

FINAL ANNUAL
REPORT
2021/2022

MATJHABENG LOCAL MUNICIPALITY



**Office Of the Municipal Manager
Strategic Support Services
Room 209 Second Floor
Corner Ryk and Stateway Street
Welkom
9460
Tel: 057 391 3711 fax: 057 357 4393**

Table of Contents

1. COMPONENT A: EXECUTIVE MAYOR’S FOREWORD (CHAPTER 1)	4
EXECUTIVE SUMMARY	7
1.1 MUNICIPAL MANAGER’S OVERVIEW	7
1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW	8
1.3 SERVICE DELIVERY OVERVIEW	10
1.4 FINANCIAL HEALTH OVERVIEW	13
1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW	15
1.6 STATUTORY ANNUAL REPORT PROCESS	16
2. COMPONENT B: POLITICAL AND ADMINISTRATIVE GOVERNANCE (CHAPTER 2)	17
2.1 POLITICAL GOVERNANCE	17
2.2 ADMINISTRATIVE GOVERNANCE	23
2.3 INTERGOVERNAMENTAL RELATIONS	24
2.3.1 INTERGOVERNMENTAL RELATIONS	24
2.4 PUBLIC ACCOUNTABILITY AND PARTICIPATION OVERVIEW	26
2.5 INTEGRATED DEVELOPMENT PLANNING PARTICIPATION AND ALIGNMENT CRITERIA	28
2.6 CORPORATE GOVERNANCE	28
2.6.1 RISK MANAGEMENT	29
2.6.2 ANTI-CORRUPTION AND FRAUD	29
2.6.3 SUPPLY CHAIN MANAGEMENT	30
2.6.4 BY-LAWS	30
2.6.5 WEBSITES	31
2.7 PUBLIC SATISFACTION ON MUNICIPAL SERVICES	31
2.7.1 PUBLIC SATISFACTION LEVELS	31
3. COMPONENT C: BASIC SERVICES OVERVIEW (CHAPTER 3)	31
3.1 INTRODUCTION TO BASIC SERVICES	31
3.2 WATER SERVICE	32
3.2.1 INTRODUCTION TO WATER SERVICES	32
3.2.2 WATER SERVICE DELIVERY LEVELS	33
3.3 SANITATION SERVICES	34
3.3.1. INTRODUCTION TO SANITATION SERVICES	34
3.3.2. SANITATION SERVICE DELIVERY LEVELS	35
3.4 ELECTRICITY SERVICES	36
3.4.1. INTRODUCTION TO ELECTRICITY SERVICES	36
3.5 WASTE MANAGEMENT	37
3.5.1 INTRODUCTION TO WASTE MANAGEMENT SERVICES	37

4.	COMPONENT D: ANNUAL PERFORMANCE REPORT	39
4.1	DIRECTORATE COMMUNITY SERVICES (KPA 2) BASIC SERVICES	39
4.2	DIRECTORATE HUMAN SETTLEMENT (KPA 2) BASIC SERVICES	42
4.3	DIRECTORATE INFRASTRUCTURE (KPA 2) BASIC SERVICES.....	45
4.4	DIRECTORATE LOCAL ECONOMIC DEVELOPMENT	52
4.5	OFFICE OF THE SPEAKER	54
4.6	OFFICE OF THE EXECUTIVE MAYOR	55
4.7	OFFICE OF THE MUNICIPAL MANAGER.....	56
4.8	DIRECTORATE CORPORATE SERVICES.....	60
4.9	DIRECTORATE FINANCIAL SERVICES	63
5.	COMPONENT E: ORGANISATIONAL DEVELOPMENT PERFORMANCE (CHAPTER 4)	72
5.1	NUMBER OF EMPLOYEES	72
5.2	VACANCY RATE.....	73
5.3	TURN-OVER RATE	74
5.4	HUMAN RESOURCE POLICIES AND PLANS	75
5.5	NUMBER OF DAYS AND COST OF SICK LEAVE (EXCLUDING INJURIES ON DUTY)	77
5.6	NUMBER AND PERIOD OF SUSPENSIONS	78
5.7	SKILLS MATRIX.....	79
5.8	FINANCIAL COMPETENCY DEVELOPMENT: PROGRESS REPORT	80
5.9	SKILLS DEVELOPMENT EXPENDITURE.....	81
5.10	EMPLOYEES APPOINTED TO POSTS NOT APPROVED.....	82
6.	FINANCIAL PERFORMANCE	82
6.1	FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES.....	88
6.2	GRANT PERFORMANCE	89
6.3	TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2021/22.....	90
6.4	REPAIR AND MAINTENANCE EXPENDITURE	92
6.5	CAPITAL EXPENDITURE - FUNDING SOURCES	95
6.6	CAPITAL EXPENDITURE OF 5 LARGEST PROJECTS.....	96
6.7	MUNICIPAL INFRASTRUCTURE GRANT (MIG) EXPENDITURE	98
7.	AUDIT REPORT 2021/22.....	101
	AUDITED ANNUAL FINANCIAL STATEMENTS 2021/22.....	115

1. COMPONENT A: EXECUTIVE MAYOR'S FOREWORD (CHAPTER 1)

Section 46 Municipal Systems Act, Act 32 of 2000, compels local government to prepare for each financial year an Annual Performance Report. The objective of the Annual Performance Report is to provide a credible, reliable, and accurate assessment of the Municipality's progress in achieving its targets and goals as set out in the Integrated Development Plan (IDP) and Service Delivery Budget Implementation Plan (SDBIP) for the financial year under review. The report outlines our successes and shortcomings as they relate to our legislated mandate as local government and can be regarded as a performance dashboard in the interest of transparency and accountability to the community, stakeholders, consumers, and rate payers. It must also reflect the development and service delivery priorities and the performance targets set by the Municipality for the following financial year; and measures that were or are to be taken to improve performance.

The vision of Matjhabeng Local Municipality states: To be a benchmark developmental Municipality in service delivery excellence. Our objective therefore remains to build a Municipality that is efficient, effective, and responsive; that strengthens accountability, promotes corrupt-free operations; accelerates service delivery and supports the vulnerable. Further to promote economic and social development and to foster development partnerships and social cohesion. Having assessed the Municipality's state of service delivery challenges, especially the infrastructure decay and vandalism of municipal assets, the Executive Mayor recommended to Council to declare the Municipality being in a state of disaster. It compelled the Municipality to seek assistance from provincial and national government departments. This assistance is forthcoming, and we are grateful thereof.

Several new measures were also put in place to ensure a financially viable and service delivery orientated Municipality. These are driven by the governance vision of the Office of the Executive Mayor as supported by Council, i.e.

- Building in-house capacity and reducing costly outsourcing.
- Quality service delivery.
- Professionalized service delivery and a de-politicized Administration.
- Reduction in overtime and more productive output during working hours.
- Financial stability and good governance/oversight.
- Consequence management.

I herewith present the Annual Performance Report for the 2021-2022 financial year on behalf of Matjhabeng Local Municipality.

We encountered numerous challenges during the 2021-2022 financial year, prevalent among them is the devastating effects of Covid-19 pandemic. It added fuel to the triple challenge of poverty, unemployment and inequality facing us during the year under review to this day. Deliberate sabotaging and vandalism of municipal property and resources remains a challenging, costly factor. The daily challenges with ageing and poor infrastructure, linked with limited financial and human resources, continue to place strain on the ability of Matjhabeng Local Municipality to provide and improve service delivery. Regardless of these challenges, every effort is being made to improve service delivery performance. Matjhabeng

Local Municipality remained resilient – and continue to do so - towards achieving our planned goals to ensure that the community is provided with service delivery.

Our financial situation is not looking good. Mine shaft closures created an economic vacuum, especially as the mines have been an important generator of economic activity in an area. Moving from the concept of mine closure to mine transformation – taking into account the environmental as well as societal and economic effects of mining – provides new opportunities to fill the economic and governance vacuum of mines closing, easing the traumatic transition for affected communities and contributing to securing resilient future livelihoods. Matjhabeng Local Municipality is aggressively pursuing new opportunities. In responding to the socio-economic and development challenges facing us, a number of activities are in progress to attract new investment to our area. A Safety and Security Summit is planned for August, and a Business Investment Summit is scheduled in September, among other initiatives.

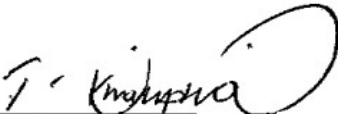
Several committees which are aimed at intensifying service delivery were established during the financial year under review. Our collection rate was at a level which caused financial instability for the Municipality. To ensure our revenue collection yields positive results, Operation Patala was immediately revived when the new administration took office in Q2 of the financial year under review. Mayoral imbizos were held – and continue to be held - to explain to residents the importance of paying for services as a revenue generating tool funding service delivery.

Tightening the municipal wallet also resulted in a reduced capital development programme in funding the financial year under review. Capital investment is now reliant on grant funding. To be verified with Infrastructure/MM

Other strategies focusing on performance management were also put in place and consequence management was introduced. We need to tirelessly seek and find improved mechanisms to strengthen the accountability and discipline of officials in their daily work, both to each other and to political principals. Too often the single most important objective of public service, i.e. to serve our people, becomes an abstract idea that it is the exclusive domain of the political principals.

A number of critical vacant posts were filled in the financial year under review, mostly in the Directorate Infrastructure and Technical Services, to fast-track service delivery of water, electricity, and sewer services. Anti-fraud and corruption measures will be followed up with fraud risk assessments. Service provider contracts and claims submitted in the financial year under review are being analyzed and verified for compliance and legitimacy. Outreach to the business sector resulted in invaluable partnerships to assist the Municipality with cleaning of illegal dumping, cutting grass, repairing dysfunctional fleet and fixing potholes, among others. The community at large also responded positively to calls for voluntary cleaning campaigns.

Structures of governance at Matjhabeng Local Municipality are intact and functional. Besides Council and the Mayoral Committee, both who meet regularly, a functional Audit Committee and Municipal Public Account Committee (MPAC) is in place. The Executive Mayor introduced a Governance Steering Committee on accounting and compliance that complements the work of the Auditor General and monitors the implementation of recommendations by the Auditor General. I want to assure the community and stakeholders that Matjhabeng Local Municipality is committed towards building a Municipality that is efficient, effective, accountable, and responsive in accelerating service delivery and supporting vulnerable communities by promoting local economic development and social development.



CLLR TD KHALIPHA
EXECUTIVE MAYOR

EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

It is our pleasure to present the Annual Report for the financial year 2021/2022. This report is meant to communicate the performance of the municipality for the year under review. The Municipal Systems Act (2000) as amended requires the municipality to compile annual report which should be a reflection of progress made by the municipality towards achieving targets set in the Service Delivery and Budget Implementation Plan (SDBIP).

The SDBIP is the annual performance plan of the municipality which provides quarterly performance targets and key performance indicators per key municipal performance areas. This report was compiled in accordance with the Municipal Financial Management Act 56 of 2003 which requires the Accounting Officer to report to the Executive Mayor at the end of each quarter on the Municipality's performance in implementing the Service Delivery and Budget Implementation Plan.

This Annual Report covers the period 1 July 2021 to 30 June 2022 and has been prepared in order to highlight the extent to which the Service Delivery and Budget Implementation Plan was implemented. It is necessary to indicate that what was planned during the reporting period emanates from the strategic objectives which specified performance indicators and targets in the Integrated development Plan. The report also ensures that accountability is upheld, and all the stakeholders of the municipality are informed of the work that was undertaken in the period under review.

The municipality established a revenue enhancement committee which seats weekly to deal with the challenge of below budgeted collection rate and increasing debts by residents and provincial departments who are failing to pay their municipal accounts. We embarked on an "Operation Patala" Plan that sought to enhance collection rate and amongst the municipality has appointed qualified personnel that will assist us to deal with all challenges we have identified emanating from lack of internal capacity or shortage of personnel

The non-payment of municipal services by consumers has drastically impacted on the going concern and financial viability of the municipality. We therefore plead with our community to prioritise their municipal accounts and make arrangements were necessary.

Our commitment to providing services to all our residents is achieved through our greatest assets: our employees working across various operational disciplines. The municipality aims to foster a high-performance attitude by attracting skilled and qualified people. The municipality is committed to its vision of being a benchmark developmental municipality in service delivery excellence, with widely integrated community centered planning.

We are appreciative of the support we receive from the Political leadership in Council, the Executive Mayor, the Speaker, Mayoral Committee, Section 80 Committees, and the Municipal Public Accounts Committee in performing our duties and building internal capacity for a transformed Matjhabeng. Administratively we commend the Management team and the entire staff of the Municipality for their continued support and commitment to improving the work and service we deliver to the community of Matjhabeng. "Team Matjhabeng" Will deliver its unwavering commitment to the vision of the Municipality.

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Matjhabeng Local Municipality is an administrative area in the Lejweleputswa District of the Free State in South Africa, that includes the city of Welkom. The name is a Sesotho word meaning "where nations meet". It is derived from the migrant Labour system where people from various countries like Lesotho, Mozambique, etc. meet to work in the mines of the Goldfields.

The municipality covers an area of 5,155 square kilometers (1,990 sq mi) in the goldfields of the central Free State, north of Bloemfontein and south of Kroonstad. According to the 2011 census it has a population of 406,461 people in 123,195 households. Of this population, 88% describe themselves as "Black African", 10% as "White", and 2% as "Coloured". The first language of 64% of the population is Sotho, while 12% speak Xhosa, 12% speak Afrikaans and 4% speak English.

In the western part of the municipality there is a string of mining towns that runs from northwest to southeast: Allanridge with a population of 19 337, Odendaalsrus with a population of 63 743, Welkom with a population of 211 011, Virginia with a population of 66 208. Further to the east are the agricultural towns of Hennenman with a population of 24 335 and Ventersburg with a population of 11 260.

1.2.1 POPULATION DETAILS

Population									
Age	2019/2020			2020/2021			2021/2022		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0 - 14	57 367	59 707	117 074	57 367	59 707	117 074	57 367	59 707	117 074
15 - 34	76 908	80 048	156 956	76 908	80 048	156 956	76 908	80 048	156 956
35 - 64	65 598	69 059	134 657	65 598	69 059	134 657	65 598	69 059	134 657
65+	9 876	10 280	20 156	9 876	10 280	20 156	9 876	10 280	20 156

Source: Statistics SA

1.2.2 OVERVIEW OF NEIGHBOURHOODS WITHIN THE MUNICIPALITY

Settlement Type	Households	Population
Towns		
Allanridge	663	3 315
Hennenman	958	4 311
Odendaalsrus	2 213	9 477
Riebeeckstad	3 092	11 460
Ventersburg	359	1 616
Virginia	4 454	22 270
Welkom	9 708	45 540
Sub-Total	21 447	97 989
Townships		
Bronville	2 159	12 306
Kutlwanong	11 966	60 599
Meloding	10 482	50 796
Mmamahabane	2 345	12 070
Nyakallong	4 010	22 060
Phomolong	4 871	19 226
Thabong	29 064	137 665
Whites	55	314
Sub-Total	64 952	315 036
Informal Settlements		
Nyakallong	177	974
Kutlwanong	1 505	6 278
Meloding	821	3 516
Phomolong	539	2 965
Mmamahabane	379	2 085
Sub-Total	3421	15 818

1.2.3 NATURAL RESOURCES

Major Natural Resource	Relevance to Community
Gold	There are a number of active mines which employ residents of Matjhabeng. New gold mining development is planned in areas within the Municipality.

Whilst population size of the Municipality showed increases during the community survey results, this trend has brought in tremendous pressure for the Municipality to deliver more services at increased costs due to affordability levels of beneficiaries. As a result, more of services due to communities become difficult to provide.

With increased population size, there is also pressure to create employment and hence the figure for economically inactive population stood at 42% during the 2011 population census in the Municipality. In other words, we have people who are looking for work but cannot find such work opportunities.

This is further made complex by the reality that people are not educated enough to seize opportunities made available by businesses locating in the area. It should therefore become a priority for the Municipality to create menial job opportunities for possible job creation in order to boost the economy which should effectively absorb some unemployed people in especially badly affected towns in the Municipality. Given the current employment trends, the Municipality has created an opportunity for investors to locate businesses in lesser attractive areas to boost the economic situations there. Areas such as Virginia and Odendaalsrus are receiving special attention as they once played an economic role in the economy of the region when mining activities were at their peak.

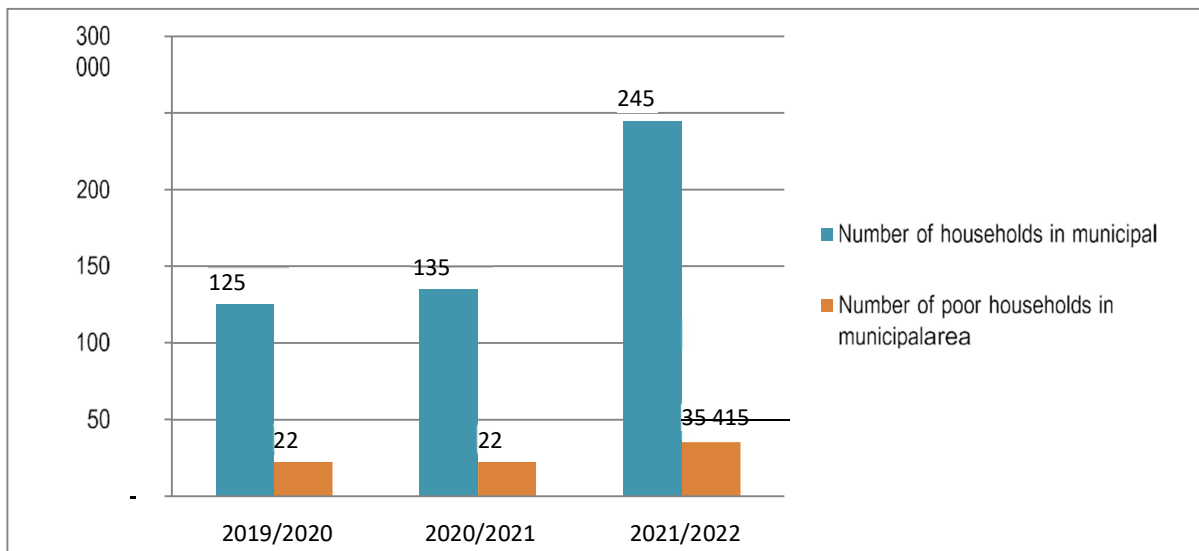
1.3 SERVICE DELIVERY OVERVIEW

In terms of legislation, the municipality’s mandate is to provide the following basic services to the communities it serves:

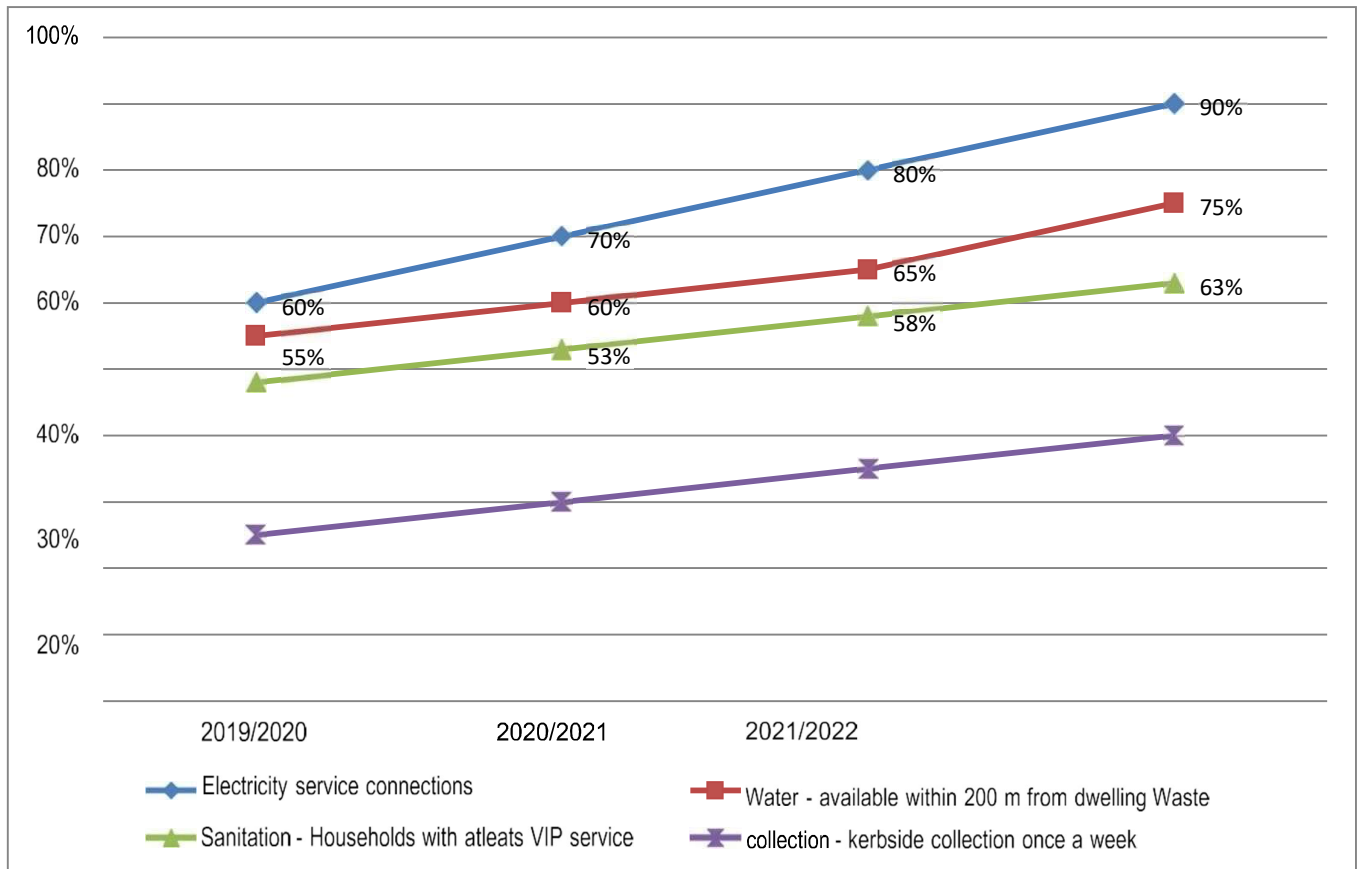
- Water
- Sanitation
- Electricity
- Refuse Removal

In addition to these basic services, the Member of the Executive Council in the Province responsible for Corporative Governance and Traditional Affairs can promulgate powers and function to a municipality as envisaged by section 84 of the Local Government: Municipal Structures Act, 117 of 1999.

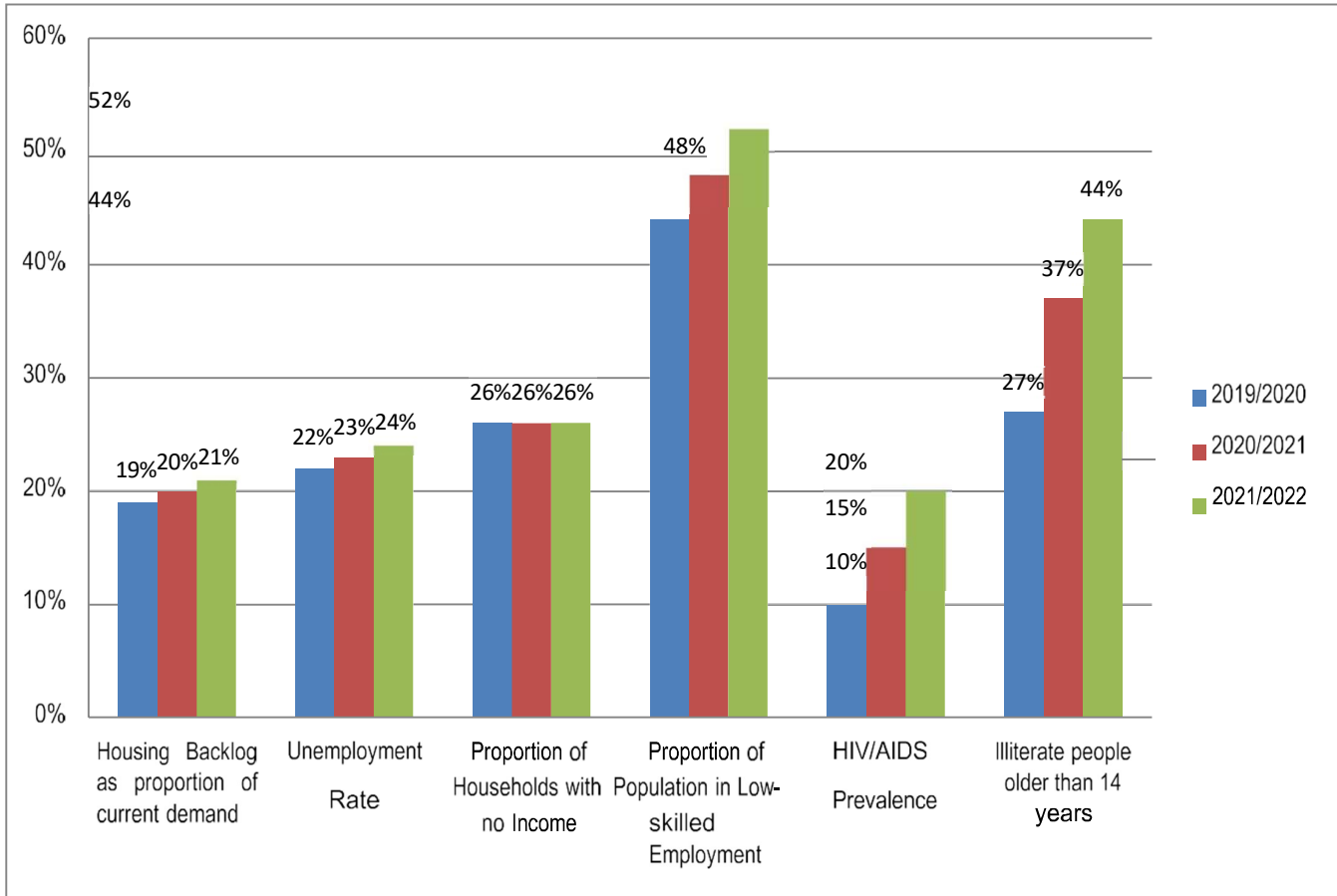
1.3.1 HOUSEHOLDS WITHIN THE MUNICIPALITY



1.3.2 PROPORTION OF HOUSEHOLDS WITH ACCESS TO BASIC SERVICES



1.3.3 SOCIO ECONOMIC STATUS



1.3.4 COMMENT ON ACCESS TO BASIC SERVICES

Provision of services as indicated above done under very strenuous circumstances and under tremendous pressure as a result of stringent financial circumstances. We need to appreciate the statistical information as reflected above which relate to a longer-term implementation period.

Of very clear picture has always been the fact that the Municipality responded to challenges that occurred in the Municipality. We have been constantly faced with continuous sewer blockages especially in greater Thabong which falls within wards 12, 13, 14, 15, 16 and 17 on the main. Other areas which continued to give us sleepless nights were in Kutlwanong and Bronville. Amidst all the challenges, the municipality showed resilience to positively respond deftly in addressing these challenges.

Service delivery is hampered by the following challenges:

- 1.2.2.1 Ageing road infrastructure
- 1.2.2.2 Decaying water infrastructure resulting in high water loss
- 1.2.2.3 Aging and vandalism of street lighting infrastructure
- 1.2.2.4 Availability of residential sites for low- and high-income housing
- 1.2.2.5 Low economic growth and High unemployment rate particularly among youth
- 1.2.2.6 Aging service delivery vehicles
- 1.2.2.7 High levels of crime

1.4 FINANCIAL HEALTH OVERVIEW

The municipality total revenue for the period under review was projected at R 3 685 385 852, and the actual was R 2 841 369 546, which translate to a total of 77% actual revenue received. This amount of R 2 841 369 546 includes the grand funding of R 670 606 123, taxes, levies and tariffs of R1 793 369 374 and other revenue of R 377 394 049

The expenditure was budgeted at R 3 499 848 307 and the actual expenditure was R4 125 885 856, which is an overspending of 16%. The total capital grant allocation was R 157 832 518, and a total of R113 508 981 was spent.

1.4.1 FINANCIAL OVERVIEW: 2021/2022

Details	Original budget	Adjustment Budget	Actual
Income			
Grants	725 728 000	625 628 000	670 606 123
Taxes, Levies, and tariffs	2 009 768 179	2 009 768 179	1 793 369 374
Other	949 889 673	949 889 673	377 394 049
Sub Total	3 685 385 852	3 585 285 852	2 841 369 546
Less: Expenditure	3 499 848 307	3 417 216 852	4 125 885 856
Net Total	185 537 545	168 069 000	-1 284 516 310

1.4.2 OPERATING RATIOS

Detail	%
Employee Cost	22%
Repairs and Maintenance	2%
Finance Charges and Impairment	25%

1.4.2.1 COMMENT ON OPERATING RATIOS

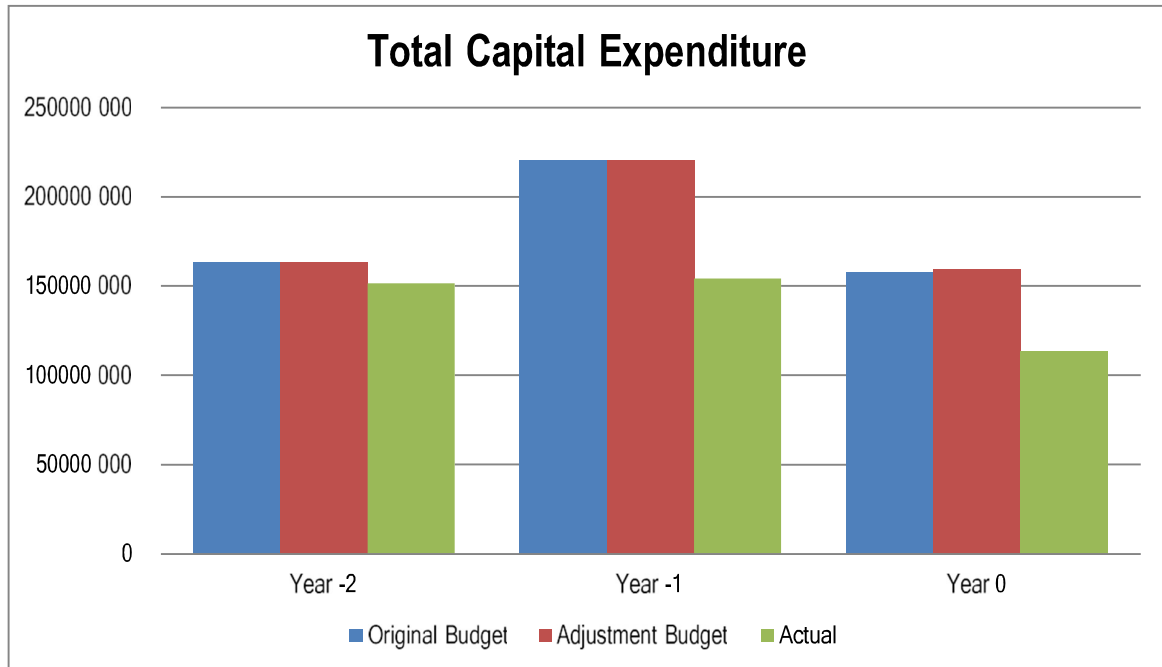
The employee cost ratio is below the norm of 30% as it is standing at 22%, repairs and maintenance is critically below the norm of 8% as it is at 2%, and this needs to be rectified

in the new financial year if the municipality want to upkeep its current assets and the finance charges ratio is way above the norm of 10% at 25%, this also needs attention, as it will result in fruitless or wasteful expenditure if it is not addressed.

1.4.3 TOTAL CAPITAL EXPENDITURE: 2019/2020 TO 2021/2022

Detail	2019/2020	2020/2021	2021/2022
Original Budget	163 406 000	220 615 001	157 832 518
Adjustment Budget	163 406 000	220 615 001	159 213 435
Actual	151 382 444	154 084 142	113 508 981

1.4.3.1 TOTAL CAPITAL EXPENDITURE GRAPH: 2019/2020 TO 2021/2022



1.4.3.1.1. COMMENT ON CAPITAL EXPENDITURE

Capital expenditure at year-end was at 92% with unspent MIG of R48 759 339 and rollover applications were made and approved by National Treasury.

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

The generic performance management cycle is the cycle of activities that recur in any social system that is serious about improving itself and how it works with its external environment, whether the system is an employee, team, recurring process in the organization or the organization itself. The cycle clarifies the purpose of the system, its goals in working toward the purpose and how those goals will be achieved. As it works to achieve them, it continually evaluates its progress and makes any necessary changes to improve its progress. In an overall organization, the organizational performance management cycle includes three highly integrated phases including:

- Performance planning
- Performance appraisal
- Performance improvement

Significant organizational activities occur within each of the three phases, including:

- Strategic planning to clarify the purpose, goals, and strategies to achieve the goals (performance planning).
- Adopting the necessary organizational structures as a strategy to achieve the goals (performance planning).
- Guiding the necessary organizational behaviours, including the necessary nature of its leadership and management, as a strategy to achieve the goals (performance planning).
- Organizational evaluations/diagnoses to monitor progress toward the goals (performance appraisal).
- Organizational changes to achieve goals even better (performance improvement).

Each of these significant activities is also a cycle of highly integrated activities. The way that a social system does an organizational cycle depends on its culture, its current life cycle and the expertise of the leaders and managers in the system. The same is true for an individual, depending on his or her personality, maturity, and expertise in leading and managing oneself. However, the nature of the generic performance management cycle is changing as the world around us is changing. This affects performance management in organizations, teams, and employees.

1.6 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft 2020/2021 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public, and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	January
The above is as per legislative requirements, but the processes were deviated upon due to Covid-19 Regulations		

1.6.1 STATUTORY ANNUAL REPORT PROCESS COMMENTS

The preparation and submission of the annual report was done and submitted in time as per regulations 'requirements.

2. COMPONENT B: POLITICAL AND ADMINISTRATIVE GOVERNANCE (CHAPTER 2)

2.1 POLITICAL GOVERNANCE

The municipal council consists of seventy-two members elected by mixed-member proportional representation. Thirty-six councillors are elected by first-past-the-post voting in thirty-six wards, while the remaining thirty-six are chosen from party lists so that the total number of party representatives is proportional to the number of votes received. In the election of 3 August 2016, the African National Congress won a majority of forty-six seats in the council. The following table shows the results of the election.

Party Name	Total Valid Votes	Total Valid Votes / Quota	Round 1 Allocation	Remainder	Ranking of Remainder	Round 2 Allocation	Total PartySeats
African Christian Democratic Party	913	0,3841	0	0,3841	9	0	0
African Content Movement	560	0,2356	0	0,2356	12	0	0
African Democratic Change	4 267	1,7951	1	0,7951	3	1	2
African National Congress	92 640	38,9735	38	0,9735	1	1	39
African People's Convention	689	0,2899	0	0,2899	10	0	0
African Transformation Movement	1 434	0,6033	0	0,6033	4	1	1
Agency For New Agenda	211	0,0888	0	0,0888	18	0	0
Congress Of the People	1 117	0,4699	0	0,4699	6	1	1
Democratic Alliance	37 654	15,8410	15	0,8410	2	1	16
Economic Freedom Fighters	19 999	8,4135	8	0,4135	7	1	9
Forum 4 Service Delivery	520	0,2188	0	0,2188	13	0	0
Independent Civic Organization of South Africa	291	0,1224	0	0,1224	16	0	0
Independent South African National Civic Organization	3 571	1,5023	1	0,5023	5	1	2
Inkatha Freedom Party	369	0,1552	0	0,1552	15	0	0
Patriotic Alliance	937	0,3942	0	0,3942	8	0	0
Patriotic Front of Azania	402	0,1691	0	0,1691	14	0	0
Power Of Africans Unity	226	0,0951	0	0,0951	17	0	0
Vryheid front Plus	5 334	2,2440	2	0,2440	11	0	2
Total	171 134		65			7	72

Governance comprises all of the processes of governing, whether by government of a state, by a market, or by a network-over a social system, formal or informal organization, a territory or across territories, and whether through the laws, norms, power, or language of an organized society. It relates to "the processes of interaction and decision-making among the actors involved in a collective problem that lead to the creation, reinforcement, or reproduction of social norms and institutions".

In layman's terms, it could be described as the political processes that exist in and between formal institutions. A variety of entities (known generically as governing bodies) can govern. The most formal is a government, a body whose sole responsibility and authority is to make binding decisions in a given geopolitical system (such as a state) by establishing laws.

Other types of governing include an organization (such as a corporation recognized as a legal entity by a government), a socio-political group (chiefdom, tribe, gang, family, religious denomination, etc.), or another, informal group of people.

In business and outsourcing relationships, Governance Frameworks are built into relational contracts that foster long-term collaboration and innovation. Governance is the way rules, norms and actions are structured, sustained, regulated, and held accountable. The

degree of formality depends on the internal rules of a given organization and, externally, with its business partners.

As such, governance may take many forms, driven by many different motivations and with many different results. For instance, a government may operate as a democracy where citizens vote on who should govern and the public good is the goal, while a non-profit organization or a corporation may be governed by a small board of directors and pursue more specific aims.

Council is the ultimate authority and/or decision-maker as per the provisions of the Constitution of the Republic of South Africa and other applicable laws governing the Local Government sector. A typical political decision-making process usually begins with the Administrative Wing of the Municipality making submissions to the Section 80 Committees for further consideration.

As part of a decision-making process, section 79 committees also play critical role in influencing decisions that get made within council. These committees were established during the second meeting of the current council in September 2016. Secondly, Section 80 as established by the Executive Mayor to assist him, recommends to the Executive Mayor and ultimately Council takes a resolution on a matter.

Depending on the nature of a Council decision, the general public will be consulted for inputs on the matters discussed by Council and then Council will finally ratify a matter under discussion. Public consultation assumes different forms, for example, it can be face to face meetings with the general public, a platform can be created for the public to make inputs (written or verbal), can be through the sittings of the Ward Committees or even through formal stakeholder engagements.

Political Structure		
Position	Name	Function
Speaker	Cllr. Bheki Stofile	Speaker
Executive Mayor	Cllr. Thanduxolo Khalipha	Executive Mayor
Chief Whip	Cllr. Marabane Setabela	Council Whip
Chairperson	Cllr. Hlobohang Mokhomo	Finance
Chairperson	Cllr. Xolile Masina	Infrastructure & Technical Services
Chairperson	Cllr. Rubben Tlake	Community Services & Public Safety
Chairperson	Cllr. Jimmy Ramalefane	Fleet, Disaster Management & Service Delivery
Chairperson	Cllr. Nomthandazo Monjovo-Xaba	Special Programmes
Chairperson	Cllr. Mojalefa Buti	LED, Small Business, Agriculture and Tourism
Chairperson	Cllr. Kabotsa Moipatle	Sport, Arts & Culture
Chairperson	Cllr. Sabata Moshoeu	Corporate Services & Good Governance
Chairperson	Cllr. Matinte Radebe	Human Settlement, Spatial Planning & Land Use
Chairperson	Cllr. Mpolaille Radebe	IDP, Performance, Monitoring & Evaluation

SECTION 79 COMMITTEES	
DISPUTE RESOLUTION COMMITTEE	
Cllr. P. Ramatisa – Chairperson	ANC
Cllr. V. Sotenjwa	ANC
Cllr. S. Motlatsi	ANC
Cllr. T. Kalipa	ANC
Cllr. M. Drossy	ANC
Cllr. M. Mokhothu	ANC
Cllr. A. Khepeng	ANC
Cllr. M.S. van Rooyen	DA
Cllr. R. Steyn	DA
Cllr. B. Jama	EFF
Cllr S. Taaljard	VF+
Cllr. M E Mahlaku	ISANCO
Cllr. R. Tau	ATM
RULES COMMITTEE	
Cllr. B. Stofile – Chairperson	ANC
Cllr. R. Moopela	ANC
Cllr. I. Molula	ANC
Cllr. M. Twala	ANC
Cllr. P. Maile	ANC
Cllr. N. Nkone	ANC
Cllr. S.H. Badenhorst	DA
Cllr. R. Steyn	DA
Cllr. S.V. Letsele-Setlhabi	EFF
Cllr. H. Pretorius	VF+
Cllr. S. Tshabangu	ADEC
MUNICIPAL PUBLIC ACCOUNT COMMITTEE	
Cllr T. Thedingoane – Chairperson	ANC
Cllr. J. Mosia	ANC
Cllr. C. Hanisi	ANC
Cllr. P. Mphore	ANC
Cllr. K. Ntoni	ANC
Cllr. L. Mohapi	ANC
Cllr. T. Letlhake	DA
Cllr. E.J. Jacobs	DA
Cllr. M. Nqeobo	COPE
Cllr. I. Seane	EFF
Cllr. M. Pretorius	VF+
STANDING COMMITTEE OF CHAIRPERSONS	
Cllr.P. Nthuba - Chairperson	ANC

SECTION 80 COMMITTEES	
FINANCE COMMITTEE	
Cllr. Hlobohang Mokhomo	Chairperson
Cllr. S. Manese	General whip
Cllr. M. Moeti	ANC
Cllr. B. Helepi	ANC
Cllr. T. L. Makaliane	ANC
Cllr S. Motlatsi	ANC
Cllr. P.F. Botha	DA
Cllr. M.J. Badenhorst	DA
Cllr. A. Dyantyi	EFF
Cllr. B. Jama	EFF
Cllr. S. Taaljaard	FF+
Cllr. M.E. Mahlaku	ISANCO
INFRASTRUCTURE & TECHNICAL SERVICES COMMITTEE	
Cllr. Xolile Masina	Chairperson
Cllr. N. Moopela	General whip
Cllr. A. Khepeng	ANC
Cllr. P. Nthuba	ANC
V. Cllr. M. Mokhothu	ANC
Cllr. V. Sotenjwa	ANC
Cllr. J.M. Du Plessis	DA
Cllr. A. Schoeman	DA
Cllr. S. Taljaard	VF+
Cllr. T. Moalosi	EFF
Cllr. M.E. Mahlaku	ISANCO
COMMUNITY SERVICES & PUBLIC SAFETY COMMITTEE	
Cllr. Rubben Tlake	Chairperson
Cllr. M. Mokgothu	General whip
Cllr. M. Twala	ANC
Cllr. B. Helepi	ANC
Cllr. P. Maile	ANC
Cllr. M.J. Rantso	ISANCO
Cllr. W. Janse Van Rensburg	DA
Cllr. L.N. Presente	DA
Cllr. S. Setlhabi	EFF
FLEET, DISASTER MANAGEMENT & SERVICE DELIVERY COMMITTEE	
Cllr. Jimmy Ramalefane	Chairperson
Cllr. N.P. Nkone	General whip
Cllr. T. Kalipa	ANC
Cllr. D. Montoeli	ANC
Cllr. P. Ramatisa	ANC
Cllr. G.P. Botha	DA
Cllr. I.S. Scheukogel	DA
Cllr. S. Taljaard	VF+
Cllr. L. Khetsi	EFF
Cllr. S. Tshabangu	ADEC

SPECIAL PROGRAMS (Including Women, Children, Elderly, People living with disabilities & Youth) COMMITTEE	
Cllr. Nomthandazo Monjovo-Xaba	Chairperson
Cllr. V. Sotenjwa	General whip
Cllr. I. Maruping	ANC
Cllr. J. Nel	DA
Cllr. P. Phiri	EFF
Cllr. M.J. Rantso	ISANCO
Cllr. L. Maile	ADEC
LED, SMALL BUSINESS, AGRICULTURE AND TOURISM COMMITTEE	
Cllr. Mojalefa Buti	Chairperson
Cllr. L. Makaliane	General Whip
Cllr. M. Mokhothu	ANC
Cllr. I. Maruping	ANC
Cllr. SH. Motlatsi	ANC
Cllr. T. Kalipa	ANC
Cllr. H.S. Badenhorst	DA
Cllr. J. Nel	DA
Cllr. S. Setlhabi	EFF
Cllr. S. Taaljard	VF+
Cllr. M.J. Rantso	ISANCO
SPORT, ARTS & CULTURE COMMITTEE	
Cllr. Kabotsa Moipatle	Chairperson
Cllr. I. Molula	General whip
Cllr. P. Maile	ANC
Cllr. D. Montoeli	ANC
Cllr. C. Malherbe	DA
Cllr. J.M. Du Plessis	DA
Cllr. S. Hess	EFF
CORPORATE SERVICES & GOOD GOVERNANCE COMMITTEE	
Cllr. Sabata Moshoeu	Chairperson
Cllr. M. Mphikeleli	General whip
Cllr. A. Khepeng	ANC
Cllr. P. Maile	ANC
Cllr. M.S. van Rooyen	DA
Cllr. A. Schoeman	DA
Cllr. A. Dyantyi	EFF
Cllr. M.E. Mahlaku	ISANCO
HUMAN SETTLEMENT, SPATIAL PLANNING & LAND USE COMMITTEE	
Cllr. Matinte Radebe	Chairperson
Cllr. P. Ramatisa	General Whip
Cllr. M. Twala	ANC
Cllr. I. Molula	ANC
Cllr. R. Moopela	ANC
Cllr. N. Nkone	ANC
Cllr. A.J. Manenye	DA
Cllr. I.S. Scheurkogel	DA
Cllr. R. Tau	ATM
Cllr. B. Jama	EFF
Cllr. A. Sithole	EFF

IDP, PERFORMANCE, MONITORING AND EVALUATION COMMITTEE	
Cllr. Mpolaiile Radebe	Chairperson
Cllr. M. Twala	General whip
Cllr. S.Manese	ANC
Cllr. P. Nthuba	ANC
Cllr. I.S. Scheurkogel	DA
Cllr. G.P. Botha	DA
Cllr. L. Khetsi	EFF
LOCAL LABOUR FORUM (LFF)	
Cllr. S. Moshoeu	MMC Corporate Service & Good Governance
Cllr. H. Mokhomo	MMC Finance
Cllr. D. Montoeli	ANC
Cllr. M. Mphikeleli	ANC
Cllr. N.Nkone	ANC
Cllr. M.J. Badenhorst	DA

2.2 ADMINISTRATIVE GOVERNANCE

South Africa has made great strides in creating mechanisms for citizens to participate on an ongoing basis and not just during elections. This is evident in the policy and legislative framework and the establishment of numerous statutory bodies, structures, and programmes. The 1997 White Paper on Transforming Public Service Delivery (Batho Pele White Paper) focused on ensuring that government is responsive to the needs of its citizens. Legislation such as the Promotion of Access to Information Act of 2000 and the Promotion of Administrative Justice Act of 2000 are designed to enable citizens to access state information and administrative justice.

Participatory governance and advisory structures, consultative forums and grievance mechanisms have been established to enable citizens to participate in and inform governance processes. Turning these formal structures into dynamic mechanisms that elicit meaningful community engagement remains a challenge.

Participatory processes are often run as isolated events without effective feedback mechanisms or are outsourced to consultants, raising questions about their credibility. There is a perception that the state does not always take these structures seriously. In poor communities, limited resources, social inequality, and prevailing power relations can present obstacles to meaningful citizen engagement.

The increase in service delivery protests provides visible evidence that the state is struggling to ensure that poor communities feel that they are being heard. Protests are typically prompted by a range of concerns including access to services, the quality of services and the perceived non-responsiveness of local government. The priority is therefore to ensure that mechanisms for promoting participation, accountability and responsiveness are used effectively.

The discussion of public service ethos and culture later in this chapter identifies some of the steps that are being taken to improve public sector responsiveness. Attention needs to be given to improving accountability mechanisms for routine day to day interactions between citizens and the state, particularly at the point of delivery. This includes enabling citizens to provide direct feedback on the quality of services through citizen-based monitoring and ensuring that frontline public servants and their managers are given adequate authority to address issues as and when they arise. More emphasis needs to be put on engaging citizens in their own spaces rather than only expecting them to use forums and structures established by the state.

At local government level, there is a particular need to ensure that participation in the integrated development processes is deliberative, with citizens being involved in identifying and resolving trade offs rather than simply developing shopping lists of needs. Chapter 4 of the Municipal Systems Act obliges a municipality to create the systems, mechanisms and enabling conditions for meaningful participation of the community in the affairs of the municipality beyond the IDP process, including in monitoring and reviewing municipal performance.

The Act requires councillors and officials to play a key role in fostering community participation. However, while structures such as ward committees have been created to enable councillors and officials to engage with communities, these have not worked in the manner intended. Interactions are often formulaic and symbolic rather than meaningful and have generally not helped to strengthen links between communities and councillors. On the contrary, many councillors have become estranged from communities and their critical concerns.

The link between councillors and citizens via the ward committee system needs to be improved. This could be addressed through the translation of IDPs into ward-level service improvement plans that respond to the specific needs of each ward. Additionally, greater emphasis needs to be placed on ensuring two-way communication and interaction that enables citizens to express their needs and concerns as well as for citizens to be kept informed by councillors of key issues and developments that are underway in the ward.

Administrative Structure	
Name	Position
Z Tindleni	Municipal Manager
V. Adonis	Executive Director Corporate Services
T. Panyani	Chief Financial Officer
L Williams/Van Wyk	Executive Director Community Services
M. Mothekhe	Executive Director Human Settlement & Planning
N. Thobela	Executive Director Infrastructure
D. Olyn	Acting Executive Director Strategic Support Services
S Ramphoma	Executive Director Local Economic Development

2.3 INTERGOVERNMENTAL RELATIONS

Cooperative Governance and Intergovernmental Relations (IGR) are important in that they foster relationships among the three spheres of government within the context of a unitary state, and the mechanisms to manage these relationships are legislated (see the Constitution of the Republic of South Africa of 1996, The Intergovernmental Relations Act, and other applicable laws.

For the 2021/2022 financial year, the Municipality participated in a number of meetings convened as planned within our service delivery and budget implementation plan for purposes aimed at advancing cooperative governance and intergovernmental relations especially at the levels of both the District Municipality and Provincial Government.

2.3.1 INTERGOVERNMENTAL RELATIONS

2.3.1.1 NATIONAL INTERGOVERNMENTAL STRUCTURES

The following intergovernmental for a play an important role in cooperative governance and in shaping policy and resource decisions:

Extended Cabinet

This is made up of National Cabinet Ministers, extended to Provincial Premiers and the Chairperson of South African Local Government Association. It is the highest cooperative governance mechanism, advising the national cabinet when it finalizes the fiscal; framework and the division of revenue on which the Medium-Term Expenditure and Revenue Framework budgets are based.

The President's Coordinating Council

Chair of this forum is the President of the country, and it constitutes nine provincial Premiers, the Chairperson of South African Local Government Association, Executive Mayors of Metros, and the National Ministers responsible for cross-cutting functions such as provincial and local government affairs, public service and administration, and finance. Other Ministers may be invited to participate.

The Budget Council and Budget Forum

Established in terms of the Intergovernmental Fiscal Relations Act of 1997. The Budget Council consists of Minister of Finance and the Members of the Executive Councils responsible for finance in each province. The Budget Forum consists of the members of the Budget Council plus the representatives of South African Local Government Association. It provides a forum for discussing financial matters relating to the local government fiscal framework.

MinMec

These are sectoral fora made up of national ministers for concurrent functions and their provincial counterparts. South African Local Government Association represents local government on a number of these fora.

2.3.1.2 PROVINCIAL INTERGOVERNMENTAL STRUCTURES

Over and above the provincial structures as stated above being in the province, the following are the ones that the municipality is participating actively in:

- Provincial Waste Management Forum;
- Free State Traffic Management Committee;
- Free State Umbrella Fire Protection Association;
- Provincial Fire and Disaster Advisory Forum;
- Cross Border Crime Prevention Forum;
- Provincial Security Managers Forum;
- South African Emergency Services Institute;
- Provincial IDP Managers Forum;
- Provincial Planning Forum; and
- Provincial PMS Forum

2.3.1.3 RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipality does not have a municipal entity

2.3.1.4 DISTRICT INTERGOVERNMENTAL STRUCTURES

At political level, both the Speaker and the Executive Mayor take part in various fora established to ensure improved inter- governance relations. The public participation forum allows the Speakers in the District to discuss a range of issues, including demarcation, public participation, and governance. The forum has helped to eliminate tensions and disagreements over Municipal outer boundaries as consensus gets reached at this level.

The Executive Mayor attends and participates at political IGR level with other executive mayors and mayors within the district boundary. Issues raised at this level get escalated by technical wing of the forum which is constituted by Municipal Managers assisted by staff at technical level. At a technical level, the office of the Municipal Manager participated in quarterly District IGR meetings.

These fora help with service delivery through sharing of best practices and strategies implemented by other Municipalities. Other forum participation meetings were for the Back-to-Basics meetings which were convened for purposes of monitoring B2B action plans submitted to council. Related to the above forum/committee participation, the Municipality participates in the Premier's Coordinating Forum where the province's developmental agenda and coordination are points of emphasis. In summary, the following forum formations are some of the areas where the Municipality participated:

- Provincial Municipal Managers' Forum
- District Energy Forum
- District Political Inter Governmental Relations Forum District Technical Inter Governmental Relations Forum Provincial Performance Management Systems *Forum* Provincial and District Risk Management Forum
- MECLOGA
- Premier's Coordinating Forum
- District Back to Basics
- Provincial and District Integrated Development Plan Managers' Forum

2.4 PUBLIC ACCOUNTABILITY AND PARTICIPATION OVERVIEW

The law provides that public representatives must convene ward constituency meetings quarterly to give feedback on the progress and challenges in the Municipality. Office of the Speaker set up a plan to ensure that ward committees meeting and submit reports on a monthly basis on issues raised within the wards. The Municipality engaged the public via a number of forum meetings:

IDP/budget representative forum Ward Constituency meetings Ward Committee meetings

Office of the Speaker was in charge of ensuring that different constituency meetings convened sat in the last financial year. The law allowed for a minimum of at least four meetings to be convened in one financial year. As a precondition to apply and implement the law and with a view to enhancing accountability, the Municipality published documents like the Integrated Development Plan, Budget, and the annual report at key strategic points for accessibility.

A public participation programme was developed and implemented with assistance from Office of the Speaker to ensure that both the integrated development plan, budget as well as the draft annual report were presented to communities with a view to receive inputs. On the main, communities raised issues of concern in their respective areas for consideration by the Municipality and thereby reconsideration of priority service delivery issues for budget purposes.

MSA section 17 (2): requires a municipality to establish and organize its administration to facilitate a culture of accountability amongst its staff. Section 16 (1): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. Section 18 (a) - (d): requires a municipality to supply its community with information concerning municipal governance, management, and development.

2.4.1 PUBLIC MEETINGS

Public participation programme was championed from office of the Speaker and always been the office doing the task. All council meetings were advertised as required by law. Under no circumstance would a council meeting go ahead without such communication being publicised.

The second form of communication related to forum meetings in the forms of Integrated Development Plan representative forum as well as the imbizo. The Executive Mayor headed both set of fora. As an exception, the year under review witnessed quite satisfactory attendance in all meetings.

The next avenue the Municipality utilised to share municipal information has been the website. This option was done as per the compliance mandate and following legislative requirements. The website was changed as follows: www.matjhabeng.fs.gov.za. All information we needed to share with the public were placed here. It should be noted that it took time before people could learn to understand this location. The other area we used were notice boards of the Municipality. The Municipality, in addition, used the community radio station, The Rock, as well as Lesedi and Gold FM where the leadership of the Municipality had direct communication with the community on development plans, progress and challenges. The Municipal publication, Matjhabeng News also assisted in informing the public on Municipal Programmes for the financial year under review.

2.4.2 WARD COMMITTEES

The Municipality has 36 Wards, each with a well-functioning Ward Committee. The work of the ward committees did not proceed as planned and reports were not provided as planned. This was a worrying aspect of service delivery when no information could be provided to update the Municipality on challenges that ward committees faced. The office of The Speaker was charged with assessing performance of all wards in the Municipality as per the SDBIP relating to the office.

2.4.2.1 COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

Public meetings are held in order to solicit more views and priorities from community members who attend these meetings. It provides a good platform where discussions are held, and compromises are reached as regards the importance of projects within Wards and as well as taking into account available resources.

Apart from meeting a legal requirement in as far as consulting the public is concerned, meetings held yielded positive outcomes. The general public was able to input into programmes where such were needed, and these contributed significantly to improving the Council decisions. For example, the IDP and Budget together with other policies approved have public ownership. As a result of these meetings, management were sensitized on urgent community matters that would not reach offices under normal circumstances.

2.5 INTEGRATED DEVELOPMENT PLANNING PARTICIPATION AND ALIGNMENT CRITERIA

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

2.6 CORPORATE GOVERNANCE

The issues of Corporate Governance include the need to ensure that laws are applied and monitored as required. All relevant positions in the Municipality are charged with the responsibility of ensuring that there is compliance to such laws in the forms of municipal policies and by-laws. In addition, officials are required to observe application and enforcement of the law. There are other noticeable occupations within the Municipality, which have been established to reinforce application and monitoring of the law.

In the Municipality, we have these positions as they relate to performance monitoring and compliance. Such positions help monitor implementation of relevant laws but are placed quite lower down the management echelon. These positions include those of officials who deal with Risk Management, Internal Audit and Performance Management.

2.6.1 RISK MANAGEMENT

Risk Management is a management process through which the Municipality identifies, evaluates, and controls significant risks that can result in failure, to attain strategic objectives. The main responsibility of Risk Management is to support the development of an overall Enterprise Risk Management Framework aligned to Municipal Strategy (IDP). A reviewed risk management policy was approved during the Council sitting of 13 December 2016 and there was no need to further review it as there was no major legislative amendments within its approval time frames.

The following are the responsibilities of a Risk Management Unit, but it must be acknowledged that the Municipality did not have the Risk Management Unit for the period 2018/2019, 2019/2020 and 2020/2021 financial years. The municipality has appointed the Risk Manager in May 2022 and had been able to fulfill these responsibilities.

- Conducting Risk Assessment within the Municipality.
- Advising and guiding the Municipality in terms of institutional risk matters.
- Developing a Risk Management Strategy and Implementation Plan.
- Coordinating Risk Management activities.
- Facilitating identification and assessment of risks.
- Recommending risk responses to management.

The role of the Risk Manager improved the situation much better than it was in the past years. Her role is envisaged to improve upon approval of the structure which identified the lack of such a unit as a serious risk to Municipal service performance.

Risk Management Unit is established but understaffed, however, the unit is in the process of appointing Risk officers. Due to this shortcoming the risk management issues were not dealt with accordingly as required. The Risk Management Committee is also not functional as the appointment of the Risk Management Committee was not appointed for the period under review.

2.6.2 ANTI-CORRUPTION AND FRAUD

The Fraud Prevention Strategy seeks to focus attention at the macro strategic level in the first instance. It then provides a schema for assessing matters and actions to be addressed at the detailed level. It is important for the Municipality to have a strategy that is highly prescriptive in nature when dealing with issues of fraud and corruption. It is essential that Matjhabeng Local Municipality promotes a zero- tolerance approach to Fraud and corruption.

The commitment, by all officials is to mitigate fraudulent activities and to report when fraud occurs and should be dealt with thoroughly without leniency. During the year under review the municipality made efforts to educate employees and community members with issues of fraud and corruption that are affecting the Municipality through Public participations and workshops.

All the Unauthorized, Irregular, Wasteful and Fruitless Expenditure is being dealt with according to Circular 68 and section 32 of the Municipal Finance Management Act, 56 of 2003. All processes followed is that the register is completed and tabled to the Assets and Liability Committee which then submit their recommendations to the Municipal Public Accounts Committee for investigations and recommendation to council. Council will then either, condone, authorize, recoup and/or take legal actions against whoever is liable to the allegations

2.6.3 SUPPLY CHAIN MANAGEMENT

The municipality ensured that its Supply Chain Management policy was aligned with the Supply Chain Management regulations. The Supply Chain Management policy gets reviewed to consider the revised Preferential Procurement Policy Framework Regulations in each financial year as the budget gets approved. The primary goal of the Municipality's Supply Chain Management system is to find reliable, cost-effective suppliers for the Municipality. It effectively means that acceptable norms and standards of quality, expected service delivery and technical performance could not be relaxed or compromised, while ensuring the promotion of Historically Disadvantaged Individuals in the process.

In order to address the declining local economy, the Municipality incorporated a number of local economic development initiatives and projects in the Integrated Development Plan. The Municipality also realized that its Supply Chain Management Policy and practices could play an important role in stimulating local economic growth and development. Policy changes were designed to contribute to the achievement of the Municipality's objectives regarding local economic growth and development. In particular, there is emphasis on giving 70% of business opportunities to local enterprises to ensure that we sustain local Small Medium Macro Enterprises.

2.6.4 BY-LAWS

No new by-laws were introduced during the year under review. All municipal by-laws need to be reviewed and those that are not in place need to be developed and approved so that the municipality can be able to govern its area of jurisdiction properly.

2.6.5 WEBSITES

Municipal Website: Content and Currency of Material	
Documents published on the Municipality's / Entity's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous Annual Report 2019/2020	Yes
The Annual Report 2020/2021 published/to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2021/2022) and resulting scorecards	No
All quarterly reports tabled in the council in terms of section 52 (d) during 2021/2022	No

2.6.5.1 COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS

There have been discussions between the Municipality and the service provider contracted by the Premier's office to decentralize the website. This discussion began in the last financial year as the contract was with Cherry-On-Line contracted by Office of the Premier. The discussions had resulted in an agreement to allow the Municipality to perform own tasks relating to the website. The website got updated by the information technology unit and has since been functional and improvements continued and were sustained.

2.7 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

2.7.1 PUBLIC SATISFACTION LEVELS

The municipality did not conduct any public satisfactory survey for the year under review, as well as during the prior years.

3. COMPONENT C: BASIC SERVICES OVERVIEW (CHAPTER 3)

3.1 INTRODUCTION TO BASIC SERVICES

Municipalities are the most basic units of government in the country and are tasked with providing basic services and fostering development in the regions they control. Local government in South Africa is largely understood in terms of service delivery and the South African Constitution (Act No. 108 of 1996) assigns municipalities the role to mobilize economic resources towards the improvement of the lives of all citizens. Basic services are the fundamental building blocks of improved quality of life, and adequate supplies of safe water and adequate sanitation are necessary for life, well-being, and human dignity. Tremendous progress has been made over the past few decades in the delivery of basic services.

The Community Survey 2016 found that 89,8% of households used piped water, that 63,4% used flush toilets connected to either the public sewerage or to a local septic system, that 63,9% of households receive refuse removal services, and finally, that 87,6% of households had access to electricity. These headline figures, however, hide a lot of variation across

provinces, district councils and between local municipalities. Households living in rural municipalities usually have access to far less, and usually also more inferior services to those living in wealthier, particularly more urban municipalities.

Although the reasons for the existence of backlogs differ by service and between municipalities, part of the reason relate to the legacy of unequal development which still haunt former homeland areas, high levels of poverty that limit households' ability to pay for services, as well as the practical constraints of extending services to far off rural areas or densely populated informal areas at great expense to the local municipality. Although certain 'gold' standards have been set for each service, such as the provision of flush toilets, the provision of running water in the dwelling, or weekly kerbside refuse removal, financial and practical constraints have forced municipalities to provide a variety of service levels in order to meet the very basic needs of residents.

Since using a single measure of household access would hide the combination of measures used by municipalities, this report uses an index to explore the complex interchange between different service delivery measures in more detail. The report shows that households in rural municipalities generally have access to poorer service levels. Although household perceptions of the services they receive vary greatly between municipalities, households in metropolitan municipalities are generally more satisfied than those in smaller municipalities, particularly rural municipalities. A simple correlation between municipal poverty headcounts and the available infrastructure shows a strong positive relationship.

The relationship between household satisfaction with basic services and the quality of infrastructure can also be expressed as a strong positive correlation, meaning that poor households with inadequate access to services are most likely to be dissatisfied with those services. The report finally finds that 75% of households in South Africa did not believe that municipalities were actively addressing the issues they felt was most important for households in their respective municipalities

3.2 WATER SERVICE

3.2.1 INTRODUCTION TO WATER SERVICES

Matjhabeng Local Municipality is the Water Service Authority with Sedibeng Water as its Water Services Provider supplying Bulk Water as per the Water Services Act 108 of 1997. Due to the down scaling of the mines in the area, the current bulk water supply capacity is more than adequate to service the towns in the area of authority. Due to growth and bucket eradication in some areas, some bulk lines capacities become challenging.

Sedibeng water is in the process of investigating and upgrading of such. Challenges have been experienced throughout the Municipality as a result of ageing water network infrastructure. The next big two challenges were to manage and meter all households as the need increased as well managing unacceptably water loss.

The last time the Municipality obtained Blue Drop status for 3 of the 6 towns in its jurisdiction area was during 2014 with an average score of 93, 6%. Blue Drop Status were received for Virginia, Hennenman and Ventersburg supply systems.

Matjhabeng Local Municipality performs second best in the Free State. The Municipality renders basic assistance to poor communities within its resource constraints.

Financial Performance Year 0: Water Services					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	504 012 694	537 463 138	537 463 138	526 716 048	-2%
Expenditure:					
Employees	51 704 019	55 701 128	55 701 128	59 827 937	7%
Repairs and Maintenance	11 697 557	15 400 844	15 400 844	9 356 306	-65%
Other	1 004 007 027	834 914 756	595 723	852 517 441	2%
Total Operational Expenditure	1 067 408 604	906 016 728	666 824 879	921 701 684	2%
Net Operational Expenditure	-563 395 910	-368 553 590	-129 361 741	-394 985 636	7%

Capital Expenditure Year 0: Water Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	15 069 821	15 069 821	11 256 881	-34%	
ALLANRIDGE REPLACEMENT	463 920	463 920	489 889	5%	
KUTLWANONG REPLACEMENT	13 638 684	13 638 684	9 799 775	-39%	
THABONG: ZONAL WATER METERS & VALVES	967 217	967 217	967 217	0%	

3.2.2 WATER SERVICE DELIVERY LEVELS

Distribution of households by main source of water for drinking, Community Survey 2016			
Households			
Description	2016		
	Number		Percentage
Piped Water	142 198		95.3%
Other Sources	6 967		4.7%
Total number of households*	149 165		100%
Distribution of households by main source of water for drinking, Community Survey 2016			
Households			

Description	2016	
	Number	Percentage
Municipality	145 075	97.7%
Other Water Schemes (e.g., Community Water Supply)	325	0.2%
A water vendor	926	0.6%
Own service (e.g., private borehole; own source on a farm, etc.)	1 781	1.2%
Flowing water/stream/river/spring/rainwater	388	0.3%
Total number of households*	148 495	100%

3.3 SANITATION SERVICES

3.3.1 INTRODUCTION TO SANITATION SERVICES

Due to environmental requirements associated with sewerage, the Municipality spent a major portion of its budget on upgrading these services. However, several challenges still exist. The upgrading of the Wastewater Treatment Works especially gets high priority. Some improvements were achieved with the Green Drop scoring.

Due to the age of the infrastructure of the Wastewater Treatment Works, regular spillages and more stoppages continue to occur. Funding to upgrade the works should still be a priority to ensure good quality of wastewater is released into rivers, streams and/or lakes.

Financial Performance Year 0: Sanitation Services						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	190 914 397	206 351 492	206 351 492	213 339 758	3%	
Expenditure:						
Employees	48 633 841	43 715 938	43 715 938	50 251 138	13%	
Repairs and Maintenance	3 502 603	178 308 759	178 308 759	124 114 769	-44%	
Other	324 579 788	-12 171 544	201 548 745	133 182 078	109%	
Total Operational Expenditure	376 716 232	209 853 153	423 573 442	307 547 984	32%	
Net Operational Expenditure	185 801 835	3 501 661	217 221 950	94 208 226	96%	

Capital Expenditure Year 0: Sanitation Services					
					R' 000
Capital Projects	Year 0				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	109 329 589	109 329 589	53 018 062	-106%	
MATJHABENG: ALL	18 477 685	18 477 685	-	100%	
THABONG X15N; X18; X19; X20 (HANI PARK)	16 171 687	16 171 687	5 393 927	-200%	
PSE SYSTEM AT AND FROM THERONIA WWTW	204 978	204 978	-	100%	
NYAKALONG:WWTW UPGRADE	689 407	689 407	-	100%	
T8 PUMP STATION	794 452	794 452	653 552	-22%	
UPGRADE OF KUTLWANONG- NEW DEVELOPMENTS	30 288 124	30 288 124	12 013 358	-152%	
UPGRADING OF PHOMOLONG PUMP STATION	11 069 231	11 069 231	-	100%	
WHITES: SEPTIC TANK SYSTEM	651 821	651 821	135 623	-381%	
THABONG: REFURB & UPGR OLD SP & RM	2 788 489	2 788 489	10 647 550	74%	
VIRGINIA/MEL: UPGRADE & REFURB SP	3 193 715	3 193 715	11 760 681	73%	
PSE SYSTEM AT AND FROM THERONIA WWTW	25 000 000	25 000 000	12 413 371	-101%	

3.3.2 SANITATION SERVICE DELIVERY LEVELS

Water Service Delivery Levels		
Description	Households	
	2016	Percentage
Flush toilet	126 494	84.8%
Chemical toilet	1 492	0.1%
Pit latrine/toilet with ventilation pipe	298	0.3%
Pit latrine/toilet without ventilation pipe	10 591	7.2%
Ecological toilet (e.g., urine diversion; enviroloo, etc.)	0	0%
Bucket toilet collected by municipality	2 238	1.6%
Bucket toilet emptied by household	2 536	1.8%
Other	4 028	2.8%
None	1 790	1.3%
Total households	149 467	100%

3.4 ELECTRICITY SERVICES

3.4.1 INTRODUCTION TO ELECTRICITY SERVICES

The Matjhabeng Local Municipality is the Electrical Distribution Authority in the following Municipal areas:

- Allanridge Unit
- Odendaalsrus Unit
- Welkom Unit
- Riebeeckstad Unit
- Bronville Unit
- Virginia Unit
- Hennenman Unit
- Ventersburg Unit

Therefore, the Electrical Department Engineering Services pride itself to provide an efficient, cost- effective environment, that provides a climate of positive growth, capital investment and social upliftment for the Matjhabeng Community at large.

Financial Performance Year 0: Electricity Services					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	662 690 544	903 306 564	903 306 564	715 417 298	-26%
Expenditure:					
Employees	42 238 779	44 027 348	44 027 348	44 990 396	2%
Repairs and Maintenance	18 422 847	40 039 589	40 039 589	21 705 002	-84%
Other	714 433 457	717 122 194	406 018 652	1 051 828 151	32%
Total Operational Expenditure	775 095 084	801 189 131	490 085 589	1 118 523 550	28%
Net Operational Expenditure	112 404 539	-102 117 433	-413 220 975	403 106 252	125%

Capital Expenditure Year 0: Electricity Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	5 868 698	5 868 698	1 410 939	-316%	
WELKOM: BRONVILLE AND EXT. 15 THABONG	2 042 231	2 042 231	-382 176	-19%	
MOTHUSI: MAIN ENTRANCE ROAD 2124.26M	3 772 395	3 772 395	-	0%	
WELKOM: 20MVA 132KV - URANIA SUBSTATION	-	-	1 739 043	#DIV/0!	
THABONG (2010) 5 HIGH MAST LIGHT	54 072	54 072	54 072	100%	

3.5 WASTE MANAGEMENT

3.5.1 INTRODUCTION TO WASTE MANAGEMENT SERVICES

Matjhabeng Municipality is striving to adhere to the legislative mandate which address the Waste Minimization Strategy and in particular the Polokwane Declaration that sets the ambitious target of a reduction of waste disposal by landfill, refuse removal and recycling as part of Green Economy as resolved at COP17 Climate Change. The realisation on the Adaptation and Litigation resolution of Cop 17 is currently being initiated by the Department of Environmental Affairs and DESTEA (provincial) through the projects like Thuma Mina Project and Youth Community Programme.

The Waste Management service is carried out in compliance to the National Waste Management Strategy, National Environmental Management Act (Act 107 of 1998), National Environmental Management Waste Act (Act 59 of 2008), National Health Act (Act 61 of 2003) and National Domestic Collection Strategy. The Municipality procured 7 refuse removal trucks which were distributed as follows: Virginia x3, Odendaalsrus x1, Hennenman x 1 Allanridge X 1, Ventersburg x 1. Welkom is serviced by 8 rented refuse removal trucks. All vehicles that exceeded lifespan of five years were auctioned.

Matjhabeng is infested with illegal dumping whereby the then Department of Environmental Affairs intervened through procurement of private service providers for eradication of illegal dumping, clean and green program, capacitation of Waste Pickers at Odendaalsrus landfill site and loan a refuse removal truck. The department is busy reviewing Integrated Waste management Plan and developing the Environment Management Plan as the sector plans to drive the regulations on proper Solid Waste Management governance.

Financial Performance Year 0: Solid Waste Management Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	125 311 547	143 489 336	143 489 336	145 725 612	2%
Expenditure:					
Employees	83 407 226	88 266 990	88 266 990	82 294 076	-7%
Repairs and Maintenance	255 495	2 378 986	2 378 986	1 703 432	-40%
Other	272 323 484	107 797 318	112 967 090	208 371 971	48%
Total Operational Expenditure	355 986 205	198 443 294	203 613 066	292 369 479	32%
Net Operational Expenditure	230 674 658	54 953 958	60 123 730	146 643 867	63%

4. COMPONENT D: ANNUAL PERFORMANCE REPORT

4.1 DIRECTORATE COMMUNITY SERVICES (KPA 2) BASIC SERVICES

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Not Met	Reason for deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
BS 26	Supporting the delivery of municipal services to the right quality and standard	Number of sports facilities upgraded in Virginia	0	0	1	1	3	Technical Report	TARGET MET		
BS 27		Number of swimming pools upgraded (Mimosa/Riebeeckstad)	4	2	2	0	0	Technical Report	TARGET NOT MET	Project could not be completed due to financial constraints	The projects for the upgrading of the two facilities is captured in the IDP to become eligible for funding from MIG and other government funded grants
BS 28		Number of cemeteries developed and fenced in the three identified wards	0	0	3	0	0	Technical Report	TARGET NOT MET	Project could not be completed due to financial constraints	Department to apply for funding
BS 29		Number of ablution blocks and guardhouses built and upgraded in eight identified wards	0	0	8	0	2	Technical Report	TARGET NOT MET	Project could not be completed due to financial constraints	Department to prepare new submission for the upgrading of ablution blocks and guardhouses

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Target Not Met	Reasons for deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
BS 30	Supporting the delivery of municipal services to the right quality and standard	Number of landfill sites established in Odendaalsrus	0	0	1	1	0	Project Progress/Technical Reports	TARGET MET		
BS 31		Number of landfill site upgraded (Phase 2) in Virginia	2	0	1	0	0	Submission and Project Progress Reports	TARGET NOT MET	Project is still awaiting funding through the National intervention project	The project for the upgrading of the two facilities is captured in the IDP to become eligible for funding from MIG and other government funded grants
BS 32		Percentage of premises installed with Electronic Security System in all municipality building in all six towns	100%	0%	100%	53%	100%	Technical Reports	TARGET NOT MET	21 Premises out of 40 were installed with electronic security systems. Could not meet target due to financial constraints	The Service Provider to start 1 September to install electronic Security to remaining sites
BS 33		Number of Security Officers appointed in the municipality	0	0	70	0	160	Advertisement/shortlist/appointment	TARGET NOT MET	Initial recruitment process of 70 could not be finalized due to noncompliance to recruitment time frames. Re advert for 160 security officers and process will be finalized end of August 2022	Recruitment process of 160 Security officers in final stage

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Target NotMet	Reasons for deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
BS 34	Supporting the delivery of municipal services to the right quality and standard	Number of Fire Officers in Mmamahabane satellite station Hired	0	0	24	8	16	Appointment Letter/Invoices	TARGET NOT MET	8 Fire Fighters were appointed on the 28 th of February 2022.	17 more posts were advertised and recruitment process in progress
BS 35		Number of fire engines and hazmat vehicles Purchased	0	0	1	0	1	Delivery Notes	TARGET NOT MET	Procurement could not be finalized due to Budget constraints. 1 Fire Engine was procured and will be delivered by the end of November 2022	A submission is prepared for the procurement of another 1 Fire engine and hazmat vehicle
BS 36		Number of fully Stocked Mechanical Store opened in all towns in Matjhabeng	0	0	1	0	1	Reports	TARGET NOT MET	Could not meet target due to financial Constraints	The newly appointed manager is currently in the process of verifying all fleet and equipment. Submissions are prepared for the procurement of parts. Electronic systems were installed in June 2022 at the mechanical workshop for safeguarding of parts that will be procured

4.2 DIRECTORATE HUMAN SETTLEMENT (KPA 2) BASIC SERVICES

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Target Not Met	Reasons for deviation	Measure to address Underperformance
			Target	Actual	Target	Actual	Target				
BS 37	Supporting the delivery of municipal services to the right quality and standard	Number of abandoned sites reallocated in all wards in Matjhabeng	3425	258	500	232	200	Allocation List	TARGET NOT MET	Target was based on the number of abandoned sites received which were received from the councillors. However, 64 sites were not abandoned as the owners thereof did present themselves to the municipality after seeing the advert in the newspaper. The rest were not reallocated as there were disputes registered.	The target will not be based on the number of "abandoned" sites lists received from the councillors but the unit will verify the sites listed on the list provided before advertising the sites as in the past it was noted that some of the tenants or family members left on these sites to go to councillor and claim that the sites are abandoned while knowing very well that the owners are still around. When the owners see their sites advertised in the newspaper as abandoned and requesting them to present themselves to municipality they duly comply. Once they present themselves to the municipality the sites are no longer categorized as abandoned
BS 38		Percentage of Conversion (Act 81) applications submitted to Provincial HS	100%	0%	100%	100%	0%	Acknowledgment of receipt signed by Province	TARGET MET		
BS 39		Number of Land Use Management Schemes developed and approved	1	2	1	1	1	1 LUMS	TARGET MET		

BS 40		Number of Municipal Planning Tribunal meetings held and quorate	4	1	4	5	4	Invite/Minutes/Attendance register	TARGET MET	In August 2021, two meetings were held due to none quorum for two of the application.	
BS 41		Number of notices issued for non-compliance	0	0	20	2	20	Notices issued out	TARGET NOT MET	Officials responsible retired and another was on maternity leave during the 1 st and 2 nd quarter.	The department has appointed the manager building control to oversee operations as well as other relevant officials and duties have been extended to other officials.
BS 42	Supporting the delivery of municipal services to the right quality and standard	Percentage of building plans approved in all wards in the municipality	0%	0%	100%	44%	0%	Applications received /Approval letters	TARGET NOT MET	Most of the building plan did not meet the required standard hence were not approved. Some received were incomplete	The recent approved by-law and policies include required specification Building bylaw is at the Draft stage and will be submitted to Council by end of November 2022
BS 43		Percentage of building inspections conducted in all wards of municipality	0%	0%	100%	100%	600	Applications received /Approval letters	TARGET MET		
BS 44		Number of notices issued for non-compliance in all wards of municipality	0	0	20	112	20	Requests received / Weekly interim inspection reports	TARGET MET	There was more noncompliance reported	

BS 45	Supporting the delivery of municipal services to	Number of policies developed	0	0	2	1	2	Approved policy	TARGET NOT MET	The target should have been 1 not 2 as it is only 1 SDF Policy that is developed and reviewed.	2022/2023 SDBIP will be updated, and target will be set as 1
BS 46	the right quality and standard	Number of marketing advertisements	0	0	2	0	0	Advert	TARGET NOT MET	The Municipality has not concluded the sale of the previous Finance year and could not continue with a new advert.	Fasttrack completion of the previous financial year 2021-22 to prepare the Draft list to be submitted to Sectional Committees.
BS 47		Number of Open Space Master Plans approved	0	0	1	0	0	Mater plan	TARGET NOT MET	Research was conducted for the Development of Master Plan however the process took longer than anticipated because of those delays the project had to be extended.	The municipality is to engage with Central University of Technology with regards to proper research and benchmark with the City of Cape

4.3 DIRECTORATE INFRASTRUCTURE (KPA 2) BASIC SERVICES

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Target Not Met	Reasons for deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
BS 1	To develop and maintain Sewer infrastructure networks and ancillary	Percentage progress on the upgrade on Septic Tanks system in Whites	8%	8%	100%	0%	0%	Progress Report Completion Certification	TARGET NOT MET	Project was reprioritized to the next financial year to accommodate Thabong WWTW project	Project has been moved to 2023/2024 Financial year
BS 2	infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA).	Percentage progress on the refurbishment of Kutlwanong Wastewater Treatment Works	30%	23%	80%	69%	30%	Progress Report	TARGET NOT MET	Contractor is not resourcing the project even though there are no outstanding certificates	Contractor submitted an acceleration plan which is tracked on a daily basis by PMU, contractor fell behind on some items on the plan and was requested to catch up in 14 days or else penalties will be imposed
BS 3		Percentage progress on the Upgrading of the Phomolong Wastewater Treatment Plant	0%	0%	100%	0%	25%	Progress Report Completion Certification	TARGET NOT MET	Project on hold	Project served on the bid specification committee on the 01 August 2022 for implementation in the 2022/23 financial year

BS 4		Percentage of completed refurbishment of Theronia Wastewater Treatment Works	100%	91%	100%	100%	0%	Progress Report Completion Certification	TARGET MET		
BS 5		Percentage of completed refurbishment of Theronia Wastewater Treatment Works - Final Effluent Pipeline	0%	0%	100%	0%	63%	Progress Report Completion Certification	TARGET NOT MET	Due to the delay in the water use license application and registration of the pipeline servitude registration negotiations, the project will be implemented in the 2022/2023 financial year	PMU is busy with servitudes agreements with landowners
BS 6		Percentage of completed upgrade and refurbishment of Thabong T8 pump station to address new development	100%	99%	100%	95%	0%	Progress Report Completion Certification	TARGET NOT MET	There is a design error that is being solved with the involvement of contracts management	The letter was sent to Moedi Consulting Engineers in March 2020 requesting the contractor to submit the report outlining the required remedial work to render the new pump station functional and ensure that it is hundred percent complete and performing to the desired expectations.

BS 7		Percentage completion of the refurbishing of the Thabong wastewater treatment plant	05	0%	50%	35%	84%	Progress Report	TARGET NOT MET	Contractor is not resourcing the project even though there are no outstanding certificates	Contractor provided an acceleration plan which indicated that they will still finish on 17 October 2022 which was the original plan. A letter was prepared for the contractor to catch up as they were at 33% instead of 58%
BS 8		Number of sumps cleaned around all six Towns	8	4	8	4	0	Job cards Invoices	TARGET NOT MET	Service provider appointments were not done	Develop a cleaning schedule and make sure that orders are issued in time.

BS 9		Number of sewer blockages opened around all six towns	0	0	12	12003	0	Job cards Invoices	TARGET OVER MET		
BS 10		Number of manholes covers replaced around all six towns by the 31 st of June 2021	100%	100%	6000	65	0	Job cards Invoices	TARGET NOT MET	We replaced only stolen manholes Availability of manhole lids was a challenge.	Confirm the sizes of the open manholes and procure for installation Expedite procurement processes
BS 11		Km collapsed sewer lines replaced around all six towns by the 31 st of June 2021	0km	0km	50km	0.006KM	0km	Job cards Invoices	TARGET NOT MET	Shortage of material Challenges with the appointment of specialized contractors.	This will be attained under the current intervention by the Minister's office. Procure specialized equipment to do construction in-house
BS 12	To develop and maintain Water networks and ancillary works as well to ensure constant water	Percentage of Old asbestos pipe replaced in Kutlwanong	0%	0%	100%	72%	50%	Progress Report Completion Certification	TARGET NOT MET	Contractor was delayed by community unrest and is also not resourcing the project even though the payments are up to date	A non-performance letter was sent to the contractor to pick up the pace and resource the project
BS 13	supply and Water Demand Management System to enhance	Number of stuck and leaking water meters replaced around all six towns	0	0	1000	584	0	Official Purchase Order and Job cards	TARGET NOT MET	Shortage of material	Supply Chain must speed up the process of issuing orders and delivery of material

BS 14	revenue	Number of water leakages repaired around all six towns	0	0	2828	7263	0	Appointment letter and progress reports	TARGET MET	The recorded over achievement of 146% indicate the poor condition of the water network that keep on bursting especially during winter and rainy season. This pipe consists of mainly asbestos cement pipe and galvanized steel pipe that has rusted and keeps on leaking. The small fraction of leaks attended is mainly as a result of under resourced team (no TLB, no PPE and shortage of plumbing materials)	Replace AC pipe and steel pipes and Correct the KPI to a percentage of leaks repaired.
BS 15		Number of fire hydrants and valves replaced around all six towns	0	0	5	0	0	Official Purchase Order and job cards	TARGET NOT MET	Shortage of resources	Make sure there is enough material onsite in time.
BS 16		Number of new water meters installed around all six towns	100%	0%	1000	23	0	Progress Report	TARGET NOT MET	Financial constraint and municipality could not procure meters.	Supply Chain must speed up the process
BS 17		Number of water meters investigated around all six towns	2000	99	2000	0	0	Progress Report	TARGET NOT MET	Unavailability of staff Material shortages due to non-delivery of suppliers	HR Department is in process to fill vacant positions
BS 18		Development and approval of water distribution and metering policy	1	0	1	0	0	Water Distribution and Metering Policy and Council	TARGET NOT MET	Material shortages due to non-delivery of suppliers	Policy to be compiled

								Resolution		
BS 19	To develop and maintain roads and storm water infrastructure and develop transportations systems and maintenance thereof.	Square meters of streets patched around all six towns	12000m2	4143.829m2	15 800m2	31030m2	15800m2	Job cards	TARGET MET	External Contractors were appointed to help with patching of potholes. Downtouch Investments and others
BS 20		Percentage of construction of road upgraded in Thabong Ext 22 Tandanani	0%	0%	100%	100%	0.135km	Progress Report Completion Certification	TARGET MET	
BS 21	To construct and maintain 132kV Distribution network, MV networks, LV network, Street light and high mast lighting and ancillary works to adhere to road ordinances as well SANS regulations and ensure an effective and safe environment	Percentage of Streetlighting Infrastructure provided in six wards	0%	0%	100%	0%	0%	Business Plans; PMU monthly Progress reports	TARGET NOT MET	Project needs to be cancelled and redesigned. Project needs to be cancelled and redesigned.

BS 22	To ensure an effective service and adhere to road ordinances as well SANS regulations	Number of streetlights maintained and repaired around all six towns	4069	598	4069	1298	1176	Progress reports Service Provider Job cards Planning report	TARGET NOT MET	Due to the cancelation of service providers maintenance contracts. Awaiting logistical resource for the Electrical Department to conduct the service internally.	<ul style="list-style-type: none"> • Streetlights attendant positions have been advertised and appointments must be made • Advert for more Electricians is out • Two cherry pickers are being procured • Equipment like winches, bakkies fitted with ladders will be needed • Material must be readily available <p>The structure must be revised to provide a full and complete service</p>
BS 23		Number of high mast lights maintained and repaired around all six towns	110	18	110	164	169	Progress reports Service Provider Job cards Planning report	TARGET MET	The municipality received a lot of complains from the community regarding the high mast lights maintenance	
BS 24	Supporting the delivery of municipal services to the right quality and standard	% Construction completion of phase 2 of the Meloding Sports Centre	0%	0%	100%	0%	0%	Progress Report Completion Certification	TARGET NOT MET	Project could not be advertised due to the stopping of adverts by court	The project will be advertised before end of August 2022.

BS 25		% Construction completion of upgrading of the Welkom land fill site	0%	0%	100%	68%	0%	Completion certificate	TARGET NOT MET	Projects has been moved to 2023/24 to accommodate Thabong WWTW	Project will be implemented towards the end of the financial year provided that the Roll-over is approved
-------	--	---	----	----	------	-----	----	------------------------	-----------------------	--	---

4.4 DIRECTORATE LOCAL ECONOMIC DEVELOPMENT

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Target Not Met	Reasons for deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
LED 1	Creating a conducive environment for economic development	Number of Investment schemes and Policies developed and approved	0	0	1	0	1	Approved Investment attracting incentive scheme	TARGET NOT MET	Terms of reference were submitted and approved by specification's committee, request for tender was made by supply chain, people responded and that was the end of it, nothing was communicated to led, when asked supply chain, we were told the documents are with the municipal manager until to date	Follow up with higher office of the municipal manager. management support is highly needed in this aspect.

										nothing was ever communicated with led situation beyond our control	
LED 2		Number of exhibitions/networking sessions conducted	0	0	1	1	1	Report	TARGET MET		
LED 3		Number of youth business corners facilitated and completed	3	2	3	3	3	Report	TARGET MET		
LED 4	Creating a conducive environment for economic development	Number of farms maintained/Improved	3	0	4	4	0	Reports	TARGET MET		
LED 5		Number of Feasibility Studies and Business Plans developed and approved	1	0	1	1	0	Copy of feasibility study	TARGET MET		
LED 6		Number of Aerodrome licenses renewed and approved by South African Civil Aviation Authority	0	0	1	1	1	License Certificate	TARGET MET		
LED 7	Creating a conducive environment for economic development	Number of tourism awareness and education programmes that have materialised	2	0	4	0	4	Attendance Register	TARGET NOT MET	lack of cash flow according to supply chain management	supply chain to release funds that are budgeted for and also included in the procurement plan. to have meetings with supply chain management. also, to take requisitions to scm manager personally, ask him via email.

LED 8		Number of Tourism Marketing Plan developed and approved	0	0	1	0	1	Approved Plan	TARGET NOT MET	lack of cash flow according to supply chain management	supply chain to release funds that are budgeted for and also included in the procurement plan. to have meetings with supply chain management. also, to take requisitions to scm manager personally, ask him via email.
-------	--	---	---	---	---	---	---	---------------	-----------------------	--	--

4.5 OFFICE OF THE SPEAKER

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Target Not Met	Reason for deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
PP 1	Putting people and their	Number of approved Council meetings convened	4	0	4	4	4	Advert for ordinary sitting	TARGET MET		
pp 2	concerns firms	Number of ward plans produced	36	0	1	0	36	Ward plans	TARGET NOT MET	Ward committees were not yet established	Ward Committees has been established in May 2022 and they will undergo Training

4.6 OFFICE OF THE EXECUTIVE MAYOR

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Target Not Met	Reasons for deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
PP 3	Putting people and their concerns first	Number of bursaries awarded per year	0	0	10	0	10	Notices, Fixture line-up programme	TARGET NOT MET	Financial Constraints	The Municipality has advertised in Quarter 1
PP 4		Number of candlelight switch commemorated	1	1	1	0	1	Notice Candlelight Commemoration programme	TARGET NOT MET	Not commemorated due to Covid-19 regulations	The municipality has budgeted for the candlelight that will be taking place on the 31 December 2022
PP 5		Number of Executive Mayors Imbizos held per year	4	4	4	4	20	Notice, Attendance registers, Executive Mayors Imbizos reports	TARGET MET		

4.7 OFFICE OF THE MUNICIPAL MANAGER

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Target Not Met	Reason for Deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
PP 6	Putting people and their concerns first	Number of Draft integrated Development Plans developed, reviewed and adopted	1	1	1	1	1	Draft Integrated Development Plan and Council Resolution	TARGET MET		
PP 7		Number of integrated development review process plan developed and approved	1	1	1	1	1	Approved Integrated Development Plan and Council Resolution	TARGET MET		
GGTA 1	Promoting good governance, transparency and accountability	Number of communication policy approved by council	1	1	1	1	1	Approved Policy	TARGET MET		
GGTA 2		Percentage of press publication published per quarter	100%	100%	100%	100%	100%	Newspaper articles	TARGET MET		
GGTA 3		Number of SDBIP developed and approved by the Executive Mayor	1	0	1	1	1	Approved SDBIP	TARGET MET		
GGTA 4		Number of adjusted SDBIP developed and approved by council	1	1	1	0	1	Council minutes and resolution	TARGET NOT MET	The municipality did not have a need to adjust	The municipality will make sure that the SDBIP will be adjusted as the need arises

GGTA 5		Number of performance agreements coordinated and signed	7	0	7	7	7	Performance Agreements	TARGET MET		
GGTA 6		Number of performance assessment for Section 57 managers held per quarter	4	0	4	0	4	Report on performance appraisal	TARGET NOT MET	No assessment committee	Committee will be appointed
GGTA 7		Number of annual reports developed, submitted to AGSA, and tabled to council for approval	1	0	1	1	1	AGSA Acknowledgement and Council resolution	TARGET MET		
GGTA 8		Number of quarterly reports developed and submitted to council	4	0	4	4	4	Quarterly reports and Council resolution	TARGET MET		
GGTA 9		Number of Mid-year Budget and performance reports developed and submitted to council	0	0	1	1	1	Mid-year report and Council resolution	TARGET MET		
GGTA 10		Number of Annual Performance Report developed and submitted to AG	1	1	1	1	1	Annual performance report	TARGET MET		
GGTA 11	Promoting good governance, transparency and accountability	Number of risks based internal audit plans approved	1	0	1	0	1	Report on performance appraisal	TARGET NOT MET	No Audit Committee	Internal Audit unit fully capacitated and Audit Committee appointed
GGTA 12		Number of internal audit reports compiled	3	0	3	0	3	Approved Risk Based Internal Audit Plan	TARGET NOT MET	Shortage of staff	Internal Audit unit fully capacitated and Audit Committee appointed

GGTA 13		Number of approved audit committee charter	1	0	1	0	1	Internal Audit Report	TARGET NOT MET	No Audit Committee	Internal Audit unit fully capacitated and Audit Committee appointed
GGTA 14		Number of audit committee meetings held	4	0	4	0	4	Council Minutes and Resolution	TARGET NOT MET	Shortage of staff	Internal Audit unit fully capacitated and Audit Committee appointed
GGTA 15		Number of internal audit unit charter approved	1	0	1	0	1	Audit committee minutes	TARGET NOT MET	No Audit Committee	Internal Audit unit fully capacitated and Audit Committee appointed
GGAT 16		Number of internal audit strategic plan	1	0	1	0	1	Approved internal Audit Charter	TARGET NOT MET	No Audit Committee	Internal Audit unit fully capacitated and Audit Committee appointed
GGTA 17		Number of coverage/audit action plans approved	1	0	1	0	1	Approved internal Audit strategic plan	TARGET NOT MET	No Audit Committee	Internal Audit unit fully capacitated and Audit Committee appointed
GGTA 18		Number of progress reports on implementation of the coverage plan	4	0	4	4	4	Approved internal Audit Action Plan	TARGET MET		
GGTA 19		Number of internal audit procedural manual approved	1	0	1	1	1	Audit Progress Reports	TARGET MET		
GGAT 20		Percentage of quality assurance reports compiled and submitted to audit committee	100	0%	100%	0%	100%	Procedure manual	TARGET NOT MET	Shortage of staff	Internal Audit unit fully capacitated and Audit Committee appointed

GGTA 21	Promoting good governance, transparency and accountability	Percentage of quality assurance reports submitted on action plan	100%	0%	100%	0%	100%	Quality assurance report	TARGET NOT MET	Shortage of staff	Internal Audit unit fully capacitated and Audit Committee appointed
GGTA 22		Percentage of resolution registers compiled and submitted to audit committee	100%	0%	100%	0%	100%	Action Plan	TARGET NOT MET	Shortage of staff	Internal Audit unit fully capacitated and Audit Committee appointed
GGAT 23		Number of audit committee reports submitted to council	4	0	4	0	4	Resolution register	TARGET NOT MET	Shortage of staff	Internal Audit unit fully capacitated and Audit Committee appointed
GGTA 24		Percentage of operational risk registers updated	100%	0%	100%	0%	100%	Risk register	TARGET NOT MET	Shortage of staff	Internal Audit unit fully capacitated and Audit Committee appointed
GGTA 25		Percentage of internal audit findings control registers compiled	100%	0%	100%	0%	100%	Audit finding register	TARGET NOT MET	Shortage of staff	Internal Audit unit fully capacitated and Audit Committee appointed
GGTA 26		Number of Risk Assessments conducted per year	4	0	4	0	4	Risk Assessment Report	TARGET NOT MET	Position vacant	Risk Manager Appointed and Committee in place
GGTA 27		Number of Risk Management Policies approved	7	0	7	0	7	Approved Policies Council Resolution	TARGET NOT MET	No Risk Committee	Risk Manager Appointed and Committee in place
GGTA 28		Number of Risk Management Charter approved	1	0	1	0	1	Approved Risk Management Charter	TARGET NOT MET	No Risk Committee	Risk Manager Appointed and Committee in place
GGAT 29		Number of Risk Registers updated	4	0	4	0	4	Updated Risk Register	TARGET NOT MET	Position vacant	Risk Manager Appointed and Committee in place

4.8 DIRECTORATE CORPORATE SERVICES

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/Target Not Met	Reasons for deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
IC 1	Building institutional resilience and administrative capability	Number of critical positions filled in accordance with the organizational structure per annum	0	0	20	20	100%	Advertisement/long list/short list/appointment	TARGET MET		
IC 2		Number of new employees inducted per year	0	0	30	30	100%	Invite/attendance register	TARGET MET		
IC 3		Number of human resource plan reviewed and approved	1	0	1	0	1	Approved HR Plan	TARGET NOT MET	In the process of review	Speed up review process
IC 4		Number of employment equity plan approved	1	0	1	0	1	Approved EE Plan	TARGET NOT MET	In the process of review	Speed up review process
IC 5		Number of employed and unemployed candidates trained per quarter	80	0	134	72	1%	Approved Training Submissions; Training Feedback Reports; Certificates of Completion;	TARGET NOT MET	Payment of Service Provider in arrears	Speed up payment of service providers

								Annual Training Report			
IC 6		Number of Approved health and wellness plan developed and approved	1	1	1	0	1	Approved Wellness plan	TARGET NOT MET	Approved and revised every 3 years	Will be reviewed in the next financial year
IC 7		Percentage of beneficiaries assisted per quarter	100%	100%	100%	100%	100%	List of beneficiaries	TARGET MET		
IC 8		Number of cases disposed and finalised per quarter	100%	2%	12%	4%	100%	Litigation Register	TARGET NOT MET	Matters entirely dependent on the court roll, therefore none finalised.	It depends on the court roll
IC 9		A number of local labour forums meetings held per financial year	3	0	12	2	12	Invite/Attendance register/minutes	TARGET NOT MET	10/8/2021 Meeting was not forming a quorum 19/8/2021 -LLF postponed as Chairperson was attending a Document Management System Workshop 7/9/2021 Meeting was not forming a quorum 14/9/2021 – Ordinary LLF sitting took place	Rework schedule to suit committee members
IC 10		Number of health and safety inspections conducted on employees per year	20	5	1872	367	100%	Inspection list/Report	TARGET NOT MET	Workload	Prioritise work in order

											to do targeted health and inspection
IC 11		Percentage of health and safety medical tests conducted on employees per year	100%	0%	100%	0%	100%	Test results	TARGET NOT MET	Appointment of service provider	Speed up appointment of service provider process
IC 12		Number of council and related meetings held per year	138	15	70	72	40	Invites/Agenda/Minutes/Resolutions	TARGET MET	There were two additional special council that not panned	
IC 13		Number of document management policy developed and approved	1	0	1	0	0	Approved Policy	TARGET NOT MET	Policy still in draft stage and awaiting submission to Council.	Will be submitted to council in the next financial year for approval
IC 14		Number of approved organisational structure	1	1	1	0	1	Approved Structure	TARGET NOT MET	The current review of the staff establishment has been overtaken by IDP and budget processes as well as the date of implementation of MSA Staff Regulations, and that catch-up measures will have to be developed.	Will be reviewed in coming financial year

4.9 DIRECTORATE FINANCIAL SERVICES

Item no	Objective	Key Performance Indicator	2020/2021		2021/2022		2022/2023	Evidence	Target Met/TargetNot Met	Reasons for deviation	Measure to address underperformance
			Target	Actual	Target	Actual	Target				
FM 1	Ensuring sound financial management and accounting	Number of Complaint Asset register as per GRAP and mSCOA requirements	1	0	1	1	1	Approved asset register	TARGET MET		
FM 2		Number of verifications conducted on the asset register	1	0	1	0	1	Quarterly asset verification report	TARGET NOT MET	The tender process commenced on the 1 June 2022 and the municipality could not appoint consultant within the 2021/2022 financial year	Verification Clerks were appointed on the 15 th August 2022
FM 3		Number of reconciliations completed between the fixed asset register and general ledger	0	0	12	11	12	Quarterly fixed asset registers and general ledger reconciliation report	TARGET NOT MET	There were no payments made in July relating to the MIG Projects	Reconciliation will be performed Regularly
FM 4		Number of asset management policy reviewed and Approved	1	0	1	1	1	Approved asset management policy council resolution	TARGET MET		

FM 5		Percentage of legislative compliance	100%	100%	100%	100%	100%	Compliance Report	TARGET MET		
------	--	--------------------------------------	------	------	------	------	------	-------------------	-------------------	--	--

FM 6		Number of mSCOA compliant draft budget submitted	2	2	2	2	1	Compliance report	TARGET MET		
FM 7		Number of mSCOA compliant final budget submitted	1	1	1	1	1	mSCOA draft budget	TARGET MET		
FM 8		Number of mSCOA compliant adjustment budget submitted	1	1	1	1	1	mSCOA final budget	TARGET MET		
FM 9		Percentage reporting in relation to spending within the approved budget	100%	0%	100%	21%	100%	mSCOA adjustment budget	TARGET NOT MET	Financial constraints	Improve collection in order to meet monthly financial obligation.
FM 10		Number of section 71 reports submitted	12	12	12	12	12	Section 71 report	TARGET MET		
FM 11		Number of Mid-year Budget and Performance Assessment reports submitted	1	1	1	1	1	Mid-year performance assessment report	TARGET MET		

FM 12		Number of section 52 (d) submitted.	4	4	4	4	4	Section 52 report	TARGET MET		
FM 13		Number of GRAP compliant Annual Financial Statements compiled and submitted	1	1	1	1	1	GRAP compliant annual financial statements	TARGET MET		
FM 14		Number of Budget related policies reviewed and approved	12	12	12	12	12	Approved Policies	TARGET MET		
FM15		Percentage debt coverage ratio	100%	0%	100%	0%	100%	Debt coverage report	TARGET NOT MET	Low collection rate and cash flow constraints	Improve collection rate
FM 16		Days outstanding service debtor's ratio	30 Days	0	30 Days	0	30 Days	Service debtors report	TARGET NOT MET	Nonpayment of services	Credit control enhancement committee established
FM 17		Months on cost coverage ratio	1 Month to 3 Months	0	1 Month to 3 Month	0	1 Month to 3 Month	Cost coverage report	TARGET NOT MET	Low collection rate	Credit control enhancement committee established

FM 18		Percentage of audit opinion received on clean audit	100%	0%	100%	0%	100%	Audit report	TARGET NOT MET	The Municipality received a qualified audit opinion for 30 June 2021 due to a number of limitations of scope and classification issues raised by AGSA.	The Municipality appointed highly skilled accounting personnel in the current year.
FM 19		The % of a municipality's capital budget actually spent on capital projects identified for 2021/2022 in terms of the approved IDP	100%	0%	100%	75%	100%	Budget implementation report	TARGET NOT MET	Covid 19, floods on projects sites, extended scope of work on projects and sewer spillage onsite	Rollover application to National Treasury to spent the unspent funds
FM 20	To practice sound and sustainable financial management	Number of review Supply Chain Management policy submitted and approved	1	1	1	1	1	Approved Supply Chain Management Policy Council resolution	TARGET MET		
FM 21		Number of update of progress on audit action plan	1	1	1	1	1	Audit action plan Audit findings submitted Auditing responded to addressed	TARGET MET		
FM 22		Number of supply chain management deviation reports submitted	4	0	4	4	4	Deviation report	TARGET MET		

FM 23		Number of quarterly supply chain management contracts register updated	12	0	12	12	12	Update contract register	TARGET MET		
FM 24		Develop procurement plan for approval and submission to Treasury	1	0	1	0	1	Approved procurement plan	TARGET NOT MET	Lack of communication between departments to have a consolidated procurement plan	To improve communication between the departments by encouraging Monthly meetings
FM 25		Number of reports on performance on contractors	4	0	4	1	4	Quarterly procurement implementation plan	TARGET NOT MET	The accountant's positions and performance management positions were vacant. Due to the capacity issue, only one report could be compiled.	Performance management unit was established in May 2022.
FM 26	To practice sound and sustainable financial management	Number of monthly billing conducted	12	0	12	12	12	Billing Summary	TARGET MET		
FM 27		Percentage Implementation of valuation roll	100%	100%	100%	100%	100%	Valuation Roll Reconciliation	TARGET MET		
FM 28	To increase our revenue earning capacity and collection	Number of revenue management related policies approved	3	3	3	3	3	Approved Policies	TARGET MET		

FM 29	The credible valuation roll	Number of supplementary valuation roll implemented	4	0	4	1	4	Supplementary Valuation Roll	TARGET NOT MET	Our planned supplementary valuations for the financial year of 2021-2022 was to have 1 supplementary roll each quarter which equals 4 per annum however due to nonpayment of the service provider appointed we only managed to secure only 1 supplementary during 2021-2022 financial year.	The remedial action moving forward to ensure that we secure 4 supplementary rolls each year is to make payments to the appointed service provider as agreed upon on the SLA
FM 30	Ensuring sound financial management and accounting	Percentage collection rate	65%		65%	54%	75%		TARGET NOT MET	Communities are not paying services and hence low percentage of collection	Operational Patala is sitting weekly. The municipality is in a process to procure smart meters in order to assist with revenue collection and will enable the municipality to creditors within 31 days
FM 31		Percentage of indigent households registered	100%	100%	100%	100%	100%	Indigent register	TARGET MET		
FM 32		Number of revenue management related policies approved	2	2	2	2	2	2	Approved policies	TARGET MET	

FM 33		Number of Revenue Enhancement Committee Meetings	4	4	4	4	4	Invites/minutes	TARGET MET		
FM 34	Ensuring sound financial management and accounting	Percentage of creditors paid within 31 days	100%	0%	100%	5%	100%	Creditors report	TARGET NOT MET	The municipality experienced financial difficulties and communities are not paying for services	The municipality is in a process to procure smart meters in order to assist with revenue collection and will enable the municipality to creditors within 31 days
FM 35		Number of reports on the actual amount of cash on hand in terms of cash flow forecast	12	0	12	12	12	Expenditure document audit	TARGET MET		
FM 36		Percentage of reconciled creditors	100%	100%	100%	100%	100%	VAT 201 submission report	TARGET MET		
FM 37		Number of Insurance reports generated and reported to council	12	12	12	12	12	Reconciliation report	TARGET MET		
FM 38		Number of section 32 report submitted	12	0	12	0	12	Section 32 reports	TARGET NOT MET	MPAC was not sitting regularly	New MPAC has been established and have been inducted and meeting sitting

											according schedule
FM 39	Grouping all the network Cables to protect them from damage and to hide unsightly cables from view.	Number of Assessed Reports on network performance	4	0	4	2	4	Network Assessment Report	TARGET NOT MET	No management or accountability in place as the position of Network Administrator was vacant – now filled	Monitoring and review plan in place
FM 40	Setup a full replica of critical data from headquarters by creating a duplicate of the original business site situated in Main building in ICT with full computer systems as well as near-complete backups of user data.	Percentage work done on the installations and configuration of the Bandwidth manager devices	100%	0%	100%	0%	100%	Installation Report	TARGET NOT MET	No finds available to procure the devices	Alternatively, mechanism in firewall device will be implemented
FM 41	Restoring all telephone lines, the municipality	Number of emergency lines installation	5	5	5	5	36	Telephone lines Report	TARGET MET		
FM 42	Replace all network switches in municipality	Percentage work done on the main router and replacement of switches	100%	0%	100%	0%	100%	Replacement Report	TARGET NOT MET	Project was phased in because of financial constraints, instead of whole project implementation	Project will be implemented as second phase and completed

5 COMPONENT E: ORGANISATIONAL DEVELOPMENT PERFORMANCE (CHAPTER 4)

5.1 NUMBER OF EMPLOYEES

Employees					
Description	Year -1	Year 0			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water	13	61	135	-74	-121%
Wastewater (Sanitation)	74	158	212	-54	-34%
Electricity	77	178	89	89	50%
Waste Management	403	495	293	202	41%
Housing	21	70	26	44	63%
Wastewater (Stormwater Drainage) Roads, Stormwater & Buildings	117	485	117	368	76%
Roads					
Transport	19	43	0	43	100%
Planning	12	47	9	38	81%
Local Economic Development	13	16	11	5	31%
Planning (Strategic & Regulatory)	34	70	18	52	74%
Local Economic Development					
Community & Social Services	1	7	16	-9	-129%
Environmental Protection			2		
Health					
Security and Safety	238	487	259	228	47%
Sport and Recreation	462	739	327	412	56%
Corporate Policy Offices and Other	629	821	393	428	52%
Totals	2113	3677	1907	1772	48%

5.2 VACANCY RATE

Vacancy Rate: Year 0			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1		0%
CFO	1		0%
Other S57 Managers (excluding Finance Posts)	6		0%
Other S57 Managers (Finance posts)			
Fire fighters	65	14	22%
Senior management: Levels 2-5/4 (excluding Finance Posts)	154		0%
Senior management: Levels 2-5/4 (Finance posts)	27	10	37%
Highly skilled supervision: levels 6-18/17 (excluding Finance posts)	3249	1821	56%
Highly skilled supervision: levels 6-18/17 (Finance posts)	174	62	36%
Total	3677	1907	48%

5.3 TURN-OVER RATE

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
Year -2	36	97	269%
Year -1	14	91	650%
Year 0	177	195	110%

5.4 HUMAN RESOURCES POLICIES AND PLANS

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
1	Affirmative Action			
2	Attraction and Retention			
3	Code of Conduct for employees	100%	A16/2006	27/11/2007
4	Delegations, Authorisation & Responsibility	100%	26/11/2005	25/04/2006
5	Disciplinary Code and Procedures	100%		Disciplinary Code Collective Agreement concluded and came into effect from 1 February 2018 until 31 January 2023.
6	Essential Services		100%	New Main Collective Agreement came into operation from 1 July 2015 until 30 June 2020 including this section. Received Circular 05/2022 that Main Collective Agreement is extended to 30 June 2023
7	Employee Assistance / Wellness			
8	Employment Equity			
9	Exit Management			
10	Grievance Procedures		100%	New Main Collective Agreement came into operation from 1 July 2015 until 30 June 2020 including this section. Received Circular 05/2022 that Main Collective Agreement is extended to 30 June 2023
11	HIV/Aids			
12	Human Resource and Development	100%		Comprehensive HRD Policy still to be adopted. Section on Workplace integrated Learning (WIL) adopted by Corporate Services Section 80 Committee (March 2018). Still to be adopted by Council.
13	Information Technology			
14	Job Evaluation	100%	13/12/2016	Adopted 29/07/2008
15	Leave			
16	Occupational Health and Safety			
17	Official Housing			
18	Official Journeys			
19	Official transport to attend Funerals			
20	Official Working Hours and Overtime			
21	Organisational Rights		100%	New Main Collective Agreement came into operation from 1 July 2015 until 30 June 2020 including this section. Received Circular 05/2022 that Main Collective Agreement is extended to 30 June 2023
22	Payroll Deductions			
23	Performance Management and Development	100%	13/12/2016	Adopted on 23/10/2010

24	Recruitment, Selection and Appointments	100%	A87/2006	Adopted on 30/04/2002
25	Remuneration Scales and Allowances	100%		Adopted 25/11/2003
27	Sexual Harassment	100%		Adopted on 22/7/2008
28	Skills Development	100%		Adopted on 30/4/2002
30	Special Skills			
31	Work Organisation			
32	Uniforms and Protective Clothing			
33	Other:			

5.5 NUMBER OF DAYS AND COST OF SICK LEAVE (EXCLUDING INJURIES ON DUTY)

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	4180	(138) 3.3%	358	1082	0.26	
Skilled (Levels 3-5)	375	(10) 2.7%	25	66	0.18	
Highly skilled production (levels 6-8)	4071	(310) 7.6%	270	447	0.11	
Highly skilled supervision (levels 9-12)	1638	(131) 8.0%	134	250	0.15	
Senior management (Levels 13-15)	358	(19) 5.3%	27	54	0.15	
MM and S57	22	0.0%	2	8	0.36	
Total	10644	(608) 5.71%	816	1907	0.20	

5.6 NUMBER AND PERIOD OF SUSPENSIONS

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
General Worker	The employee was allegedly instrumental in intimidating other workers in an unlawful protest action. The employee allegedly shouted derogatory, intimidating words to other workers. He was abusive and threatened workers. Malicious damage to employer's property; putting Council's name in disrepute	25/1/2022	Suspension was extended on 26/4/2022. Suspension was uplifted on 20/6/2022 due to the withdrawal of charges by the Employer Representative	15/6/2022
Acting Assistant Cleansing Officer	The employee was allegedly instrumental in intimidating other workers in an unlawful protest action. The employee allegedly shouted derogatory, intimidating words to other workers. He was abusive and threatened workers. Malicious damage to employer's property; putting Council's name in disrepute	26/1/2022	Suspension uplifted on 26/4/2022. Disciplinary hearing Pending	Pending

5.7 SKILLS MATRIX

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June Year 0											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0
MM and s57	Female	2	2	0	0	0	0	0	0	0	0	2	0	2
	Male	2	2	0	2	0	2	2	0	0	0	2	2	2
Councillors, senior officials and managers	Female	41	3	3	3	0	5	13	11	10	27	14	18	43
	Male	79	5	4	4	0	13	5	26	24	45	31	41	54
Technicians and associate professionals*	Female	64	5	1	1	3	4	12	4	0	0	12	5	13
	Male	68	1	2	2	4	5	29	7	0	0	12	7	31
Professionals	Female	17	2	2	2	4	3	27	4	0	0	10	5	29
	Male	39	7	7	7	19	19	53	3	0	0	29	26	60
Sub total	Female	124	11	6	8	7	12	54	19	10	27	37	28	89
	Male	188	16	13	18	23	40	92	36	24	45	75	76	155
Total		624	54	38	47	60	103	287	110	68	144	224	208	478

5.8 FINANCIAL COMPETENCY DEVELOPMENT: PROGRESS REPORT

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
<i>Accounting officer</i>	1	0	1	1	1	1
<i>Chief financial officer</i>	1	0	1	1	1	1
<i>Senior managers</i>	2	0	2	2	2	2
<i>Any other financial officials</i>	27	0	27	24	0	24
Supply Chain Management Officials						
<i>Heads of supply chain management units</i>	0	0	0	0	0	0
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
TOTAL	31		31	28	4	28

5.9 SKILLS DEVELOPMENT EXPENDITURE

Skills Development Expenditure										
										R'000
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	2							176500	151114
	Male	2								
Legislators, senior officials and managers	Female	4							322484	217642
	Male	11								
Professionals	Female	8							453302	129613
	Male	15								
Technicians and associate professionals	Female	0							105360	62098
	Male	1								
Clerks	Female	15							107404	52137
	Male	14								
Service and sales workers	Female	3							77790	21842
	Male	8								
Plant and machine operators and assemblers	Female	0							72281	19215
	Male	4								
Elementary occupations	Female	1							14626	9142
	Male	14								
Sub total	Female	33								
	Male	69								
Total		102							1 329 747	662 803

5.10 EMPLOYEES APPOINTED TO POSTS NOT APPROVED

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exists
Finance	2	03/05/2022	1	Municipality was building capacity internally with regards to the preparation of AFS
Community Services	5/4	04/042022	1	2 positions were filled but the structure provides for 1 post

6. FINANCIAL PERFORMANCE

Description R thousand dth	Year 0											Year -1			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Performance															
Property rates	311 696	-	311 696	-		311 696	401 915		311 294	0%	0%				200 362
Service charges	1 364 071	-	1 364 071	-		1 364 071	1 283 072		1 362 787	0%	0%				657 988

Investment revenue	3 858	-	3 858	-		3 858	-		3 858	0%	0%				8 847
Transfers recognised – operational	513 333	-	513 333	-		513 333	-		513 333	0%	0%				360 917
Other own revenue	478 847	-	478 847	-		478 847	-		478 580	0%	0%				305 128
Total Revenue (excluding capital transfers and contributions)	2 671 803		2 671 803			2 671 803	1 951 740								
Employee costs	785 036		785 036			785 036	767 387		17 649	98%	98%				428 360
Remuneration of councillors	33 754		33 754			33 754	33 697		56	100%	100%				19 144
Depreciation & asset impairment	216 298		216 298			216 298	205 111		11 187	95%	95%				419 725
Finance charges	140 826		140 826			140 826	326 869		(186 044)	232%	232%				300 421
Materials and bulk purchases	1 161 322		1 161 322			1 161 322	1 206 492 326		(45 170)	104%	104%				45 619

Transfers and grants	2 000		2 000			2 000	–		2 000	0%	0%				436 038
Other expenditure	906 980		906 980			906 980	1 438 155		(531 175)	159%	159%				–
Total Expenditure	3 246 217		3 246 217			3 246 217	3 977 713		(731 496)	123%	123%				157 031
Total Expenditure	3 246 217		3 246 217			3 246 217	3 977 713	–	(731 496)	123%	123%				
Surplus/(Deficit)	(574 413)	–	(574 413)			(574 413)	(3 975 761)								
Transfers recognised – capital	170 615		170 615			170 615	1 018 668			597%	597%				
Contributions recognised - capital & contributed assets			–			–	–			0%	0%				
Surplus/(Deficit) after capital transfers & contributions	(403 798)	–	(403 798)			(403 798)	(2 957 093)			732%	732%				
Share of surplus/(deficit)	–	–	–			–	–			0%	0%				

of associate															
Surplus/(Deficit) for the year	(403 798)	-	(403 798)			(403 798)	(2 957 093)			732%	732%				
										0%	0%				
Capital expenditure & funds sources															
Capital expenditure	220 615	-	220 615	-		-									
Transfers recognised – capital	111 287	-	111 287			111 287	1 018 668			915%	915%				
Borrowing	-	-	-	-		-	-			0%	0%				
Internally generated funds	109 328	-	-	-		-	-			0%	0%				
Total sources of capital funds	220 615									0%	0%				
Financial position															
Total current assets	-		-			-	1 839 984			0%	0%				

Total non current assets	3 860 072		3 860 072			3 860 072	5 018 738			130%	130%				
Total current liabilities	4 262 870		4 262 870			4 262 870	7 833 450			184%	184%				
Total non current liabilities	-						409 693			0%	0%				
Community wealth/Equity	(403 798)		(403 798)			(403 798)	(2 957 093)			732%	732%				
Cash flows															
Net cash from (used) operation	-		-			-	224 337			0%	0%				
Net cash from (used) investing	-		-			-	(146 035)			0%	0%				
Net cash from (used) financing	39 754		39 754			39 754	(20 570)			-52%	-52%				
Cash/cash equivalents at	39 754		39 754			39 754	57 732			145%	145%				

the year end															
										0%					
Cash backing/ surplus reconciliation															
Cash and investments available	-		-			-	58 495			0%	0%				
Application of cash and investments	4 262 870		4 262 870			4 262 870	57 732			1%	1%				
Balance - surplus (shortfall)	(4 262 870)		4 262 870			4 262 870	57 732			1%	-1%				

6.1 FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES

Financial Performance of Operational Services						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	287 638	906 017	666 825	897 323	-0.97%	25.69%
Waste Water (Sanitation)	341 069	237 739	459 089	297 537	20.10%	-54.30%
Electricity	259 434	801 189	490 086	1 141 525	29.81%	57.07%
Waste Management	154 294	198 443	203 613	244 110	18.71%	16.59%
Housing	17 124	25 340	25 340	21 011	-20.61%	-20.61%
Component A: sub-total	1 059 558	2 168 728	1 844 952	2 601 506	16.64%	29.08%
Waste Water (Stormwater Drainage)					0.00%	0.00%
Roads	58 784	87 010	95 656	56 376	-54.34%	-69.68%
Transport	-	-	-	-	0.00%	0.00%
Component B: sub-total	58 784	87 010	95 656	56 376	-54.34%	-69.68%
Planning	44 632	53 411	53 647	39 070	-36.71%	-37.31%
Local Economic Development					0.00%	0.00%
Component B: sub-total	44 632	53 411	53 647	39 070	-36.71%	-37.31%
Planning (Strategic & Regulatory)	-	-	-	-	0.00%	0.00%
Local Economic Development	-	-	-	-	0.00%	0.00%
Component C: sub-total	-	-	-	-	0.00%	0.00%
Community & Social Services	84 914	125 347	132 792	88 661	-41.38%	-49.78%
Environmental Protection					0.00%	0.00%
Health	9 794	16 583	16 998	10 248	-61.82%	-65.87%
Security and Safety	97 577	99 893	103 777	99 524	-0.37%	-4.27%
Sport and Recreation	73 483	70 741	83 908	76 184	7.14%	-10.14%
Corporate Policy Offices and Other	719 467	878 135	899 241	904 995	2.97%	0.64%
Component D: sub-total	985 235	1 190 699	1 236 717	1 179 611	-0.94%	-4.84%
Total Expenditure	2 148 209	3 499 848	3 230 972	3 876 562	9.72%	16.65%

6.2 GRANT PERFORMANCE

Grant Performance						
						R' 000
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	825 409	727 098	626 998	670 606		
Equitable share	622 853 000	561 595 000	461 495 000	561 610 705	0.00%	-17.83%
Expanded Public Works Programme Integrated Grant (EPWP)	1 748 000	2 964 000	2 964 000	2 964 000	0.00%	0.00%
Local Government Financial Management Grant (FMG)	3 000 000	3 100 000	3 100 000	3 100 000	0.00%	0.00%
Municipal Disaster Relief Grant					#DIV/0!	#DIV/0!
Integrated National Electrification Programme Grant (INEP)	-766 062				#DIV/0!	#DIV/0!
Municipal Infrastructure Grant (MIG)	161 274 000	133 069 000	133 069 000	84 263 537	36.68%	57.92%
Water Services Infrastructure Grant (WSIG)	35 000 000	25 000 000	25 000 000	15 000 000	40.00%	66.67%
Sector Education and Training Authority (SETA)		1 370 430	1 370 430	1 370 430	0.00%	0.00%
Energy Efficiency and Demand Side Management Program (EEDG)	2 300 000.00			2 297 451.00	#DIV/0!	-100.00%
Provincial Government:	-	-	-	-		
Health subsidy	-	-	-	-	0.00%	0.00%
Housing	-	-	-	-	0.00%	0.00%
Ambulance subsidy	-	-	-	-	0.00%	0.00%
Sports and Recreation	-	-	-	-	0.00%	0.00%
Human Settlement	-	-	-	-	0.00%	0.00%
District Municipality:	-	-	-	-		
Other grant providers:	-	-	-	-		
Total Operating Transfers and Grants	825 409	727 098	626 998	670 606		

6.3 TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2021/22

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2021/22				
R '000				
Asset 1				
Name	REAFURBISHMENT OF THERONIA WWTW			
Description	WASTEWATER TREATMENT PLANT			
Asset Type	INFRASTRUCTURE ASSET – SEWERAGE			
Key Staff Involved	PROJECT MANAGEMENT UNIT SECTION			
Staff Responsibilities	PROJECT MANAGEMENT AND MONITORING OF PROJECT PROGRESS			
Asset Value	Year -3	Year -2	Year -1	Year -0
	-	4 221	27 648	51 205
Capital Implications	N/A			
Future Purpose of Asset	SERVICE DELIVERY			
Describe Key Issues	N/A			
Policies in Place to Manage Asset	MATJHABENG LM – ASSET MANAGEMENT POLICY			
Asset 2				
Name	REAFURBISHMENT OF NYAKALLONG WWTW			
Description	WASTEWATER TREATMENT PLANT			
Asset Type	INFRASTRUCTURE ASSET – SEWERAGE			
Key Staff Involved	PROJECT MANAGEMENT UNIT SECTION			
Staff Responsibilities	PROJECT MANAGEMENT AND MONITORING OF PROJECT PROGRESS			
Asset Value	Year -3	Year -2	Year -1	Year -0
	17 735	30 694	37 204	37 534
Capital Implications	N/A			
Future Purpose of Asset	SERVICE DELIVERY			
Describe Key Issues	N/A			
Policies in Place to Manage Asset	MATJHABENG LM – ASSET MANAGEMENT POLICY			
Asset 3				
Name	CONSTRUCTION OF MMAMAHABANE CEMETARY			

Description	FENCING, PAVED ROAD, HIGHMAST LIGHT AND TOILETS			
Asset Type	INFRASTRUCTURE ASSET – COMMUNITY SERVICE			
Key Staff Involved	PROJECT MANAGEMENT UNIT			
Staff Responsibilities	PROJECT MANAGEMENT AND MONITORING OF PROJECT PROGRESS			
Asset Value	Year -3	Year -2	Year -1	Year -0
	-	2 595	6 649	29 715
Capital Implications	N/A			
Future Purpose of Asset	SERVICE DELIVERY			
Describe Key Issues	N/A			
Policies in Place to Manage Asset	MATJHABENG LM – ASSET MANAGEMENT POLICY			

6.4 REPAIR AND MAINTENANCE EXPENDITURE

Repair and Maintenance Expenditure: Year 0				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	8 051 151	18 360 476	64 152 152	-696.81%

R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	158	159	119	24,4%	25,0%
Operating Expenditure	3 500	3 417	3 880	-10,9%	-13,5%
Total expenditure					
Water and sanitation	1 116	1 090	1 169	-4,7%	-7,2%
Electricity	817	511	1 173	-43,6%	-129,5%
Housing	30	30	24	19,1%	19,3%
Roads, Pavements, Bridges and storm water	162	178	122	24,3%	31,3%
Other	1 376	1 608	1 391	-1,2%	13,4%
External Loans	-	-			
Internal contributions	-	-			
Grants and subsidies	-	-			
Other	-	-			
External Loans					
Grants and subsidies					
Investments Redeemed					

Statutory Receipts (including VAT)					
Other Receipts					
Salaries, wages and allowances	924	924	839	9,2%	9,2%
Cash and creditor payments	2 576	2 493	3 041	-18,1%	-22,0%
Capital payments	158	159	119	24,4%	25,0%
Investments made	4	4	2	44,9%	44,9%
External loans repaid					
Statutory Payments (including VAT)					
Other payments					
				Original Budget variance	Adjusted Budget Variance
Property rates	423	423	443	-4,7%	-4,7%
Service charges	1 587	1 587	1 318	16,9%	16,9%
Other own revenue	1 676	1 576	1 025	38,8%	34,9%
Employee related costs	924	924	839	9,2%	9,2%
Provision for working capital					
Repairs and maintenance	192	445	63	67,3%	85,9%
Bulk purchases	902	722	717	20,6%	0,8%
Other expenditure	1 481	1 326	2 261	-52,7%	-70,5%
Service charges: Electricity	890	890		100,0%	100,0%
Grants & subsidies: Electricity	5	5	2	55,6%	55,6%
Other revenue: Electricity					
Employee related costs: Electricity	44	44	45	-2,2%	-2,2%
Provision for working capital: Electricity					
Repairs and maintenance: Electricity	40	40	20	51,0%	51,0%

Bulk purchases: Electricity	516	336	645	-25,0%	-92,0%
Other expenditure: Electricity	216	91	409	-89,2%	-350,3%
Service charges: Water	404	404	404	0,0%	0,0%
Grants & subsidies: Water	27	27	11	57,4%	57,4%
Other revenue: Water					
Employee related costs: Water	56	56	60	-7,4%	-7,4%
Provision for working capital: Water					
Repairs and maintenance: Water	15	15	8	50,1%	50,1%
Bulk purchases: Water	386	386	7	98,2%	98,2%
Other expenditure: Water	449	210	840	-87,1%	-300,6%

6.5

CAPITAL EXPENDITURE - FUNDING SOURCES

Capital Expenditure - Funding Sources: Year -1 to Year 0							R' 000
Details	Year -1	Year 0					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
Source of finance							
External loans	0	0	0	0	0,00%	0,00%	
Public contributions and donations	0	0	0	0	0,00%	0,00%	
Grants and subsidies	109 084	725 728 000	625 628 000	668 307 074	-13,79%	-7,91%	
Other	0	0	0	0	0,00%	0,00%	
Total	109084	725728000	625628000	668307074,3	-13,79%	-7,91%	
<i>Percentage of finance</i>							
External loans	0,0%	0,0%	0,0%	0,0%	0,00%	0,0%	
Public contributions and donations	0,0%	0,0%	0,0%	0,0%	0,00%	0,0%	
Grants and subsidies	100,0%	100,0%	100,0%	100,0%	0,00%	100,0%	
Other	0,0%	0,0%	0,0%	0,0%	0,00%	0,0%	
Capital expenditure							
Water and sanitation	40055	135 972 645	133 595 270	70 666 519	-1,75%	-48,03%	
Electricity	14795	5 268 698	5 868 698	2 338 878	11,39%	-55,61%	
Housing	0	0	0	0	0,00%	0,00%	
Roads and storm water	17221	16 591 175	16 591 175	16 331 435	0,00%	-1,57%	
Other	37 013	157 832 518	159 213 435	113 508 981	0,87%	-28,08%	
Total	109084	315665036	315268578	202845812,8	10,51%	-133,29%	
<i>Percentage of expenditure</i>							
Water and sanitation	36,7%	43,1%	42,4%	34,8%	0,00%	36,0%	
Electricity	13,6%	1,7%	1,9%	1,2%	0,00%	41,7%	
Housing	0,0%	0,0%	0,0%	0,0%	0,00%	0,0%	
Roads and storm water	15,8%	5,3%	5,3%	8,1%	0,00%	1,2%	
Other	33,9%	50,0%	50,5%	56,0%	0,00%	21,1%	

6.6 CAPITAL EXPENDITURE OF 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
Name of Project	Current: Year 0			Variance: Current Year 0	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
PSE SYSTEM AT AND FROM THERONIA WWTW WSIG	36 000 000	36 000 000	23 557 221	35%	0%
MMAMAHABANE: NEW DEVELOPMENT	20 118 357	20 118 357	23 066 303	-15%	0%
VIRGINIA/MELODING: ROADS; SIDEWALKS & STORMWATER 2KM PAVED ROADS & STORMWATER DRAINAGE	14 338 876	14 338 876	11 736 408	18%	0%
KUTLWANONG: UPGRADING OF OUTFALL SEWER	14 032 106	14 032 106	7 197 315	49%	0%
WELKOM LANDFILL SITE	8 154 000	8 154 000	5 821 216	29%	0%
<i>* Projects with the highest capital expenditure in Year 0</i>					
Name of Project - A	THERONIA WWTW				
Objective of Project	SOLID WASTE DISPOSAL				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	SERVICE DELIVERY				
Name of Project - B	MMAMAHABANE CEMETARY				
Objective of Project	BURIAL GROUNDS - COMMUNITY SERVICES				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	SERVICE DELIVERY				
Name of Project - C	VIRGINIA/MELODING: ROADS; SIDEWALKS & STORMWATER 2KM PAVED ROADS & STORMWATER DRAINAGE				
Objective of Project	PAVED ROAD				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	SERVICE DELIVERY				
Name of Project - D	KUTLWANONG: UPGRADING OF OUTFALL SEWER				
Objective of Project	SOLID WASTE DISPOSAL				

Delays	N/A
Future Challenges	N/A
Anticipated citizen benefits	SERVICE DELIVERY
Name of Project - E	WELKOM LANDFILL SITE
Objective of Project	WASTE DISPOSAL
Delays	N/A
Future Challenges	N/A
Anticipated citizen benefits	SERVICE DELIVERY

6.7 MUNICIPAL INFRASTRUCTURE GRANT (MIG) EXPENDITURE

Municipal Infrastructure Grant (MIG)* Expenditure Year 0 on Service backlogs						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Infrastructure - Road transport	16 591 175.00	18 107 443.00	16 708 763.43	-1%	-1%	
<i>Roads, Pavements & Bridges</i>	16 591 175	16 591 175	9 742 834	41%	41%	
<i>Storm water</i>	-	1 516 268	6 965 929			
Infrastructure - Electricity	5 268 698.00	5 868 698.00	1 906 274.58	64%	64%	
<i>Transmission & Reticulation</i>	5 268 698	5 868 698	1 906 275	64%	64%	
Infrastructure - Water	26 555 803.00	23 090 695.00	10 277 179.46	61%	61%	
<i>Reticulation</i>	26 555 803	23 090 695	10 277 179	61%	61%	
Infrastructure - Sanitation	109 416 842.00	108 988 307.00	53 386 446.00	51%	51%	
<i>Reticulation</i>	26 821 787	26 230 977		100%	100%	
<i>Sewerage purification</i>	82 595 055	82 757 330	53 386 446	35%	35%	
Infrastructure - Other	-	-	-			
<i>Waste Management</i>						
<i>Transportation</i>						
<i>Gas</i>						
Other :		3 158 292.00	29 268 158.53			
Total	157 832 518.00	159 213 435.00	111 546 822.00	29%	29%	

Municipal and Entity Investments			
			R' 000
Investment* type	Year -2	Year -1	Year 0
	Actual	Actual	Actual
<u>Municipality</u>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank	64 257	102 528 532	2 390 350
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Municipal Bonds			
Other			
Municipality sub-total	64 257	102 528 532	2 390 350
<u>Municipal Entities</u>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Other			
Entities sub-total	0	0	0
Consolidated total:	64 257	102 528 532	2 390 350

Cash Flow Outcomes				
R'000				
Description	Year -1	Current: Year 0		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts	1 067 762	398 938	2 560 900	1 906 128
Ratepayers and other	1 067 442	394 580	2 240 403	1 144 460
Government - operating		-	-	626 175
Government - capital		-	316 138	133 069
Interest	308	4 334	4 334	2 390
Dividends	13	24	24	34
Payments	1 079 268	2 208 588	2 208 588	1 647 431
Suppliers and employees	1 079 268	2 208 588	2 208 588	1 647 413
Finance charges	-			19
Transfers and Grants				
NET CASH FROM/(USED) OPERATING ACTIVITIES	(11 506)	(1 809 649)	352 312	258 696
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	-			-
Decrease (Increase) in non-current debtors	-	438	-	-
Decrease (increase) other non-current receivables		-	-	-
Decrease (increase) in non-current investments		305	-	-
Payments				
Capital assets	(75 253)		(1 381)	(111 141)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(75 253)	742	(1 381)	(111 141)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-			
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits		(73 680)	-	
Employee benefit obligation payments				
Payments				
Repayment of borrowing		-		
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	(73 680)	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	(86 759)	(1 882 587)	350 931	147 556
Cash/cash equivalents at the year begin:	(14 322)			56 801
Cash/cash equivalents at the year end:	(101 082)	(1 882 587)	350 931	204 357

Chapter 7 Audit Report 2021-2022

Report of the auditor-general to the Free State Provincial Legislature and the council on the Matjhabeng Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Matjhabeng Local Municipality set out on pages 115 to 208, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Matjhabeng Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

Basis for qualified opinion

Service charges

3. I was unable to obtain sufficient appropriate audit evidence for water and electricity included in service charges as the municipality did not have adequate processes for the billing of water and electricity consumption. This was due to the municipality not reading water and electricity meters regularly, which resulted in consumers being billed for water and electricity consumption based on estimates for extended time periods. I was unable to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to water and electricity included in service charges, stated at R1 312 985 681 (2021: R1 274 441 276) in note 18 to the financial statements.

Payables from exchange transactions

4. The municipality did not correctly account for trade payables in terms of GRAP 1, *Presentation of financial statements*, as payments made to respective suppliers during the current year was not adjusted in the trade payables sub-ledger when suppliers were paid. In addition, differences were noted in the corresponding amounts between the accounting records and supplier statements. Consequently, this resulted in an overstatement of trade payables by R284 474 468 (2021: R207 113 165) as stated in note 13 to the financial statements. I was unable to determine the other line items affected in the financial statements as it was impracticable to do so.

- I was also unable to obtain sufficient appropriate audit evidence for trade payables and the salary control accounts included in payables from exchange transactions, as the municipality was unable to provide adequate supporting evidence to verify creditors with debit balances, trade payables and salary control accounts. These were mainly due to the status of accounting records and inadequate reconciliation of control accounts. I was unable to confirm the trade payables and salary control accounts by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to trade payables and salary control accounts stated at R621 428 531 (2021: R671 302 696) in note 13 to the financial statements.

General expenses

- The municipality did not record general expenditure in accordance with GRAP 1, *Presentation of financial statements*, as the municipality incorrectly accounted for expenditure on a cash basis of accounting when payments were made rather than on an accrual basis of accounting when the transactions occurred. Consequently, general expenses and payables from exchange transactions were understated by R42 779 622, respectively. There was also an impact on the deficit for the period and accumulated deficit. In addition, I was unable to obtain sufficient appropriate audit evidence for general expenses, due to the status of the accounting records. I was unable to confirm the general expenses by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to general expenses stated at R468 162 589 in note 36 to the financial statements.

Contracted services

- The municipality did not record contracted services in accordance with GRAP 1, *Presentation of financial statements*, as the municipality incorrectly accounted for expenditure on a cash basis of accounting when payments were made rather than on an accrual basis of accounting when the transactions occurred. Consequently, contracted services and payables from exchange transactions were understated by R78 233 348, respectively. There was also an impact on the deficit for the period and accumulated deficit. In addition, I was unable to obtain sufficient appropriate audit evidence that all expenses had been recorded, as the municipality did not have adequate systems in place to account for contracted services. I could not confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contracted services stated at R178 912 448 in note 35 to the financial statements.

Context for the opinion

- I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- 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.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.
12. Note 46 to the financial statements indicates that the municipality incurred a deficit of R1 016 282 541 during the year ended 30 June 2022 and, as of that date, the municipality's current liabilities exceeded its current assets by R8 488 199 916 (2021: R7 323 685 638). In addition, the municipality owed Eskom R4 763 944 657 (2021: R3 964 044 474) and the water board R4 897 035 157 (2021: R4 307 438 655) as at 30 June 2022, which was long overdue. These events or conditions, along with other matters as set forth in note 46, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

14. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2022.

Material impairments

15. As disclosed in notes 5 and 6 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R4 307 324 970 (2021: R3 646 965 321).

Material losses

16. As disclosed in note 34 to the financial statements, material electricity losses of R150 050 786 (2021: R127 890 866) and material water losses of R323 991 257 (2021: R363 540 187) were incurred, mainly due to metering inefficiencies, ageing pipeline infrastructure, burst water pipes, leakages and unmetered connections.

Underspending of the conditional grant

17. As disclosed in note 15 to the financial statements, the municipality materially underspent the conditional grants by R191 001 126 (2021: R102 362 818).

Material uncertainty relating to claims against the municipality

18. 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 was made in the financial statements.

Unauthorised expenditure

19. As disclosed in note 48 to the financial statements, the municipality incurred unauthorised expenditure of R1 474 880 000 (2021: R1 274 087 422), due to overspending of the budget.

Fruitless and wasteful expenditure

20. As disclosed in note 49 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R180 736 297 (2021: R103 743 150), mainly due to interest and penalties charged.

Irregular expenditure

21. As disclosed in note 50 to the financial statements, the municipality incurred irregular expenditure of R307 922 701 (2021: R447 392 722), due to non-compliance with supply chain management (SCM) processes. In addition, the full extent of irregular expenditure is still in the process of being determined.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

24. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
25. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

26. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

27. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

28. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance area (KPA) presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
29. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
30. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected KPA presented in the municipality's annual performance report for the year ended 30 June 2022:

KPA	Pages in the annual performance report
KPA 2 – basic services	39 – 52

31. 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.
32. The material findings on the usefulness and reliability of the performance information of the selected KPA are as follows:

KPA 2 – basic services

Km of collapsed sewer lines replaced around all six towns by 30 June 2021

33. The source information and evidence for achieving the planned indicator were not clearly defined. As a result, the achievement of 0,006 km was reported against target 50 km in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement.

Number of water meters investigated around all six towns

34. The planned target of 2 000 for this indicator was not specific in clearly identifying the nature and required level of performance.

Various indicators

35. I was unable to obtain sufficient and appropriate audit evidence for the reported achievements of the following indicators. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

Indicator descriptions	Planned targets	Reported achievements
Percentage progress on the refurbishment of Kutlwanong waste water treatment works	80%	69%
Percentage of old asbestos pipe replaced in Kutlwanong	100%	72%
Number of stuck and leaking water meters replaced around all six towns	1 000	584
Number of water leakages repaired around all six towns	2 828	7263
Number of streetlights maintained and repaired around all six towns	4 069	1298

Various indicators

36. The source information and evidence for achieving the planned indicators were not clearly defined for the following indicators. In addition, I was unable to obtain sufficient and appropriate audit evidence for the achievements reported against targets in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of the indicators listed below:

Indicator descriptions	Planned targets	Reported achievements
Number of sewer blockages opened around all six towns	12	12 003
Number of manhole covers replaced around all six towns by 30 June 2021	6 000	65
Square meters of streets patched around all six towns	15 800 m2	31 030 m2

Other matters

37. I draw attention to the matters below.

Achievement of planned targets

38. Refer to the annual performance report on pages 39 to 71 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 33 to 36 of this report.

Adjustment of material misstatements

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

Report on the audit of compliance with legislation

Introduction and scope

40. 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.

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

Annual financial statements and annual reports

42. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets and disclosure items, identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

43. The local community was not invited to submit representations in connection with the 2020-21 annual report, as required by section 127(5)(a)(ii) of the MFMA.
44. The council failed to adopt an oversight report containing the council's comments on the 2020-21 annual report, as required by section 129(1) of the MFMA.
45. The oversight report adopted by the council on the 2020-21 annual report was not made public, as required by section 129(3) of the MFMA.

Expenditure management

46. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
47. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2)(b) of the MFMA.
48. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R307 922 701, as disclosed in note 50, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.
49. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R180 736 297, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid due to late payment of suppliers.
50. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 474 880 000, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending the approved budget.

Revenue management

51. An effective system of internal control for revenue and debtors was not in place, as required by section 64(2)(f) of the MFMA.

Strategic planning and performance management

52. The performance management system and related controls were inadequate due to the significant internal control deficiencies identified resulting in usefulness and reliability findings on indicators and targets, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

53. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as bid documents were not submitted. A similar limitation was also reported in the prior year.

54. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service (Sars) to be in order, in contravention of SCM regulation 43. A similar non-compliance was also reported in the prior year.
55. The preference point system was not applied on 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.
56. Sufficient appropriate audit evidence could not be obtained for commodities designated for local content and production that invitations to tender for procurement stipulated the minimum threshold, such commodities were procured from suppliers who submitted a declaration and who met the prescribed minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulations 8(2) and 8(5). A similar limitation was also reported in the prior year.

Consequence management

57. Some of the unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
58. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
59. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Asset management

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

Other information

62. 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 has been specifically reported in this auditor's report.
63. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

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

Internal control deficiencies

66. 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.
67. Leadership did not adequately monitor and enforce the implementation of the corrective measures included in the audit action plan to effectively address internal control deficiencies and apply consequence management for weaknesses identified during previous years' audits.
68. Management's failure to prioritise, develop and apply standard operating procedures to manage performance reporting, including the safeguarding of information and effective monitoring and evaluation of reported performance information against the set indicators resulted in material findings on the annual performance report.
69. Management's lack of detailed review of the annual financial statements and the underlying records resulted in material misstatements that were not detected and corrected which resulted in material non-compliance included in this report.
70. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Material irregularities

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

Material irregularities in progress

72. I identified material irregularities during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, the responses of the accounting officer were not yet due. These material irregularities will be included in the next year's auditor's report.

Status of previously reported material irregularities

Late payment of employee taxes

73. The municipality did not pay over money deducted from employees within seven days after the end of the month during which the amounts were deducted or withheld from employees in respect of their liability for normal tax, as required by section 2(1) of the fourth schedule of the Income Tax Act 58 of 1962. The late payment resulted in a material financial loss for the municipality due to interest of R650 640 and penalties of R1 881 783 incurred for the period 1 April 2019 to 30 June 2020.

74. The accounting officer was notified of this material irregularity on 15 April 2021. The accounting officer did not take appropriate action to address the matter as adequate steps were not taken to prevent further losses. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 14 July 2023, with a progress report provided every two months:

- Appropriate action should be taken to develop and to commence with the implementation of a financial recovery plan as approved by council, to address the financial problems of the municipality; that are preventing it from paying Sars within seven days, as required by section 2(1) of the Fourth Schedule of the Income Tax Act. The financial plan should include realistic timeframes and milestones to be achieved and include, as a minimum, strategies to:
 - (a) enhance the existing *Revenue enhancement and debt collection plan* with the intention to increase revenue; and
 - (b) efficiently manage the available resources of the municipality to optimise and reduce costs by eliminating wastage whilst obtaining value in respect of all costs incurred.

Payment for attenuation dam not constructed at Nyakallong storm water system phase 1

75. On 12 April 2017, the municipality awarded a contract of R13 744 408 for the construction of the Nyakallong storm water system to a contractor. Two variation orders amounting to R3 268 705 were approved in 2017 and 2019. Payments estimated at R7 214 719 were made for an attenuation dam after the consulting engineer certified it had been completed. However, during a site visit, the auditors confirmed that the project was incomplete, the attenuation dam had not been constructed, the contractor had abandoned the project site and the work performed was not of the required quality. This contravened section 65(2)(a) of the MFMA, as an effective system of expenditure control for the approval and payment of funds was not maintained. The overpayments made on the project are likely to result in a material financial loss for the municipality, if not recovered.

76. The accounting officer was notified of the material irregularity on 5 May 2020. The accounting officer could not provide sufficient and appropriate evidence of the actions that had been taken in response to being notified of the material irregularity. On 9 June 2021, I referred the material irregularity to the Directorate for Priority Crime Investigation (the Hawks) for investigation, as provided for in section 5(1A) of the PAA. The Hawks accepted the referral on 23 June 2021 and the investigation is currently in progress.

Eskom not paid within 30 days

77. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchase of electricity were paid within 30 days of receiving the relevant invoice or statement, as required by section 65(2)(e) of the MFMA. As a result of the late payment, the municipality incurred interest of R255 516 913 for the financial year ended 30 June 2019. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay the interest to Eskom.

78. The accounting officer was notified of the material irregularity on 4 May 2020. The following actions have been taken or is in progress to resolve the material irregularity:

- The outstanding balance due to Eskom is currently subject to legal proceedings between Eskom and the municipality. Therefore an agreement could not yet be reached on a payment plan.
- The municipal public accounts committee (MPAC) investigated the fruitless and wasteful expenditure relating to the interest incurred and concluded that no person can be held responsible for the loss as it was due to the financial position of the municipality and cash flow constraints. The MPAC investigation report was tabled in council on 29 October 2020.

79. I will follow up on the outcome of the legal proceedings and progress regarding a payment arrangement with Eskom during my next audit.

Other reports

80. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

81. There was an ongoing investigation into allegations of forgery of a signature of a municipal official that resulted in a payment being made without a service having been rendered to the municipality. This investigation is being conducted by the South African Police Service (SAPS) and covers a specific incident that occurred on 11 November 2015. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

82. There was an ongoing investigation by the DPCI into the allegation of payroll fraud as the IP address of the official was compromised and unauthorised access was obtained, which resulted in the alteration of the banking details of various employees.

The investigation covers the specific incident that occurred on 22 January 2020. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

83. There was an ongoing investigation by the SAPS into the allegation of unauthorised amendments to the supplier's banking details on the municipality's accounting system. The investigation covers the specific incident that occurred on 13 May 2016. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

Auditor - General

Bloemfontein

14 January 2023



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 Matjhabeng Local Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern.

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

Communication with those charged with governance

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

Audited Annual Financial Statements 2021-2022



Matjhabeng Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
The following is included in the scope of operation	Area FS184, as a high capacity local municipality, as demarcated by the Demarcation Board and indicated on the demarcated map published for FS184.
Executive Mayor	TD Khalipha
Members of the Mayoral Committee	TD Khalipha - Executive Major MC Radebe - Human Settlement ML Radebe - IDP, Performance & Evaluation X Masina - Infrastructure: M Buti - LED, SMME's Agriculture & Tourism KR Tlake - Community Services & Public Safety T Monjovo- Xaba - Special Programme's KV Molpatle - Sports, Arts & Culture HA Mokhomo - Finance S Moshoeu - Corporate Services and Good Governance S Ramalefane - Fleet Disaster & Service delivery.
Councillors	Refer to councillors' note for detail
Grading of local authority	Local High Capacity Municipality (Grade 5)
Chief Finance Officer (CFO)	Panyani T
Accounting Officer (MM)	Tindleni Z
Registered office	Civic Centre 319 Stateway Welkom Free State 9460
Postal address	P O Box 708 Welkom Free State 9460
Bankers	ABSA Bank Limited
Attorneys	Full list available at the municipal offices in Welkom
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)
Website	www.matjhabeng.co.za

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Index

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

	Page
Accounting officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 13
Accounting Policies	14 - 37
Notes to the Annual Financial Statements	38 - 93

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
ME's	Municipal Entities
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant (Previously CMIP)

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on government grants and internal funds 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.

The annual financial statements set out on page 4 to , which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Tindleni Z
Accounting Officer

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	203,091,108	56,801,207
Inventories	4	6,042,765	5,128,172
Receivables from exchange transactions	5	962,664,504	918,045,601
Receivables from non-exchange transactions	6	259,255,123	198,609,252
Other receivables	7	34,596,206	33,986,003
VAT receivable	8	921,211,920	822,937,178
		2,386,861,626	2,035,507,413
Non-Current Assets			
Other financial assets	9	415,803	367,363
Investment property	10	2,188,232,016	1,855,400,000
Property, plant and equipment	11	3,898,020,773	4,055,620,359
Heritage assets	12	7,077,539	7,104,349
Receivables from non-exchange transactions	6	6,559,477	6,324,305
Receivables from exchange transactions	5	5,338,280	3,412,966
		6,105,643,888	5,928,229,342
Total Assets		8,492,505,514	7,963,736,755
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	10,635,039,581	9,206,754,017
Consumer deposits	14	37,934,903	36,408,151
Unspent conditional grants and receipts	15	191,001,126	102,362,818
Employee benefit obligation	16	11,085,932	13,668,065
		10,875,061,542	9,359,193,051
Non-Current Liabilities			
Employee benefit obligation	16	458,133,543	415,795,780
Provisions	17	105,446,786	118,596,762
		563,580,329	534,392,542
Total Liabilities		11,438,641,871	9,893,585,593
Net Assets		(2,946,136,357)	(1,929,848,838)
Accumulated deficit		(2,946,136,363)	(1,929,848,838)
Total Net Assets		(2,946,136,363)	(1,929,848,838)

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	1,312,985,681	1,274,441,276
Rental of facilities and equipment	19	19,885,345	17,103,249
Commissions received	21	16,424,132	15,308,621
Other income	23	15,572,012	22,508,227
Interest received	24	272,702,820	207,616,479
Dividends received	24	33,570	22,848
Total revenue from exchange transactions		1,637,603,560	1,537,000,700
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	441,609,603	422,817,944
Availability charges	22	38,774,090	34,454,051
Transfer revenue			
Government grants & subsidies	26	670,606,123	791,095,523
Public contributions and donations	27	44,551,882	-
Fines, Penalties and Forfeits	20	8,224,288	5,639,146
Total revenue from non-exchange transactions		1,203,765,986	1,254,006,664
Total revenue		2,841,369,546	2,791,007,364
Expenditure			
Employee related costs	28	(869,043,260)	(845,609,008)
Remuneration of councillors	29	(33,686,836)	(33,885,379)
Depreciation and amortisation	30	(234,573,396)	(194,699,359)
Finance costs	32	(173,475,381)	(108,812,106)
Debt Impairment	33	(850,074,718)	(814,216,642)
Bulk purchases	34	(1,251,983,519)	(1,186,624,040)
Contracted services	35	(178,912,448)	(403,509,766)
General expenses	36	(468,162,589)	(472,759,155)
Repairs and maintenance	38	(65,973,709)	(75,626,701)
Total expenditure		(4,125,885,856)	(4,135,742,156)
Operating deficit		(1,284,516,310)	(1,344,734,792)
Loss on disposal of assets		(36,645,149)	-
Fair value adjustments	37	290,880,456	812,807,794
Actuarial gains	16	16,544,624	11,342,388
Impairment loss	31	(2,546,162)	(40,512,267)
		268,233,769	783,637,915
Deficit for the year		(1,016,282,541)	(561,096,877)

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 1 July 2020	(261,568,900)	(261,568,900)
Changes in net assets		
Deficit for the year as previously reported	(1,321,405,650)	(1,321,405,650)
Surplus for the year	(561,096,877)	(561,096,877)
Correction of errors - Note 46	(1,107,183,061)	(1,107,183,061)
Total changes	(1,668,279,938)	(1,668,279,938)
Restated* Balance at 1 July 2021	(1,929,853,822)	(1,929,853,822)
Changes in net assets		
Total changes	(1,016,282,541)	(1,016,282,541)
Balance at 30 June 2022	(2,946,136,363)	(2,946,136,363)

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,090,238,661	1,108,820,468
Grants		759,244,431	826,927,482
Interest income		2,390,350	814,805
Other receipts		59,495,574	60,128,115
		1,911,369,016	1,996,690,870
Payments			
Employee costs		(903,383,715)	(808,852,038)
Suppliers		(752,368,725)	(989,236,074)
Finance costs		(18,922)	(19)
		(1,655,771,362)	(1,798,088,131)
Net cash flows from operating activities	39	254,040,616	184,774,257
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(107,784,285)	(186,491,318)
Dividends received		33,570	22,848
Net cash flows from investing activities		(107,750,715)	(186,468,470)
Net increase/(decrease) in cash and cash equivalents		146,289,901	(1,694,213)
Cash and cash equivalents at the beginning of the year		56,801,207	58,495,420
Cash and cash equivalents at the end of the year	3	203,091,108	56,801,207

The accounting policies on pages 14 to 37 and the notes on pages 38 to 93 form an integral part of the annual financial statements.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,586,513,000	-	1,586,513,000	1,312,985,681	(273,527,319)	Note 1
Rental of facilities and equipment	25,082,797	-	25,082,797	19,885,345	(5,197,452)	Note 2
Commissions received	-	-	-	16,424,132	16,424,132	Note 3
Other income	606,258,000	-	606,258,000	15,572,012	(590,685,988)	Note 4
Interest received - investment	233,352,191	-	233,352,191	272,702,820	39,350,629	Note 5
Dividends or similar distributions received	24,182	-	24,182	33,570	9,388	Note 6
Total revenue from exchange transactions	2,451,230,170	-	2,451,230,170	1,637,603,560	(813,626,610)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	423,255,000	-	423,255,000	441,609,603	18,354,603	
Surcharges and Taxes	-	-	-	38,774,090	38,774,090	Note 3
Transfer revenue						
Government grants & subsidies	567,659,000	25,038,000	592,697,000	670,606,123	77,909,123	Note 7
Public contributions and donations	-	-	-	44,551,882	44,551,882	Note 8
Fines, Penalties and Forfeits	25,172,698	-	25,172,698	8,224,288	(16,948,410)	Note 9
Total revenue from non-exchange transactions	1,016,086,698	25,038,000	1,041,124,698	1,203,765,986	162,641,288	
Total revenue	3,467,316,868	25,038,000	3,492,354,868	2,841,369,546	(650,985,322)	
Expenditure						
Personnel	(886,220,000)	87,000	(886,133,000)	(869,043,260)	17,089,740	
Remuneration of councillors	(38,105,000)	-	(38,105,000)	(33,686,836)	4,418,164	Note 10
Depreciation and amortisation	(170,673,000)	47,671,000	(123,002,000)	(234,573,396)	(111,571,396)	Note 11
Impairment loss/ Reversal of impairments	-	-	-	(2,546,162)	(2,546,162)	Note 12
Finance costs	(204,412,000)	64,650,000	(139,762,000)	(173,475,381)	(33,713,381)	Note 13
Debt Impairment	(529,098,000)	186,000,000	(343,098,000)	(850,074,718)	(506,976,718)	Note 14
Bulk purchases	(1,258,632,000)	194,346,000	(1,064,286,000)	(1,251,983,519)	(187,697,519)	Note 15
Contracted Services	(129,171,000)	(267,801,000)	(396,972,000)	(178,912,448)	218,059,552	Note 16
General Expenses	(441,608,000)	(159,292,000)	(600,900,000)	(468,162,589)	132,737,411	Note 17
Repairs and maintenance	-	-	-	(65,973,709)	(65,973,709)	Note 18
Total expenditure	(3,657,919,000)	65,661,000	(3,592,258,000)	(4,128,432,018)	(536,174,018)	
Operating deficit	(190,602,132)	90,699,000	(99,903,132)	(1,287,062,472)	(1,187,159,340)	
Loss on disposal of assets and liabilities	-	-	-	(36,645,149)	(36,645,149)	
Fair value adjustments	-	-	-	290,880,456	290,880,456	Note 18
Actuarial gains/losses	60,000,000	(60,000,000)	-	16,544,624	16,544,624	Note 18
	60,000,000	(60,000,000)	-	270,779,931	270,779,931	

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	(130,602,132)	30,699,000	(99,903,132)	(1,016,282,541)	(916,379,409)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement						

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	273,000,000	-	273,000,000	6,042,765	(266,957,235)	Note 18
Other receivables	664,868,682	(664,868,682)	-	34,596,206	34,596,206	Note 18
Receivables from non-exchange transactions	-	-	-	259,255,123	259,255,123	Note 18
VAT receivable	-	-	-	921,211,920	921,211,920	Note 18
Receivables from exchange transactions	5,196,507,000	(3,448,477,000)	1,748,030,000	962,664,504	(785,365,496)	Note 19
Cash and cash equivalents	398,938,310	7,063,275,287	7,462,213,597	203,091,108	(7,259,122,489)	Note 20
	6,533,313,992	2,949,929,605	9,483,243,597	2,386,861,626	(7,096,381,971)	
Non-Current Assets						
Investment property	1,045,584,956	-	1,045,584,956	2,188,232,016	1,142,647,060	
Property, plant and equipment	3,080,073,000	242,957,000	3,323,030,000	3,898,020,773	574,990,773	Note 21
Heritage assets	-	-	-	7,077,539	7,077,539	Note 18
Investments	304,555	-	304,555	-	(304,555)	Note 22
Other financial assets	7,104,349	(7,104,349)	-	415,803	415,803	Note 23
Receivables from non-exchange transactions (non-current)	-	-	-	6,559,477	6,559,477	Note 18
Receivables from exchange transactions (non-current)	437,901	-	437,901	5,338,280	4,900,379	Note 23
	4,133,504,761	235,852,651	4,369,357,412	6,105,643,888	1,736,286,476	
Total Assets	10,666,818,753	3,185,782,256	13,852,601,009	8,492,505,514	(5,360,095,495)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	9,968,208,000	1,451,456,000	11,419,664,000	10,635,039,581	(784,624,419)	
Consumer deposits	84,669,222	-	84,669,222	37,934,903	(46,734,319)	Note 24
Employee benefit obligation	-	-	-	11,085,932	11,085,932	Note 18
Unspent conditional grants and receipts	-	-	-	191,001,126	191,001,126	Note 25
Provisions	428,405,000	-	428,405,000	105,446,786	(322,958,214)	Note 18
	10,481,282,222	1,451,456,000	11,932,738,222	10,980,508,328	(952,229,894)	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	458,133,543	458,133,543	Note 18
Total Liabilities	10,481,282,222	1,451,456,000	11,932,738,222	11,438,641,871	(494,096,351)	
Net Assets	185,536,531	1,734,326,256	1,919,862,787	(2,946,136,357)	(4,865,999,144)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated deficit						Note 26

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Total Net Assets						

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	155,601,127	1,808,199,524	1,963,800,651	1,090,238,116	(873,562,535)	Note 1
Grants	-	316,138,000	316,138,000	759,244,431	443,106,431	Note 7
Interest income	4,334,438	-	4,334,438	2,390,350	(1,944,088)	Note 27
Dividends or similar distributions received	24,182	-	24,182	33,570	9,388	Note 6
Other receipts	239,721,019	37,624,196	277,345,215	59,495,574	(217,849,641)	Note 28
	399,680,766	2,161,961,720	2,561,642,486	1,911,402,041	(650,240,445)	
Payments						
Suppliers and employee costs	(2,282,267,387)	-	(2,282,267,387)	(1,657,337,106)	624,930,281	Note 29
Net cash flows from operating activities	(1,882,586,621)	2,161,961,720	279,375,099	254,064,935	(25,310,164)	
Cash flows from investing activities						
Purchase of investment property	-	(1,380,917)	(1,380,917)	(107,784,285)	(106,403,368)	Note 22
Net increase/(decrease) in cash and cash equivalents	(1,882,586,621)	2,160,580,803	277,994,182	146,280,650	(131,713,532)	Note 18
Cash and cash equivalents at the beginning of the year	-	-	-	56,801,207	56,801,207	Note 18
Cash and cash equivalents at the end of the year	(1,882,586,621)	2,160,580,803	277,994,182	203,081,857	(74,912,325)	

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------------	-------------------	--------------	------------------------------------	--	-----------

Figures in Rand

Variance of above 10% between the budgeted amount and the actual are due to the following:

Note 1 – Increased measures actual readings instead of making use of estimates resulted in less service charges than budgeted for.

Note 2 – Financial constraints to the public resulted in less events that necessitated the rental of facilities and equipment than budgeted for.

Note 3 – Item not being part of the core mandate of the municipality resulted in it not budgeted for.

Note 4 – No asset sales, reduction in funerals as well as reduced disconnection fees owing to increased public awareness on the importance of paying municipal services resulted in less other income than budgeted for.

Note 5 – Increase in overdue customer accounts as well as the reduction of provisions estimate resulted in more income received than what was anticipated.

Note 6 – Positive financial results resulted in more dividends being distributed to the municipality than what was anticipated.

Note 7 – Effectively use of DORA allocations resulted in allocations being awarded to the municipality than what was budgeted for.

Note 8 – Unanticipated donation received from the Department of Forestry and Fishery resulted in a variation from the budget.

Note 9 – Increase traffic officials' visibility resulted in less traffic fines being issued than what was budgeted for.

Note 10 - Changes to the mayoral committees owing to the 2021 Local Government Elections as well council resignations resulted in less remuneration for councilors than what was budgeted for.

Note 11 – Increased levels of projects that were completed during the year resulted in more depreciation than what was anticipated.

Note 12 – Implementation of an effective asset count resulted in the identification of assets that had to be impaired resulted.

Note 13 – Inability to meet 30-day payment obligation owing to financial constraints resulted in more finance costs being incurred than what was budgeted for.

Note 14 – Economic downturn resulted in the increase in debtors being unable to meet their obligations resulted in more debt impairment than what was anticipated.

Note 15 – Ageing infrastructure resulted in increased leaks owing to increased losses which resulted in more bulk purchases than what was anticipated.

Note 16 – Filling of various vacancies resulted in the decrease in reliance on external parties which resulted in less contracted services than what was budgeted for.

Note 17 – Effective measures to cost containment measures resulted in less general expenses being incurred than what was budgeted for.

Note 18 – Ineffective budgeting resulted in the item not being appropriately budgeted for.

Note 19 – Increase in debt being impaired resulted in less consumer debtors than what was anticipated.

Note 20 – Implementation of increased measures to pay third-party obligations resulted in less cash and cash equivalents being held at year-end than anticipated.

Note 21 – Increase in the number of completed projects resulted in a bigger property, plant and equipment balance than what was anticipated.

Note 22 – Cost containment measures resulted in anticipated investments not materializing.

Note 23 – Effective MSCOA and GRAP alignment techniques resulted in items that were budgeted for under receivables from exchange transactions (non-current) being appropriately classified as other financial assets; resulting in the budget being misalignment.

Note 24 – Economic downturn resulted in fewer customers acquiring properties which necessitated deposits than what was budgeted for.

Note 25 – Unanticipated project holdups resulted in a balance of unspent conditional grants than what was anticipated.

Note 26 – The use of more actual readings, no sale of assets as well as the reduction of events resulted in less a deficit in the financial year.

Note 27 - Economic downturn resulted in less interest being received than what was budgeted for.

Note 28 – Ineffective budgeting resulted in items such as sub-charges and taxes not being budgeted for.

Note 29 – Effective cost containment measures resulted in less expenditure being incurred than what was budgeted for.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and are rounded to the nearest South African Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment 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 judgments include:

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

Impairment testing

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

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

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 17 - Provisions.

Useful lives of waste and water network and other assets

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

1.3 Significant judgements and sources of estimation uncertainty (continued)

Employee Benefits Obligation

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

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

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

Provision for Impairment of Receivables

On consumer receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

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.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Investment property (continued)

Fair value

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

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

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Subsequent Measurement :

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	2 - 50 years
Transport assets	Straight-line	4 - 15 years
Infrastructure	Straight-line	3 - 100 years
Other movable assets	Straight-line	2 - 20 years
Landfill rehabilitation assets	Straight-line	8 - 20 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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.

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

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.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

1.7 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.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

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 determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset, such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 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.

A financial asset is:

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

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial instruments (continued)

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

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

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Other financial assets	Financial asset measured at fair value
Other receivables	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

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.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

All financial assets measured at amortised 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 entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs.

It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

The 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.

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

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial instruments (continued)

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

Financial assets measured at cost:

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial instruments (continued)

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

1.9 Tax

Value Added Tax (VAT)

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

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.

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.

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.

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.11 Inventories (continued)

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

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

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

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

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

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

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

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

1.12 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.

Identification

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.

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.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.12 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.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.12 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.

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.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

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

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

Useful life is either:

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

[Specify judgments made]

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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.

1.14 Employee benefits

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

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

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Employee benefits (continued)

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.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Employee benefits (continued)

Other Long term employee benefits

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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.

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.

A Contingent Liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44..

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

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:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 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.

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

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

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

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

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

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

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

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

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

Fines

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

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

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

1.23 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury circular 68 which was issued in terms of sections 32 of the Municipal Finance Management Act, Act 56 of 2003 on 10 May 2013 requires the following:

Irregular expenditure that was incurred and identified during the current financial year and which was written off 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 approval for write off 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 written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not written off by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been written off and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.25 Segment information

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

A measure of assets and liabilities for each reportable segment has not been disclosed due to the fact that such amounts are not regularly provided to management for decision making purposes.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.25 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.26 Budget information

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

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/06/2022 to 31/06/2022.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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

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

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

1.28 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.29 Unspent Conditional grants and receipts

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

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 1 July 2022 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

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

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

The effective date of the guideline is for years beginning on or after 1 April 2009.

The municipality expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set.

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

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

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

iGRAP 21: The Effect of Past Decisions on Materiality

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

GRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 1 April 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 1 April 2023.

GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

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

Statement of financial position and statement of financial performance

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

Notes structure

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

Disclosure of accounting policies

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

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

The effective date of this amendment is for years beginning on or after 1 April 2025.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand and advances	9,474	9,474
Bank balances - cashbook	73,713,610	17,383,757
Short-term deposits	129,368,024	39,407,976
	203,091,108	56,801,207

ACB mag tape debit facility	2,000,000	2,000,000
Housing guarantee	20,000	20,000
Fleet card	1,000,000	1,000,000
Credit card facility	300,000	300,000

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Cash and cash equivalents pledged as collateral

None of the cash and cash equivalents were pledged as collateral.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA Primary cheque account Acc no (40-5370-5465)	4,865,806	4,233,609	3,399,671	75,588,188	19,154,571	(9,412,429)
ABSA Market cheque account Acc no (40-5644-3399)	806,773	5,800,206	3,000,306	(1,874,579)	(1,770,814)	(1,358,853)
ABSA Savings account Acc no (90-9461-7107)	129,314,396	39,401,000	69,250,276	129,314,396	39,401,000	69,250,276
ABSA Savings account Acc no (91-0668-4115)	49,119	2,506	2,497	49,118	2,506	2,497
ABSA Savings account Acc no (91-1114-1338)	1,122	1,113	1,109	1,125	1,112	1,109
ABSA Savings account Acc no (91-0668-4238)	1,262	1,251	1,247	1,266	1,254	1,250
ABSA Savings account Acc no (91-0668-4157)	1,062	1,052	1,048	1,064	1,052	1,048
ABSA Savings account Acc no (91-2351-5666)	1,062	1,052	1,048	1,064	1,052	1,048
Total	135,040,602	49,441,789	75,657,202	203,081,642	56,791,733	58,485,946

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Inventories		
Consumable stores	2,621,260	3,094,250
Water for distribution	3,421,505	2,033,922
	6,042,765	5,128,172
Inventories recognised as an expense during the year	4,163,548	5,743,694
Inventory pledged as security		
None of the inventory was pledged as security for any financial liability of the municipality.		
5. Receivables from exchange transactions		
Gross balances		
Electricity	469,029,710	405,578,278
Water	2,312,158,480	1,998,980,604
Sewerage	964,365,796	823,306,704
Refuse	608,333,111	524,313,238
Other receivables	5,599,289	5,705,826
Rentals	130,150,992	113,863,611
Sundries	154,402,587	142,776,565
Unmetered consumption - Electricity	75,186,405	90,533,139
Unmetered consumption - Water	52,818,434	48,436,551
Less: Non-current consumer receivables (arrangements)	(42,634,615)	(24,567,889)
	4,729,410,189	4,128,926,627
Less: Allowance for impairment		
Electricity	(315,496,702)	(257,102,803)
Water	(1,984,026,112)	(1,679,192,796)
Sewerage	(760,953,718)	(648,145,230)
Refuse	(491,542,188)	(422,608,195)
Rentals	(115,080,402)	(100,862,951)
Sundries	(132,240,248)	(119,468,429)
Other receivables	(4,702,650)	(4,655,545)
Less: Non-current consumer receivables (arrangements)	37,296,335	21,154,923
	(3,766,745,685)	(3,210,881,026)
Net balance		
Electricity	153,533,008	148,475,475
Water	328,132,368	319,787,808
Sewerage	203,412,078	175,161,474
Refuse	116,790,923	101,705,043
Rentals	15,070,590	13,000,660
Sundries	22,162,339	23,308,136
Other receivables	896,639	1,050,281
Unmetered consumption - Electricity	75,186,405	90,533,139
Unmetered consumption - Water	52,818,434	48,436,551
Less: Non-current consumer receivables (arrangements)	(5,338,280)	(3,412,966)
	962,664,504	918,045,601
Unmetered consumption - Water		
Current (0 -30 days)	52,818,434	48,436,551

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	51,194,663	48,580,727
31 - 60 days	16,439,572	20,115,598
61 - 90 days	13,428,895	15,160,184
91 + days	387,966,580	321,721,770
Less: Impairment	(315,496,702)	(257,102,804)
	153,533,008	148,475,475
Water		
Current (0 -30 days)	50,045,149	45,891,310
31 - 60 days	55,365,538	52,122,537
61 - 90 days	35,514,806	36,386,418
91 + days	2,171,232,987	1,864,580,339
Less: Impairment	(1,984,026,112)	(1,679,192,796)
	328,132,368	319,787,808
Unmetered consumption - Electricity		
Current (0 -30 days)	75,186,405	90,533,139
Sewerage		
Current (0 -30 days)	18,739,696	17,159,828
31 - 60 days	15,888,976	14,502,749
61 - 90 days	15,483,920	14,115,135
91 + days	914,253,203	777,528,992
Less: Impairment	(760,953,717)	(648,145,230)
	203,412,078	175,161,474
Refuse		
Current (0 -30 days)	11,338,207	10,405,594
31 - 60 days	9,481,646	8,659,549
61 - 90 days	9,209,252	8,393,530
91 + days	578,304,324	496,854,565
Less: Impairment	(491,542,506)	(422,608,195)
	116,790,923	101,705,043
Rentals		
Current (0 -30 days)	1,461,292	1,384,189
31 - 60 days	1,451,922	1,375,566
61 - 90 days	1,447,731	1,369,694
91 + days	127,362,230	109,734,162
Less: Impairment	(116,652,585)	(100,862,951)
	15,070,590	13,000,660
Sundries		
Current (0 -30 days)	1,906,044	1,156,705
31 - 60 days	1,358,153	2,316,673
61 - 90 days	1,598,612	1,278,252
91 + days	147,968,342	138,024,934
> 365 days	(130,668,812)	(119,468,428)
	22,162,339	23,308,136

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Receivables from exchange transactions (continued)		
Other		
Current (0 -30 days)	28,563	37,770
31 - 60 days	11,307	16,827
61 - 90 days	10,150	14,406
91 + days	5,549,269	5,636,823
Less: Impairment	(4,702,650)	(4,655,545)
	896,639	1,050,281

Receivables from exchange transactions pledged as security

No consumer debtors were pledged as security for overdraft facilities of the municipality.

Receivables from exchange transactions past due but not impaired

As at 30 June 2022, consumer receivables of R22 173 107 (2021: R 41 024 537) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	12,991,688	9,062,074
2 months past due	9,181,419	2,717,895
3 months past due	-	29,244,567

Receivables from exchange transactions

As of 30 June 2022, consumer debtors of R3 905 640 120 (2021: R 3 990 199 719) were impaired and provided for.

6. Receivables from non-exchange transactions

Consumer receivables - Rates	714,358,786	573,002,030
Availability charges - Electricity	44,219,049	36,650,844
Availability charges - Water	41,256,573	25,040,673
Allowance for impairment - Rates	(478,227,704)	(390,418,267)
Allowance for impairment - Availability charges - Electricity	(30,839,736)	(26,485,442)
Allowance for impairment - Availability charges - Water	(31,511,845)	(19,180,586)
	259,255,123	198,609,252

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

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 external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

6. Receivables from non-exchange transactions (continued)

Fair value of receivables from non-exchange transactions

The carrying value of the receivables from non-exchange transactions recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions impaired:

As of 30 June 2022, receivables from non-exchange transactions of R799 834 408 (2021: R4 702 650) were impaired and provided for.

The following factors were considered in determining the impairment:

- Ageing of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

7. Other receivables

Accrued interest	322,295	64,194
Deposits	225,850	9,850
Erf sales - Sanral	1,078,796	1,078,796
Maritz Attorneys	16,513,652	16,513,652
Market sales	3,149,576	3,024,741
Market sales - sundries	6,183	27,254
Rental hostels	-	-
Prepayments	1,131,732	-
Sundry receivables	57,527	57,527
Trade receivables - double payments	2,690,480	2,690,480
Traffic fines receivable	6,931,772	5,927,593
Welkom market	2,488,343	4,591,916
	34,596,206	33,986,003

Statutory receivables general information

8. VAT receivable

VAT	921,211,920	822,937,178
-----	-------------	-------------

VAT is treated on the payment basis. VAT is paid over to SARS on a net basis only when actual payments are received by the municipality and when actual payments are made to suppliers. The balance above is inclusive of accruals and provisions, where applicable.

9. Other financial assets

Designated at fair value

Unlisted shares	415,803	367,363
-----------------	---------	---------

The unlisted shares consist of 17,238 (2021: 17,238) equity shares in Senwes Limited and 26,435 (2022: 26,435) equity shares in Senwesbel Limited.

Non-current assets

Designated at fair value	415,803	367,363
--------------------------	---------	---------

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
9. Other financial assets (continued)		
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 2		
Class 1 (Unlisted shares)	415,803	367,363

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,188,232,016	-	2,188,232,016	1,855,400,000	-	1,855,400,000

Reconciliation of investment property - 2022

	Opening balance	Additions	Fair value adjustment	Closing balance
Investment property	1,855,400,000	42,000,000	290,832,016	2,188,232,016

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Closing balance
Investment property	1,042,655,013	812,744,987	1,855,400,000

Fair value of investment properties	2,188,232,016	1,855,400,000
-------------------------------------	---------------	---------------

Pledged as security

There are no contractual obligations on investment property.

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.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
10. Investment property (continued)		
<p>The effective date of the revaluations was Thursday, 30 June 2022. Fair value determinations were performed by UNIQUECO Properties Pty Ltd. Mr L Nel, who is a registered Professional Property Valuer with the South African Council for the Property Valuer's Profession (registration number 4464/2) and has the appropriate experience in performing valuations of investment properties, was the valuer used to perform the valuations. The valuation for the land portion was based on adapted comparable sales and on replacement costs for for the improvements.</p> <p>These assumptions are based on current market conditions.</p>		
Maintenance of investment property		
The following maintenance costs were incurred:		
Preventative Maintenance incurred on		
Repairs and maintenance	878,784	195,490
Amounts recognised in surplus or deficit		
Rental revenue from investment property	19,885,345	10,638,775

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Transport assets	77,003,739	(38,760,769)	38,242,970	156,704,326	(93,384,232)	63,320,094
Infrastructure	9,049,350,042	(5,335,393,102)	3,713,956,940	8,961,324,866	(5,146,275,312)	3,815,049,554
Other movable assets	48,620,296	(31,305,199)	17,315,097	41,746,619	(26,793,847)	14,952,772
Landfill rehabilitation assets	149,128,898	(91,354,552)	57,774,346	146,335,669	(57,070,720)	89,264,949
Land and buildings	136,033,723	(65,302,303)	70,731,420	134,399,627	(61,366,637)	73,032,990
Total	9,460,136,698	(5,562,115,925)	3,898,020,773	9,440,511,107	(5,384,890,748)	4,055,620,359

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers IN	Transfers OUT	Depreciation	Impairment loss	Closing balance
Transport assets	63,320,094	16,634,156	(36,645,149)	-	-	(5,066,131)	-	38,242,970
Infrastructure	3,815,049,554	88,025,176	-	105,597,605	(105,472,594)	(187,246,105)	(1,996,696)	3,713,956,940
Other movable assets	14,952,772	6,873,678	-	-	-	(4,511,353)	-	17,315,097
Landfill rehabilitation assets	89,264,949	2,793,229	-	-	-	(34,283,832)	-	57,774,346
Land and buildings	73,032,990	1,634,097	-	-	-	(3,412,650)	(523,017)	70,731,420
	4,055,620,359	115,960,336	(36,645,149)	105,597,605	(105,472,594)	(234,520,071)	(2,519,713)	3,898,020,773

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers IN	Transfers OUT	Depreciation	Impairment loss	Closing balance
Transport assets	65,870,142	6,899,205	-	-	(9,449,253)	-	63,320,094
Infrastructure	3,840,177,123	184,466,753	87,541,018	(87,541,018)	(169,082,055)	(40,512,267)	3,815,049,554
Other movable assets	10,903,676	8,953,842	-	-	(4,904,746)	-	14,952,772
Landfill rehabilitation assets	30,554,682	66,662,400	-	-	(7,952,133)	-	89,264,949
Land and buildings	76,344,162	-	-	-	(3,311,172)	-	73,032,990
	4,023,849,785	266,982,200	87,541,018	(87,541,018)	(194,699,359)	(40,512,267)	4,055,620,359

Pledged as security

None of these assets were pledged as security.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed was halted during the year		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Electrification of 900 houses in Rheederpark	16,466,910	-
Installation of zonal water meters	8,179,651	-
Klippan Pumpstation upgrade	7,165,129	-
Mmamahabane Taxi Rank	477,699	477,699
Nyakallong Construction of stormwaters	17,461,171	-
Nyakalong Taxi Rank	377,781	377,781
Replacement of Old Galvanized Steel Pipes with UPVC Pipes: Nyakallong/Allanridge	8,413,854	-
Roads and stormwater White City (Ward 4)	5,111,155	-
Thabong (Twenty Ten) Provision and Installation of 5 High Mast Light	1,743,410	-
Thabong Community Centre parking upgrade	220,493	220,493
Thabong Taxi Rank	2,588,469	2,588,469
Thabong Upgrading and Refurbishment of T8 Sewer Pump station	13,570,402	-
Upgrading of Kutlwanong Outfall Sewer	22,458,201	-
Upgrading of seven electrical panels	167,058	167,058
Upgrading of the Urania 132KV 20MA Substation ad 132kV Overhead Line	8,441,708	-
Welkom Landfill Site	18,110,918	-
Welkom Regional Taxi Rank	6,741,313	6,741,313
White Septic Tank Welkom	335,631	200,008
	138,030,953	10,772,821

These projects are still in design stage and have been halted by management awaiting capital budget.

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Other PPE	Total
Work in progress	566,127,653	2,938,708	569,066,361

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Other PPE	Total
Work in progress	587,677,310	2,938,708	590,616,018

2022

Transfers

Projects to the value of R105 47 2594 were completed and transferred out of Capital work in progress into Infrastructure assets.

2021

Transfers

Projects to the value of R87 541 018 were completed and transferred out of Capital work in progress into Infrastructure assets

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Property, plant and equipment (continued)		
Repairs and maintenance per class of asset:		
Buildings	2,637,278	1,308,835
Infrastructure	41,906,696	54,846,512
Transport assets	11,001,198	2,658,186
Other movable assets	6,892,580	6,966
Community assets	1,809,000	16,208,069
Landfill Site	848,174	-
	65,094,926	75,028,568

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.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	4,747,835	-	4,747,835	4,747,835	-	4,747,835
Mayoral chains	2,356,514	(26,810)	2,329,704	2,356,514	-	2,356,514
Total	7,104,349	(26,810)	7,077,539	7,104,349	-	7,104,349

Reconciliation of heritage assets 2022

	Opening balance	Impairment losses	Closing balance
Historical buildings	4,747,835	-	4,747,835
Mayoral chains	2,356,514	(26,810)	2,329,704
	7,104,349	(26,810)	7,077,539

Reconciliation of heritage assets 2021

	Opening balance	Closing balance
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514
	7,104,349	7,104,349

Pledged as security

None of these assets were pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
13. Payables from exchange transactions		
Accrued bonus	11,130,173	9,932,020
Accrued leave pay	100,692,679	105,169,834
Deferred income - pre paid electricity	3,700,000	1,800,000
Deposits received - hall and facilities	15,175	15,175
Eskom	4,763,944,657	3,964,044,474
Payments received in advanced from consumer receivables	187,739,462	102,869,513
Rental - Hostels and flats	2,858,273	2,858,273
Retentions	33,214,373	32,287,773
SALGA	13,281,101	9,035,604
Salary control account (3rd parties)	30,704,413	98,047,349
Sedibeng Water	4,897,035,157	4,307,438,655
Trade payables	590,724,118	573,255,347
	10,635,039,581	9,206,754,017

14. Consumer deposits

Electricity and water	36,911,286	35,472,541
Key deposits	1,023,617	935,610
	37,934,903	36,408,151

Guarantees held in lieu of electricity and water deposits amounted to R6,067,965 (2021: R6,047,965).

Deposits are paid by consumers on application for new electricity and water connections. The deposits are repaid when the electricity and water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

Deposits are paid by lessees on application for new rental properties of the municipality.

No interest is paid to consumers on deposits held.

The carrying value of consumer deposits approximates their fair values.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	111,349,918	83,392,606
Energy Efficiency and Demand side Management Grant (EEDG)	2,549	2,300,000
Municipal Water Services Infrastructure Grant (MWSIG)	12,502,659	16,670,212
Free State Department of Human Settlements	67,146,000	-
	191,001,126	102,362,818

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 26 for reconciliation of grants from National/Provincial Government.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
16. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the post-employment medical aid benefit	(414,638,472)	(381,155,187)
Present value of the long service award benefit	(54,582,003)	(48,308,658)
	(469,220,475)	(429,463,845)
Non-current liabilities		
Current liabilities	(458,133,543)	(415,795,780)
	(11,085,932)	(13,668,065)
	(469,219,475)	(429,463,845)
The fair value of plan assets includes:		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	429,463,845	390,465,049
Net expense recognised in the statement of financial performance	39,755,627	38,998,796
	469,219,472	429,463,845
Net expense recognised in the statement of financial performance		
Current service cost	22,427,337	20,408,508
Interest cost	47,540,982	49,036,709
Actuarial gains	(16,544,624)	(11,342,388)
Expected benefits paid	(13,668,068)	(19,104,033)
	39,755,627	38,998,796
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Long service	2,299,626	1,714,828
Actuarial (gains) losses – Medical aid	(18,844,250)	(13,057,216)
	(16,544,624)	(11,342,388)

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

16. Employee benefit obligations (continued)

Changes in the fair value of plan assets are as follows:

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid is in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement; or

- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement.

The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- Discovery
- Key-Health
- LA Health
- Samwumed

Long Service benefits

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011) with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonuses are payable in the following scale:

Years of service completed	Percentage of annual salary as bonus	- Additional Leave days
> 5 Years	2%	- 5 days
> 10 Years	3%	- 10 days
> 15 Years	4%	- 15 days
> 20 Years	5%	- 15 days
> 24 - 45 Years	6%	- 15 days

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

CPI (Medical aid)	7.30 %	6.54 %
CPI (Long service award)	6.76 %	4.64 %
Discount rate (Medical aid)	12.27 %	11.63 %
Discount rate (Long service award)	10.93 %	8.71 %
Medical aid inflation rate (Medical aid)	8.80 %	8.04 %
Net discount rate (Long service award)	2.94 %	2.39 %
Net discount rate (Medical aid)	3.19 %	3.32 %
Salary increase rate (Long service award)	7.76 %	5.64 %
Continuation percentage	100.00 %	100.00 %

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

Other assumptions

The effect of one percentage increase/decrease in the net discount rate is as follows for the 2022 financial year:

	One percentage point increase	One percentage point decrease
Employer's accrued liability (Long service awards)	363,959,676	476,969,853
Current service cost (Long service awards)	120,535,379	23,725,105
	34,570,354	53,365,993
	58,090,361	51,387,177
	5,155,730	4,473,787
	6,120,219	5,387,561

Amounts for the current and previous four years are as follows:

	2022	2021	2020	2019	2018
Defined benefit obligation	469,220,473	(429,463,845)	(390,465,049)	(448,090,553)	(445,464,543)

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councilors, who belong to different contribution plans which are administered by various pension funds, provident and annuity funds. These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans. The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:

- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal councilors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as a defined contribution plan due to the following reasons:

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

16. Employee benefit obligations (continued)

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers; - One set of financial statements is compiled for all the funds are not for each participating employer; and

- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which state that where information is required for proper defined benefit accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

The amount recognised as an expense for defined contribution plans is	39,755,627	38,998,796
---	------------	------------

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Discounting	Movement due to change in net discount rate	Closing balance
Rehabilitation of landfill sites	118,596,762	(15,943,205)	2,793,229	105,446,786

Reconciliation of provisions - 2021

	Opening Balance	Discounting	Change in estimate	Movement due to change in net discount rate	Closing balance
Rehabilitation of landfill sites	38,332,450	1,915,150	64,747,250	13,601,912	118,596,762

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002).

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation cost for the waste disposal sites at the end of its useful lives.

The municipality has five active landfill sites, as per the asset register:

Landfill	Estimated remaining useful lives
Allanridge	3 years (2021: 4 years)
Henneman (Phomolong)	6 years (2021: 7 years)
Odendaalsrus	18 years (2021: 19 years)
Virginia (Transfer station)	6 years (2021: 7 years)
Bronville (Welkom)	0 years (2021: 1 year)

There were no landfill sites developed, planned, rehabilitated or closed during the current or prior year.

Discount rate assumptions

The key assumptions used in the valuation, with prior year's assumptions shown for comparison, are summarised as follows:

	30 June 2022	30 June 2021
Discount rate (D)	10.54 %	9.94 %
Consumer price inflation (CPI)	6.37 %	6.03 %

The discount rate used was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2022 was 10.54% p.a.

The consumer price inflation was obtained from the differential between the averages of the Nominal Bond and the Real Bond (Zero Yield Curves). The consumer price inflation at 30 June 2022 was 6.37% p.a.

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2022.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

17. Provisions (continued)

Movement in the closing balance of the provision

Reconciliation of landfill sites - 30 June 2022	Opening balance 1 July 2021	Discounting	Movement due to change in the net discount rate	Closing balance 30 June 2022
Odendaalsrus	37,754,024	(25,166)	(16,231,701)	21,497,157
Bronville (Welkom)	41,258,789	1,803,486	3,881,124	46,943,399
Allanridge	11,912,960	383,602	(242,457)	12,054,105
Hennenman (Phomolong)	21,595,076	494,104	(2,598,551)	19,490,629
Virginia (Transfer station)	6,075,912	137,203	(751,622)	5,461,493
	118,596,761	2,793,229	(15,943,207)	105,446,783

Reconciliation of landfill sites - 30 June 2021	Opening balance 1 July 2020	Discounting	Movement due to change in the net discount rate	Change in estimate	Closing balance 30 June 2021
Odendaalsrus	5,456,342	416,903	5,849,079	26,031,707	37,754,031
Bronville (Welkom)	13,727,967	565,479	1,606,495	25,358,848	41,258,789
Allanridge	7,588,423	346,582	1,810,055	2,167,901	11,912,961
Hennenman (Phomolong)	9,630,363	487,531	3,590,329	7,886,853	21,595,076
Virginia (Transfer station)	1,929,355	98,656	745,954	3,301,947	6,075,912
	38,332,450	1,915,151	13,601,912	64,747,256	118,596,769

18. Service charges

Refuse removal	123,831,678	116,830,059
Sale of electricity	640,397,932	622,832,833
Sale of water	425,986,361	422,553,223
Sewerage and sanitation charges	189,901,708	178,340,074
Less: Income foregone - indigents	(67,131,998)	(66,114,913)
	1,312,985,681	1,274,441,276

19. Rental of facilities and equipment

Premises	
Rental of living quarters	19,688,503 16,875,175
Facilities and equipment	
Rental of facilities	196,842 228,074
	19,885,345 17,103,249

20. Fines, Penalties and Forfeits

Traffic fines	8,224,288 5,639,146
---------------	--

21. Commission received

Market agents	14,589,177 13,354,545
Policy administration fees	1,834,955 1,954,076
	16,424,132 15,308,621

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
22. Availability charges		
Electricity	33,547,819	29,513,518
Water	5,226,271	4,940,533
	38,774,090	34,454,051
23. Other income		
Application fees - land usage	1,124,931	851,733
Cemetery and burial	2,768,139	3,488,654
Clearance certificates	768,498	904,535
Connection fees	521,720	291,220
Disconnection fees	2,322,340	2,045,994
Fire services	1,977,134	5,610,501
Movable assets sold	-	4,515,696
Payroll theft recovered	-	1,404,010
Sundry income	5,735,215	2,926,372
Tender documents	354,035	469,512
	15,572,012	22,508,227
24. Investment revenue		
Dividend revenue		
Unlisted shares - Local	33,570	22,848
Interest received		
Bank and investments	2,390,350	814,805
Interest charged on consumer receivables	254,369,264	206,801,674
Provisions	15,943,206	-
	272,702,820	207,616,479
	272,736,390	207,639,327

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
25. Property rates		
Rates received		
Commercial	144,580,189	169,105,706
Residential	170,857,254	110,827,621
Small holdings and farms	19,149,886	7,823,616
State	107,022,274	135,061,001
	441,609,603	422,817,944
Valuations		
Residential	21,555,865,255	12,192,398,421
Commercial	5,096,270,000	3,740,587,140
State	4,251,842,120	1,513,204,500
Small holdings and farms	7,325,161,003	3,320,907,110
	38,229,138,378	20,767,097,171

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2021. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A firm was appointed perform the general valuation and the new valuation roll was implemented on 1 July 2021 for the financial period 2022 to 2027.

The first R75,000 of the valuation of residential property is exempted from property rates.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Government grants & subsidies		
Operating grants		
Equitable share	561,610,705	622,853,000
Expanded Public Works Program (EPWP)	2,964,000	1,748,000
Energy Efficiency and Demand side Management Grant (EEDG)	2,297,451	5,000,000
Finance Management Grant (FMG)	3,100,000	3,000,000
Sector Education and Training Authority (SETA)	1,370,430	752,482
	571,342,586	633,353,482
Capital grants		
Integrated National Electrification Program Grant (INEP)	-	837,283
Municipal Infrastructure Grant (MIG)	84,263,537	122,270,298
Water Services Infrastructure Grant (WSIG)	15,000,000	34,634,460
	99,263,537	157,742,041
	670,606,123	791,095,523
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	108,995,417	168,242,523
Unconditional grants received	561,610,705	622,853,000
	670,606,122	791,095,523
Equitable Share		
Current-year receipts as per Government Gazette	561,595,000	630,681,000
Transferred to revenue	(536,595,000)	(622,853,000)
Amount withheld from Equitable share	(25,000,000)	-
Amount short paid by Treasury	-	(7,828,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	83,392,606	44,388,904
Current-year receipts as per Government Gazette	133,069,000	116,796,000
Current-year receipts - Additional to Government Gazette	-	44,478,000
Conditions met - transferred to revenue	(84,263,537)	(122,270,298)
Offset the unspent grant against Equitable Share	(20,848,151)	-
	111,349,918	83,392,606

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

26. Government grants and subsidies (continued)

This grant is used to supplement municipal capital budget to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

REPAYMENT ARRANGEMENT OF UNSPENT CONDITIONAL GRANTS

Matjhabeng Local Municipality and National Treasury reached repayment arrangement in terms of section 22(4) of the Division of Revenue Act, 2020 (Act No.4 of 2020) to repay the 2020/21 unspent conditional grants in four instalments, starting from March 2022. This pertains to MIG and WSIG unspent conditional grants.

- March 2022: R25 million;
- July 2022: R25.1 million;
- December 2022: R25 million; and
- March 2023: R25 million.

Finance Management Grant (FMG)

Current-year receipts	3,100,000	3,000,000
Conditions met - transferred to revenue	(3,100,000)	(3,000,000)
	-	-

The purpose of this grant is to promote and support reforms to financial management and the implementation of MFMA.

Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	-	837,283
Conditions met - transferred to revenue	-	(837,283)
	-	-

This grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Expanded Public Works Programme (EPWP)

Current-year receipts	2,964,000	1,748,000
Conditions met - transferred to revenue	(2,964,000)	(1,748,000)
	-	-

The purpose of this grant is to subsidise municipalities to expand on work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Energy Efficiency and Demand Side Management Program (EEDG)

Balance unspent at beginning of year	2,300,000	5,000,000
Current-year receipts	-	2,300,000
Conditions met - transferred to revenue	(2,297,451)	(5,000,000)
	2,549	2,300,000

The purpose of this grant is to assist the municipalities to reduce their energy consumption through deployment of electricity and other energy saving measures.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	16,670,212	16,304,672
--------------------------------------	------------	------------

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Government grants and subsidies (continued)		
Current-year receipts	15,000,000	35,000,000
Conditions met - transferred to revenue	(15,000,000)	(34,634,460)
Offset the unspent grant against Equitable Share	(4,167,553)	-
	12,502,659	16,670,212

The purpose of this grant is to address water and sanitation challenges that occurred with the aging infrastructure.

REPAYMENT ARRANGEMENT OF UNSPENT CONDITIONAL GRANTS

Matjhabeng Local Municipality and National Treasury reached repayment arrangement in terms of section 22(4) of the Division of Revenue Act, 2020 (Act No.4 of 2020) to repay the 2020/21 unspent conditional grants in four instalments, starting from March 2022. This pertains to MIG and WSIG unspent conditional grants.

- March 2022: R25 million;
- July 2022: R25.1 million;
- December 2022: R25 million; and
- March 2023: R25 million.

Sector Education and Training Authority (SETA)

Current-year receipts	1,370,429	752,482
Conditions met - transferred to revenue	(1,370,429)	(752,482)
	-	-

The purpose of this grant is to do skills development among employees and improve the auditing skills of the municipality. This is a Mandatory grant that only gets paid once the SETA required documents are submitted, therefore MLM met the conditions as the tranches were paid for the current year.

Free State Provincial Department of Human Settlements

Current-year receipts	67,146,000	-
-----------------------	------------	---

EXPEDITION OF TITLE DEED RESTORATION PROGRAMME IN THE FREE STATE

The transferred funds will be utilized solely and strictly for the purpose of resolving disputes amongst erf owners and rectification transfers as a result of implementing the dispute resolution outcome

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Public contributions and donations

Public contributions and donations	44,551,882	-
------------------------------------	------------	---

Property, plant and Equipment

The Municipality is a beneficiary of Compactor Truck from the Department of Environmental Affairs, which was handed over on 1 April 2022.

Investment property

5 farms were bought by the Department of Agriculture, land reform and rural development on behalf of Matjhabeng Local Municipality.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Employee related costs		
Salaries	418,766,742	393,872,040
13th Cheque	32,387,964	31,562,363
Bargaining council levy	241,195	237,332
Employee benefit (medical aid)	32,955,005	30,577,450
Group life insurance	2,369,756	2,208,117
Housing allowances	4,055,177	4,095,665
Leave pay provision charge	13,062,971	18,200,959
Medical aid	47,492,176	46,852,445
Other allowances	30,505,585	28,388,129
Other long term employee benefits	45,402,962	44,398,006
Overtime payments	74,857,894	85,472,071
Pension	68,775,573	67,910,703
SDL	6,864,156	5,507,448
Shift allowance	20,536,044	19,757,800
Standby allowance	18,025,322	18,178,488
Transport allowance	48,747,892	44,826,441
UIF	3,996,846	3,563,551
	869,043,260	845,609,008

Directors Remuneration

30 June 2022	Basic Salary	Car and other allowances	Contributions to Medical and Pension Funds	Backpay	Total
Tindleni ZK - Municipal Manager	1,274,640	132,000	299,284	200,766	1,906,690
TC Panyani - Chief Financial Officer	997,519	379,272	199,504	268,873	1,845,168
Makofane TB - Director Strategic Support	1,183,073	-	29,477	3,000	1,215,550
Thobela MB - Director Infrastructure	939,955	638,699	18,094	3,000	1,599,748
Williams Van Wyk LS - Director Community Services	808,110	180,000	200,528	3,000	1,191,638
Ramphoma S - Director LED & Planning	92,921	25,000	-	-	117,921
G Pitso - Acting Director LED & Planning	621,347	181,186	114,471	4,774	921,778
M Vanga - Acting Director LED and Planning	482,562	254,042	117,502	3,000	857,106
Dr Adonis - Director Corporate Services	133,062	-	-	-	133,062
	6,533,189	1,790,199	978,860	486,413	9,788,661

30 June 2021	Basic Allowances	Car and other allowances	Contributions to Medical and Pension Funds	Leave Payout	Total
Tindleni ZK - Municipal Manager	1,282,305	132,000	299,910	62,687	1,776,902
TC Panyani - Chief Financial Officer	946,390	379,272	201,033	72,717	1,599,412
MMG Mokhekhe - Acting Director LED & Planning	606,754	187,857	132,849	-	927,460
TB Makofane - Director Strategic and Support Services	1,184,200	-	40,386	-	1,224,586
G Mokgatle - Acting Director Community Services	280,188	87,195	59,173	-	426,556
LS Williams Van Wyk - Director Community Services	916,239	196,161	211,992	207,401	1,531,793
MB Thobela - Director Infrastructure	941,063	638,699	31,158	-	1,610,920
DP Olyn - Acting Director Strategic Support Services	181,882	60,820	38,736	-	281,438

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand				2022	2021
28. Employee related costs (continued)					
	6,339,021	1,682,004	1,015,237	342,805	9,379,067
29. Remuneration of councillors					
Executive Mayor and Councillors				33,686,836	33,885,379

In-kind benefits

The Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of separate Council owned vehicles for official duties, one full time driver and a bodyguard.

The Speaker has the use of separate Council owned vehicles for official duties and one part time driver.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

29. Remuneration of councillors (continued)

Details of remuneration for the year ended 30 June 2022

Name of councillor	Annual remuneration	Car allowance	Cellphone allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	248,501	82,834	40,800	3,352	375,487
Badenhorst HS	248,501	82,834	40,800	3,352	375,487
Botha PF	215,090	82,834	40,800	36,441	375,165
Botha GP	220,890	-	27,200	2,345	250,435
Buti MP	552,320	19,049	31,630	5,844	608,843
Chaka MS	83,019	29,427	14,494	6,870	133,810
Claasen Malherbe C	248,501	82,834	40,800	3,352	375,487
Danster MP	88,798	29,427	14,494	1,206	133,925
Du Plessis JM	248,501	82,834	40,800	3,352	375,487
Dyantyi A	241,277	82,834	40,800	10,431	375,342
Hanisi C	220,890	-	27,200	2,345	250,435
Helepi AB	200,182	-	27,200	2,345	229,727
Hess S	220,890	2,083	27,200	2,345	252,518
Jacobs EJ	238,388	82,834	40,800	13,263	375,285
Jama BL	241,277	82,834	40,800	10,431	375,342
Janse Van Rensburg WH	220,890	-	27,200	2,345	250,435
Khalipha TD	611,924	-	24,024	13,511	649,459
Kalipa T	220,890	-	27,200	2,345	250,435
Khepeng MA	220,890	-	27,200	2,345	250,435
Khetsi LE	231,164	82,834	40,800	20,222	375,020
Khothule MJ	83,019	29,427	14,494	6,870	133,810
Letlhake TW	232,637	82,834	40,800	19,071	375,342
Letsele Sethabi SV	220,890	2,083	27,200	2,345	252,518
Liphoko SJ	156,742	56,553	14,494	13,702	241,491
Lushaba TB	204,686	69,740	14,494	8,505	297,425
Macingwane MT	83,019	29,427	14,494	6,870	133,810
Mafa DM	77,661	29,427	14,494	12,236	133,818
Mafaisa MG	77,661	29,427	14,494	12,236	133,818
Mahlaku ME	28,937	-	3,512	307	32,756
Mahlumba BH	101,183	37,764	14,494	14,159	167,600
Maile LJ	220,890	-	27,200	2,345	250,435
Maile PE	220,890	-	27,200	2,345	250,435
Makaliane CL	213,690	-	27,200	9,545	250,435
Manenye AJ	241,277	82,834	40,800	10,431	375,342
Manese SD	414,056	69,740	41,694	22,370	547,860
Maruping II	220,890	-	27,200	2,345	250,435
Marais JS	88,798	29,427	14,494	1,206	133,925
Masienyane MD	219,436	31,736	14,494	23,443	289,109
Masina XN	571,285	173,734	42,253	39,699	826,971
Mawela VE	191,392	69,740	14,495	21,534	297,161
Meli TS	77,661	29,427	14,495	12,236	133,819
Moalosi TE	213,690	-	27,200	2,345	243,235
Mohapi LA	180,616	34,514	27,200	8,036	250,366
Moipatle KV	542,661	35,195	41,359	30,022	649,237
Mokhomo HA	547,977	50,414	42,253	63,150	703,794
Mokhothu SM	220,890	-	27,200	2,345	250,435
Molefi M	266,459	27,611	40,800	40,327	375,197
Molelekoa PMI	83,019	29,427	14,494	6,870	133,810
Moloja NJ	77,661	29,427	14,494	12,236	133,818
Molula IP	212,250	-	27,200	10,985	250,435
Montoeli DB	220,890	-	27,200	2,345	250,435

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand			2022	2021
29. Remuneration of councillors (continued)				
Moopela RH	184,639	27,611	27,200	10,930
				250,380

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

29. Remuneration of councillors (continued)

Morris VR	204,686	69,740	14,494	8,505	297,425
Moshoeu ZS	444,505	136,245	41,359	29,826	651,935
Mosia TJ	231,164	82,834	40,800	20,342	375,140
Mollatsi SH	220,890	-	27,200	2,345	250,435
Mphikeleli MA	277,185	86,084	41,694	12,929	417,892
Mphore IP	220,890	-	27,200	2,345	250,435
Mthebere NA	77,074	27,611	13,600	6,888	125,173
Nel J	220,890	-	27,200	2,345	250,435
Nkone GNP	220,890	-	27,200	2,345	250,435
Nkonka BB	77,661	29,427	14,494	12,236	133,818
Nqeobo ME	241,277	82,834	40,800	10,431	375,342
Nthako TD	83,019	29,427	14,494	6,870	133,810
Nthuba PV	193,279	27,611	27,200	2,290	250,380
Ntini KM	220,890	-	27,200	9,545	257,635
Ntsebenz MH	77,661	29,427	14,494	12,236	133,818
Ntuli BN	83,019	29,427	14,494	6,870	133,810
Olifant MA	89,461	-	7,359	931	97,751
Petersen SL	55,223	-	6,800	586	62,609
Phiri EP	220,890	2,083	27,200	2,345	252,518
Phofeli NM	83,038	29,427	14,494	6,966	133,925
Pholo SJ	77,661	29,427	14,494	12,236	133,818
Poo IP	77,661	29,427	14,494	12,236	133,818
Presente LN	248,501	82,834	40,800	3,352	375,487
Pretorius HS	220,890	20,708	27,200	2,304	271,102
Radebe MC	660,511	69,740	42,253	48,647	821,151
Radebe ML	656,046	69,740	42,253	53,023	821,062
Rakaki MM	83,019	29,427	14,494	6,870	133,810
Ramabodu BM	88,798	29,427	14,494	1,206	133,925
Ramaletane SJ	440,041	138,512	41,359	29,781	649,693
Ramatisa PT	260,038	34,514	40,800	39,841	375,193
Ramosie BS	151,862	43,092	23,800	1,969	220,723
Rantso MJ	28,937	-	3,512	307	32,756
Riet Ml	130,785	42,614	14,494	1,732	189,625
Scheurkogel IS	220,890	-	27,200	2,345	250,435
Sebotsa MM	77,661	29,427	14,494	12,236	133,818
Seane LI	220,890	-	27,200	2,345	250,435
Seate MO	28,937	-	3,735	308	32,980
Senoge MM	83,019	29,427	14,494	6,870	133,810
Setabela ML	482,824	7,378	27,759	13,693	531,654
Sibeko TS	113,869	13,806	15,724	1,328	144,727
Sithole AM	241,277	84,917	40,800	10,431	377,425
Sotenjwa V	212,250	2,083	27,200	10,985	252,518
Schoeman A	248,501	82,834	40,800	3,352	375,487
Speelman NW	280,595	92,987	14,494	3,633	391,709
Steyn R	220,890	-	27,200	2,345	250,435
Stofile RB	692,608	74,389	38,518	34,999	840,514
Styger A	88,798	29,427	14,494	1,206	133,925
Taljaard SDM	231,221	82,834	40,800	20,632	375,487
Tau RD	220,890	-	27,200	2,345	250,435
Thelingoane NC	77,661	29,427	14,494	12,236	133,818
Thelingoane TJ	475,657	47,843	40,800	12,486	576,786
Tiake KR	559,764	16,826	41,359	31,290	649,239
Tsatsa SJ	77,061	29,427	14,494	12,236	133,618
Tshabangu SE	248,501	82,834	40,800	3,352	375,487
Tshokotshela NJ	83,019	29,427	14,494	6,870	133,810
Tshopo ME	204,686	69,740	14,494	8,505	297,425
Tsunke SE	220,890	-	27,200	2,345	250,435
Twala MJ	220,890	-	27,200	2,345	250,435

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand			2022	2021	
29. Remuneration of councillors (continued)					
Van Rooyen KV	210,446	69,740	14,494	2,745	297,425
Van Rooyen MS	248,501	82,834	40,800	3,352	375,487
Van Schalkwyk HCT	83,019	29,427	14,494	6,870	133,810
Xaba Monjovo NE	542,661	35,195	41,359	30,022	649,237
	25,307,053	4,246,879	2,976,154	1,217,820	33,747,906

Details of remuneration for the year ended 30 June 2021

Name of councillor	Annual remuneration	Car allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	288,538	82,966	2,786	374,290
Badenhorst HS	289,301	82,834	2,793	374,928
Botha PF	255,890	82,834	35,936	374,660
Chaka MS	271,964	82,834	19,841	374,639
Claasen Malherbe C	289,301	82,834	2,793	374,928
Daly A	289,301	82,834	2,793	374,928
Danster MP	289,301	82,834	2,793	374,928
Du Plessis JM	133,377	38,372	1,546	173,295
Dyantyi A	271,964	82,834	19,841	374,639
Jacobs EJ	271,964	82,834	19,841	374,639
Jama BL	271,964	82,834	19,841	374,639
Khetsi LE	271,964	82,834	19,741	374,539
Khothule MJ	271,964	82,834	19,841	374,639
Kopela MP	-	-	2,667	2,667
Letlhake TW	277,817	82,834	19,841	380,492
Liphoko SJ	588,646	196,312	46,790	831,748
Lushaba TB	612,455	196,312	23,667	832,434
Macingwane TM	271,964	82,834	19,841	374,639
Mafa DM	255,890	82,834	35,936	374,660
Mafaisa MG	255,890	82,834	35,936	374,660
Mahluma BH	321,943	106,304	41,510	469,757
Manenye AJ	271,964	82,834	19,841	374,639
Manese SD	681,819	219,558	24,132	925,509
Manzana NR	149,269	48,320	23,789	221,378
Marais JS	289,301	82,834	2,793	374,928
Masienyane MD	650,660	89,335	68,630	808,625
Masina XN	578,398	196,312	62,885	837,595
Mawela VE	572,572	196,312	62,885	831,769
Meli TS	255,890	82,834	35,936	374,660
Moipatle KV	255,890	82,834	35,936	374,660
Mokhomo HA	327,212	106,304	41,510	475,026
Molefi M	332,944	-	41,757	374,701
Molelekoa PMI	272,520	82,834	19,841	375,195
Moloja NJ	255,890	82,834	35,936	374,660
Monjovo NE	255,890	82,834	35,936	374,660
Morris VR	618,281	196,312	23,667	838,260
Moshoeu ZS	255,890	82,834	35,936	374,660
Mosia TJ	271,964	82,833	19,841	374,638
Mphikeleli MA	337,461	106,304	25,415	469,180
Mthebere NA	272,021	82,833	20,073	374,927
Nkonka BB	255,890	82,833	35,936	374,659
Nqeobo ME	271,964	82,833	19,841	374,638
Nthako TD	271,964	82,833	19,841	374,638
Ntseberg MH	256,446	82,833	35,936	375,215

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand			2022	2021
29. Remuneration of councillors (continued)				
Nthuli BN	277,790	82,833	19,841	380,464
Phofeli NM	272,021	82,833	20,073	374,927
Pholo SJ	255,890	82,833	35,936	374,659
Poo IP	255,890	82,833	35,936	374,659
Presente LN	289,301	82,833	2,793	374,927
Radebe MC	572,572	196,312	62,885	831,769
Radebe ML	578,464	196,312	62,885	837,661
Rakaki MM	271,964	82,834	19,841	374,639
Ramabodu BM	289,301	82,834	2,793	374,928
Ramalefane SJ	255,890	82,834	35,936	374,660
Ramatisa PT	332,944	-	41,757	374,701
Riet MI	32,296	11,479	392	44,167
Sebotsa MM	255,890	82,834	35,936	374,660
Senoge MM	271,964	82,834	19,841	374,639
Sephiri MJ	572,572	196,312	62,885	831,769
Sithole MA	258,569	82,834	33,253	374,656
Speelman NW	839,387	261,749	8,459	1,109,595
Stofile B	609,096	209,399	65,993	884,488
Styger A	289,301	82,834	2,793	374,928
Taljaard SDM	272,021	82,834	20,073	374,928
Thelingoane TJ	282,238	82,834	19,841	384,913
Thelingoane NE	255,890	82,834	35,936	374,660
Tiake KR	296,107	39,600	38,974	374,681
Tsatsa SJ	255,890	82,833	35,936	374,659
Tshabangu SE	289,301	82,833	2,793	374,927
Tshokotshela NJ	271,964	82,833	19,841	374,638
Tshopo ME	612,455	196,311	23,667	832,433
Van Rooyen MS	289,300	82,833	2,793	374,926
Van Rooyen KV	691,232	214,473	7,807	913,512
Van Schalkwyk HCT	271,963	82,833	19,842	374,638
	24,582,961	7,359,820	1,942,598	33,885,379

30. Depreciation and amortisation

Property, plant and equipment	234,573,396	194,699,359
-------------------------------	-------------	-------------

31. Impairment loss

Impairments		
Property, plant and equipment	2,519,352	40,512,267
Heritage assets	26,810	-
	2,546,162	40,512,267

The main classes of assets affected by impairment losses are as follows:

Infrastructure	1,996,335	40,512,267
Land and buildings	523,017	-
Heritage assets	26,810	-
	2,546,162	40,512,267

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
32. Finance costs		
Trade and other payables	173,456,459	95,210,175
Bank	18,922	19
Provisions	-	13,601,912
	173,475,381	108,812,106
33. Debt impairment		
Contributions to bad debt provision	850,074,718	814,216,642
Balance at the beginning of the year	(3,683,674,206)	(2,940,748,318)
Contributions to allowance	(850,074,718)	(814,216,642)
VAT provision on impairment	44,224,738	(62,830,499)
Debt impairment written off against the allowance	-	134,121,253
	(4,489,524,186)	(3,683,674,206)
34. Bulk purchases		
Electricity	643,907,451	544,880,225
Water	608,076,068	641,743,815
	1,251,983,519	1,186,624,040
Electricity losses		
Units purchased (Kw/H)	426,188,805	437,362,652
Units sold (Kw/H)	(323,519,930)	(331,171,702)
Total loss	102,668,875	106,190,950
Rand value of loss:		
Non-technical losses	150,050,786	127,890,866
Percentage Loss:		
Non-technical losses	24 %	24 %

These losses are the result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non technical losses, e.g. theft and vandalism.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. Bulk purchases (continued)		
Water losses		
Units purchased (KI)	48,469,518	54,581,876
Units sold (KI)	(21,814,540)	(23,773,385)
Total	26,654,978	30,808,491
Rand value of loss:		
Non-technical losses	323,991,257	363,540,187
Percentage Loss:		
Non-technical losses	55 %	56 %

These losses are predominantly due to metering inefficiencies, unmetered connections, aging pipeline infrastructure, burst pipes, old reticulation networks and other leakages which are by nature regarded as normal production losses.

35. Contracted services

Professional services	37,687,659	103,124,733
Outsourced services	49,279,661	175,652,047
Meter reading services	8,643,596	18,843,359
Legal services	31,932,361	42,369,549
Security services	51,369,171	63,520,078
	178,912,448	403,509,766

Contracted services are mandated services in terms of the Local Government: Municipal Structures Act, Act 117 of 1998, a municipal by-law or the Integrated Development Plan (IDP) that the municipality is expected to have the capacity and expertise to deliver, but are being Outsourced instead.

Refer to prior period error note 46 for more details on the error.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
36. General expenses		
Advertising	8,920,552	16,216,665
Audit fees	9,945,364	10,158,682
Bank charges	3,626,733	8,858,586
Cleaning	5,754,477	19,437,880
Commission paid	4,991,580	-
Consumables	32,433,398	91,908,951
Entertainment	376,551	299,333
Expired traffic fines	10,463,136	6,076,100
Insurance	42,213,232	40,900,165
Community development and training	2,101,685	2,352,383
Medical expenses	19,217	-
Motor vehicle expenses	201,803,493	159,509,169
Fuel and oil	28,795,551	15,753,686
Postage and courier	5,790,929	1,998,724
Royalties and license fees	937,575	246,777
Staff welfare	1,634,979	1,114,330
Subscriptions and membership fees	15,374,200	14,629,056
Telephone and fax	36,513,125	38,371,060
Training	520,486	2,529,991
Subsistence and travel	3,803,119	811,447
Assets expensed	3,566,186	205,788
Uniforms	20,576,797	16,490,628
Poverty relief	539,619	115,000
Ward committee members' remuneration	2,414,000	4,042,000
Other expenses	25,046,605	20,732,754
	468,162,589	472,759,155
37. Fair value adjustments		
Investment property (Fair value model)	290,832,016	812,744,986
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	48,440	62,808
	290,880,456	812,807,794
38. Repairs and maintenance		
Repairs and maintenance	65,973,709	75,626,701

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
39. Cash generated from operations		
Deficit	(1,016,282,541)	(561,096,877)
Adjustments for:		
Depreciation and amortisation	234,573,396	194,699,359
Loss on sale of assets and liabilities	36,645,149	-
Fair value adjustments	(290,880,456)	(812,807,794)
Interest received - Receivables	(254,369,264)	(206,801,674)
Dividends or similar distributions received	(33,570)	(22,849)
Finance costs - Trade and other payables	173,456,459	95,210,175
Impairment loss	2,546,162	40,512,267
Debt impairment	850,074,718	814,216,642
Employee benefit obligations - current service cost	22,427,337	20,408,508
Finance cost - Employee benefit obligation	47,540,982	49,036,709
Non-cash donations and other in-kind benefits	(44,551,882)	-
Provision raises/increased - finance cost	(15,943,206)	13,601,912
Actuarial loss	(16,544,624)	(11,342,388)
Changes in working capital:		
Inventories	(914,593)	2,266,429
Other receivables	(610,203)	(431,128)
Receivables from exchange transactions	(575,051,016)	(530,504,646)
Other receivables from non-exchange transactions	(128,079,698)	(92,388,157)
Payables from exchange transactions	1,251,815,213	1,337,804,961
VAT	(98,274,742)	(186,064,391)
Unspent conditional grants and receipts	88,638,308	35,831,959
Consumer deposits	1,526,752	1,749,269
Employee benefit obligation - expected payments	(13,668,065)	(19,104,029)
	254,040,616	184,774,257

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	
40. Financial instruments disclosure			
Categories of financial instruments			
2022			
Financial assets			
	At fair value	At amortised cost	Total
Other receivables	-	34,596,206	34,596,206
Receivables from non-exchange transactions	-	259,255,123	259,255,123
Receivables from exchange transactions	-	962,664,504	962,664,504
Cash and cash equivalents	-	203,091,108	203,091,108
Other financial assets	415,803	-	415,803
	415,803	1,459,606,941	1,460,022,744
Financial liabilities			
		At amortised cost	Total
Trade and other payables from exchange transactions		10,635,039,581	10,635,039,581
Consumer deposits		37,934,903	37,934,903
Unspent conditional grants and receipts		191,001,126	191,001,126
		10,863,975,610	10,863,975,610
2021			
Financial assets			
		At amortised cost	Total
Other receivables		33,986,003	33,986,003
Receivables from non-exchange transactions		198,609,252	198,609,252
Receivables from exchange transactions		918,045,601	918,045,601
Cash and cash equivalents		56,801,207	56,801,207
		1,207,442,063	1,207,442,063
Financial liabilities			
		At amortised cost	Total
Trade and other payables from exchange transactions		9,206,754,017	9,206,754,017
Consumer deposits		36,408,151	36,408,151
Unspent conditional grants and receipts		102,362,818	102,362,818
		9,345,524,986	9,345,524,986

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	190,344,111	188,224,385
Total capital commitments		
Already contracted for but not provided for	190,344,111	188,224,385

This committed expenditure relates to infrastructure projects and will be financed by available bank facilities, funds internally generated and grants received

Refer to prior period error note 46 for more information.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

42. Contingencies

Contingent liabilities

Several claims are in the process against the municipality, a register containing all the detail is available at the municipal offices and the nature and amount of the different litigations are as follows:

Nature of litigation	Possible Rand	Possible Rand	Number of litigations	Number of litigations
	value of claim	value of claim		
	2022	2021	2022	2021
Application to compel	-	-	2	2
Civil litigations	97,131,833	97,131,833	8	7
Claims for services rendered	3,695,805,503	3,600,055,976	34	23
Conveyancing	350,000	350,000	3	3
Interdict application	-	-	2	2
Public liability claim	872,500	872,500	3	3
	3,794,159,836	3,698,410,309	52	40

Civil litigation - Summons were issued against Matjhabeng Local Municipality by various plaintiffs for outstanding rates, taxes, monies owed and compliances in terms of the Deed of Cession.

Claims for services rendered - Various summons have been issued against Matjhabeng Local Municipality by plaintiffs for services that they rendered for the Municipality, but did not receive payment for.

Conveyancing - Disputes and Title Deed reversals concerning numerous serf's in and around Matjhabeng Local Municipality.

Public liability claim - These are claims that are made for injuries sustained as a result of accidents that occur on property that is open or accessible to the public. The claims briefly relate to the following:
Plaintiff alleged that she slipped and fell on a spinach leave outside Welkom Mini Market and Matjhabeng Local Municipality is responsible for removing rubble and keeping the premises neat and clean, damage to public vehicles due to potholes and a plaintiff suffered damages due to Matjhabeng Local Municipality's irresponsible actions.

Contingent assets

Several claims are in the process on behalf of the municipality, a register containing all the detail is available at the municipal offices and the nature and amount of the different litigations are as follows:

Claims for services rendered - Relating to various claims against third parties for services rendered.

Eviction Notice - Notices to vacate illegal occupiers of land through section 4(2) of the Land Act 19 of 1998.

Nature of litigations	Possible Rand	Possible Rand	Number of litigations	Number of litigations
	value of claim	value of claim		
	2022	2021	2022	2021
Claims for services rendered	2,000,000	2,000,000	3	3
Eviction notice	999,792	999,792	6	7
	2,999,792	2,999,792	9	10

43. Related parties

Relationships

Members of key management

Refer to note 28

Members of council

Refer to note 29

Key management and councilors receive and pay for services on the same terms and conditions as other rate payers, these transactions are recorded at arm's length.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

44. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

A summarised explanation of the prior period errors are as follows:

VAT was restated due to inappropriate unrecorded prior year transactions.

Investment property was restated due to fair value adjustments.

Property, plant and equipment was restated due to unrecorded of prior year additions and retention amounts.

Depreciation was corrected due to additions that were not accounted for in the prior year and completed projects which were not capitalised.

Payables from exchange transaction was restated due to unrecorded transactions as well as corrections to third party amount.

Rental of facilities and equipment was restated due to inappropriate classification.

Employee related cost was restated due to inappropriate classification.

Repairs and maintenance was restated due to incorrect classification and unrecorded transactions.

Contracted services were restated due to errors in recording expenditure.

General expenses was restated due to unrecorded transactions and inappropriate classification.

Fair value adjustment was restated due to investment property being revalued.

Finance cost was restated due to inappropriate classification.

The prior year commitments were misstated due to projects that were omitted and projects that were completed but still formed part of commitments. Other projects were included while the contract value amount was exceeded.

Irregular expenditure was restated due to a casting error in the prior year.

Work in progress has been corrected due to projects that were completed in the prior year but were not capitalised into infrastructure.

Statement of financial position

2021

	Note	As previously reported	Correction of error	Adjustment 2021	Restated
VAT Receivable	8	823,993,617	(1,056,439)	-	822,937,178
Investment property	10	1,094,907,529	760,492,471	-	1,855,400,000
Property, plant and equipment	11	4,041,208,366	14,411,993	-	4,055,620,359
Payables from exchange transactions	13	(9,221,744,268)	14,990,251	-	(9,206,754,017)
Accumulated surplus		(2,718,687,113)	2,381,337,277	80,782,017	(256,567,819)
		(5,980,321,869)	3,170,175,553	80,782,017	(2,729,364,299)

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

44. Prior-year adjustments (continued)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Adjustment 2021	Re-classification	Restated
Rental of facilities and equipment	19	10,866,849	-	-	6,236,400	17,103,249
Employee related cost	28	800,614,299	-	-	44,994,709	845,609,008
Repairs and maintenance	38	75,798,442	1,188,259	-	(1,360,000)	75,626,701
Contracted services	35	399,163,679	4,346,087	-	-	403,509,766
General expenditure	36	468,080,442	4,678,713	-	1,980	472,761,135
Fair value adjustments	37	(52,315,323)	(760,429,655)	-	-	(812,744,978)
Finance costs	32	157,848,815	-	-	(49,036,709)	108,812,106
Depreciation and amortisation	30	193,088,340	-	1,611,019	-	194,699,359
Surplus for the year		2,053,145,543	(750,216,596)	1,611,019	836,380	1,305,376,346

Disclosure	As previously reported	Correction of error	Restated
Commitments	- 170,226,840	17,997,547	188,224,387
Irregular Expenditure	- 945,941,736	(46,941,245)	899,000,491
Work in progress	- 689,327,137	(98,711,119)	590,616,018
	- 1,805,495,713	(127,654,817)	1,677,840,896

45. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and processes for measuring and managing financial risks. The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework.

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.

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	10,635,025,900	-	-	-
Consumer deposits	37,934,903	-	-	-
Unspent conditional grant and receipts	191,001,126	-	-	-
At 30 June 2021	Less than 1 year	Between 1 and 2 years		Over 5 years
Payables from exchange transactions	9,206,754,017	-	-	-
Consumer deposits	36,408,151	-	-	-
Unspent conditional grant and receipts	102,362,818	-	-	-

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

45. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2022	2021
Other financial assets	415,803	367,363
Other receivables	34,596,206	33,986,003
Receivables from non-exchange transactions	221,958,788	198,609,252
Receivables from exchange transactions	962,664,504	918,045,601
Cash and cash equivalents	203,091,108	56,801,207
Receivables from non-exchange transactions (non-current)	6,559,477	6,324,305
Receivables from exchange transactions (non-current)	42,634,615	3,412,966

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

46. Going concern

Management made an assessment on Matjhabeng Local Municipality's ability to continue as a going concern and whether this set of Financial Statement should be prepared on the going concern basis. Based on the assessment management identified following conditions that may cast significant doubt on MLM's ability to continue as a going concern:

Solvency assessment

We draw attention to the fact that at 30 June 2022:

The municipality had an accumulated deficit of R(2,946,136,363) and 2021:R(1,929,848,838)

The municipality's total liabilities exceed its total assets by R(2,946,136,357) and 2021:R(1,929,848,838).

Which represents a 360% decline of the asset value when compared to liabilities in the current year.

The municipality had a deficit of R(1,016,282,541) and 2021:R(561,096,877).

Liquidity assessment

Based on the current assets and current liabilities values on the statement of financial position we calculated the following ratios to assess liquidity of the municipality:

Total current liability exceeds the total current assets by R8 488 199 916 and (2021:R7 323 685 638)

Current ratio: (0,22 : 1) Total current assets cover only 22% of the total current liabilities.

Acid ratio: (0,22 : 1) Quick assets covers only 22% of the current liabilities.

Cash ratio: (0,02 : 1) Cash and cash equivalent can only cover 2% of current asset if they become due.

Creditors days: It takes MLM an average 930 days to pay off its creditors.

In addition to above the municipality owed Eskom R4,763,944,657 2021: R3,964,044,474 and Sedibeng Water R4,897,035,157 2021: R4,307,438,655 these accounts are long overdue.

Debtors impairment increased from R3,683,674,206 at 30 June 2021 to R4,489,524,186 at 30 June 2022.

Notwithstanding the above negative indicators there is an assurance that municipal activities will still continue to meet its statutory obligation for the foreseeable future based on the following:

The municipality is in the process of implementing revenue enhancement programs, these revenue enhancement programs "operation patala" will include a specific recovery of arrear amounts from clients.

The DORA allocation for the grants to be received in the 2022 /2023:

- Equitable share: R 628,523,000

- MIG : R 136,630,000

- INEP: R4,380,000

- WSIG: R 25,800,000

The municipality has an improved working capital management manifested by reduction of third-party arrears from R98,047,349 in 2021 and R30,704,413 in 2022.

47. Events after the reporting date

The Council is not aware of any material event which occurred after the reporting date and up to the date of this report.

48. Unauthorised expenditure

Opening balance as previously reported	3,364,533,574	2,090,446,152
Add: Unauthorised expenditure	1,474,880,000	1,234,175,598
Add: Unspent grants (Non cash backed)	-	39,911,824
Less: Amount written off - current	(2,561,799,400)	-
Closing balance	2,277,614,174	3,364,533,574

A report was served before council on the 30th of August 2022 and it was approved that unauthorised expenditure to the value of R2 561 799 400 relating to 2020/2021 and 2019/2020 financial years be written-off.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
48. Unauthorised expenditure (continued)		
The over expenditure incurred by municipal departments during the year is attributable to the following categories:		
Non-cash	745,281,377	39,911,824
Cash	729,598,623	1,234,175,598
	1,474,880,000	1,274,087,422

49. Fruitless and wasteful expenditure

Opening balance	518,237,371	414,494,221
Fruitless and wasteful expenditure	180,736,297	103,743,150
Less: Amount written off - current	(387,404,703)	-
Closing balance	311,568,965	518,237,371

Fruitless and wasteful expenditure is presented inclusive of VAT.

Fruitless and wasteful expenditure includes interest levied for late payment of creditors.

A report was served before council on the 30th of August 2022 and it was approved that fruitless and wasteful expenditure to the value of R387 404 703 relating to prior periods be written-off.

Details of fruitless and wasteful expenditure

Eskom	167,934,678	95,299,199
Sedibeng	25,951	-
Payables from exchange transactions	3,448,812	1,745,828
Late contribution to pension fund	-	527,670
Interest and penalties - SARS (VAT)	489,818	207,041
Interest and penalties - Compensation Commission	-	1,148,998
Interest and penalties - SARS (PAYE)	8,837,038	4,814,415
	180,736,297	103,743,151

50. Irregular expenditure

Opening balance as previously reported	1,346,393,213	899,000,491
Add: Irregular expenditure - current	216,180,180	410,191,976
Add: Irregular Expenditure identified during the audit	91,742,521	37,200,746
Closing balance	1,654,315,914	1,346,393,213

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

50. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Non-compliance with the MFMA & Supply Chain Policy	None	307,922,701	447,392,722

Details of investigations performed

Irregular expenditure includes instances of non-compliance with the requirements of MFMA and Supply Chain Management regulations..

The Accounting Officer continues to establish controls to detect and prevent these types of expenditure and the municipality has adopted the use of a centralised database from Treasury.

Detailed particulars of irregular expenditure is contained in the register maintained in terms of the requirements of MFMA Circular No.68

No amount of irregular expenditure was certified by the council to be irrecoverable and to be written-off.

As per updated MFMA circular no.68 issued in October 2021 the amounts disclosed for irregular expenditure are inclusive of VAT.

The total extent of the 2022 financial year's irregular expenditure is under investigation.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
51. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government (SALGA)		
Opening balance	9,035,604	8,918,825
Current year subscription / fee	9,297,497	9,022,189
Amount paid - current year	(24,000)	-
Amount paid - previous years	(5,028,000)	(8,905,410)
	13,281,101	9,035,604

Being the subscription fee to the South African Local Government Association (SALGA).

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Fraud investigations

The municipality conducted the following fraud investigations for the prior financial year:

- Case number: 527/05/2016
- Case number: 451/02/2016
- Case number: 116/08/2017
- Case number: 406/01/2020

As at 30 June 2022 the following cases were still under investigation:

Case number: 451/02/2016 - Fraud by service provider

The service provider Tiro Ya Nnete Trading and projects was given official orders no. 0001047515 and 0001047593 on the 9th and 19th November 2015 for the supply and delivery of tar for an amount of R154,080.58 respectively, however the services were never rendered to the municipality despite having received payment on the 11th of November 2015 for order no. 0001047515. After a thorough investigation it was found that the service provider forged the signature of Mr. Ewan Eloff on the invoice he submitted at Supply Chain in order to receive payment fraudulently. He later came clear with his actions admitting to the fraud he had committed. The case was reported to Mr. Bokvel Pieterse to investigate and open a criminal case where necessary. It was recommended that all orders issued to this service provider be cancelled and any fraudulent payment done to be recovered from him. The Department of Public Safety and Transport would investigate the matter and open possible criminal cases. It was also recommended that the supplier be permanently removed from the Service Providers database of Matjhabeng.

Case number: 527/05/2016 - Bank details amendments

On the 13th of May 2016 payments were made to suppliers - Circle Tooling, Free State Sun and Ricmisa Trading for a total of R787,779.91. Contrary to the normal payment process, the final payment report pulls through different banking details although the payments were captured correctly on the system (Solar). After a thorough investigation it was found that there is no audit trail on cash focus to indicate that the banking details were changed or amended on ABSA cash focus. Correct banking details also appear on the IF80 report derived from Solar. It was therefore concluded that the changes could have occurred on the Z drive. Therefore it seems the payments were directed to the incorrect payees. The IT department was contacted for investigation but no information could be obtained. This case is still under investigation with the Thabong SAPS branch.

Case number: 116/08/2017 - Illegal sale of erven

During the 2017/18 financial year the Municipal Housing Department discovered that there was a growing number of individuals alleging to have purchased sites from the municipality without council having approved sale of such erven. The municipality launched an investigation to discover that the matter was prevalent and may be intentionally perpetuated by municipal staff. Upon discovery a case was opened with South African Police Services. The case is still under investigation.

Case number: 406/01/2020 - Payroll fraud

On 22 January 2020, 69 bank account numbers of various Matjhabeng Local Municipality employees had been changed to 16 different bank account numbers without consent. Although the bank accounts on the payslips had been verified as correct, the account numbers on the payroll system were altered. After a thorough investigation it appeared that the IP address of the Senior Clerk: Salaries was compromised and unauthorised access had been obtained, which resulted in the alteration of the banking details of various employees. The issue was immediately escalated to the Chief Financial Officer and in turn to the Acting Municipal Manager at that time. A total of R3,508,268.52 had been fraudulently diverted to other individuals. A case has been opened and is still under investigation by the Hawks.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	2,218,431	5,720,944
Current year audit fees	11,437,169	11,682,484
Interest charged	225,088	98,993
Amount paid - current year	(8,594,064)	(9,563,046)
Amount paid - previous years	(1,509,200)	(5,720,945)
	3,777,424	2,218,430
PAYE, UIF and SDL		
Opening balance	30,731,226	34,919,854
Current year payroll deductions and council contributions	139,977,837	130,530,196
Penalties and interest	8,805,376	4,814,415
Adjustments made by SARS	(23,024,367)	(4,814,415)
Amount paid - current year	(113,825,931)	(116,569,964)
Amount paid - previous years	(23,970,398)	(18,148,860)
	18,693,743	30,731,226
Pension and Medical Aid Deductions		
Opening balance	41,752,336	40,556,014
Current year payroll deductions and council contributions	129,705,934	197,344,075
Amount paid - current year	(206,430,926)	(155,591,739)
Amount paid - previous years	-	(40,556,014)
	(34,972,656)	41,752,336
VAT		
VAT receivable	921,211,920	822,874,683

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

51. 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 2022:

30 June 2022	Outstanding more than 90 days	Total
Buti MP	882	882
Helepi AB	86,725	86,725
Jansen Van Rensburg WH	1,476	1,476
Kalipa T	11,173	11,173
Khalipha TD	30,619	30,619
Khepeng MA	20,367	20,367
Mahlaku ME	53,184	53,184
Manenye AJ	8,592	8,592
Manese SD	139	139
Mokhomo HA	990	990
Mphore IP	15,538	15,538
Tuba PVC	32,819	32,819
Rantso MJ	36,173	36,173
Tshabangu SE	70,490	70,490
Twala MJ	412,652	412,652
Xaba Monjovo NE	15,700	15,700
	797,519	797,519

30 June 2021	Outstanding more than 90 days	Total
Chaka MS	3,875	3,875
Khothule MJ	474,921	474,921
Mafaisa MG	26,215	26,215
Mahlumba BH	18,874	18,874
Manenye AJ	63	63
Manese SD	1,647	1,647
Manzana NR	182	182
Molelekoa PMI	16,284	16,284
Monjovo NE	9,081	9,081
Mthebere NA	515	515
Nthako TD	13,310	13,310
Ntsebeng MH	68,661	68,661
Pholo SJ	47,711	47,711
Ramabodu BM	46,062	46,062
Ramatisa PT	10,957	10,957
Speelman NW	648	648
Tshabang SE	1,016	1,016
	740,022	740,022

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

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 deviate from official procurement process in certain circumstances, provided the reasons for any deviations are recorded, reported to Council.

30 June 2021	Strip and quote	Sole suppliers	Emergency	Impractical
October 2020	-	-	1,180,612	1,792,688
January 2021	-	18,734	2,322,236	786,600
March 2021	133,460	-	85,760	-
	133,460	18,734	3,588,608	2,579,288

30 June 2022	Strip and quote	Sole suppliers	Emergency	Impractical	Total
July 2021	-	-	-	367,208	367,208
August 2021	-	903,000	-	1,846,317	2,749,317
September 2021	-	34,754	-	1,976,591	2,011,345
October 2021	-	-	6,489	779,208	785,697
November 2021	-	-	-	1,826,048	1,826,048
December 2021	-	-	-	2,176,080	2,176,080
January 2022	-	337,097	592,312	1,550,670	2,480,079
February 2022	-	774,356	127,121	2,483,540	3,385,017
March 2022	-	695,652	667,340	1,587,374	2,950,366
April 2022	-	4,930	2,547,887	2,153,052	4,705,869
May 2022	-	392,039	-	1,129,504	1,521,543
	-	3,141,828	3,941,149	17,875,592	24,958,569

52. Segment information

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Segment surplus or deficit

2022

	Community and public safety	Trading services	Economic and environmental services	Other	Governance and administration	Total
Revenue						
External revenue from non-exchange transactions	8,224,288	38,774,090	1,156,767,607	-	-	1,203,765,985
External revenue from exchange transactions	4,859,738	1,318,963,829	13,257	243,325	40,787,020	1,364,867,169
Interest revenue	-	232,495,945	-	-	40,240,444	272,736,389
Fair value adjustment	-	-	48,440	-	290,832,016	290,880,456
Actuarial gains	-	16,544,624	-	-	-	16,544,624
Total segment revenue	13,084,026	1,606,778,488	1,156,829,304	243,325	371,859,480	3,148,794,623
Entity's revenue						3,148,794,623
Expenditure						
General expenses	39,359,935	211,725,294	27,640,117	434,725	189,002,517	468,162,588
Employee Related Cost	225,263,197	265,284,420	44,595,953	4,889,898	329,009,792	869,043,260
Remuneration of Council	-	-	-	-	33,686,836	33,686,836
Finance costs	-	-	-	-	173,475,381	173,475,381
Depreciation and amortisation	14,011,420	126,558,109	89,367,866	-	4,636,002	234,573,397
Debt Impairment	-	781,475,634	-	-	68,599,084	850,074,718
Bulk purchases	-	1,251,983,519	-	-	-	1,251,983,519
Contracted services	382,091	53,187,131	(339,187)	-	125,682,411	178,912,446
Repairs & maintenance	8,510,473	23,595,651	23,460,386	29,800	10,377,399	65,973,709
Loss on disposal of assets	-	-	-	-	36,645,149	36,645,149
Impairment loss	-	1,996,335	-	-	549,827	2,546,162
Total segment expenditure	287,527,116	2,715,806,093	184,725,135	5,354,423	971,664,398	4,165,077,165
Total segmental surplus/(deficit)						(1,016,282,542)

Measurement of segment surplus or deficit

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

52. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality's operations are in the Free State Province.

The municipality does not report on a geographical basis, therefore decision making is not based on geographical areas.