	-	(5,906,118)
Finance lease obligation	(3,347,599)	-	-	(3,347,599)
Consumer deposits	(22,590,657)	-	(1,510,103)	(24,100,760)
Unspent conditional grants and receipts	(9,145,020)	784,040	-	(8,360,980)
Employee benefit obligation	(4,565,000)	-	-	(4,565,000)
Short term portion -long term loan	(1,634,939)	-	-	(1,634,939)
<b>Non- current liabilities</b>				
Finance lease obligation	(3,828,028)	-	-	(3,828,028)
Employee benefit obligation	(50,116,000)	-	-	(50,116,000)
Provisions	(85,161,553)	823,587	-	(84,337,966)
<b>Net Assets</b>				
Accumulated surplus	(1,538,430,496)	47,437,585	-	-(1,490,992,911)
-	-	-	-	-

**Statement of financial performance**

**45. Prior-year adjustments (continued)****2019**

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		698,481,721	(4,962,133)		- 693,519,588
Licences and permits		105,569		- (105,569)	-
Operational revenue		3,471,562	44,958		- 3,516,520
Income legal costs		2,755,174		-	- 2,755,174
Interest received - investment		3,408,691		-	- 3,408,691
Dividends received		115,088		-	- 115,088
Interest received - consumers		37,326,833		- (5,791,011)	31,535,822
Sale of stands		396,849		-	- 396,849
Adjustments to assets		1,513,879		-	- 1,513,879
Fair value adjustments on other financial assets		374,946		-	- 374,946
Rental of facilities and equipment		5,852,302	1,990		- 5,854,292
Revenue from non-exchange transactions		- 143,648,432		-	- - 143,648,432
Property rates				-	-
Government grants and subsidies		269,173,065		-	- 269,173,065
Public contributions and donations		25,690,347	8,233,090		- 33,923,437
Fines, penalties and forfeits		4,055,117		-	- 4,055,117
Interest, Dividends and Rent on Land Earned				- 5,791,011	5,791,011
Licence and permits				- 105,569	105,569
Employee related costs		(288,617,758)	(383,674)	932,582	(288,068,850)
Remuneration of councillors		(17,554,110)		-	- (17,554,110)
Depreciation and amortisation		(72,118,140)	(5,686,996)		- (77,805,136)
Finance costs		(8,063,255)	(738,587)		- (8,801,842)
Lease rentals on operating lease		(7,671,201)		-	- (7,671,201)
Debt impairment		(234,585,991)		-	- (234,585,991)
Bulk purchases		(397,279,610)	(140,174)		- (397,419,784)
Contracted services		(80,843,545)	(409,349)	(1,406,843)	(82,659,737)
Transfers and subsidies		(296,533)	(4,500)		- (301,033)
Inventories losses/write-downs		(193,720)		-	- (193,720)
General expenditure		(60,447,392)	(22,228,810)	474,261	(82,201,941)
<b>Surplus for the year</b>		<b>28,698,320</b>	<b>(26,274,185)</b>		<b>- 2,424,135</b>

**45. Prior-year adjustments (continued) Reclassifications**

The following reclassifications adjustment occurred:

**Reclassification 1**

Protective clothing was classified as expenditure under Employee related costs but now re-classified as general expenditure

**Statement of financial performance**

Employee related cost	-	932,582
Operating expenditure	-	(932,582)
	-	-

**Reclassification 2**

Advertisement revenue re-classified from sundry income to Billboards in note - Other income, R423 863

**Reclassification 3**

Re-classify subscription fees from other expenses to subscriptions and membership fees, note Operating expenditure, R25 600

**Reclassification 4**

Reclassifying cutting of grass from operating expenditure to contracted services.

**Statement of Performance**

Contracted services -contractors	-	(1,406,843)
Operating expenditure -Horticulture	-	1,406,843
	-	-

**Reclassification 5**

Other service charges reclassify from Receivables from non- exchange transactions to Receivables from exchange transactions

**Statement of Position**

Receivables from non- exchange transactions	-	(6,867,590)
Receivables from exchange transactions	-	6,867,590
	-	-

**Reclassification 6**

Other deposits classified from Payables from exchange transactions to Consumer deposits

**Statement of Position**

Consumer deposits	-	(1,510,103)
Payables from exchange transactions	-	1,510,103
	-	-

**Reclassification 7**

Reclassify interest from exchange transaction to non-exchange transactions

**Statement of performance**

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**45. Prior-year adjustments (continued)**

Interest, dividends and rent on land	-	5,791,011
Interest Consumers	-	(5,791,011)
	-	-

Reclassification 8

**Statement of Position**

Receivables from exchange transactions -prepaid electricity payments	-	4,787,039
Receivables from non-exchange transactions	-	(4,787,039)
	-	-

Reclassification 8

Reclassify prepaid electricity payments and Control, Clearing and Interface accounts from receivables from non-exchange transactions to Receivables from exchange transactions

**Statement of Position**

Receivables from exchange transactions - Control, clearing and interface accounts	-	17,975,945
Receivables from non-exchange transactions	-	(17,975,945)
	-	-

**Reclassification 10**

Licenses fees and permits reclassified from Revenue from exchange transaction to revenue from non- exchanges transactions

**Reclassification 11**

Non-current assets reclassified to be in line with the general ledger and asset register

**Statement of Position**

Investments	-	150,736,506
Property plan and equipment	-	(156,126,505)
Intangible Assets	-	1,657,017
Heritage Assets	-	3,732,982
	-	-

**Reclassification 12**

Reclassification of MIG between operating and capital grant - sewer connections Gortin, R9 336 250

**Reclassification 13**

Correction of classification of RD Cheques R1 800 as Receivables from exchange instead as Payables from exchange transactions.

**46. Comparative figures**

Certain comparative figures have been restated, refer to note 42 - Prior-year adjustments for the detail.

**47. Risk management**

**Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

**47. Risk management (continued) Liquidity****risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At 30 June 2020</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Consumer deposits	25,477,270	-	-	-
Finance lease obligation	3,287,522	540,509	-	-
Payables from exchange transactions	281,446,155	-	-	-
Unspent conditional grants and receipts	27,116,049	-	-	-
<b>At 30 June 2019</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Consumer deposits	24,100,760	-	-	-
Finance lease obligation	3,347,599	3,828,028	-	-
Other financial liabilities	1,634,939	-	-	-
Payables from exchange transactions	255,279,180	-	-	-
Unspent conditional grants and receipts	8,360,979	-	-	-

**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, taking past payment behaviour into account.

Financial assets exposed to credit risk at year end were as follows:

<b>Financial instrument</b>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	44,671,390	13,877,193
Receivables from exchange transactions	230,022,645	169,524,819
Receivables from non-exchange transactions	57,221,498	45,441,383
Receivables from exchange transactions (non-current)	45,118	567,219
Fruitless and waste full expenditure recoverable	18,451,758	18,451,758
Other financial assets	2,730,475	3,640,357

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

**Market risk**

**47. Risk management (continued)****Interest rate risk**

The municipality invests funds in short term investments; as such, there is some cash flow risk. The municipality's borrowings are in fixed rate instruments. During 2020 and 2019, the municipality's borrowings were denominated in the Rand.

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income on the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks on the manner which it manages and measures the risk.

**Fair value interest rate risk**

The municipality is exposed to fair value risk as it regularly invests capital in fixed deposit accounts. This risk is managed by investing the funds for less than a year (depending on cash flow requirements), thus allowing the interest rate to be updated regularly throughout the year.

Assuming all such investments at year end were invested for a year, the effect of a 1% change in interest rate (applicable for the entire year) would be: R50 263 (2019: R50 263).

**Price risk**

The municipality is exposed to equity securities price risk because of investments held by the municipality at fair value of R2 730 475 (2019: R3 603 880). The impact of a 10% change in price would be R 271 767 (R2019: R360 388).

This investment consists of equity in one listed entity (Sanlam Ltd), and the municipality does not actively trade in equity instruments or conduct any hedging activities.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

#### 48. Going concern

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

Management considered the following matters in relation to the Going Concern position of Metsimaholo Local Municipality:

(i) On 26 June 2020 Council adopted the 2020/21 to 2022/23 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF), fund the elementary operations of the Municipality to support the ongoing delivery of municipal services to residents, reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

(v) We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 1 542 244 802 and that the municipality's total assets exceed its liabilities by R4 767 981, This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

(vi) A cost containment program is in place and it is regarded by Council as a high priority in order to contain cost and improve service delivery.

(vii) Metsimaholo Local Municipality is a grade 9 municipality it is in public interest that the municipality remains solvent and continue as an ongoing concern.

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

The COVID-19 pandemic continues to have a devastating impact on the macro economy and a significant component of the institutions which operate therein. The municipality has not been immune to the impact of the pandemic. The impact and duration of the COVID-19 pandemic in the Province and Metsimaholo's jurisdiction is uncertain at the date of this submission. Management of the municipality is however of the opinion that regardless of the possible effect of the COVID-19 pandemic, the municipality will continue to operate for the foreseeable future, which is usually regarded as at least the next 12 months from the reporting date, however not limited to this timeframe.

#### 49. Events after the reporting date

##### **Background information: National State of Disaster issued for the COVID-19 pandemic**

A national state of disaster was declared on 15 March 2020 under the Disaster Management Act (Act no 57 of 2002) as result of the COVID-19 pandemic.

##### **Submission of financial statements**

Sections 126(1) and (2), 127(1) and (2), 129(1) and 133(2) of the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003) states that the Accounting Officers for municipalities and municipal entities must submit financial statements within two months after the end of the financial year to the Auditor-General for auditing.

An exemption from the sections included the MFMA was issued in Government Gazette number 43582. This stated that the institution must comply with two months after the deadline in the applicable section.

This resulted in the date of submission of the financial statements being moved to 31 October 2020 (the previous statutory submission date being 31 August 2020). GRAP 14 on Events after the reporting date are all events, both favourable and unfavourable, that occur between the reporting date (30 June 2020) and the date when the financial statements are authorised for issue (two months after the financial statements were issued to the auditors). The period between the reporting date and the date on which the financial statements are authorised for issue, is thus extended due to the exemption provided above.

**49. Events after the reporting date (continued)**

**2020/21 Adjustments Budget**

The 2020 National Supplementary Budget was delivered by the Minister of Finance in Parliament on the 24th of June 2020. The 2020 Supplementary Budget responds to the Covid-19 pandemic and its impact on the economy. This include the R 20 billion allocation for local government announced by the President to assist in funding COVID-19 expenditure. This allocation consists of R11 billion added to the local government equitable share and just over R9 billion that was repurposed for the provision of water and sanitation and for sanitising public transport facilities within existing grant allocations to local government. In terms of Section 28(2)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Section 23(3) of the municipal Budget and Reporting Requirements (MBRR), municipalities must adjust their 2020/21 MTREF budgets to account for revised funding allocations that were made available.

A letter was received from SASOL, indicating to withdrawn the donations made to the municipality. Thus is the outcome of assets that were donated SASOL, were attached to be auctioned on 15th August 2020. The action was stopped in time and no assets on the municipality was auctioned. Sasol requested that the two vehicles, bailer and grass cutting equipment that were donated be returned to SASOL.

The municipality used this adjustments budget to reprioritise the 2020/21 budget to respond to the impact of the COVID-19 pandemic on the budget.

The following adjustments to grant funding were received:

<b>R'000</b>	2020/21 Main allocation		Adjustments		Total
Equitable Share	-	-	202,505	31,224	233,729
Integrated National Electrification Programme Grant	-	-	23,956	(18,956)	5,000
Upgrading of Deneysville WWTW	-	-	25,000	(5,000)	20,000
Regional Bulk Infrastructure Grant	-	-	25,000	24,685	49,685
	-	-	<b>276,461</b>	<b>31,953</b>	<b>308,414</b>

**50. COVID-19 EXPENDITURE**

**Background information**

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China’s biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A “public health emergency of international concern” was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that ‘Covid-19’ be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID- 19 outbreak as a global pandemic on 11th March 2020.

**Covid-19 in South Africa**

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

Thus, there will not be any prior year information regarding expenditure in lieu of Covid-19.

The table below indicates the total Covid-19 response expenditure (excluding VAT) for the period ending 30 June 2020:

**COVID-19 Expenditure**

**Operating Expenditure**

Operating expenditure: Inventory	1,357,918	-
Operating expenditure: Inventory - food parcels	326,800	-
Operating expenditure: Advertisement	25,500	-
Operating expenditure: Protective clothing	532,871	-
Contracted Services: Loudhauling	220,500	-
Employee related cost: COVID 19 Allowance	640,500	-
Employee related cost: Overtime	1,164,296	-
	<b>4,268,385</b>	<b>-</b>

The table below indicates the Funding sources for the total Covid-19 response expenditure (excluding VAT) for the period ending 30 June 2020:

No COVID 19 expenditure was classified as irregular expenditure

**Funding sources of COVID-19 exp**

Own Revenue	3,941,585	-
Public contributions	28,800	-
Disaster Management Grant	298,000	-
	<b>4,268,385</b>	<b>-</b>

Figures in Rand

2020

2019

**51. Unauthorised expenditure**

Opening balance as previously reported	96,945,336	19,380,908
<b>Opening balance as restated</b>	<b>96,945,336</b>	<b>19,380,908</b>
Add: Expenditure identified - current		- 77,564,428
<b>Closing balance</b>	<b>96,945,336</b>	<b>96,945,336</b>

**Unauthorised expenditure: Budget overspending – per municipal department**

**Disciplinary steps taken/criminal proceedings**

**Recoverability of unauthorised expenditure**

**Details of unauthorised expenditure**

Technical Services		- 77,094,915
Budget: R686 244 230		
Actual expenditure: R763 339 145		
Social Services		- 469,513
Budget: R140 075 130		
Actual: R140 544 643		
		<b>- 77,564,428</b>

**52. Fruitless and wasteful expenditure**

Opening balance as previously reported	28,191,960	5,819,225
<b>Opening balance as restated</b>	<b>28,191,960</b>	<b>5,819,225</b>
Add: Expenditure identified - current	5,421,143	725,281
Add: Expenditure identified - prior period	1,776,348	21,647,454
<b>Closing balance</b>	<b>35,389,451</b>	<b>28,191,960</b>

**Expenditure identified in the current year include those listed below:**

**Analysis of expenditure**

Telkom- payment of telephone accounts. Interest charged on the late payment of accounts  
 Sheriff Sasolburg - payment of interest  
 Auditor General - interest on late payment  
 Sasol Infrachem -interest on the late payment for sewer treatment  
 ESKOM - interest paid on the late payments of electricity accounts  
 Free State Provincial Government - late payment of license fees  
 Metsimaholo Sports complex - work not done  
 SA Post Office - interest on late payment  
 Department of Water - interest on late payment  
 SARS: Penalty & Interest charged VAT 201 Rand Water  
 Safcrete -interest paid  
 Compensation Commissioner -interest  
 Auqa: Cost and interest paid to lawyers  
 Lizelle trust Interest 17/18  
 Lizelle trust Interest 18/19  
 Lizelle trust Interest 19/20

Figures in Rand

2020

2019

### 53. Irregular expenditure

Opening balance as previously reported	352,547,150	255,058,412
<b>Opening balance as restated</b>	<b>352,547,150</b>	<b>255,058,412</b>
Add: Irregular Expenditure - current	37,444,981	58,040,885
Add: Irregular Expenditure - prior period	20,007,003	39,447,853
<b>Closing balance</b>	<b>409,999,134</b>	<b>352,547,150</b>

#### Analysis of expenditure awaiting condonation per age classification

Not submitting the minimum quotations for acquiring goods and services	618,241	4,730,350
Other (lowest quotation not selected, not on CSD, etc)	2,528,559	24,091
Contract / SLA expired i.e. exceeds three years, no valid approval for extension	16,114,747	48,256,560
Work performed without authorised order being issued	6,232,358	1,882,342
Regulation 32 Non- compliance (no cost/benefit analysis performed)	1,643,171	3,142,542
Not regarded as deviations	10,307,905	-
Identified as per audit 2019	20,007,003	-
	<b>57,451,984</b>	<b>58,035,885</b>

### 54. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	3,721,289	2,926,730
Amount paid - current year	(3,721,289)	(2,926,730)
	-	-

#### Distribution losses

Bulk electricity and water losses in terms of Section 125(2)(d)(i) of MFMA. Refer to note 36.

#### Audit fees

Opening balance	402,877	12,482
Current year subscription / fee	8,628,546	10,412,869
Interest charged	52,450	130,390
Amount paid - current year	(9,000,264)	(10,026,121)
Debt forgiven (interest waived)	(52,450)	(126,743)
<b>Balance unpaid (Included in Creditors)</b>	<b>31,159</b>	<b>402,877</b>

#### PAYE and UIF

Opening balance	3,938,347	3,503,916
Current year subscription / fee	49,650,601	47,306,017
Amount paid - current year	(49,263,770)	(46,871,586)
<b>Balance unpaid (Included in Creditors)</b>	<b>4,325,178</b>	<b>3,938,347</b>

#### Pension and medical aid deductions

Current year subscription / fee	75,964,649	69,920,589
Amount paid - current year	(72,554,715)	(69,920,589)
<b>Balance unpaid (Included in Creditors)</b>	<b>3,409,934</b>	-

Figures in Rand	2020	2019
<b>54. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>VAT</b>		
VAT payable	11,092,173	5,906,118

All VAT returns have been submitted by the due date throughout the year.

**54. 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 2020:

<b>30 June 2020</b>	<b>Outstanding more than 90 days</b>	<b>Total R</b>
	<b>R</b>	
	-	27,256
		27,256
Dywilli N N (Acc no 562734)		
Kobo S S (Acc no 830352 and 872353)	-	28,520
Leotlele P R (Acc no 536637 and 592959)	-	23,354
Mahlaela P M (Acc no 108353)	-	10,678
Malindi M J (Acc no 595729)	-	5,340
Matwa S M (Acc no 59327 and 872070)	-	17,659
Maseko M (Acc no 109049 ,590648)	-	51,841
Mokoena N (Acc no 565105 , 594135 and 791179)	-	54,524
Motlhale S (Acc no 12921)	-	21,938
Mokoena P M (Acc no 568419)	-	8,171
Mosokweni F (Acc no 830353)	-	62,227
Motaung T A (Acc no 537934)	-	14,992
Motjeane S (Acc no 106180)	-	117,975
Mtshali N M (Acc no 103466)	-	40,024
Nkheloane M (Acc no 108037,575013 and 592910)	-	54,372
Nnune J G (Acc no 512468)	-	2,073
Poho M S ( Acc no 589204)	-	10,341
Taats T (Acc no 553229)	-	7,459
Telane M M (Acc no 512521)	-	100,591
Tshongwe S L (Acc no 575987)	-	3,169
Tsotetsi L J (Acc no 511192)	-	74,876
	-	<b>737,380</b>

<b>30 June 2019</b>	<b>Outstanding more than 90 days</b>	<b>Total R</b>
	<b>R</b>	
	-	21,018
		21,018
Dywilli N N (Acc no 108921)		
Kobo S S (Acc no 526816)	-	29,388
Leotlela M G (Acc no 536637 and 592959)	-	21,307
Mahlaela P M (Acc no 108353)	-	3,894
Malindi M J (Acc no 595729)	-	5,130
Matwa S M (Acc no 593277, 612908 and 872070)	-	19,351
Maseko M (Acc no 109049 and 590648)	-	47,741
Mokoena N P (Acc no 596487, 791179, and 594135 )	-	52,299
Motlhale S (Acc no 12921)	-	15,141
Mokoena P M (Acc no 553206)	-	15,498
Mokoena T S (Acc no 590215)	-	51,146
Mosokweni F (Acc no 108066 3)	-	62,002
Motaung T A (Acc no 537934)	-	11,802
Motjeane S (Acc no 106180)	-	74,490
Mtshali N M (Acc no 103466)	-	39,922
Nkheloane M (Acc no 108037,575013 and 592910)	-	45,821
Nyaku D J (Acc no 830645)	-	11,702
Poho M S ( Acc no 512681)	-	17,541
Taats T (Acc no 553229)	-	2,084
Telane M M (Acc no 512521)	-	69,386
Tsotetsi L J (Acc no 511192)	-	35,713
	-	<b>652,376</b>

**54. Additional disclosure in terms of Municipal Finance Management Act (continued)**

**Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

**55. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

**Summary of deviations**

Emergency	2,798,479		8,817,928
Other		216,518	4,590
Exceptional/unpractical		417,346	1,872,047
Sole suppliers		407,583	455,673
COVID 19 emergency	1,988,857		-
	<b>5,828,783</b>		<b>11,150,238</b>

**56. Budget differences**

**Material differences between budget and actual amounts**

Statement of financial performance:

1. Service charges - Electricity sales were less than the budgeted. Meter readings not taken due to lock down of COVID 19
  - Water restrictions contributed to lower revenue on water as well as certain areas that used water without being billed. Meter readings not taken due to lock down of COVID 19
  - Lower income from the dumping sites than budgeted.
  - Collection from sewerage and refuse services were higher than the budget
2. Licenses and permits - The money collected on licenses and street trading was less than the budgeted amount; this might be a result of generally difficult economic circumstances for traders.
3. Other income - cemetery fees and entrance fees at the facilities were lower than anticipated in the budget. Entrance fees were lower due to the close of the resorts from end of March 2020 due to the COVID 19 lockdown
4. Income legal cost - Fewer actions were taken against consumers than anticipated with the budget.No actions for debt recovery were taken during COVID 19 lockdown
5. Interest received - Interest received on investments was higher than the budget and dividends on external investments were received in June 2019.
6. Dividends on the Sanlam Pty Ltd shares were higher than anticipated.
7. Property Rates - Assessment rates billed for the year were less than budgeted. The new valuation was implemented from 1 July 2019 and classification between categories changed.

**56. Budget differences (continued)**

8. Government grants and subsidies - less than the budget due to the R8 361 000 from Integrated National Electrification Programme Grant that was withheld and receiving less money the Equitable share. The spending on projects financed by MIG and WSIG were not completed and roll over of funds were requested.
9. Public contributions and donations - the budget did not anticipate the extent of the donations received as these are inherently difficult to predict.
10. Fines revenue was significantly lower the budget, as the municipality was unable to issue cameras based on fines during the year. The service provider cancelled the contact at the end of August 2020 and no new sytem was implemented.
11. Employee costs were lower than budgeted as many key management positions and general vacancies were not filled during the year. Directors were not appointed in the financial year.
12. The councillors' remuneration actual expenditure was lower than the budgeted amount. The increase for councillors was lower than anticipated.
13. Depreciation - a number of significant assets were brought in during the asset verification exercise.
14. Finance cost - the actual was higher than the budgeted amount. The interest on late payments of service providers as well as interest paid to Lizelle Trust due to Court case.
15. Lease rental on operating lease – the actual amount was lower than the budgeted amount. Control over expenditure and the lockdown due to COIVD 19 result in lower expenditure.
16. Non-payment by debtors lead to a higher impairment expense; in addition, the impairment calculation impaired indigent debtors at 100%. The implementation of Operation Patala was not sucessful. The economic influence of COVID 19 also contribute to lower payments.
17. Water purchased were lower than the budgeted amount by 93.35% and electricity purchases were lower than the budgeted amount by 94.10%. A national lockdown was enforced from end of March 2020. It result in businesses and industries either scale down or closed for a period or permanent. This result in a lower demand for water and elctricity. The growth in supply of elctricity also did not realised.
18. Transfers and subsidies were higher than the budgeted amount due to bursaries that were paid during the year and more pauper burial cost .
19. Due to cost containment measures, the spending on contracted services was lower than budgeted for. The cash flow as well as the lock down also contibute to lower expenditure.
20. Every effort was made to contain costs, resulting in lower general expenditure.
21. The unit price of Sanlam dereased when the state of disaster was declared.

**56. Budget differences (continued)**

22. The sale of land was less than anticipated. The projects were not implemented

**Statement of Financial Position**

23. The Stores sections was not fully in operation as problems were experienced with the fuel pumps and security systems not in place

24. Other financial assets - due to COVID 19 the share price is R20 per share lower than the previous year

25. The collection rate was lower than anticipated due to COVID 19 and the implementation of Operation Patala that was not successful.

26. Included in cash and cash equivalents is the grant funds that was not spent.

27. Reclassifications were done on all categories in the fixed asset register.

28. The spending of grants were slow and due to cash constraints other capital projects were not implemented.

29. New loans were to be obtained as per capital budget that was approved by Council.

30. Payables from exchange transactions increase due to arrangement with Eskom. Provision is also made for Compensation Commissioner as no assessment is received since 2016.

31. Unspent grants were not anticipated. Grant spending on capital projects were slow.



