

Matjhabeng Local Municipality

2019/2020

# ANNUAL REPORT

2019/2020



# Chapter 1

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## COMPONENT A: MAYOR'S FOREWORD

### a. Vision:

Focusing on the identified needs, development issues, priorities and predetermined objectives that are aligned to the National Development Plan, Free State Growth and Development Strategies and the Lejweleputswa District Municipality's Integrated Development Plan, the common aspirations and local identity of all concerned parties which gives a form of a picture of the ***"preferred future"***, a statement that describes how the future will look like if the municipality achieves its ultimate aims and is reflected in the following shared vision statement that drives us towards a compelling future:

***"By being a benchmark developmental municipality in service delivery excellence"***

### b. Key Policy Developments:

Municipalities are mandated to provide effective and efficient quality services to the residents and stakeholders in the city. Whilst tremendous progress has been made there are areas that would require additional effort to ensure that acceptable service delivery standards are reached. To assist municipalities to achieve acceptable levels of services, Department of Corporative Governance has implemented a Back-to-Basics program which all municipalities have to subscribe to. The program is directed at service the people and built on five pillars, as listed below.

The Back-to-Basics program identifies 4 priority areas of intervention as immediate priorities for transformation, to encourage all municipalities to be functional centers of good governance.

**Priority 1:** Get all municipalities out of a dysfunctional state and at the very least able to perform the

basic functions of local government.

**Priority 2:** Support municipalities that are at a minimum basic level of performance to

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progress to a

higher path.

**Priority 3:** Supporting and incentivize municipalities that are performing well to remain there.

**Priority 4:** Targeted and vigorous response to corruption and fraud, and a zero-tolerance approach to

ensure that these practices are rooted out.

The institutionalization of the Back to Basics would be via a performance management system to recognize and reward good governance based on performance measures, such as:

- Basic Services;
- Local Economic Development;
- Organisational Transformation and Institutional Development;
- Financial Management;
- Good Governance and Public Participation

All three spheres of government have an important role to play in ensuring well-functioning municipalities. Back to basics is the framework for government collective action. The main challenges that the municipality is facing in providing sustainable services to the communities are the following:

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

## c. Key Service Delivery Improvements:

A central principle of Reconstruction and Development programme is the empowerment of the poor and marginalized communities. This is repeated in the Growth, Employment and Redistribution strategy which calls for “a redistribution of income and opportunities in favour of the poor”. Developmental local government is uniquely placed to combine empowerment and redistribution in a number of concrete programmes:

- Service subsidies are a focused mechanism for providing services to the poor at below cost, and thereby provide an opportunity for low-income households to improve their circumstances. The equitable share will provide the basis for a standardized subsidy mechanism for all poor households. Municipalities need to plan the level and

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number of additional subsidies in a way which is affordable within the overall municipal budget.;

- Support to community organizations in the form of finances, technical skills or training can enhance the ability of the poor to make their needs known and to take control of their own development process;
- Linkage policies aim to directly link profitable growth or investment with redistribution and community development.
- An example is a development levy imposed in fast-growing areas and used to subsidize housing or other services for the poor. An alternative is a condition which requires developers to make social responsibility investment in return for planning permission. Another example is a condition impose on companies which supply goods and services to municipalities to invest in training, affirmative action, or community development; and
- Socio-economic development and community empowerment are mainly directed at poverty eradication. Most of the poor are women, and empowerment strategies which focus on women are likely to prove the most effective and inclusive. Municipalities need to develop their capacity to understand the diverse needs of women in the community and address these needs in planning and delivery processes to enhance their impact on poverty eradication.

Extremely rapid changes at the global, regional, national, and local levels are focusing local communities to rethink the way they are organized and governed. All over the world communities must find the new ways to sustain their economies, build their resources, protect their environments, improve personal safety (in particular for women) and eliminate poverty.

There is no single correct way to achieve these goals. National frameworks and support from other levels of government are critical, but cities, towns and rural communities are increasingly having to find within themselves ways to make their settlements more sustainable. This requires trust between individuals and open and accommodating relationships between stakeholders. Local government has a key role to play in building this kind of social capital-this sense of common purpose-to find local solutions for increased sustainability. In practical terms, municipalities can build social conditions favourable to development through:

- Building the kind of political leadership that can bring together coalitions and networks of local interests that cooperate to realise a shared vision;
- Responsive problem-solving and commitment to working in open partnerships with business, trade unions and community-based organisations;
- Ensuring that knowledge and information are acquired and managed in a way that promotes continuous learning and which everyone can access easily and quickly;
- Enhancing local democracy through raising awareness of human rights issues and



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promoting constitutional values and principles;

- Building an awareness of environmental issues and how the behaviour of residents impacts on the local environment, and encouraging citizens to utilise scarce natural resources in a prudent, careful manner;
- Investing in youth development as a key resource for the future, and building on their creativity and motivation through involvement in civic and development programmes;
- Actively seeking to empower the most marginalised groups in the community and encouraging participation, and
- Empowering ward councillors as community leaders who should play a pivotal role in building a shared vision and mobilising community resources for development.

Developmental local government requires that municipalities become more strategic, visionary, and ultimately influential in the way they operate. Municipalities have a crucial role as policymakers, as thinkers and innovators, and as institutions of local democracy. A developmental municipality should play a strategic policy-making and visionary role and seek to mobilise a range of resources to meet basic needs and achieve developmental goals.

Citizens and communities are concerned about areas where they live: they are concerned about access to services and economic opportunities, mobility, safety, absence of pollution and congestion, proximity of social and recreational facilities and so on.

Local government can impact on all of these facets of our lives. The outcomes which developmental local government seeks to achieve may differ over time. However, in our current circumstances the key outcomes are as follows:

- Provision of household infrastructure and services;
- Creation of liveable, integrated cities, towns, and rural areas;
- Local economic development; and
- Community empowerment and redistribution.

Each of these outcomes needs to be seen within the context of global, regional, national, and provincial development and the principles and values of social justice, gender and racial equity, nation-building and the protection and regeneration of the environment.

#### **d. Public Participation:**

In line with the requirements of legislation, the municipality will enhance its efforts to engage communities more in municipal planning and budgeting processes to ensure that communities take part in their own development issues. The law requires of the municipality to engage with communities in this regard.

Given the challenges of the new normal provided for by the Covid-19 Pandemic, new

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innovative methods and strategies are needed to come up with new mechanisms of public participation in order not to compromise the principle of batho-pele and to put the people and their concerns first. We will endeavour to change our strategies to enhance our efforts to involve communities in the municipality's development issues within the Covid-19 protocols.

## **e. Future Actions:**

Programmes and projects as envisaged in the Integrated Development Plan 2021/2022 will be implemented as soon as possible, those projects that are funded will start early in the next financial year and those which have no funding will be implemented as soon as funding is available. We will implement our Revenue Enhancement Strategy to ensure that the municipality collect revenue optimally so that enough cash is available to achieve the targets that we have set ourselves in the Integrated Development Plan 2021/2022. Credit Control and Debt Collection Policy will be implemented to the latter to ensure that all outstanding revenue is collected, and the municipality is able to do repairs and maintenance on the current old and dilapidated infrastructure.

## **f. Agreements / Partnerships:**

We will foster relationships with all relevant stakeholders in order to ensure that the citizenry of Matjhabeng Local Municipality's aspirations are met, and services are provided on a required quality and standard.

## **g. Conclusion:**

The Annual Report 2019/2020 gives an account of the municipality's performance for the past year, and it is presented to all stakeholders and communities for a review, so that improvements though can be shared with the municipality to ensure that the municipality improves on its mandate of delivering services to the communities.

My sincere appreciation to the political leadership of the municipality for entrusting me with this mammoth task of leading the municipality as its Executive Mayor, the administrative leadership for all their efforts in ensuring that all our strategies and resolutions are implemented in order for us to provide services to our communities

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**CLLR SPEELMAN N  
EXECUTIVE MAYOR**

*T*  
1.0.1

# Chapter 1

## COMPONENT B: EXECUTIVE SUMMARY

A municipality's administration is governed by the principles of section 195(1) of the Constitution (Batho Pele principles). Section 6(2) specifies these further and instructs the administration, for example, to take measures to prevent corruption, to give members of the community full and accurate information about the level and standard of service they are entitled to receive and about the (persons in charge of) municipal management. The municipal manager must see to the implementation of these principles in his or her administration.

As head of the administration, the municipal manager is responsible, subject to the policy directions of the council, for the formation and development of an economical, effective, efficient, and accountable administration that is equipped to implement the Integrated Development Plan, operates within the municipality's performance management system and is responsive to the needs of the local community to participate in municipal affairs (s 55(1)).

Section 51 further states that the municipality must hold the municipal manager accountable for the overall performance of the administration (s 51(i)). When the Systems Act, 32 of 2000, says that the municipality holds the municipal manager accountable, the onus is firstly on the council to hold the municipal manager accountable. Section 55(1) makes the municipal manager's responsibility subject to the policy directions of the council: the municipal manager is not responsible for the policy, but for its implementation.

It is suggested here that, in terms of a division between the executive committee or executive mayor and the municipal manager, the executive committee/mayor is responsible for ensuring that the municipal manager receives policy direction in terms of section 55 to effectively carry out the duties listed there.

The municipal manager must manage the communication between the political structures and office-bearers and the administration (s 55(1)(j)). Instructions, queries and other communications from council, committees, the (executive) mayor or the speaker to the administration cannot bypass the municipal manager's office because the municipal manager is accountable for the entire municipal administration.

In the event of communications going directly to officials or departments, the municipality would have to establish clear communication between those and the municipal manager to the level of detail required for the municipal manager to answer to his or her accountability

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towards the council. A delegation that has the effect of enabling the executive mayor or committee to issue instructions directly to officials, other than the municipal manager, would effectively disable the accountability of the municipal manager towards the council (s 51) and therefore run contrary to the scheme envisaged by the legislation.

The municipal manager will have to drive the preparation of the municipality's annual report (s 46). He or she must notify the community of a meeting on the annual report as well as the Auditor-General and the MEC. Importantly, the Systems Act, 32 of 2000, states that the municipal manager must be available at the meeting to respond to questions, which can come from the council, but also from the Auditor-General or the MEC, since they have the right to attend and speak at the meeting (s 46(3)).

T 1.1.1

## INTRODUCTION TO BACKGROUND DATA

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 kilometres (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.

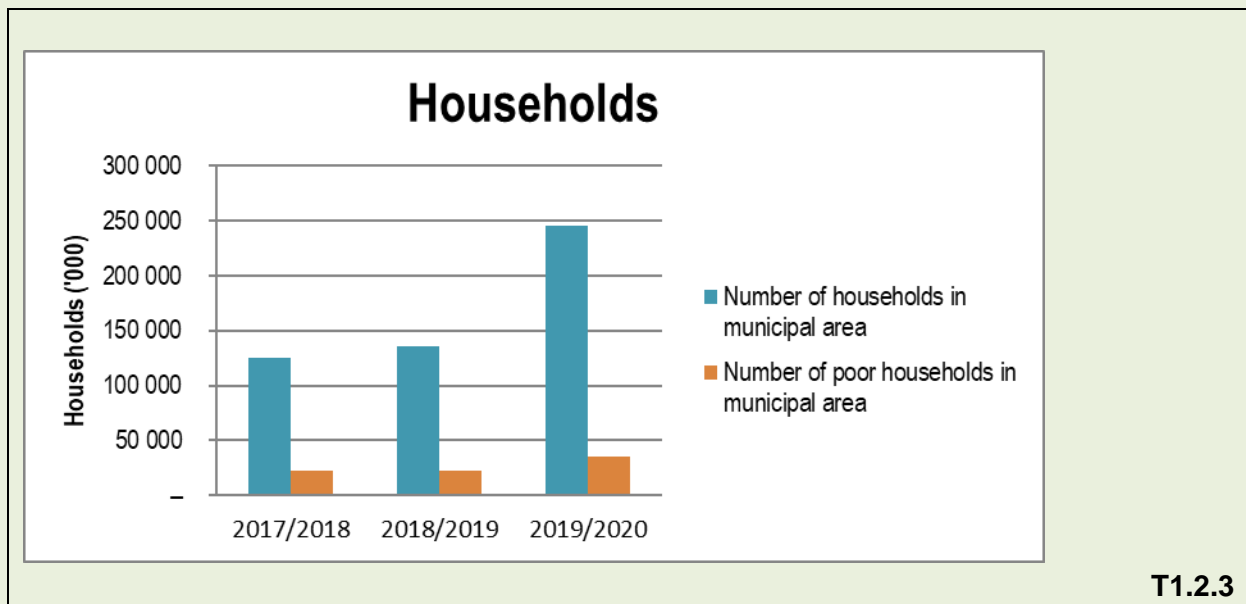
In the western part of the municipality there is a string of mining towns that runs from northwest to southeast: Allanridge with a population of 19 337, Odendaalsrus with a population of 63 743, Welkom with a population of 211 011, and Virginia with a population of 66 208. Further to the east are the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

T 1.2.1

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Population Details									Population '000
Age	2017/2018			2018/2019			2019/2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 14	57 367	59 707	117 074	57 367	59 707	117 074	57 367	59 707	117 074
Age: 15 - 34	76 908	80 048	156 956	76 908	80 048	156 956	76 908	80 048	156 956
Age: 35 - 64	65 598	69 059	134 657	65 598	69 059	134 657	65 598	69 059	134 657
Age: 65+	9 876	10 280	20 156	9 876	10 280	20 156	9 876	10 280	20 156

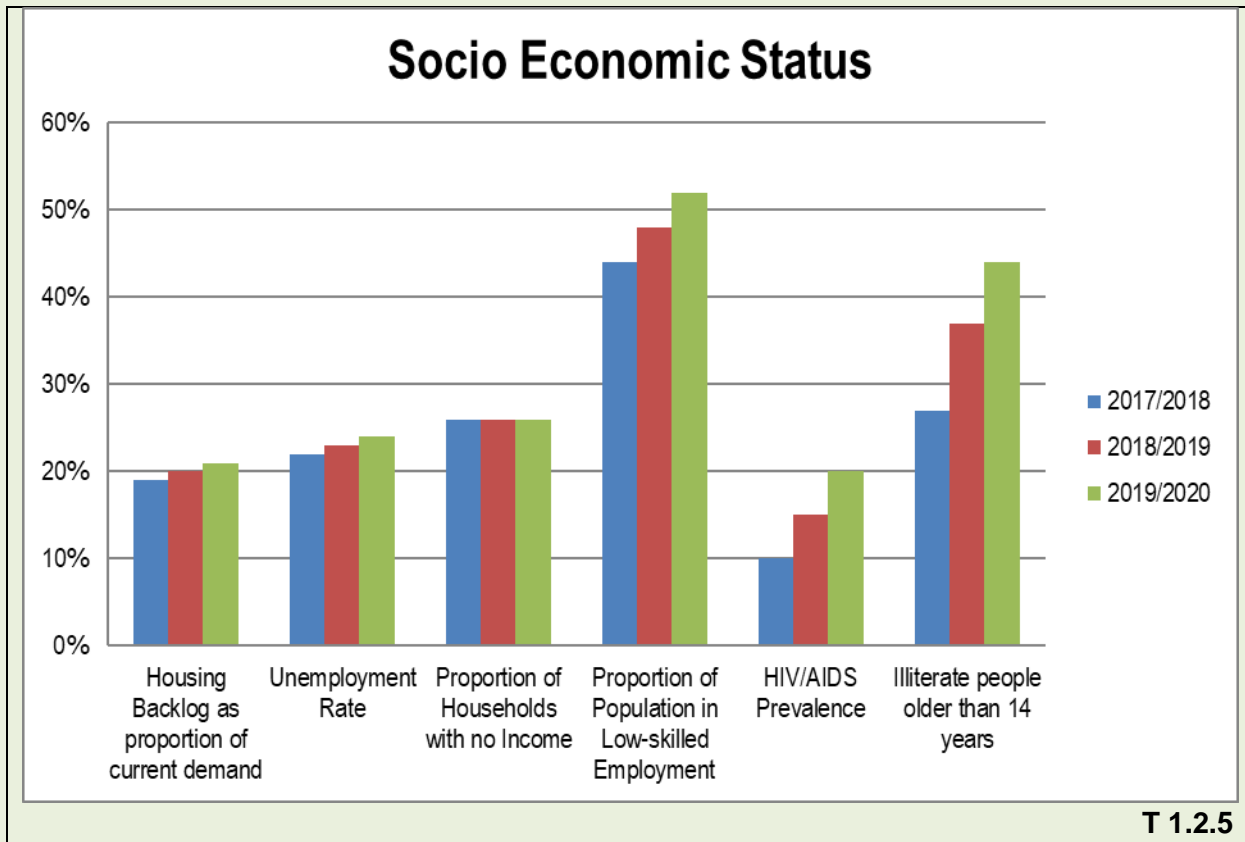
Source: Statistics SA  
T 1.2.2



Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2017/2018	19%	22%	26%	44%	10%	27%
2018/2019	20%	23%	26%	48%	15%	37%
2019/2020	21%	24%	26%	52%	20%	44%

T 1.2.4

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OVERVIEW OF NEIGHBOURHOODS WITHIN 'MATJHABENG MUNICIPALITY'		
Settlement Type	Households	Population
<b>Towns</b>		
Allanridge	663	3 315
Hennenman	958	4 311
Odendaalsrus	2 213	9 959
Riebeeckstad	3 092	15 460
Ventersburg	359	1 616
Virginia	4 454	22 270
Welkom	9 708	48 540
<b>Sub-Total</b>	<b>21 447</b>	<b>105 471</b>
<b>Townships</b>		
Bronville	2 159	12 306
Kutlwanong	11 966	70 599
Meloding	10 482	60 796

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Mmamahabane	2 345	14 070
OVERVIEW OF NEIGHBOURHOODS WITHIN 'MATJHABENG MUNICIPALITY'		
Settlement Type	Households	Population
Nyakallong	4 010	24 060
Phomolong	4 871	29 226
Thabong	29 064	165 665
Whites	55	314
<b>Sub-Total</b>	<b>64 952</b>	<b>377 582</b>
INFORMAL SETTLEMENTS		
Nyakallong	177	974
Kutlwanong	1 505	8 278
Thabong/Bronville	2 262	12 441
Meloding	821	4 516
Phomolong	539	2 965
Mmamahabane	379	2 085
<b>Sub-Total</b>	<b>5683</b>	<b>31 259</b>
<b>Total</b>	<b>92 082</b>	<b>514 312</b>

T.1.2.6

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.
Uranium	Uranium and gold cannot be separated even though the region has not explored the uranium mining

T 1.2.7

## COMMENT ON BACKGROUND DATA:

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 pressuring 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.

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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 pick.

T 1.2.8

## 1.3. SERVICE DELIVERY OVERVIEW

### SERVICE DELIVERY INTRODUCTION

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

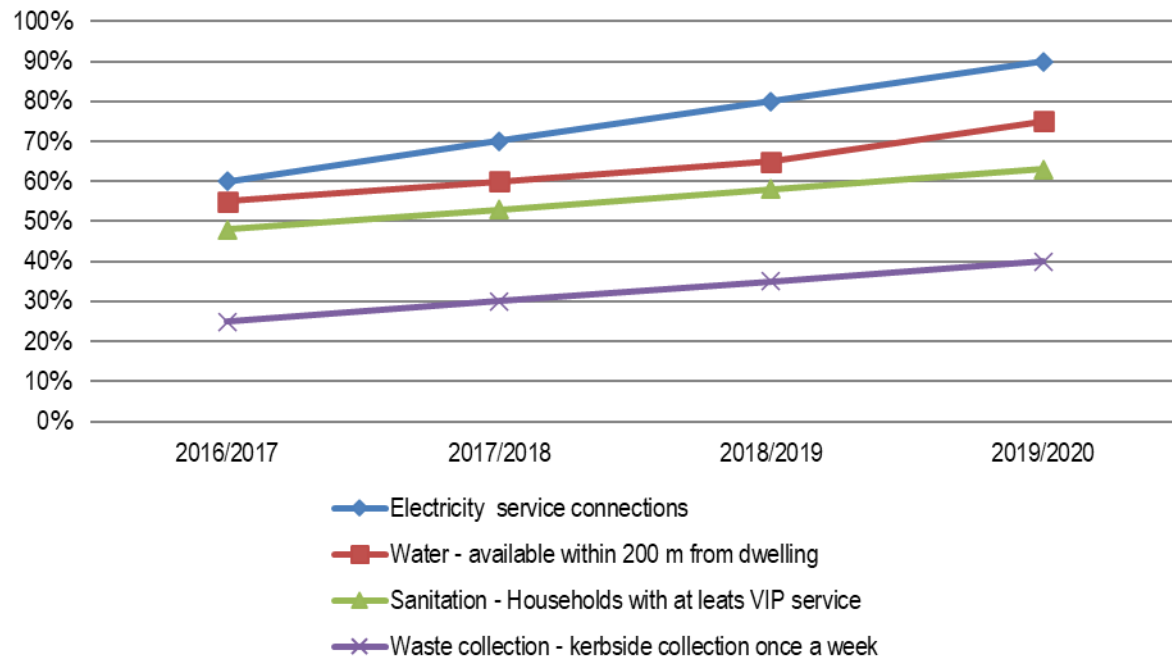
In addition to these basic services, the Member of the Executive Council in the Province responsible for Corporative Governance and Traditional Affairs can promulgate powers and function to a municipality as envisaged by section 84 of the Local Government: Municipal Structures Act, 117 of 1999.

T 1.3.1



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## Proportion of households with access to basic services



T 1.3.2

### 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 in T.1.3.2 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:

- Ageing road infrastructure

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- Decaying water infrastructure resulting in high water loss
- Aging and vandalism of street lighting infrastructure
- Availability of residential sites for low- and high-income housing
- Low economic growth and High unemployment rate particularly among youth
- Aging service delivery vehicles
- High levels of crime

T 1.3.3

## 1.4. FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

The municipality total revenue for the period under review was projected at R 2 981 385, and the actual was R 2 568 492 051, which translate to a total of 86% actual revenue received. This amount of R 2 568 492 051 includes the grant funding of R 612 487 000, taxes, levies and tariffs of R 1 684 987 204 and other revenue of R 271 017 847.

The expenditure was budgeted at R 2 956 103 386 and the actual expenditure was R 3 977 712 633, which is an overspending of 135%. The total capital grant allocation was R 220 615 001, and a total of R 154 084 142 was spent. The total of R 66 530 859, which is a rollover amount that need to be applied for approval to the National Treasury.

T 1.4.1

### Financial Overview: 2019/2020

R' 000			
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	683 948	684 544	612 487
Taxes, Levies and tariffs	1 675 766	1 741 746	1 684 987
Other	482 704	555 704	271 017 8
Sub Total	<b>2 842 418</b>	<b>2 981 994</b>	<b>2 568 492</b>
Less: Expenditure	<b>3 246 216</b>	<b>2 956 103</b>	<b>3 977 712</b>
Net Total*	<b>-403 798 128</b>	<b>25 890 999</b>	<b>-1 409 220</b>
* Note: surplus/(deficit)			T 1.4.2

### Operating Ratios

Detail	%
Employee Cost	23%
Repairs and Maintenance	2%
Finance Charges and Impairment	22%
<b>T 1.4.3</b>	

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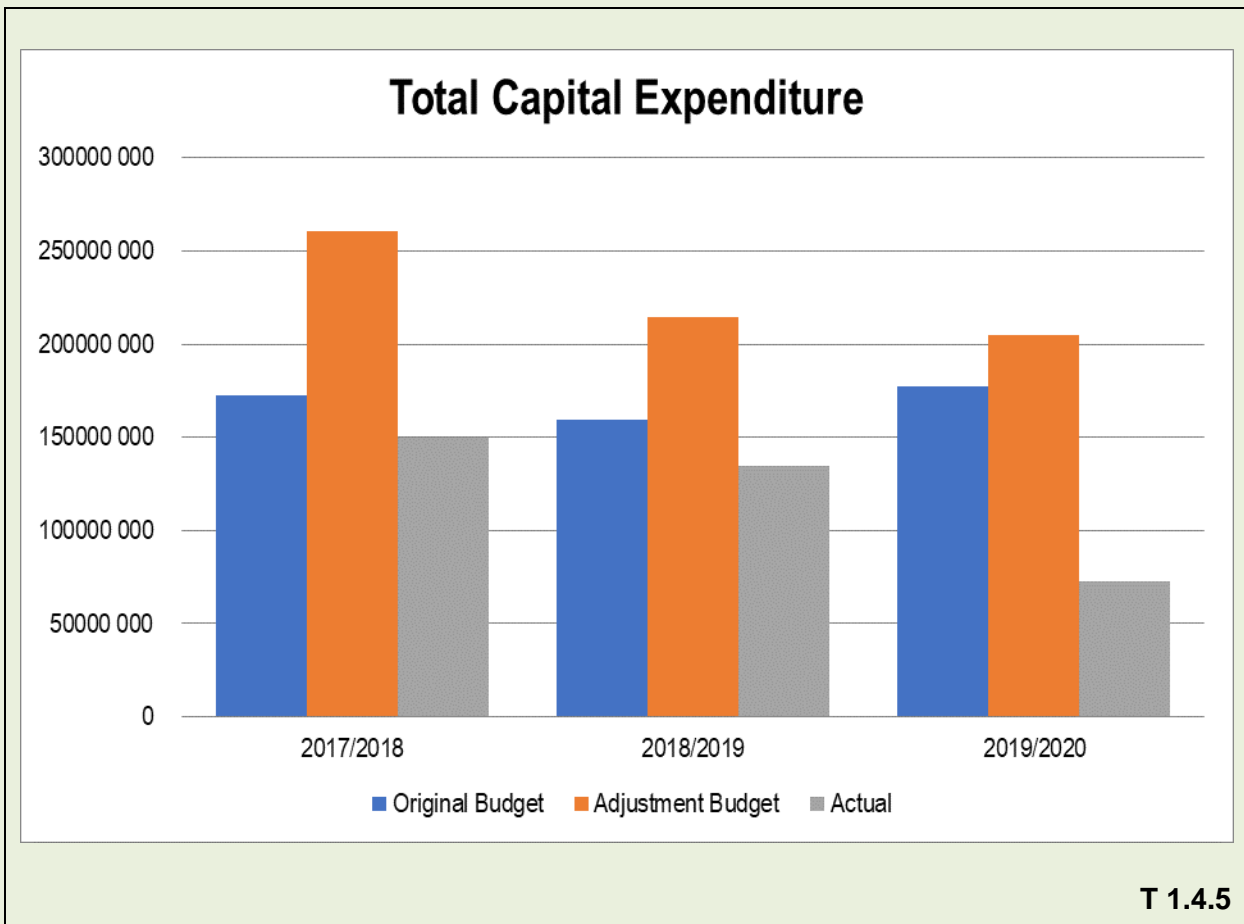
## COMMENT ON OPERATING RATIOS:

The employee cost ratio is within the norm of 30% as it is standing at 23%, repairs and maintenance is critically below the norm of 20% as it is at 2%, and this need 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 22%, this also needs attention, as it will result in fruitless or wasteful expenditure if it is not addressed.

### T 1.4.3

Total Capital Expenditure: Year 2017/2018 to 2019/2020			
Detail	2017/2018	2018/2019	2019/2020
Original Budget	181 216 000	163 406 000	220 615 001
Adjustment Budget	181 216 000	163 406 000	220 615 001
Actual	157 910 658	151 382 444	154 084 142
			<b>T 1.4.4</b>

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#### COMMENT ON CAPITAL EXPENDITURE:

Capital expenditure at year-end is 70% of the expected 100%. Application for rollover need to be made to National Treasury for approval, and the unspent amounts needs to be cash backed, failing which the municipality risk losing future allocation and the unspent amounts being deducted from future equitable share allocations.

T 1.4.5.1

## 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

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

# Chapter 1

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.

## T 1.5.1

### **AUDITOR GENERAL REPORT: 2019/2020**

The audit opinion on the financial performance information was a qualified opinion, based on findings on the following issues:

- Services Charges
- Payables from exchange transaction
- Investment property
- Contracted services

# Chapter 1

- Receivables from exchange transactions
- Property rates
- Employee related costs

The findings on the predetermined objectives as per the Key Performance Area-Basic Services and Infrastructure Investment were the following:

## **Various Indicators**

- The strategic objectives and targets per the service delivery and budget implementation plan were changed without the necessary approval.
- Indicators approved in the strategic delivery and budget implementation plan but not reported on in the annual performance report
- Targets for indicators changed without the necessary approval
- No sufficient appropriate evidence that systems and processes were established to enable consistent measurement and reliable reporting against the predetermined indicator definitions
- No sufficient appropriate audit evidence for the achievements reported in the annual performance report as well as the reasons for the variances between the planned targets and these reported achievements
- Unable to validate the existence of the systems or to confirm the reasons for the variances and the reported achievements by alternative means
- Unable to determine whether any adjustments were required to the reported achievements and reasons for the variance
- Reported achievements for the indicators were not consistent with the planned indicators and targets
- Lack of accurate and complete records
- Unable to obtain sufficient audit evidence to support the measures taken to improve performance against the targets
- Limitation of scope of work as the actual level of achievement for the year was not quantified

Audit report is included in Chapter 6 of the Report.

*T 1.6.1*

# Chapter 1

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 2019/2020 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 finalisation 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		<b>T 1.7.1</b>

# Chapter 1

## **COMMENT ON THE ANNUAL REPORT PROCESS:**

The Audited Annual Financial Statement and Audit report were finalised April 2021, the Annual report was submitted to the Auditor General in May 2021 for audit purpose and tabling to Council.

**T 1.7.1.1**



# Chapter 2

## CHAPTER 2 – GOVERNANCE

### Introduction to 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

T  
2.0.1

Party	Votes				Seats		
	Ward	List	Total	%	Ward	List	Total
African National Congress	68 925	69 781	138 706	62.2	29	17	46
Democratic Alliance	24 106	24 623	48 729	21.8	6	10	16
Economic Freedom Fighters	9 138	9 738	18 876	8.5	0	6	6
Independent	5 947	0	5 947	2.7	1	0	1
Freedom Front Plus	1 858	1 858	3 686	1.6	0	1	1
Congress of the People	1 510	1 198	2 708	1.2	0	1	1
United Front of Civics	0	2 708	2 708	1.2	0	1	1
<b>Total</b>	<b>112 123</b>	<b>111 003</b>	<b>223 126</b>	<b>100</b>	<b>36</b>	<b>36</b>	<b>72</b>

# Chapter 2

## COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

### Introduction to Political and Administrative Governance

The Political Leadership of the municipality is made up of the following, who are full-time members of the council:

- Speaker
- Executive Mayor
- Members of the Mayoral Committee
- Council Whip

The Administrative Leadership of the municipality comprises of the following:

- Municipal Manager, who is also the Accounting Officer
- Executive Director Finance Services
- Executive Director Corporate Services
- Executive Director Community Services
- Executive Director LED, Planning and Human Settlement
- Executive Director Infrastructure

T 2.1.0

## 2.1 Political Governance

### Introduction to Political Governance

Governance comprises all of the processes of governing, whether by government of a state, by a market, or by a network-over a social systems, formal or informal organisation, a territory or across territories, and whether through the laws, norms, power or language of an organised 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 lay 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

# Chapter 2

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.

T 2.1.1

<b>Political Structure</b>		
<b>Position</b>	<b>Name</b>	<b>Function</b>
Speaker	H Stofile	Council Chairperson
Executive Mayor	N Speelman	Political Head
Chief Whip	J Sephiri	Political Direction
Chairperson	M Radebe	Human Settlement
Chairperson	M Radebe	IDP and PMS
Chairperson	M Tsopo	Infrastructure
Chairperson	T Lushaba	Community Services
Chairperson	V Morris	Public Safety and Transport
Chairperson	X Masina	Special Programmes
Chairperson	S Manese	Finance
Chairperson	V Mawela	Corporate Services
Chairperson	V Van Rooyen	Sport, Arts and Culture
Chairperson	S Liphoko	LED, Small Business, Spatial Planning and Land Use Management

T 2.1.1

# Chapter 2

<b>Council Members</b>	
<b>Name</b>	<b>Party</b>
<b>Dispute Resolution Committee</b>	
H. Mokhomo-Chairperson	African National Congress
R. Tlake	African National Congress
N. Manzana	African National Congress
T. Xaba -Monjovo	African National Congress
T. Senoge	African National Congress
K. Moipatle	African National Congress
G. Mafaisa	African National Congress
M. van Rooyen	Democratic Alliance
C. Malherbe	Democratic Alliance
B. Jama	Economic Freedom Fighters
A. Sithole	Economic Freedom Fighters
A. Sithole	Economic Freedom Fighters
M. Mthebere	Economic Freedom Fighters
S. Tshabangu	Independent
<b>Rules Committee</b>	
B. Mahlumba-Chairperson	African National Congress
S. Pholo	African National Congress
B. Ntuli	African National Congress
B. Nkonka	African National Congress
T. Xaba-Monjovo	African National Congress
N. Thelingoane	African National Congress
T. Senoge	African National Congress
S. Badenhorst	Democratic Alliance
P. Botha	Democratic Alliance
T. Macingwane	Economic Freedom Fighters
M. Nqeobo	Congress of the People
S. Tshabangu	Independent
<b>Finance Committee</b>	
S Manese-Chairperson	African National Congress
M. Moipatle	African National Congress
P. Danster	African National Congress
I. Poo	African National Congress
T. Thedingoane	African National Congress
M. Ntsebeng	African National Congress
A. Styger	Democratic Alliance
M. Badenhorst	Democratic Alliance
S. Tshabangu	Independent
T. Macingwane	Economic Freedom Fighters
<b>Infrastructure and Technical Services Committee</b>	
M. Tshopo-Chairperson	African National Congress
R. Tlake	African National Congress
P. Danster	African National Congress
S. Ramalefane	African National Congress
S. Tsatsa	African National Congress

# Chapter 2

T. Xaba-Monjovo	African National Congress
C. Malherbe	Democratic Alliance

<b>Council Members</b>	
<b>Name</b>	<b>Party</b>
HCT. Van Schalkwyk	Democratic Alliance
S. Taljaard	Vryheids Front Plus
T. Macingwane	Economic Freedom Fighters
<b>Community Services Committee</b>	
T. Lushaba-Chairperson	African National Congress
S. Tsatsa	African National Congress
S. Ramalefane	African National Congress
P. Ramatisa	African National Congress
S. Taljaard	Vryheids Front Plus
A. Manenye	Democratic Alliance
N. Phofeli	Democratic Alliance
A. Sithole	Economic Freedom Fighters
<b>Public Safety and Transport Committee</b>	
V. Morris	African National Congress
T Xaba-Monjovo	African National Congress
N. Thelingoane	African National Congress
B. Nkonka	African National Congress
P. Ramatisa	African National Congress
T. Letlhake	Democratic Alliance
L. Presente	Democratic Alliance
S. Taljaard	Vryheids Front Plus
A. Dyantyi	Economic Freedom Fighters
<b>Social Services -Special Programs Committee</b>	
X. Masina-Chairperson	African National Congress
S. Ramalefane	African National Congress
NJ Tshokotshela	African National Congress
A. Manenye	Democratic Alliance
B. Jama	Economic Freedom Fighters
BM Ramabodu	United Front of Civics
<b>LED, Tourism, Agriculture and Environmental Affairs Committee</b>	
S. J. Liphoko-Chairperson	African National Congress
T. Thedingoane	African National Congress
B. Ntuli	African National Congress
N. Manzana	African National Congress
N.J. Tshokotshela	African National Congress
M. Khothule	African National Congress
S. Badenhorst	Democratic Alliance
S. van Schalkwyk	Democratic Alliance
B. Jama	Economic Freedom Fighters
<b>Sport, Arts and Culture Committee</b>	
V. Van Rooyen -Chairperson	African National Congress

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H Mokhomo	African National Congress
M Sebotsa	African National Congress
B. Nkonka	African National Congress
T Senoge	African National Congress
T. Letlhake	Democratic Alliance
A. Schoeman	Democratic Alliance
Dyanti	Economic Freedom Fighters
<b>Council Members</b>	
<b>Name</b>	<b>Party</b>
<b>Corporate Services Committee</b>	
V.E. Mawela-Chairperson	African National Congress
M. Mphikeleli	African National Congress
B. Mahlumba	African National Congress
M. Molelekoa	African National Congress
M. van Rooyen	Democratic Alliance
M. Rakaki	Democratic Alliance
T. Macingwane	Economic Freedom Fighters
<b>Human Settlement, Spatial Planning and Land Use Management Committee</b>	
Matinte Radebe-Chairperson	African National Congress
N. Moloja	African National Congress
N.J. Tshokotshela	African National Congress
S. Meli	African National Congress
P. Ramatisa	African National Congress
M. Khothule	African National Congress
R. Tlake	African National Congress
C. Malherbe	Democratic Alliance
A. Maneye	Democratic Alliance
A. Jacobs	Democratic Alliance
B. Jama	Economic Freedom Fighters
A. Dyanti	Economic Freedom Fighters
B. Ramabodu	United Front Of Civics
<b>Municipal Public Accounts Committee</b>	
M. Masienyane-Chairperson	African National Congress
J. Mosia	African National Congress
D. Mafa	African National Congress
M. Molefi	African National Congress
M. Chaka	African National Congress
J. Marais	Democratic Alliance
P. Botha	Democratic Alliance
M. Nqeobo	Congress of the People
L. Khetsi	Economic Freedom Fighters
<b>T 2.1.1</b>	

For the period under review, the council has been functional and met all its legislative mandate in playing oversight on administration and executing its legislative authority on matters of governance.

# Chapter 2

T 2.1.2

## **Political Decision-Taking**

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.

T 2.1.3

## **Introduction to 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.



# Chapter 2

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 tradeoffs 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.



# Chapter 2

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

**T 2.2.1**

# Chapter 2

<b>Administrative Structure</b>	
<b>Name</b>	<b>Position</b>
Z Tindleni	Acting Municipal Manager
S. Nhlapo	Acting Executive Director Corporate Services
T Panyani	Chief Financial Officer
E Motheoane	Acting Executive Director Community Services
M Mothekhe	Acting Executive Director LED, Spatial Planning and Human Settlement
N Thobela	Executive Director Infrastructure
T Makofane	Executive Director Strategic Support Services

**T 2.2.2**

## **COMPONENT B: INTERGOVERNMENTAL RELATIONS**

### **Introduction to Co-Operative Governance and 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 2019/2020 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 (see T2.3.4 below for some specific references and details).

**T 2.3.0**

### **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 finalises the fiscal; framework and the division of revenue on which the Medium-Term Expenditure and Revenue Framework budgets are based.

# Chapter 2

## **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.

**T 2.3.1**

## **Provincial Intergovernmental Structure**

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

**T 2.3.2**

# Chapter 2

## Relationships with Municipal Entities

The municipality does not have a municipal entity

T 2.3.3

## 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 IGR (*Inter Governmental Relations*) Forum District Technical IGR (*Inter Governmental Relations*) Forum Provincial PMS (*Performance Management Systems*) Forum

Provincial and District Risk Management Forum

MECLOGA

Premier's Coordinating Forum

District Back to Basics

Provincial and District IDP (*Integrated Development Plan*) Managers' Forum

T 2.3.4

# Chapter 2

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### Overview of Public Accountability and Participation

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 also with a view to enhancing accountability, the Municipality published documents like the IDP, 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 IDP/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.

*Note: MSA section 17 (2): requires a municipality to establish and organise 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.*

**T 2.4.0**

# Chapter 2

## Communication, Participation and Forums

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 IDP 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](http://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.

T 2.4.1

# Chapter 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.

T 2.4.2

## 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 sensitised on urgent community matters that would not reach offices under normal circumstances.

T 2.4.3.1

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	No
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
* Section 26 of Municipal Systems Act 2000	T 2.5.1

# Chapter 2

## COMPONENT D: CORPORATE GOVERNANCE

### Overview of 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.

**T 2.6.0**

### 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 2015/2016, 2016/2017 and 2017/2018 financial years. The Acting Senior Risk Accountant fulfilled these responsibilities.

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



# Chapter 2

The role of the Acting Senior Accountant improved the situation much better than it was the case a year before. 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. 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.

T 2.6.1

## **Fraud and Anti-Corruption Strategy**

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 Unauthorised, 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, authorise, recoup and/or take legal actions against whoever is liable to the allegations

T 2.7.1

# Chapter 2

## Overview Supply Chain Management

The municipality ensured that its Supply Chain Management policy was aligned with the SCM regulations. The Supply Chain Management policy gets reviewed to take into account 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 realised 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.

T 2.8.1

### By-laws Introduced during 2019/2020

Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
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*No newly developed By-Laws since 2010*

T 2.9.1

### COMMENT ON BY-LAWS:

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.

T 2.9.1.1

# Chapter 2

## **Comment Municipal Website Content and Access:**

There has been discussions between the Municipality and the service provider contracted by the Premier's office to decentralise 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.

**T 2.10.1.1**

# Chapter 3

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

### Introduction

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 mobilise 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.

# Chapter 3

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

**T 3.0.1**

## COMPONENT A: BASIC SERVICES

### Introduction to Basic Services

According to Stats SA's Census 2011, Matjhabeng Local Municipality has an overall population size of 406 461 with 123 195 households (with 97.7% being found in urban areas, and 2.3% living on farms). Of these, 78.5% constitutes formal dwellings, whereas 81.1% is connected to waterborne sanitation, 97% are households with access to water within 200m from dwellings.

The Municipality provides refuse removal services weekly to all the households of the Municipality at a competitive rate of around 86.3% of the total households. During the year under review, the Municipality had approximately 8500 informal dwellings. In Thandanani 2010 area, about 1400 households were formalised.

**T 3.1.0**

### Introduction to Water Provision

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

# Chapter 3

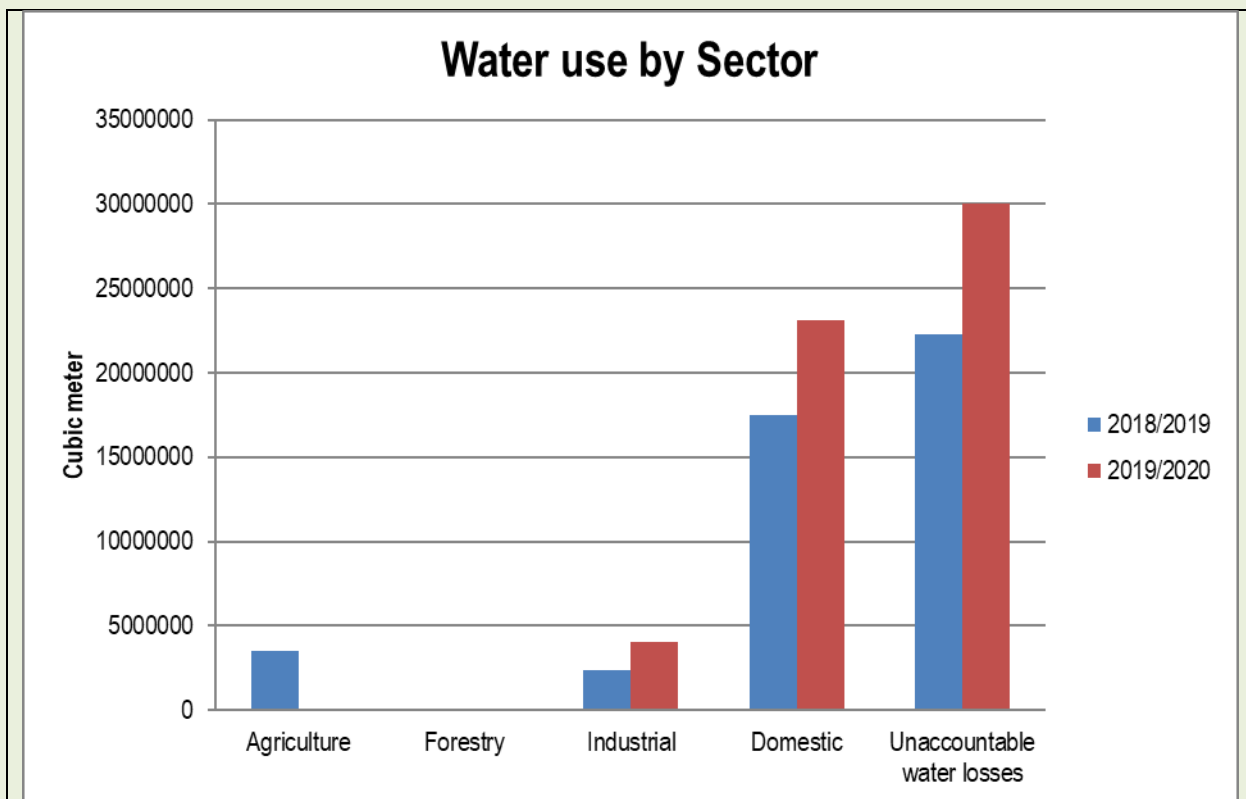
Virginia, Hennenman and Ventersburg supply systems. Matjhabeng Local Municipality performs second best in the Free State.

The Municipality renders basic assistance to poor communities within its resource constraints

**T 3.1.1**

Total Use of Water by Sector (cubic meters)					
Year	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2018/2019	3 492 308	0	2 328 205	17 461 540	22 271 092
2019/2020	0	0	4 066 558	23 128 083	30 057 234

*T 3.1.2*



**T 3.1.2.1**

### Comment on Water Use By Sector:

Due to excessive water losses, the Municipality embarked on a project to reduce water losses. Detailed investigations on existing water meters were done to determine reason why meters were not functional and associated repairs thereof were not undertaken. Faulty valves were identified and replaced to minimise water loss during maintenance actions. Indigent

# Chapter 3

households with the highest water usage were identified and leakages of taps and toilet cisterns were repaired.

A 2-year Leak Detection and Repairs Project commenced from May 2017, whereby the entire water network was assessed for visible and invisible leakages. All the identified leakages will be repaired, and water losses be reduced. Maintenance of water networks in old high-income areas became difficult as little funding is available to maintain and upgrade such.

T 3.1.2.2

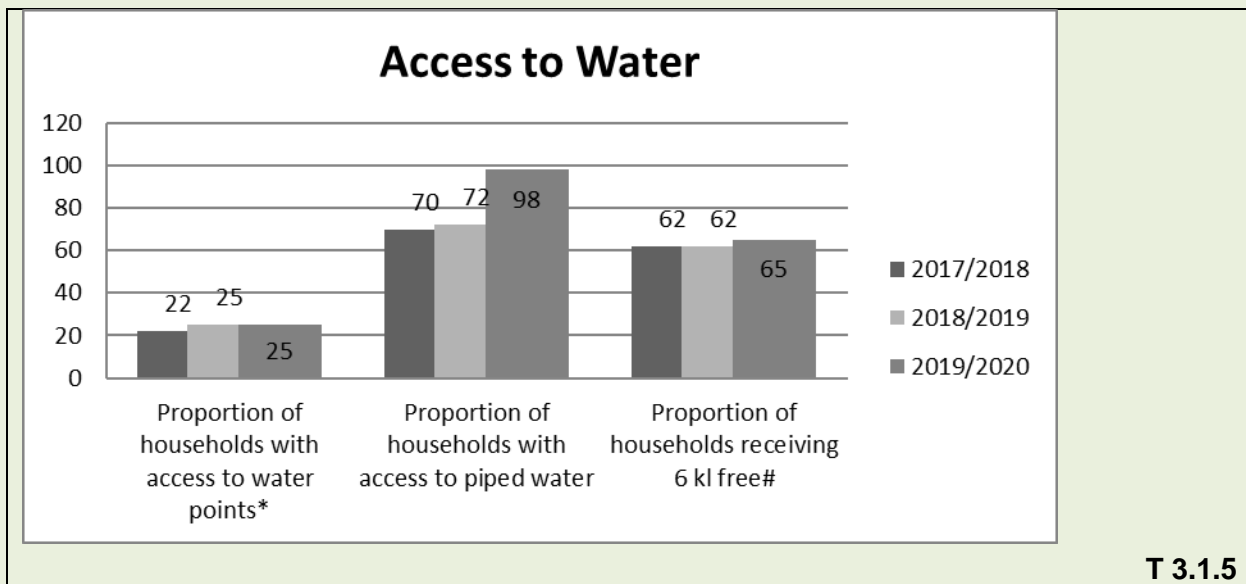
<b>Water Service Delivery Levels</b>				
Description	2016/2017	2017/2018	2018/2019	Households
	Actual	Actual	Actual	2019/2020
	No.	No.	No.	Actual
	No.	No.	No.	No.
<b>Water: (above min level)</b>				
Piped water inside dwelling	545 664	654 684	845 644	986 690
Piped water inside yard (but not in dwelling)	865 456	456 486	486 454	160 000
Using public tap (within 200m from dwelling )	486 456	464 864	546 486	252 610
Other water supply (within 200m)				
<i>Minimum Service Level and Above sub-total</i>	1 898	1 576	1 879	1 399
<i>Minimum Service Level and Above Percentage</i>	80%	76%	79%	74%
<b>Water: (below min level)</b>				
Using public tap (more than 200m from dwelling)				
Other water supply (more than 200m from dwelling)	486 456	486 456	486 456	486 456
No water supply				
<i>Below Minimum Service Level sub-total</i>	486 456	486 456	486 456	486 456
<i>Below Minimum Service Level Percentage</i>	20%	24%	21%	26%
<b>Total number of households*</b>	<b>2 384</b>	<b>2 062</b>	<b>2 365</b>	<b>1 886</b>
* - To include informal settlements				

T 3.1.3

# Chapter 3

Households - Water Service Delivery Levels below the minimum						
Description	Households					
	2016/2017	2017/2018	2018/2019	2019/2020		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	100 000	100 000	100 000	100 000	98 669	98 669
Households below minimum service level	25 000	25 000	25 000	25 000	25 000	4 860
Proportion of households below minimum service level	25%	25%	25%	25%	25%	5%
<b>Informal Settlements</b>						
Total households	100 000	100 000	100 000	25 261	25 261	25 261
Households below minimum service level	25 000	25 000	25 000	5 052	5 052	5 052
Proportion of households below minimum service level	25%	25%	25%	20%	20%	20%

T 3.1.4



T 3.1.5



# Chapter 3

Water Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2018/2019		2019/2020			2020/2021	2022/2023	
		Target	Actual	Target		Actual	Target		
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Service Objective</b>									
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue	Replace of old worn-out water pipes to reduce water loss and service disruption.	15 km/a worn out water pipelines replaced.	848m replaced	15 km/a worn out water pipelines replaced.	15 km/a worn out water pipelines replaced.	m replaced	15 km/a worn out water pipelines replaced.	15 km/a worn out water pipelines replaced.	15 km/a worn out water pipelines replaced.
	Service and refurbish 500 hydrants and valves once in 5 year, and replace that cannot be repaired	190	0	500	0	0	0	0	0
	Replace dysfunctional water meters	1000	1802	1000	1000	1219	1000	1000	1000
	Investigate existing water meters not on the Financial System	190	0	2000	2000	244	2000	2000	2000
	Conduct leak detection investigation and analysis to			0	0	0	4million spent on leak detection	0	0

# Chapter 3

determine priority list and develop water loss monitoring database.								
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T 3.1.6

# Chapter 3

Employees: Water Services					
Job Level	2018/2019	2019/2020			
	Employee s	Posts	Employee s	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	2	1	1	50%
4 - 6	3	2	0	2	100%
7 - 9	6	19	11	8	42%
10 - 12	7	19	3	16	84%
13 - 15	9	27	3	24	89%
16 - 18	11	114	63	51	45%
Total	37	183	81	102	56%

T3.1.7

Financial Performance 2019/2020: Water Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	416 006 000	495 320 280	495 320 280	504 012 694	2%
Expenditure:					
Employees	47 326 000	51 108 791	51 108 791	51 704 019	1%
Repairs and Maintenance	42 628 000	27 572 136	27 572 136	11 697 557	-136%
Other	821 339 000	621 727 501	154 508	1 004 007 027	38%
<b>Total Operational Expenditure</b>	9 112 930 000	700 408 428	233 188 481	1 067 408 604	34%
<b>Net Operational Expenditure</b>	-495 287 000	-205 088 148	262 131 799	-563 395 910	64%

T 3.1.8

# Chapter 3

Capital Expenditure 2019/2020-Water Services						R' 000
Capital Projects	2019/2020					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	7 389 954	0	1 790 832	-313%		
Thabong: Installation of bulk zonal water meters and valves	2 506 852	0	436 948	-474%	280	
Allanridge/Nyakallong: Replacement of old galvanized water pipes with uPVC pipes	3 110 895	0	1 245 288	-150%	150	
Thabong Extension 20 (Hani Park): Extension of water network, house connections and meters for 180 stands	1 772 207	0	108 596	-1532%	320	
					<i>T 3.1.9</i>	

## Comment on Water Services Performance Overall:

As a Municipality, we planned to save water through replacement of galvanised pipes through some areas like Allanridge. We nonetheless acknowledge that the challenge continues as water spillages were all over the areas. The serious challenge facing the Municipality is the fact that we do not have capacity equivalent to the demand to stop water spillages. The vacancy rate in water services provision is quite high and the Municipality cannot employ more people than we already have though they are of no assistance the critical vacancy areas.

**T 3.1.10**

## 3.2 WASTE WATER (SANITATION) PROVISION

### Introduction to Sanitation Provision

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

**T 3.2.1**

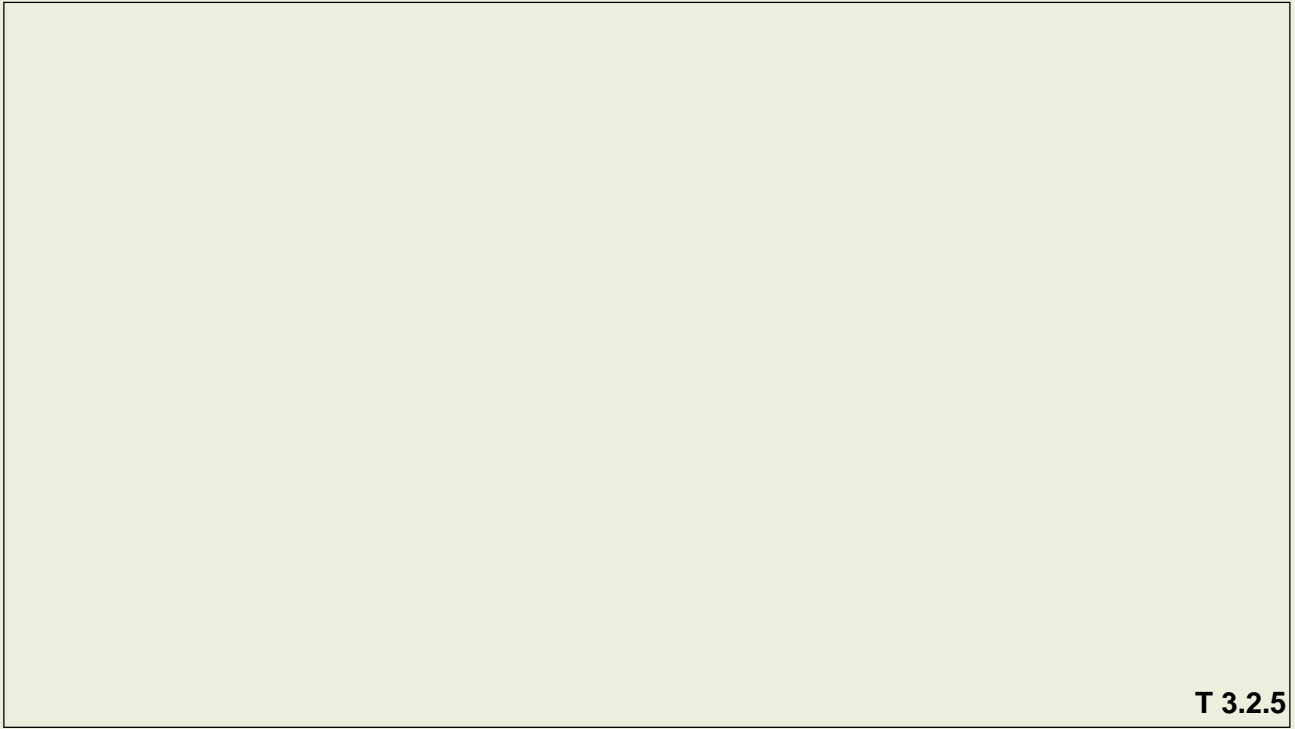
# Chapter 3

Sanitation Service Delivery Levels				
Description	2016/2017	2017/2018	2018/2019	*Households
	Outcome	Outcome	Outcome	2019/2020
	No.	No.	No.	Actual
<b>Sanitation/sewerage: (above minimum level)</b>				
Flush toilet (connected to sewerage)	97 135	97 135	97 135	97 135
Flush toilet (with septic tank)	100	100	100	100
Chemical toilet	0	0	0	0
Pit toilet (ventilated)	512	512	11925	11925
Other toilet provisions (above min.service level)	0	0	0	
<i>Minimum Service Level and Above sub-total</i>	97 747	97 747	109 160	109 160
<i>Minimum Service Level and Above Percentage</i>	96,4%	96,4%	100,0%	100,0%
<b>Sanitation/sewerage: (below minimum level)</b>				
Bucket toilet	–	–	–	–
Other toilet provisions (below min.service level)	–	–	–	–
No toilet provisions	3 680	3 680		–
<i>Below Minimum Service Level sub-total</i>	3 680	3 680	–	–
<i>Below Minimum Service Level Percentage</i>	3,6%	3,6%	0,0%	0,0%
<b>Total households</b>	<b>101427</b>	<b>101427</b>	<b>109160</b>	<b>109160</b>
<b>*Total number of households including informal settlements</b>				
<b>T 3.2.3</b>				

Households - Sanitation Service Delivery Levels below the minimum						
Description	2016/2017	2017/2018	2018/2019	2019/2020		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlement</b>						
Total households	98 714	98 714	109 878	109 878	109 878	109 878
Households below minimum service level	3 650	3 650	87 307	87 307	87 307	87 307
Proportion of households below minimum service level	4%	4%	79%	79%	79%	79%
<b>Informal Settlements</b>						
Total households	6 150	6 150	11 925	11 925	11 925	11 925
Household below minimum service level	6 150	6 150	0	0	0	0
Proportion of households below minimum service level	100%	100%	0%	0%	0%	0%

# Chapter 3

T 3.



T 3.2.5

# Chapter 3

Waste Water (Sanitation) Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2018/2019		2019/2020			2020/2021	2022/2023	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective</b>									
To develop and maintain Sewer infrastructure networks and ancillary infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA)	Sumps cleaned at pump stations to reduce risk of flooding and extend life of mechanical equipment	8 sumps	2 sumps were cleaned	8 sumps	8 sumps	8 sumps were cleaned	8 sumps	8 sumps	8 sumps
	Construct and refurbish 2500m of Kutlwanong and 1.3km of Odendaalsrus outfall sewer lines respectively from the next financial year	0	1.3 km relaced	0	3.8 km relaced	1.9 km replaced	1.9 km replaced	0	0
	Identify and replace 300 damaged or stolen manhole covers without resale value to cover open manholes and reduce risk of damage to public and equipment	200 Manhole covers	0	0	200 Manhole covers	21	200 Manhole covers	200 Manhole covers	200 Manhole covers

# Chapter 3

Sumps cleaned at pump stations to reduce risk of flooding and extend life of mechanical equipment	8 sumps	2 sumps were cleaned	8 sumps	8 sumps	8 sumps	8 sumps	8 sumps	8 sumps
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Waste Water (Sanitation) Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2018/2019		2019/2020			2020/2021	2022/2023	
		Target	Actual	Target		Actual	Target	*Current Year	*Following Year
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective</b>									
To develop and maintain Sewer infrastructure networks and ancillary infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA)	Construct and refurbish 2500m of Kutlwanong and 1.3km of Odendaalsrus outfall sewer lines respectively from the next financial year	0	1.3 km relaced	0	3.8 km relaced	1.9 km replaced	1.9 km replaced	0	0
	Identify and replace 300 damaged or stolen manhole covers without resale value to cover open manholes and reduce risk of	200 Manhole covers	0	0	200 Manhole covers	21	200 Manhole covers	200 Manhole covers	200 Manhole covers



# Chapter 3

	damage to public and equipment								
<b>T 3.2.6</b>									

# Chapter 3

Employees: Sanitation Services					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	0	0	0	0%
4 - 6	3	2	1	1	50%
7 - 9	6	7	5	2	29%
10 - 12	7	15	7	8	53%
13 - 15	9	15	2	13	87%
16 - 18	11	98	59	39	40%
Total	37	140	70	70	50%

T 3.2.7

Financial Performance 2019/2020: Sanitation Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	177 090 000	180 652 093	193 652 093	190 914 397	5%
Expenditure:					
Employees	43 330 000	43 194 048	43 194 048	48 633 841	11%
Repairs and Maintenance	99 943 000	8 140 324	8 140 324	3 502 603	-132%
Other	116 253 000	39 676 689	247 695 450	324 579 788	88%
<b>Total Operational Expenditure</b>	<b>259 526 000</b>	91 011 061	299 029 822	376 716 232	76%
<b>Net Operational Expenditure</b>	<b>-82 436 000</b>	-89 641 032	105 377 729	185 801 835	148%

T 3.2.8

# Chapter 3

<b>Capital Expenditure 2019/2020: Sanitation Services</b>					
<b>Capital Projects</b>	<b>2019/2020</b>				
	<b>Budget</b>	<b>Adjustment Budget</b>	<b>Actual Expenditure</b>	<b>Variance from original budget</b>	<b>Total Project Value</b>
Total All	41 604 380	0	16 929 193	-146%	
Thabong Ext 15 Bronville: Provision of sanitation services to 617 Stands	5 314 478	0	0	0%	24 900 356,09
Kutlwanong: Upgrading of outfall sewer (MIS:273147)	9 142 867	0	7 619 429	-16%	25 810 203,01
Thabong (T8): Upgrading of pumping station and outfall sewer	2 310 433	0	1 549 953	-33%	18 456 037,97
Kutlwanong: Upgrading of wastewater treatment works phase 2	20 557 675	0	1 987 841	-90%	73 252 538,93
Phomolong: Upgrading of sewage pumping station outfall and rising main (MIS:253902)	733 148	0	733 148	0%	16 970 376,35
Nyakallong: WWTP Upgrade	1 402 669	0	1 024 253	-26%	52 299 552
Whites: Septic Tank System	714 137	0	0	0	10 231 310,29
Virginia: Upgrading of Wastewater Treatment Works – Phase 2 (MIS:273175)	2 007 285	0	2 007 285	0%	41 655 606
					<b>T 3.2.9</b>

## Comment on Sanitation Services Performance Overall:

Sewer networks were extended and maintained but due to shortage of funding and resources, some major challenges exist. Cognisance must also be taken of the increase in water usage due to developments and high living standards. This results in higher flows to Waste Water Treatment Works.

**T 3.2.10**

# Chapter 3

## 3.3 Electricity

### Introduction to Electricity

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.

T 3.3.1

Electricity Service Delivery Levels				
Description	Households			
	2016/2017	2017/2018	2018/2019	2019/2020
	Actual No.	Actual No.	Actual No.	Actual No.
<b>Energy: (above minimum level)</b>				
Electricity (at least min.service level)	654 845	546 845	564 825	523 455
Electricity - prepaid (min.service level)	564 864	586 886	845 686	564 865
<b>Minimum Service Level and Above sub-total</b>	<b>1 219 709</b>	<b>1 133 731</b>	<b>1 410 511</b>	<b>1 088 320</b>
<b>Minimum Service Level and Above Percentage</b>	<b>52,8%</b>	<b>52,8%</b>	<b>66,3%</b>	<b>62,1%</b>
<b>Energy: (below minimum level)</b>				
Electricity (< min.service level)	112 453	123 451	123 544	123 544
Electricity - prepaid (< min. service level)	954 684	864 568	564 865	486 568
Other energy sources	23 544	25 634	28 213	54 215
<b>Below Minimum Service Level sub-total</b>	<b>1 090 681</b>	<b>1 013 653</b>	<b>716 622</b>	<b>664 327</b>
<b>Below Minimum Service Level Percentage</b>	<b>47,2%</b>	<b>47,2%</b>	<b>33,7%</b>	<b>37,9%</b>
<b>Total number of households</b>	<b>2 310 390</b>	<b>2 147 384</b>	<b>2 127 133</b>	<b>1 752 647</b>

# Chapter 3

T 3.3.3

Households - Electricity Service Delivery Levels below the minimum						
Description	2016/2017	2017/2018	2018/2019	2019/2020		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	31 959	31 126	29 275	29 745	29 745	29 364
Households below minimum service level	0	0	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
<b>Informal Settlements</b>						
Total households	285	931	924	1250	1250	1250
Households below minimum service level	285	931	924	1250	1250	1250
Proportion of households below minimum service level	100%	100%	100%	100%	100%	100%

T 3.3.4

# Chapter 3

Electricity Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2018/2019		2019/2020			2020/2021-2022/2023		
		Target	Actual	Target		Actual	Target		
<i>Service Indicators</i>		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective</b>									
Maintain distribution losses under 10%	10,00%	10,00%	11,45%	10%	10%	20,62%	10,00%	10,00%	10,00%
Annual maintenance of 808 substations	564	564	321	564	287	564	564	564	564
Maintenance of 29558 street lights Annual maintenance ratio is 30%.	8674	8764	3238	8764	2622	8674	8674	8674	8674
Electrical breakdown responses	2158	2158	4614	2158	6076	2158	2158	2158	2158
Scrutinizing of consumer accounts regarding tampering	500	290	324	290	335	500	500	500	500
									<b>T 3.3.5</b>

# Chapter 3

Employees: Electricity Services					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	3	1	2	67%
4 - 6	6	15	4	11	73%
7 - 9	17	41	17	24	59%
10 - 12	5	18	5	13	72%
13 - 15	7	14	7	7	50%
16 - 18	49	87	49	38	44%
19 - 20	0	0	0	0	0
Total	85	178	83	95	53%

T 3.3.6

Financial Performance 2019/2020: Electricity Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	587 204 000	773 019 335	743 019 335	662 690 544	-17%
Expenditure:					
Employees	37 870 000	38 629 122	38 629 122	42 238 779	9%
Repairs and Maintenance	77 502 000	28 295 197	28 295 197	18 422 847	-54%
Other	403 477 000	655 812 402	412 130 528	714 433 457	8%
<b>Total Operational Expenditure</b>	<b>518 849 000</b>	722 736 721	479 054 847	775 095 084	7%
<b>Net Operational Expenditure</b>	<b>68 355 000</b>	-50 282 614	-263 964 488	112 404 539	145%

T 3.3.7

# Chapter 3

<b>Capital Expenditure 2019/2020: Electricity Services</b>					
<b>R' 000</b>					
<b>Capital Projects</b>	<b>2019/2020</b>				
	<b>Budget</b>	<b>Adjustment Budget</b>	<b>Actual Expenditure</b>	<b>Variance from original budget</b>	<b>Total Project Value</b>
Total All	18 200	18 200	17 760	-2%	
DOE and GIZ EEDSM energy efficient streetlighting project	17 600	17 600	17 600	100%	17 600
Urania 132kV substation upgrade	10 000	10 000	9 560	96%	10 000
Provision and Installation 6.6kV Overhead line to the Bronville Town Area	8 200	8 200	82 00	100%	8 200
					<b>T 3.3.8</b>

### **Comment on Electricity Services Performance Overall:**

The Department continued to provide maintenance services to community even during the 2017/2018 financial year. It was also able to successfully maintain the electrical distribution networks and infrastructures as to ensure a safe, effective and affordable electrical energy supply to the community of the Matjhabeng Municipality.

**T 3.3.9**



# Chapter 3

## Introduction to Waste Management

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 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.

T 3.4.1

Solid Waste Service Delivery Levels				
Description	Households			
	2016/2017	2017/2018	2018/2019	2019/2020
	Actual No.	Actual No.	Actual No.	Actual No.
<b>Solid Waste Removal: (Minimum level)</b>				
Removed at least once a week	123	123	123	123
<i>Minimum Service Level and Above sub-total</i>	24	24	24	24
<i>Minimum Service Level and Above percentage</i>	13,3%	13,3%	13,3%	13,3%
<b>Solid Waste Removal: (Below minimum level)</b>				
Removed less frequently than once	134	134	134	134

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a week				
Using communal refuse dump	14	14	14	14
Using own refuse dump	–	–	–	–
Other rubbish disposal	–	–	–	–
No rubbish disposal	11	11	11	11
<i>Below Minimum Service Level sub-total</i>	158	158	158	158
<i>Below Minimum Service Level percentage</i>	86,7%	86,7%	86,7%	86,7%
<b>Total number of households</b>	<b>182</b>	<b>182</b>	<b>182</b>	<b>182</b>
				<b>T 3.4.2</b>

Households - Solid Waste Service Delivery Levels below the minimum						
Description	Households					
	2016/2017	2017/2018	2018/2019	2019/2020		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	134	134	134	134	134	134
Households below minimum service level	14	14	14	14	14	14
Proportion of households below minimum service level	10%	10%	10%	10%	10%	10%
<b>Informal Settlements</b>						
Total households	14	14	14	14	14	14
Households below minimum service level	11	11	11	11	11	11
Proportion of households below minimum service level	76%	76%	76%	76%	76%	76%
						<b>T 3.4.3</b>

# Chapter 3

Waste Management Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2018/2019		2019/2020		2020/2021	2022/2023		
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective</b>									
Provision of weekly collection service per household (HH)	147 495 households ( 133 690 formal settlement and 13 795 informal settlement)	23 weekly collection failures	40% reduction from year -1 (23 weekly collection failures)	40% reduction from year -1 (23 weekly collection failures)	40% reduction from year -1 (23 weekly collection failures)	40% reduction from year -1 (23 weekly collection failures)	35% reduction from year -1 (23 weekly collection failures)	30% reduction from year -1 (23 weekly collection failures)	20% reduction from year -1 (23 weekly collection failures)
Future capacity of existing and earmarked (approved use and in council possession) waste disposal sites	The amount of spare capacity available in terms of the number of years capacity available at the current rate of landfill usage	14 years of unused landfill capacity available	10 years of unused landfill capacity available	10 years of unused landfill capacity available	8 years of unused landfill capacity available	8 years of unused landfill capacity available	10 years of unused landfill capacity available	8 years of unused landfill capacity available	8 years of unused landfill capacity available
Proportion of waste that is recycled	Volumes of waste recycled as a percentage of total volume of waste	50% of year 2018/2019 waste recycled	46% of year 2018/2019 waste recycled	50% of year 2018/2019 waste recycled	50% of year 2019/2020 waste recycled	47% of year 2019/2020 waste recycled	47% of year 2019/2020 waste recycled	47% of year 2019/2020 waste recycled	60% of year 2020/2021 waste recycled

# Chapter 3

	disposed of at landfill sites.								
Proportion of landfill sites in compliance with the Environmental Conservation Act 1989.	0% of landfill sites by volume that are being managed in compliance with the Environmental Conservation Act 1989.	0% of sites compliant	0% of sites compliant	0% of sites compliant	0% of sites compliant	0% of sites compliant	0% of sites compliant	0% of sites compliant	2% of sites PARTLY compliant
									T 3.4.4

# Chapter 3

Employees: Solid Waste Management Services					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	0	2	0	2	100%
7 - 9	12	12	7	5	42%
10 - 12	36	15	7	8	53%
13 - 15	0	6	6	6	100%
16 - 18	114	384	114	270	70%
19 - 20	0	0	0	0	0%
Total	163	420	135	291	69%
					<b>T 3.4.5</b>

Employees: Waste Disposal and Other Services					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	1	1	1	1	100%
13 - 15	2	2	2	1	50%
16 - 18	6	6	6	6	100%
19 - 20	0	0	0	0	0
Total	9	9	9	8	89%
					<b>T 3.4.6</b>

# Chapter 3

Financial Performance 2019/2020: Solid Waste Management Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	116 795 000	113 704 998	127 704 998	125 311 547	9%
Expenditure:					
Employees	79 259 000	81 941 835	81 941 835	83 407 226	2%
Repairs and Maintenance	16 253 000	1 882 080	1 882 080	255 495	-637%
Other	245 564 000	15 981 221	31 351 171	272 323 484	94%
<b>Total Operational Expenditure</b>	<b>341 076 000</b>	99 805 136	115 175 086	355 986 205	72%
<b>Net Operational Expenditure</b>	<b>-224 281 000</b>	-13 899 862	-12 529 912	230 674 658	106%
					<b>T 3.4.7</b>

FINANCIAL PERFORMANCE 2019/2020: WASTE DISPOSAL AND OTHER SERVICES					
R'000					
Details	2018/2	2019/2020			
	Actual	Original	Adjustment	Actual	Variance to
<b>Total Operational</b>	105	Included in T 3.4.7 above			
Expenditure:					
Employees	73 182				
Repairs and Maintenance	7 541				
Other	39 470				
<b>Total Operational</b>	<b>120</b>				
<b>Net Operational</b>	<b>14 826</b>				
<b>Total Operational Revenue</b>	105				
					<b>T 3.4.8</b>

# Chapter 3

Capital Expenditure 2019/2020: Waste Management Services					
					R' 000
Capital Projects	2019/2020				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Welkom landfill site	18 000	17 000	17 000	0%	18 000
					T 3.4.9

## Comment on Waste Management Service Performance Overall:

The Directorate provided Waste Management Services to 5 749 service points of which constitute 147 495 constitute formal and informal households. The service provision to households is once a week collected from kerb stone, the industries are serviced twice a week and commercial is serviced three times a week. Other services include street cleaning, paper picking and rubble removal. The cleaning services is carried out on a daily basis whilst the rubble removal service is stalled due to insufficient transportation measures.

Recycling is not yet formalised and is being carried out by the private service providers (reclaimers) collecting from the individual street waste pickers and landfill sites waste pickers. Odendaalsrus landfill site have just been provided with the Buy-Back Centre and the landfill site waste pickers have formed the cooperative of which are going to re-trained to ensure that the buy-centre is being run successfully; that will be another initiative taken by the Municipality to formalise the people who were previously named scavengers into small entrepreneurs.

The same process is going to unfold at Welkom Landfill site once the upgrading is completed. The upgrading process completed and will be handed over in due course. Welkom Landfill site is in the process of being upgraded and it is going to be provided with the Buy-Back Centre and Drop-off facility as the initiative to venture in waste recycling from the landfill site whilst the systems are being set to sort the waste from the source (households).

.T 3.4.10

# Chapter 3

## INTRODUCTION TO HOUSING

The Department's core mandate is to facilitate the provision of low- and middle-income housing to the qualifying members within the legal parameters (National, Provincial, Local Government).

### Land Affairs

Responsible for the management, administration, and acquisition of all categories of land.

### Housing Development

Is responsible for the facilitation and provision / construction of houses for the low- and middle-income earners. The branch further facilitate intervention programmes as directed by both National and Provincial Departments.

### Housing Administration

The branch is primarily responsible for ensuring effective administration especially at unit level. Transfer of houses and sites as well as acquisition and distribution of title deeds. The branch is also mandated to facilitate dispute resolutions as pertaining to property allocations and ownership.

### Residential Rental Accommodation

The branch is responsible for the provision of residential rental accommodation for qualifying Municipal employees as well as members of the community.

T 3.5.1

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2016/2017	560 000	350 000	62,5%
2017/2018	654 000	450 000	68,8%
2018/2019	654 000	500 000	76,5%
2019/2020	684 000	540 000	78,9%

T 3.5.2



# Chapter 3

HOUSING SERVICE POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives  <i>Service Indicators</i>	Outline Service Target	2019/2020		2020/2021			2021/20	2022/2023	
		Target	Actual	Target		Actual	Target		
		*Previous Year	(iv)	*Previous Year	*Current Year	(vii)	*Current Year	*Current Year	*Following Year
T 3.5.3									

# Chapter 3

Employees: Housing Services					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
					T 3.5.4

Financial Performance 2019/2020: Housing Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	15 418 000	22 442 608	22 442 608	13 760 496	-63%
Expenditure:					
Employees	14 267 000	16 314 623	16 314 623	15 476 469	-5%
Repairs and Maintenance	735 000	717 903	717 903	-399 880	280%
Other	28 455 000	1 088 495	1 088 495	3 703 232	71%
<b>Total Operational Expenditure</b>	<b>43 457 000</b>	18 121 021	18 121 021	18 779 821	4%
<b>Net Operational Expenditure</b>	<b>-28 039 000</b>	-4 321 587	-4 321 587	5 019 325	186%
					T 3.5.5

Capital Expenditure 2019/2020: Housing Services					
R' 000					
Capital Projects	2019/2020				
	Budget	Adjustment	Actual Expendit	Variance from	Total Project
No capital projects implemented					
					T 3.5.6

# Chapter 3

## **Comment on The Performance of The Housing Service Overall:**

The department has moved forward with its endeavours to promote security of tenure within Matjhabeng Municipality, Council approved disposal of various categories of Municipal Land, the intention is to enhance revenue through sale of Land.

The municipality has forged strong partnership with Provincial Department of Human Settlement as well as Housing Development Agency (HDA) who continue to render support and monitor performance of the Municipality on Informal Settlement upgrading, through this partnership document such as Informal Settlement resettlement plans were adopted. The Municipality is also part of the Free State Informal Settlement Upgrading Forum.

Of the 21 informal settlement enumerated 2 has been upgraded namely Thandanani and Hani Park, with others been formalised through site allocation, to this date of the 7000 sites pegged about 3558 sites have been allocated and allocation of site is still continuing. The Provincial Department of Human Settlement through Housing Development Agency (HDA) appointed Lekwa consultants to assist the Municipality to obtain Level 1 Accreditation Business plan, the application process was partly successful approval to obtain the accreditation was set back by lack of Necessary Sector Plans, in endeavours to address this the Municipality has appointed Royal Haskoning DHV to draft the required sector plans.

The partnership with Private Sector proved fruitful as Community Rental Unit namely Merriespruit and Masimong was completed and occupied. With regard to houses built for the historically disadvantaged individuals, Provincial HS allocated 322 across Matjhabeng, through special programs such as Military Veteran about 62 sites were availed for development of Houses. About 292 old 2- roomed houses were demolished and rebuilt. The challenges envisaged so far is lack of development in terms of Gap Market as the land identified does not have bulk infrastructure.

On the distribution of title deeds, 381 beneficiaries received their title deeds. The main challenge however is the lack of manpower to do the actual verifications of the beneficiaries. The other challenges are deceased beneficiaries who's next of kin are not in possession of letters of authority and where current occupants are not the rightful owners of the properties, they are occupying with the rightful beneficiaries untraceable.

**T 3.5.7**

# Chapter 3

## Introduction to Free Basic Services and Indigent Support

Section 96 of the Local Government Municipal Systems Act states that a Municipality must adopt a Credit Control and Debt Collection Policy. The Act further states in Section 97 that a Municipality must also adopt an Indigent Policy. The Municipality has adopted both policies. The tables overleaf give an indication of the number of households receiving free basic services.

T 3.6.1

Free Basic Services to Low Income Households											
	Number of households										
	Total	Households earning less than R1,100 per month									
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse			
		Total	Access	%	Access	%	Access	%	Access	%	
2017/2016	16 807	16 807	16 807	100%	16 807	100%	16 807	100%	16 807	100%	100%
2018/2019	16 361	16 361	16 361	100%	16 361	100%	16 361	100%	16 361	100%	100%
2019/2020	17 578	17 578	17 578	100%	17 578	100%	17 578	100%	17 578	100%	100%

T 3.6.3

Financial Performance 2019/2020: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2018/2019	2019/2020			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	200	244	250	248	2%
Waste Water (Sanitation)	220	240	250	245	2%
Electricity	100	120	130	135	11%
Waste Management (Solid Waste)	105	110	120	125	12%
<b>Total</b>	<b>625</b>	<b>714</b>	<b>750</b>	<b>753</b>	<b>5%</b>

T 3.6.4

# Chapter 3

Free Basic Service Policy Objectives taken from IDP									
Service  <i>Service Indicators</i>	Outline Service Targets	2018/2019		2019/2020			2020/20	2021/2022	
		Target	Actual	Target		Actual	Target		
		*Previous Year	(iv)	*Previous Year	*Current Year	(vii)	*Current Year	*Current Year (ix)	*Following Year (x)
									T 3.6.5

# Chapter 3

## **Comment on Free Basic Services And Indigent Support:**

The municipality provided free basic services to 19 539 indigents.

**T 3.6.6**

## **COMPONENT B: ROAD TRANSPORT**

### **Introduction to Road Transport**

Due to high construction costs of roads, the Municipal policy is to construct roads according to the road hierarchy unless there are serious storm water challenges. The idea is to get a person on a formal road as near as possible to his house.

**T 3.7**

### **3.7 Roads**

#### **Introduction to Roads**

Serious road and roads related projects were planned for in the financial year under review as follows:

*Patch 15 800 m<sup>2</sup> of potholes in formal roads to reduce deterioration and ensure safe usage thereof (m<sup>2</sup>). Refurbish 60km of gravel and dirt roads to enhance driving comfort by blading and re-gravel.*

*Construction of 2 km of Roads in Ward 28;*

*Construction of Dr Mngoma road in Thabong Meloding: Construction of roads, sidewalks and storm water 2.2 km; Thabong: Upgrading of 1,5km gravel road to concrete paving blocks*

Of the above projects, quite progress has been achieved and we excited that at least we have covered in terms of providing services to the community. The Dr. Mngoma road been completed. The access roads in ward 28 are under construction. The only

# Chapter 3

challenge that we experienced was the Thabong upgrading of roads project which could not be started due to challenges of project funding.

T 3.7.1

Gravel Road Infrastructure					Kilometres
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained	
2017/2018	701,00	23,00	6,00	34,00	
2018/2019	0,00	0,00	0,00	0,00	
2019/2020	701,00	0,00	0,00	40,76	
					<b>T 3.7.2</b>

Tarred Road Infrastructure						Kilometres
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained	
2017/2018	1 083	6	7	3	436	
2018/2019	1 083	0	0	0	0	
2019/2020	1 083	0	25	0	10672m <sup>2</sup>	
						<b>T 3.7.3</b>

Cost of Construction/Maintenance							R' 000
	Gravel			Tar			
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained	
2017/2018	475 000	1 800 000	260 000	2 020 000	1 220 000	500 000	
2018/2019	490 000	1 900 000	280 000	23 00 000	1 300 000	550 000	
2019/2020	17 437				2746		
							<b>T 3.7.4</b>

# Chapter 3

Road Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2018/2019		2019/2020			2020/2021	2022/2023	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators		(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
(i)	(ii)								
Service Objective									
To develop and maintain roads and storm water infrastructure and develop transportations systems and maintenance thereof.	Resurface 25km of all streets every year according to PMS or Municipal priority list such that the use full life expectance of roads are extended but operations are safe.	10 km	1.447 km	25 km	25 km	24.972 km	25 km	25 km	25 km
	Patch 15 800 m2 of potholes in formal roads to reduce deterioration and ensure safe usage thereof (m2).	15 800 m2	12.092 m <sup>2</sup>	15 800 m2	15 800 m2	10 672 m2	15 800 m2	15 800 m2	15 800 m2
	Blade and re-gravel 60km of gravel and dirt	0	59.878 km	0	60 km	40.764 km	60 km	60 km	60 km



# Chapter 3

roads to enhance driving comfort.								
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T 3.7.6

# Chapter 3

Employees: Road Services					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	2	2	0	100%
4 - 6	2	4	2	4	100%
7 - 9	6	8	1	7	88%
10 - 12	7	17	4	13	76%
13 - 15	9	33	6	27	82%
16 - 18	11	94	38	56	60%
Total	38	158	53	107	68%
					<b>T 3.7.7</b>

Financial Performance 2019/2020: Road Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	0	0	0	0
Expenditure:					
Employees	6 802 000	7 448 595	7 448 595	7 139 792	-4%
Repairs and Maintenance	25 890 000	18 923 425	18 923 425	4 111 518	-360%
Other	419 621 000	13 586 225	22 977 908	101 298 341	87%
<b>Total Operational Expenditure</b>	<b>452 313 000</b>	39 958 245	49 349 928	112 549 651	64%
<b>Net Operational Expenditure</b>	<b>-452 313 000</b>	-39 958 245	-49 349 928	-112 549 651	64%
					<b>T 3.7.8</b>

# Chapter 3

Capital Expenditure 2019/2020 Road Services					R' 000
Capital Projects	2019/2020				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	24 370 116	0	18 551 696	-23%	
Thabong: Upgrading of 2km old gravel roads to concrete paving blocks and storm water drainage (ward 28) (MIS:270899)	2 830 703	0	2 738 598,97	0	16 981 825,16
Meloding/Virginia: Construction of 3km paved roads and stormwater – phase 2 (MIS:288748)	19 088 841	0	13 270 421	-30%	31 914 116,38
Thabong/Tandanani Ext 22: Construction of 3km paved roads and storm water (MIS:343541)	2 542 676	0	2 542 676	0	27 343 073,43
					<b>T 3.7.9</b>

## Comment on The Performance Of Roads Overall:

Upgrading of roads in areas within formal townships was planned for construction during the year under review, especially where storm water challenges are eminent. Due to the limited financial resources and taking cognisance of the urgency of other critical services, the upgrade on the roads infrastructure became challenging; however, it will be prioritised as far as possible in the subsequent Financial Years.

**T 3.7.10**

## Introduction to Stormwater Drainage

Due to the low gradients of the Matjhabeng Municipal area, storm water is a challenging and expensive service. During the development of some towns, especially the townships, little emphasis was given to create major storm water networks. When roads are designed, the drainage thereof becomes problematic. It must also be mentioned that due to this low

# Chapter 3

gradient of the area, the storm water systems are designed at minimum velocity. This results in channels silting up regularly with the accompanying flooding challenges and regular maintenance actions.

Misuse of open storm water system by residents using it as dumping areas for their gardens and house refuse creates additional maintenance challenges. Residents should be educated on the consequences that are associated with this practice.

**T 3.8.1**

Stormwater Infrastructure				Kilometres
	Total Stormwater measures	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2017/2018	593	2	1	25
2018/2019	0	0	0	0
2019/2020	593	0	0,229	17
				<b>T 3.8.2</b>

Cost of Construction/Maintenance				R' 000
	Stormwater Measures			
	New	Upgraded	Maintained	
2017/2018				
2018/2019				
2019/2020		285		
				<b>T 3.9.3</b>

# Chapter 3

Stormwater Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2018/2019		2019/2020			2020/2021	2022/2023	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective xxx</b>									
To compile and implement a maintenance and upgrading plan for storm water canals and networks.	Clean and upgrade 7 km of existing lined storm water canals	5.6 km	5.147 km	8 km of lined storm water canals cleaned	8 km of lined storm water canals cleaned	8.689 km	8 km of lined storm water canals cleaned	8 km of lined storm water canals cleaned	8 km of lined storm water canals cleaned
	Clean 8 km of unlined storm water canals in Matjhabeng twice a year.	6.8 km	8.147 km	8km of storm water canals cleaned	8km of storm water canals cleaned	5.075km	8km of storm water canals cleaned	8km of storm water canals cleaned	8km of storm water canals cleaned
Construction of new storm water networks and upgrade and maintenance of existing networks subject to availability of budget	Clean and maintain 2km of existing storm water drainage pipes.	2km of drainage pipes cleaned	2.829 km	2km of drainage pipes cleaned	2km of drainage pipes cleaned	3.335 km	2km of drainage pipes cleaned	2km of drainage pipes cleaned	2km of drainage pipes cleaned
	Repair or replace 40 damaged and stolen catch pit and manhole	100 lids replaced	387 repaired of replaced	100 lids replaced	100 lids replaced	61 lids replaced	100 lids replaced	100 lids replaced	100 lids replaced

# Chapter 3

	lids								
<b>T 3.8.5</b>									

# Chapter 3

Employees: Stormwater Services					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3		0	0	0	100%
4 - 6		0	0	0	100%
7 - 9		10	3	7	70%
10 - 12		17	1	16	94%
13 - 15		28	7	21	75%
16 - 18		106	36	70	66%
Total		161	47	114	71%
					<b>T 3.8.6</b>

Financial Performance 2019/2020: Stormwater Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	0	0	0	0!
Expenditure:					
Employees	21 306 000	23 321 047	23 321 047	22 406 161	-4%
Repairs and Maintenance	2 804 000	20 006 074	20 006 074	110 459	-18012%
Other	2 669 000	4 417 735	5 157 735	1 641 757	-169%
<b>Total Operational Expenditure</b>	<b>26 779 000</b>	47 744 856	48 484 856	24 158 378	-98%
<b>Net Operational Expenditure</b>	<b>-26 779 000</b>	47 744 856	48 484 856	24 158 378	-98%
					<b>T 3.9.7</b>

Capital Expenditure 2019/2020: Stormwater Services					
					R' 000
Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	849 398	0	0	0	
Nyakallong: Construction of storm water system –	849 398		0	0	

# Chapter 3

phase 1					
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T 3.8.8

## Comment on The Performance of Stormwater Drainage Overall:

Some storm water challenges were addressed in several townships (Thabong, Phomolong, Mmamahabane and Kutlwanong) with a view of making a difference in their living conditions. Maintenance of storm water is however lacking and needs more attention. Maintenance of storm water is hampered due to inadequate availability of personnel and equipment.

T 3.8.9

## COMPONENT C: PLANNING AND DEVELOPMENT

### Introduction to Planning and Development

Spatial Planning deals with the methods used by the public sector to influence the distribution of people and activities in spaces of various scales. Discrete professional discipline which involves spatial planning, land use, urban, regional, transport and environmental planning. Other related areas of importance include economic and community planning. Spatial planning takes place on Local, Regional, National and Inter-National levels and results in the creation of a spatial plan.

Spatial planning gives geographical expression to the economic, social, cultural and ecological policies of society. It is at the same time a scientific discipline, an administrative technique and a policy instrument developed as an interdisciplinary and comprehensive approach directed towards a balanced regional development and the physical organization of space according to an overall strategy.

Spatial planning enables "making decisions relating to the location and distribution of land use activities".

Development Control is about making decisions relating to the way in which different activities, land uses, and buildings are located in relation to each other and the way in which spatial considerations influence and are influenced by economic, social, political, infrastructural and environmental considerations".

Development Planning is about making decisions relating to the way in which different activities will be positioned in the space associated with future urban growth and expansion. It will be influenced by current and future economic social, political, infrastructural, and environmental considerations.

T 3.9.0



# Chapter 3

## Introduction to Planning

Spatial Planning deals with the methods used by the public sector to influence the distribution of people and activities in spaces of various scales. Discrete professional discipline which involves spatial planning, land use, urban, regional, transport and environmental planning. Other related areas of importance include economic and community planning. Spatial planning takes place on Local, Regional, National and Inter-National levels and results in the creation of a spatial plan.

Spatial planning gives geographical expression to the economic, social, cultural, and ecological policies of society. It is at the same time a scientific discipline, an administrative technique and a policy instrument developed as an interdisciplinary and comprehensive approach directed towards a balanced regional development and the physical organization of space according to an overall strategy.

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Development Planning is about making decisions relating to the way in which different activities will be positioned in the space associated with future urban growth and expansion. It will be influenced by current and future economic social, political, infrastructural, and environmental considerations.

**T 3.10.1**

Applications for Land Use Development						
Detail	Formalization of		Rezoning		Built	
	2018/20	2019/20	2018/20	2019/20	2018/20	2019/20
Planning application	0		15		907	
Determination made in year	0		9		810	
Determination made in	8	2			97	
Applications withdrawn	0	0	0		0	
Applications outstanding at	4	2	6		97	

**T 3.10.2**

# Chapter 3

# Chapter 3

Employees: Planning Services					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

**T 3.10.4**

Financial Performance 2019/2020: Planning Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	168 000	3 162 400	3 162 400	-	0
<b>Expenditure:</b>					
Employees	24 798 000	33 310 894	33 310 894	27 873 914	-20%
Repairs and Maintenance	5 455 000	2 877 464	2 877 464	809 461	-255%
Other	254 000	-3 304 558	-3 125 558	10 702 938	131%
<b>Total Operational Expenditure</b>	<b>30 507 000</b>	32 883 800	33 062 800	39 386 314	17%
<b>Net Operational Expenditure</b>	<b>-30 339 000</b>	29 721 400	29 900 400	39 386 314	25%

**T 3.10.5**

# Chapter 3

## **Introduction to Economic Development**

The following aspects constitute the scope and mandate of the LED- Tourism, SMME support and development, Agriculture support and promotion, Development Planning and Control, Investment Promotion, Attraction and Retention, etc. During the period under review our focus was more on the development of the essential plans as well as policy instruments to enable the Department to systematically execute its obligations.

Accordingly, the implementation plans were developed by all the Divisions of the Department as encapsulated in the Service Delivery and Budget Implementation Plan (SDBIP). Noteworthy is the fact that some of the targets were reliant on the funding from the Municipality for their implementation whilst others were supposed to be funded by the other spheres of government. Safe to say that some targets were funded by other spheres timely whereas others were funded later in the year, this reality adversely impacted the implementation and realization of the said targets on time.

Some of these targets were dependent on the internal funding that was not enough to cater for the planned programs of the Municipality as expected. It is in this regard that the Department has deemed it necessary to optimize measures of creating a conducive environment for SMME as the key measure in contributing to the strengthening of the local economy. This is done through the collaboration with the relevant stakeholders that share the similar responsibility with the Local Municipality as well as improving on the support measures provided to this sector of our economy.

In the SDBIP as an example, we planned to develop/review LED as well as the Municipal Development strategies and the Spatial Development Framework but as a consequence of limited funding, these could not be done as a result these targets had to be deferred to the subsequent financial year. As a result of collaboration, these plans will be done with funding from other spheres of government.

**T 3.11.1**

# Chapter 3

<b>Economic Activity by Sector</b>			
<b>R '000</b>			
<b>Sector</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
Agric, forestry and fishing	2	1,5	1,5
Mining and quarrying	6	5	2
Manufacturing	56	58	63
Wholesale and retail trade	45	51	52
Finance, property, etc.	51	48	52
Govt, community and social services	23	25	25
Infrastructure services	34	38	41
<b>Total</b>	<b>217</b>	<b>226,5</b>	<b>236,5</b>
<b>T 3.11.2</b>			

<b>Economic Employment by Sector</b>			
<b>Jobs</b>			
<b>Sector</b>	<b>2017/2018 No.</b>	<b>2018/2019 No.</b>	<b>2019/2020 No.</b>
Agric, forestry and fishing	20 000	25 000	30 000
Mining and quarrying	400 000	435 000	372 000
Manufacturing	320 000	300 000	270 000
Wholesale and retail trade	190 000	200 000	210 000
Finance, property, etc.	275 000	255 000	235 000
Govt, community and social services	300 000	310 000	320 000
Infrastructure services	400 000	430 000	450 000
<b>Total</b>	<b>1 905 000</b>	<b>1 955 000</b>	<b>1 887 000</b>
<b>T 3.11.3</b>			

## **COMMENT ON LOCAL JOB OPPORTUNITIES:**

Owing to the decline of the mining operation in the area, job opportunities associated with this industry have decreased. The unemployment rate remains high as a direct result of this. Nevertheless, opportunities exist in other sectors such as small- scale mining agriculture, tourism and manufacturing sectors.

**T 3.11.4**

# Chapter 3

<b>JOBS CREATED DURING 2019/2020 BY LED INITIATIVES (EXCLUDING EPWP PROJECTS)</b>				
<b>Total Jobs created / Top 3 initiatives</b>	<b>Jobs created NO.</b>	<b>Jobs lost / displaced by NO.</b>	<b>Net total jobs NO.</b>	<b>Method of validating jobs</b>
Total (all initiatives)				
2017/2018	252			
2018/2019	30	0		Site visits
2019/2020				
Business Licences				
Commonages				
Small Scale				
				<b>T 3.11.5</b>

<b>Job creation through EPWP* projects</b>		
<b>Details</b>	<b>EPWP Projects No.</b>	<b>Jobs created through EPWP projects No.</b>
2017/2018	40	2 000
2018/2019	50	2 900
2019/2020	66	4 500
		* - <i>Extended Public Works Programme</i>
		<b>T 3.11.6</b>

# Chapter 3

# Chapter 3

Employees: Local Economic Development Services					
Job Level	2018/2019	20119/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
<b>Total</b>	<b>55</b>	<b>93</b>	<b>55</b>	<b>38</b>	<b>41%</b>

**T 3.11.8**

Financial Performance 2019/2020: Local Economic Development Services					
Details	2017/2018	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	246 000	-	-	250 701	100%
<b>Expenditure:</b>					
Employees	13 551 000	18 132 921	18 132 921	14 421 654	-26%
Repairs and Maintenance	5 229 000	1 766 582	1 766 582	150 182	-1076%
Other	156 000	1 648 857	1 648 857	469 876	-251%
<b>Total Operational Expenditure</b>	<b>18 936 000</b>	21 548 360	21 548 360	15 041 713	-43%
<b>Net Operational Expenditure</b>	<b>-18 690 000</b>	21 548 360	21 548 360	14 791 011	-46%

**T 3.11.9**

Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
No capital projects implemented					

**T 3.11.10**



# Chapter 3

## **Comment on Local Economic Development Performance Overall:**

Information not provided by the relevant directorate

**T 3.11.11**

## **COMPONENT D: COMMUNITY AND SOCIAL SERVICES**

### **Introduction to Cemeteries and Crematoriums**

Cemeteries are an exclusive function of local government as per Schedule 5B of the Constitution of the Republic of South Africa, 1996. Matjhabeng Local Municipality is responsible for providing adequate graves to the community for burial purposes. Cemetery services are subsidized by Municipalities, as revenue generated from this sector is significantly low compared to the total budget allocated

There is increased demand for burial land due to excessive increase of the population. This is mostly affected by rapid urbanization in towns and cities. Cemeteries are not just a place for burial purposes, but they are places for spiritual and cultural references, and in some area for connecting with the ancestral spirits through ancestral worship.

Covid 19 pandemic has exacerbate the already dire situation of the provision of graves and the increase in burials add extra pressure on the section. The Municipality constantly tries to balance meeting the social, economic, cultural and religious needs of the community. One cemetery upgraded (Allanridge cemetery) and a new development in Mmamahabane Cemetery.

**T 3.12.1**

### **SERVICE STATISTICS FOR CEMETORIES and CREMATORIUMS**

Annual burial for Matjhabeng Local Municipality is 3 600

**T 3.12.2**

# Chapter 3

Cemeteries and Crematoriums Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2018/2019		2019/2020		200/2021	2021/2022		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective xxx</b>									
Provision of burial space	Digging of graves adequately and timeously	4000	3600	4000	4000	3 860	4 000	4 000	4 000
	Development of new cemetery Ventersburg		70% progress		70% progress		80 % progress		100%
	Upgrading of Allanridge cemetery		50% progress		50% progress		50% progress	100%	
<b>T 3.12.3</b>									

# Chapter 3

Employees: Cemeteries and Crematoriums					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	1	3	3	2	67%
7 - 9	1	8	1	6	75%
10 - 12	3	15	3	12	80%
13 - 15	9	15	9	6	40%
16 - 18	56	73	56	17	23%
19 - 20	0	0	0	0	0
Total	71	115	73	43	37%

**T 3.12.4**

Financial Performance 2019/2020: Cemeteries and Crematoriums					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	1 573 000	10 560 000	10 560 000	1 772 965	-496%
<b>Expenditure:</b>					
Employees	5 847 000	93 941 362	93 941 362	83 191 921	-13%
Repairs and Maintenance	7 763 000	6 858 540	6 858 540	3 630 505	-89%
Other	2 908 000	-91 393 128	-88 590 998	40 973 287	323%
<b>Total Operational Expenditure</b>	16 518 000	9 406 774	12 208 904	27 795 714	93%
<b>Net Operational Expenditure</b>	-14 945 000	-1 153 226	1 648 904	26 022 749	101%

**T 3.12.5**

Capital Expenditure 2019/2020: Cemeteries and Crematoriums					
					R' 000
Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	21 220 710	21 220 710	19 814 390	-7%	

# Chapter 3

Allanridge Cemetery: Water, Sewer and High Mast Lights Facility	1 102 353	1 102 353	185 040	-496%	
Mmamahabane: New Development	20 118 357	20 118 357	19 629 350	-2%	
					<b>T 3.12.6</b>

## **COMMENT ON THE PERFORMANCE OF CEMETORIES and CREMATORIUMS OVERALL:**

**T 3.12.7**

## **COMPONENT E: ENVIRONMENTAL PROTECTION**

### **Introduction to Environmental Protection**

The largest projects for the year under review is the Mmamahabane Cemetery as a new development with a budget of R36m and with a completion percentage 95%. Proposed handover for project will be end of June 2021. The other project namely the upgrade of Allanridge cemetery with a budget of R2 5m is at a 95% completion percentage. Outstanding deliverables are connection of electricity.al projects and explain the variations from budget for net operating and capital expenditure.

Confirm your year 5 targets set out in the IDP schedule can be attained within approved budget provision and if not then state how you intend to rectify the matter. Explain the priority of the four largest capital projects and explain variances from budget for net operating and capital expenditure. Also explain any likely variation to the total approved project value (arising from year 0 and/or previous year actuals or expected future variations).

**T 3.13**

# Chapter 3

Pollution Control Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2019/2020		2020/2021			2021/2022	2022/2023	
		Target	Actual	Target		Actual	Target		
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Service Objective xxx</b>									
Water and air purity	Water: x% of all readings taken throughout the year on at least weekly to be found acceptable (clean) by National Standards	T0% clean	A0% clean	T1% clean	T1% clean	A1% clean	T2% acceptable	T5% acceptable	T5% acceptable
	Air: x% of all readings taken throughout the year on at least weekly to be found acceptable by National standard	T0% clean	A0% clean	T1% clean	T1% clean	A1% clean	T2% acceptable	T5% acceptable	T5% acceptable
									<b>T 3.13.3</b>

# Chapter 3

## COMPONENT G: SECURITY AND SAFETY

### INTRODUCTION TO SECURITY AND SAFETY

#### PUBLIC SAFETY AND TRANSPORT

##### Objective of the Public Safety Department

The main objective of Public Safety is to ensure a safe environment within the Municipality in fulfilling its mandate which includes the provision of administrative leadership and strategic guidance to its members.

##### Our Approach to Improve Public Safety

The Department of Public Safety will endeavour to:

- Share Information
- Guide and support all members
- Draft policies, standard operating procedures and standing orders
- Render a reliable, customer focused service
- Apply the “Batho Pele” Principles
- Respect other person’s views and suggestions
- Clarify roles and responsibilities
- Communicate with members
- Make members available for service at all times
- Abide by all legislative requirements and promote the government’s mandate
- Implement capacity building programmes

### INTRODUCTION TO SECURITY

#### SECURITY SERVICES

Security Services is entrusted with a responsibility of safeguarding valuable Council’s assets and resources.

# Chapter 3

## **FUNCTIONS OF SECURITY SERVICES**

- Safeguarding of Council property.
- Enforcing of by-laws.
- Protection of VIP's.
- Protection of personnel and clients.
- Investigations.
- Vetting of personnel and companies.
- Crowd control.

## **INTRODUCTION TO TRAFFIC MANAGEMENT**

The Traffic Division is responsible for traffic law enforcement and the administration thereof. The function also ensures the technical sustainability of road traffic signs, signals and markings throughout the Municipal Area.

### **The Function of Traffic Policing**

- To enforce traffic law
- To conduct public information and awareness programs
- Enforce compliance to road traffic signs, rules and regulations
- To ensure a sustainable and successful maintenance strategy of road signs, signals and markings
- To maintain committed goals through direct enforcement and Traffic Control
- Responsible for all administration duties such as receiving of traffic fines, capturing of data; e.g. Traffic collisions, issuing of summonses and Court rolls as well as general office work.
- The Technical Division is responsible for road marking, erecting of road signs and the sustaining thereof.
- Road Safety Education develops knowledge, skills, attitude and values that enable pedestrians, cyclists, motorists, drivers and passengers to use the road safely.
- Traffic training.

### **THE KEY ISSUES FOR 2019/2020:**

# Chapter 3

It needs to be mentioned that the efficiency of the Department has been hampered by constraints such as staff vacancies, the lack of equipment and the lack of operational as well as capital funding, as well as high volume of vandalism and copper cable theft.

The newly established fully flashed digital control room. The roll-out of installation of electronic security to Municipal premises unfolded. The Municipality is doing well in its Traffic Training College. In the year under review we had:

- 94 Students on the special Narysec programme
- 8 Students from Kokstad
- 1 Student from Lengua

.The process of acquiring Traffic Management solution unfolded during the year under review

**T 3.14**

## **INTRODUCTION TO FIRE SERVICES**

Matjhabeng Fire and Rescue Services is responsible for two primary functions to our citizens, namely: emergency response to calls needing rescue and fire extinguishing services. The functions of Emergency Services of the Municipality are administered as follows and include:

- Residential Fires
- Institutional fires
- Public assembly fires
- Commercial fires
- Industry fires
- Utility fires
- Transport fires
- Other fires
- Vehicle fires
- Vehicle accidents
- Hazardous substances incidents
- Miscellaneous assistance to people

### **Fire safety activities**

- Fire prevention inspections.
- Building plans inspected.



# Chapter 3

- Hazardous substances installation inspections.
- Fire hydrant inspections

## Public Education and Awareness Programs

- Presenting of fire awareness session / programs to school groups and community members.
- Presenting fire training sessions to the community businesses and Municipal staff

## Challenges

- There were problems with regards to fire calls attended because we did not comply to the SANS code of conduct because of the shortage of fire engines.
- Shortage of Personnel
- Mmamahabane Fire Station still not yet operational due to lack of tools of trade (incapacitated)

T 3.14.1

Fire Service Data					
	Details	2018/2019	2019/2020		2020/2021
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Total fires attended in the year	67		72	84
2	Total of other incidents attended in the year	1 036		1140	
3	Average turnout time - urban areas	8		10	
4	Average turnout time - rural areas	20		23	
5	Fire fighters in post at year end	57	65	55	65
		23	31	21	31
6	Total fire appliances at year end	4	5	2	6
7	Average number of appliance off the road during the year	13		15	
					<b>T 3.14.2</b>

# Chapter 3

Fire Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2018/2019		2019/2020			2020/2021	2021/2022	
		Target	Actual	Target		Actual	Target	Target	
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Service Objective xxx</b>									
Turnout time compared to National guidelines: With at least 52% with in guidelines	50% turn out within guidelines (total number of turn outs)	45% within guidelines	70% within guidelines or x if x is larger	10% within guideline s or A0% if that is larger	80% within guideline s or A0% if that is larger	85% within guideline s	75% within guideline s	95% within guideline s	95% within guidelines
									<b>T 3.14.3</b>

# Chapter 3

Employees: Fire Services					
Job Level	2018/2019	2019/2020			
Fire Fighters	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Chief Fire Officer & Deputy					
Other Fire Officers					
0 - 3	1	1	1	0	0%
4 - 6	2	6	2	4	67%
7 - 9	20	23	18	5	22%
10 - 12	59	67	57	10	15%
13 - 15	1	1	1	0	0%
16 - 18	2	8	2	6	75%
19 - 20	0	0	0	0	0!
<b>Total</b>	<b>85</b>	<b>106</b>	<b>81</b>	<b>25</b>	<b>24%</b>

**T 3.14.4**

Financial Performance 2019/2020: Fire Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	1 232 000	3 451 200	3 451 200	972 623	-255%
Expenditure:					
Fire fighters	36 014 000	39 166 296	39 166 296	38 030 565	-3%
Other employees	-	-	-	-	-!
Repairs and Maintenance	875 000	3 552 315	3 552 315	187 765	-1792%
Other	1 622 000	899 410	1 729 410	1 688 420	47%
<b>Total Operational Expenditure</b>	<b>38 511 000</b>	<b>4 451 725</b>	<b>5 281 725</b>	<b>1 876 184</b>	<b>-137%</b>
<b>Net Operational Expenditure</b>	<b>-37 279 000</b>	<b>4 451 725</b>	<b>5 281 725</b>	<b>1 876 184</b>	

**T 3.14.5**

# Chapter 3

Capital Expenditure 2019/2020: Fire Services						R' 000
Capital Projects	2019/2020					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
No projects carried for the current financial year						
<b>T 3.14.6</b>						

## COMMENT ON THE PERFORMANCE OF FIRE SERVICES OVERALL:

**T 3.14.7**

### 3.15 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

#### SERVICE STATISTICS FOR DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

**T 3.15.2**

Financial Performance 2019/2020: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	8 877 000	24 088 867	24 088 867	4 268 693	-464%
Expenditure:					
Employees	76 737 000	83 767 130	83 767 130	83 688 967	0%
Repairs and Maintenance	52 898 000	2 293 054	2 293 054	1 660 076	-38%
Other	3 733 000	19 104 613	50 428 073	22 622 423	16%
<b>Total Operational Expenditure</b>	<b>133 368 000</b>	<b>105 164 797</b>	<b>136 488 257</b>	<b>107 971 466</b>	<b>3%</b>
<b>Net Operational Expenditure</b>	<b>124 491 000</b>	<b>81 075 930</b>	<b>112 399 390</b>	<b>103 702 772</b>	<b>22%</b>
<b>T 3.15.3</b>					

# Chapter 3

Capital Expenditure 2019/2020: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc					
R' 000					
Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No projects implemented for the year under review					
<b>T 3.15.4</b>					

## COMPONENT H: SPORT AND RECREATION

### Introduction to Sport and Recreation

Matjhabeng Local Municipality's philosophy of sports and recreation is based on the recognition of the vital importance of sports in the holistic development of the individual and the community. Sports and Recreation are an important means of building and developing the character of the individual as well as the social cohesion of the community. It builds the spirit of friendly competition, provides healthy entertainment, it exercises the body, it creates a climate of achievement and challenges the youth in particular to higher levels of endurance and attainment.

It is the responsibility of the Municipality to ensure that sport and recreation facilities are accessible to all through an application of the management and maintenance of sport and recreation policy. The National Sport and Recreation Act (Act 110 of 1998) provides for promotion and development of sports and recreation and coordination of the relationships between the Sports Commission, National and recreation federations and the others.

The White Paper on Sport and Recreation gives effect to stated government policy of a better life for all and to get the nation to play, hence the Municipality creates infrastructure for delivery of sport and recreation and ensures the existence of programmes that develop the human resources potential in sport and recreation.

### Highlights

- Developed new multipurpose sport centre
- MOU between Dept Arts & Culture for Sports Academy at new Far East Hall
- Upgrading of Bronville and Welkom swimming pool
- The upgrading of Mimosa Swimming pool at the roll out stage

**T 3.16**

# Chapter 3

## 3.16 SPORT AND RECREATION

### SERVICE STATISTICS FOR SPORT AND RECREATION

- 1 New developed Multi-purpose sport centre (Meloding)
- 1 New developed cemetery in Mmamahabane
- 1 Upgraded cemetery in Allanridge

**T 3.16.1**

# Chapter 3

Sport and Recreation Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2019/2020		2020/2021		2021/2022	2022/2023		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year (iii)		*Previous Year (v)	*Current Year (vi)		*Current Year (viii)	*Current Year (ix)	*Following Year (x)
(i)	(ii)		(iv)			(vii)			
<b>Service Objective xxx</b>									
<b>Management and maintenance of sport and recreational facilities</b>	Development of multi-purpose sport complex in Meloding	2019/2020	70% progress		70% progress	70% progress	90% progress	100% progress	100% progress
									<b>T 3.16.2</b>

# Chapter 3

Employees: Sport and Recreation					
Job Level	2018/2019	2019/2020			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

**T 3.16.3**

Financial Performance 2019/2020: Sport and Recreation					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	34 000	-	-	1 772 965	100%
<b>Expenditure:</b>					
Employees	2 628 000	93 941 362	93 941 362	83 191 921	-13%
Repairs and Maintenance	252 000	6 858 540	6 858 540	3 630 505	-89%
Other	41 272 000	-96 668 773	-96 668 773	40 973 287	336%
Total Operational Expenditure	44 152 000	4 131 129	4 131 129	127 795 714	97%
Net Operational Expenditure	-44 118 000	4 131 129	4 131 129	126 022 749	97%

**T 3.16.4**

Capital Expenditure 2019/2020: Sport and Recreation					
Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	8 988 936	8 988 936	7 547 900	-19%	



# Chapter 3

Virginia Meloding: Upgrade New Indoor Sports and Recreation Facility Phase 1	7 065 139	7 065 139	1 540 247	-359%	
Thabong: Upgrade Far East Hall	1 923 797	1 923 797	6 007 654	68%	
					<b>T 3.16.5</b>

## COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

Financial Performance 2019/2020: The Executive and Council					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	613 635 000	736 948 000	737 544 000	611 095 697	-21%
Expenditure:					
Employees	86 929 000	79 020 613	79 020 613	32 274 926	-145%
Repairs and Maintenance	26 231 000	413 777	413 777	2 254 218	82%
Other	75 052 000	63 812 972	87 805 412	114 783 073	44%
<b>Total Operational Expenditure</b>	<b>188 212 000</b>	<b>143 247 362</b>	<b>167 239 802</b>	<b>149 312 217</b>	<b>4%</b>
<b>Net Operational Expenditure</b>	<b>425 423 000</b>	<b>593 700 638</b>	<b>570 304 198</b>	<b>461 783 480</b>	<b>-29%</b>
					<b>T 3.17.3</b>

# Chapter 3

Capital Expenditure 2019/2020: The Executive and Council					
R' 000					
Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	50 000 000	50 000 000	23 196 339	-116%	
Replacement of fleet	50 000 000	50 000 000	23 196 339	-116%	
					<b>T 3.17.4</b>

## 3.18 FINANCIAL SERVICES – BUDGET AND REPORTING SECTION

### Introduction Budget and Reporting Section

In this report a financial snapshot was conducted to assess the financial performance of the financial year as at 30 June 2020. The actual organizational performance will be measured within the Service Delivery and Budget Implementation Plan for the reporting period, where performance is to be examined against predetermined and defined key performance areas.

The main aim and responsibility (objective) of the Budget and Reporting section is to report the financial position and performance of the municipality to Council and National Treasury timeously. These reporting are done in terms of prescribed templates from National Treasury and to ensure that the accounting of transactions and financial statements are done according to GRAP standards as approved and adopted.

**T 3.18.1**

# Chapter 3

Financial Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2019/2020		2020/2021			2021/2022	2022/2023	
		Target	Actual	Target		Actual	Target		
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
To increase payment levels to 75%	% increase in the payment rate	75% payment rate	64% payment rate	75% payment rate	75% payment rate	55% payment rate	85% payment rate	85% payment rate	90% payment rate
To practice sound and sustainable financial management	% decrease in audit queries	75% decrease in audit queries	25% decrease in audit queries	75% decrease in audit queries	75% decrease in audit queries	50% decrease in audit queries	75% decrease in audit queries	95% decrease in audit queries	95% decrease in audit queries
To obtain a clean audit in 2014	% decrease in audit queries	75% decrease in audit queries	25% decrease in audit queries	75% decrease in audit queries	75% decrease in audit queries	50% decrease in audit queries	75% decrease in audit queries	95% decrease in audit queries	95% decrease in audit queries
To practice sound and sustainable expenditure management	Creditors Age Analysis	All creditors to be paid within 30 days	28% of creditors on 30 days	All creditors to be paid within 30 days	All creditors to be paid within 30 days	18% of creditors on 30 days	All creditors to be paid within 30 days	All creditors to be paid within 30 days	All creditors to be paid within 30 days
									<b>T 3.18.3</b>

# Chapter 3

Financial Performance 2019/2020: Financial Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	417 417 000	552 352 757	617 352 757	442 152 248	-25%
Expenditure:					
Employees	67 328 000	72 954 852	72 954 852	74 585 946	2%
Repairs and Maintenance	518 000	838 768	838 768	3 154 918	73%
Other	376 865 000	724 579 699	822 949 159	414 528 924	-75%
<b>Total Operational Expenditure</b>	<b>444 711 000</b>	798 373 319	896 742 779	492 269 788	-62%
<b>Net Operational Expenditure</b>	<b>-27 294 000</b>	246 020 562	279 390 022	50 117 539	-391%
					<b>T 3.18.5</b>

Capital Expenditure 2019/2020: Financial Services					
					R' 000
Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
No projects implemented in the year under review					
					<b>T 3.18.6</b>

## COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL:

The division went extra mile to develop new policies that are pertinent to the establishment of a credible budget, which did not exist previous years, namely: Borrowing policy and Capital Infrastructure Investment Policy. These policies have are regarded as having great inputs on the establishment of the budget. Furthermore, a Five Year Long-term Financial Plan was also developed for the first time. This was possible after a policy which guided the development of the financial plan was also developed, namely: Policy on Long-term financial planning. The said Financial Plan was approved together with the approval of the IDP by Council on the 28 May 2015.

**T 3.18.7**

# Chapter 3

Financial Performance 2019/2020: Human Resource Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	-	-	-	-
<b>Expenditure:</b>					
Employees	13 082 000	16 688 947	16 688 947	14 699 282	-14%
Repairs and Maintenance	1 292 000	81 593	81 593	-	0
Other	412 000	4 248 136	4 248 136	-13 412 888	132%
<b>Total Operational Expenditure</b>	<b>14 786 000</b>	<b>21 018 676</b>	<b>21 018 676</b>	<b>1 286 393</b>	<b>-1534%</b>
<b>Net Operational Expenditure</b>	<b>-14 786 000</b>	<b>21 018 676</b>	<b>21 018 676</b>	<b>1 286 393</b>	<b>-1534%</b>
					<b>T 3.19.3</b>

# Chapter 3

Capital Expenditure 2019/2020: Financial Services						R' 000
Capital Projects	2019/2020					Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget		
No projects implemented in the year under review						
						T 3.19.4

## 3.20 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Financial Performance 2019/2020: ICT Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	-	-	-	-
<b>Expenditure:</b>					
Employees	6 318 000	8 107 460	8 107 460	7 231 908	-12%
Repairs and Maintenance	3 923 000	1 360 528	1 360 528	138 809	-880%
Other	22 138 000	18 843 097	26 769 097	41 176 502	54%
<b>Total Operational Expenditure</b>	<b>32 379 000</b>	<b>28 311 085</b>	<b>36 237 085</b>	<b>48 547 219</b>	<b>42%</b>
<b>Net Operational Expenditure</b>	<b>-32 379 000</b>	<b>28 311 085</b>	<b>36 237 085</b>	<b>48 547 219</b>	<b>42%</b>
<b>T 3.20.3</b>					

# Chapter 3

Capital Expenditure 2019/2020: Financial Services						R' 000
Capital Projects	2019/2020					Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget		
No projects implemented in the year under review						
						T 3.20.4

## 3.21 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

Financial Performance 2019/2020: Property; Legal; Risk Management and Procurement Services					
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	-	-	-7 639	100%
<b>Expenditure:</b>					
Employees	4 222 000	38 396 924	38 396 924	32 692 020	-17%
Repairs and Maintenance	10 000	293 040	293 040	134 070	-119%
Other	31 641 000	18 491 776	22 376 776	24 306 195	24%
<b>Total Operational Expenditure</b>	<b>35 873 000</b>	<b>57 181 740</b>	<b>61 066 740</b>	<b>57 132 285</b>	<b>0%</b>
<b>Net Operational Expenditure</b>	<b>-35 873 000</b>	<b>57 181 740</b>	<b>61 066 740</b>	<b>57 139 924</b>	<b>0%</b>
<b>T 3.21.3</b>					

# Chapter 3

Capital Expenditure 2019/2020: Financial Services					
Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
no projects implemented in the year under review					
					<b>1 521.4</b>



# Chapter 4

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

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

<b>Employees</b>					
<b>Description</b>	<b>2018/2019</b>	<b>2019/2020</b>			
	<b>Employee s No.</b>	<b>Approved Posts No.</b>	<b>Employee s No.</b>	<b>Vacancie s No.</b>	<b>Vacancie s %</b>
Water Demand, Water and Effluent Water	108	246	87	159	65%
Purification Services	63	158	63	95	60%
Electricity Services	80	178	77	101	57%
Waste Management, Waste Disposal and Other Services	405	495	403	92	19%
Housing	21	33	21	12	36%
Roads Stormwater and Buildings	125	321	117	204	64%
Fleet Management	19	43	19	24	56%
Planning	13	18	12	6	33%
Local Economic Development	13	16	13	3	19%
Employees : Legal; Risk Management	9	14	11	3	21%
Fire Services	91	101	86	15	15%
Sports and Recreation	508	739	462	277	37%
The Political Office	117	118	114	4	3%
Financial Services	165	224	161	63	28%
Human Resources Services	22	41	21	20	49%
ICT	10	10	10	0	0%
Municipal Manager's Office	14	24	13	11	46%
Strategic Support Services	25	46	25	21	46%
Corporate Services	118	86	98	-12	-14%
Community Services	291	325	250	75	23%
Infrastructure	59	477	50	427	90%
<b>Totals</b>	<b>2 276</b>	<b>3 713</b>	<b>2 113</b>	<b>1 600</b>	<b>43%</b>

T 4.1.1

# Chapter 4

<b>Vacancy Rate: 2019/2020</b>			
<b>Designations</b>	<b>*Total Approved Posts</b>	<b>*Vacancies (Total time that vacancies exist using fulltime equivalents)</b>	<b>*Vacancies (as a proportion of total posts in each category)</b>
	<b>No.</b>	<b>No.</b>	<b>%</b>
Municipal Manager	1	1	100,00
CFO	1	0	0,00
Other S57 Managers (excluding Finance Posts)	5	2	40,00
Other S57 Managers (Finance posts)	0	0	0
Police officers	0	0	0
Fire fighters	65	7	10,77
Senior management: Levels 2-5/4 (excluding Finance Posts)	152	69	45,39
Senior management: Levels 2-5/4 (Finance posts)	21	8	38,10
Highly skilled supervision: levels 6-18/17 (excluding Finance posts)	3264	1438	44,06
Highly skilled supervision: levels 6-18/17 (Finance posts)	204	75	36,76
<b>Total</b>	<b>3 713</b>	<b>1 600</b>	<b>43,09</b>

**T 4.1.2**

<b>Turn-over Rate</b>			
<b>Details</b>	<b>Total Appointments as of beginning of Financial Year</b>	<b>Terminations during the Financial Year</b>	<b>Turn-over Rate*</b>
	<b>No.</b>	<b>No.</b>	
2017/2018	50	18	36%
2018/2019	50	12	24%
2019/2020	2 004	98	5%

**T 4.1.3**

# Chapter 4

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action			Contained in the EE Policy
2	Attraction and Retention			
3	Code of Conduct for employees			In terms of Municipal Systems Act
4	Delegations, Authorisation & Responsibility			
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 09/2020 that Main Collective Agreement to 30 June 2022
7	Employee Assistance / Wellness	100%	100%	(A85/2019) Adopted 2019/09/18) (period of 3yrs
8	Employment Equity			23-Feb-05
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
11	HIV/Aids	100%	100%	CSS24 of 2018 (13 July 2018). Policy has been reviewed and noted by MAYCO. It will be submitted to Council for approval. (period of 3yrs)

# Chapter 4

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			
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
22	Payroll Deductions			
23	Performance Management and Development			
24	Recruitment, Selection and Appointments			
25	Remuneration Scales and Allowances			
26	Resettlement			
27	Sexual Harassment		100%	Adopted on 22/7/2008

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
28	Skills Development	100%		Adopted on 30/4/2002
29	Smoking			
30	Special Skills			
32	Uniforms and Protective Clothing			
31	Work Organisation			
33	Other: Termination of Services due to Ill Health	100%	100%	Adopted on 22/7/2008

# Chapter 4

34	Termination of Services due to Poor Work Performance	100%	100%	Adopted on 22/7/2008
35	Indigent (Destitute) & Unknown Pauper Burial Policy	100%	100%	(A86/2019) approved 2019/09/18 - BID NO: 06/2020
36	Employee Assistance Program Policy	100%	100%	(Approved 2019/02/20) (Period of 3yrs)
37	Employee Assistance Program Questionnaire	100%	100%	(Approved 2019/02/20) Municipal Manager (Period of 3yrs)
38	Revised Health and Wellness Plan	100%	100%	MAYCO noted importance (CSS9/2017) Section 80:CSS recommend (9 June 2017) Council approved 2019/09/18 (period of 3yrs)
<b>T 4.2.1</b>				

## 4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee Days	Total Estimated Cost
	Days	No.	%		R'000
Required basic medical attention only	60	5	8%	12	60
Temporary total disablement					
Permanent disablement					
Fatal					
<b>Total</b>	<b>60</b>	<b>5</b>	<b>8%</b>	<b>12</b>	<b>60</b>
<b>T 4.3.1</b>					

# Chapter 4

Salary band	Total sick leave  Days	Proportion of sick leave without medical certificatio n %	Employees using sick leave  No.	Total employees in post*  No.	*Average sick leave per Employees  Days
Lower skilled (Levels 1-2)	6222	5%	543	118 4	3.05
Skilled (Levels 3-5)	4749	8%	354	550	2.33
Highly skilled production (levels 6-8)	1331	10%	123	201	0.65
Highly skilled supervision (levels 9-12)	388	10 %	26	53	0.19
Senior management (Levels 13-15)	382	7%	62	48	0.19
MM and S57	11	0%	2	4	0.01
<b>Total</b>	<b>501</b>	<b>93 %</b>	<b>12</b>	<b>155</b>	<b>3,23</b>
					<b>T4.3.2</b>

# Chapter 4

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
Assistant Cleansing Officer	Gross dereliction of duty; failure to ensure safety of employees; gross negligence for exposing employees to unsafe work (Accident on 17/8/2019)	28/8/2019	Disciplinary action pending	28/11/2019
Manager Contracts	Unfair disclosure of confidential information without consent of Accounting Officer	26/8/2019	Confirmation of closing file as per instruction from AMM, no disciplinary action taken	31/1/2020
Manager Internal Audit	Unfair disclosure of confidential information without consent of Accounting Officer	2/9/2019	Confirmation of closing file as per instruction from AMM, no disciplinary action taken	24/1/2020
Snr Chief Assets	Unfair disclosure of confidential information without consent of Accounting Officer	26/8/2019	Confirmation of closing file as per instruction from AMM, no disciplinary action taken	24/1/2020
Senior Chief Officer Parks, Sport and Recreation	Allegation against yourself relates to defying a lawful instruction given to you by the Accounting Officer of Matjhabeng L M, in that employees of Parks Section are not allowed to work overtime on Saturday and Sunday. You allegedly allowed the employees to work overtime on the said days, despite the	29/11/2019	Confirmation of closing file as per instruction from AMM, no disciplinary action taken	17/2/2020

# Chapter 4

	instruction issued by the accounting Officer.			
Manager Communications	Allegations against yourself relate to the unlawful distribution of confidential information of Matjhabeng L M to South African Police Services as well as local and national newspapers, without consent of the Accounting Officer as the Custodian of Information of the Municipality.	29/11/2019	Confirmation of closing file as per instruction from AMM, no disciplinary action taken	27/1/2020
				<b>T 4.3.5</b>

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
None			
			<b>T 4.3.6</b>

## 4.4 PERFORMANCE REWARDS

Performance Rewards by Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2019/2020 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	20	9		45%
	Male	30	12		
Skilled (Levels 3-5)	Female				
	Male				
Highly skilled production (levels 6-8)	Female				
	Male				
Highly skilled supervision (levels 9-	Female				
	Male				



# Chapter 4

12)					
Senior management (Levels 13-15)	Female				
	Male				
MM and S57	Female				
	Male				
Total		50	21		
<i>Has the statutory municipal calculator been used as part of the evaluation process?</i>					Yes/No
					<b>T 4.4.1</b>

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

# Chapter 4

## 4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix											
Management level	Gender	Employees in post as at 30 June 2019/2020	Number of skilled employees required and actual as at 30 June								
			Learnerships			Skills programmes & other short courses			Other forms of training		
			No.	Actual: End of 2018/2019	Actual: End of 2019/2020	2019/2020 Target	Actual: End of 2018/2019	Actual: End of 2019/2020	2019/2020 Target	Actual: End of 2018/2019	Actual: End of 2019/2020
MM and s57	Female	2	1	0	2	0	0	2	0	0	
	Male	4	3	0	5	0	2	5	0	0	
Councillors, senior officials and managers	Female	41	3	3	3	0	5	13	11	10	
	Male	79	5	4	4	0	13	5	26	24	
Technicians and associate professionals*	Female	64	5	1	1	3	4	12	4	0	
	Male	68	1	2	2	4	5	29	7	0	
Professionals	Female	17	2	2	2	4	3	27	4	0	
	Male	39	7	7	7	19	19	53	3	0	
Sub total	Female	124	11	6	8	7	12	54	19	10	
	Male	190	16	13	18	23	40	92	36	24	
<b>Total</b>		<b>314</b>	<b>27</b>	<b>19</b>	<b>26</b>	<b>30</b>	<b>52</b>	<b>146</b>	<b>55</b>	<b>34</b>	

\*Registered with professional Associate Body e.g., CA (SA)

# Chapter 5

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))
<b>Financial Officials</b>						
Accounting officer	1	0	1	1	1	1
Chief financial officer	1	0	1	1	1	1
Senior managers	4	0	4	1	1	1
Any other financial officials	27	0	27	24	0	24
<b>Supply Chain Management Officials</b>						
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
<b>Total</b>	<b>33</b>	<b>0</b>	<b>33</b>	<b>27</b>	<b>3</b>	<b>27</b>
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)						<b>T 4.5.2</b>

# Chapter 5

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 2019/2020							
			Learnerships		Skills programmes and other short courses		Other forms of training		Total	
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
MM and S57	Female	2								
	Male	4								
Legislators, senior officials and managers	Female	8								498
	Male	10								984
Professionals	Female	9								453
	Male	12								302
Technicians and associate professionals	Female	9								105
	Male	13								360
Clerks	Female	16								107
	Male	11								404
Service and sales workers	Female	8								77
	Male	7								790
Plant and machine operators and assemblers	Female	0								11
	Male	4								124
Elementary occupations	Female	7								14
	Male	9								626
Sub total	Female	59								

# Chapter 5

	Male	70								
Total		129	0	0	0	0				1 268 590
<i>*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.</i>									%*	*R
										<b>T</b> <b>4.5.3</b>

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

Information not provided by the relevant directorate

Source: MBRR SA22

T 4.6.1

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	
	Male	
Skilled (Levels 3-5)	Female	
	Male	
Highly skilled production (Levels 6-8)	Female	6
	Male	2
Highly skilled supervision (Levels 9-12)	Female	
	Male	
Senior management (Levels 13-16)	Female	
	Male	
MM and S 57	Female	
	Male	
<b>Total</b>		<b>8</b>

**T 4.6.2**

# Chapter 5

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

Chapter 5 will provide information of the financial performance of the Municipality for 2019/2020 Financial year. The chapter will include the audited financial statements, a reconciliation of the A1 budget summary, grant performance and asset management. The performance on repair and maintenance will also be indicated in the chapter.

**T 5.0.1**

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

Section 122 of the Municipal Finance Management Act 56 of 2003 states that every municipality must prepare annual financial statements for each financial year. The annual financial statements for the 2019/2020 financial year was prepared in compliance with section 122 of the Municipal Finance Management Act as well as GRAP.

**T 5.1.0**

# Chapter 5

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Descripti+A2: P29on R thousands	2019/2020											2018/2019			
	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
<b>Financial Performance</b>															
Property rates	311 696		311 696			311 696	401 915								200 362
Service charges	1 364 071		1 364 071			1 364 071	1 283 072								657 988
Investment revenue	3 858		3 858			3 858	–								8 847
Transfers recognised - operational	513 333		513 333			513 333	–								360 917
Other own revenue	478 847		478 847			478 847	–								305 128

# Chapter 5

<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2</b> <b>671</b> <b>803</b>	-	<b>2</b> <b>671</b> <b>803</b>	-	-	<b>2</b> <b>671</b> <b>803</b>	<b>1</b> <b>684</b> <b>987</b>	-	-	-	-	-	-	-	<b>1</b> <b>533</b> <b>241</b>
Employee costs	785 036		785 036			785 036	767 387								428 360
Remuneration of councillors	33 754		33 754			33 754	33 697								19 144
Debt impairment	216 298		216 298			216 298	684 012								419 725
Depreciation and asset impairment	140 826		140 826			140 826	205 111								300 421
Finance charges	1 161 322		1 161 322			1 161 322	326 869								45 619
Materials and bulk purchases	2 000		2 000			2 000	1 206 492								436 038
Transfers and grants	906 980		906 980			906 980	-								-
Other expenditure	3 246 217		3 246 217			3 246 217	754 143								157 031
<b>Total Expenditure</b>	<b>6</b> <b>492</b> <b>433</b>	-	<b>6</b> <b>492</b> <b>433</b>	-	-	<b>6</b> <b>492</b> <b>433</b>	<b>3</b> <b>977</b> <b>713</b>	-	-	-	-	-	-	-	<b>1</b> <b>806</b> <b>337</b>
<b>Surplus/(Defi</b>															<b>1</b>



# Chapter 5

cit)	(574 413)	-	(574 413)	-	-	(574 413)	930 844	-	-	-	-	-	-	-	376 211
Transfers recognised - capital	170 615		170 615			170 615									
Contributions recognised - capital and contributed assets															
<b>Surplus/(Deficit) after capital transfers and contributions</b>	<b>(233 183)</b>	<b>-</b>	<b>(233 183)</b>	<b>-</b>	<b>-</b>	<b>(233 183)</b>	<b>930 844</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 376 211</b>
Share of surplus/ (deficit) of associate			-			-									
<b>Surplus/(Deficit) for the year</b>	<b>(403 798)</b>	<b>-</b>	<b>(403 798)</b>	<b>-</b>	<b>-</b>	<b>(403 798)</b>	<b>930 844</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 376 211</b>
<b>Capital expenditure and funds sources</b>															
<b>Capital expenditure</b>															
Transfers recognised - capital	111 287		111 287			111 287									
Public contributions and donations			-			-									
Borrowing	-		-			-									
Internally generated	109					-									

# Chapter 5

funds	328														
<b>Total sources of capital funds</b>	<b>220 615</b>	-	<b>111 287</b>	-	-	<b>111 287</b>	-	-	-	-	-	-	-	-	-
<b>Cash flows</b>															
Net cash from (used) operating	-		975 357			975 357									
Net cash from (used) investing	-		(27 455)			(27 455)									
Net cash from (used) financing	39 754		-			-									
<b>Cash/cash equivalents at the year end</b>	<b>39 754</b>														
															<b>T 5.1.1</b>

# Chapter 5

Financial Performance of Operational Services						
						R '000
Description	2018/2019	2019/2020			2019/2020 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	776 976	700 408	233 188	1 067 409	34,38%	78,15%
Wastewater (Sanitation)	119 331	91 011	299 030	376 716	75,84%	20,62%
Electricity	758 139	722 737	479 055	775 095	6,76%	38,19%
Waste Management	111 017	99 805	115 175	355 986	71,96%	67,65%
Housing	18 837	18 121	18 121	18 780	3,51%	3,51%
Component A: sub-total	1 784 301	1 632 082	1 144 569	2 593 986	37,08%	55,88%
Wastewater (Stormwater Drainage)	34 086	47 745	48 485	24 158	- 97,63%	-100,70%
Roads	82 470	39 958	49 350	101 674	60,70%	51,46%
Transport	-				0,00%	0,00%
Component B: sub-total	9 554	87 703	97 835	125 833	30,30%	22,25%
Planning	1 884	9 952	9 952	6 064	- 64,13%	-64,13%
Local Economic Development	14 745	11 596	11 596	8 978	- 29,16%	-29,16%
Component B: sub-total	16 629	21 548	21 548	15 042	- 43,26%	-43,26%
Planning (Strategic and Regulatory)	4 461	-	-	-	0,00%	0,00%
Local Economic Development	-	-	-	-	0,00%	0,00%
Component C: sub-total	4 461	-	-	-	0,00%	0,00%
Community and Social Services	17 678	162 817	182 103	8 961	- 1717,01%	- 1932,23%
Environmental Protection	1 270	1 286	1 286	521	- 146,81%	-146,81%

# Chapter 5

Health					0,00%	0,00%
	-	-	-	-		
Security and Safety	135 275	148 783	180 936	147 878	-0,61%	-22,35%
Sport and Recreation	109 601	4 131	4 131	127 796	96,77%	96,77%
Corporate Policy Offices and Other	211 400	64 469	66 300	66 470	3,01%	0,26%
Component D: sub- total	475 223	381 486	434 756	351 625	-8,49%	-23,64%
<b>Total Expenditure</b>	<b>2 290</b> <b>168</b>	<b>2 122</b> <b>820</b>	<b>1 698</b> <b>708</b>	<b>3 086</b> <b>486</b>	31,22%	44,96%
<b>T 5.1.2</b>						

## COMMENT ON FINANCIAL PERFORMANCE:

The variance on the financial performance was a result of the cash flow constraints and the low consumer pay rate experienced during the year under review.

**T 5.1.3**

## 5.2 GRANTS

Grant Performance						
R' 000						
Description	2018/2019	2019/2020			2019/2020 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	<b>626</b>	<b>686</b>	<b>686</b>	<b>619</b>		
Equitable share	459 037	504 417	504 417	504 417	0,00%	0,00%
Expanded Public Works Programme Integrated Grant	1 000	1 236	1 236	1 236	0,00%	0,00%
Local Government Financial Management Grant	2 215	2 680	2 680	2 680	0,00%	0,00%
Municipal Disaster Relief Grant	-	596	596	596	0,00%	0,00%
Integrated National Electrification Programme Grant	9 560	15 545	15 545	14 708	5,38%	5,69%
Municipal Infrastructure Grant	116 581	119 070	119 070	74 681	37,28%	59,44%

# Chapter 5

Water Services Infrastructure Grant	36 825	36 000	36 000	19 695	45,29%	82,79%
Sector Education and Training Authority	954	1 391	1 391	1 391	0,00%	0,00%
Energy Efficiency and Demand Side Management Program	-	5 000	5 000	-	100,00 %	0
<b>Provincial Government:</b>	-	-	-	-		
<b>District Municipality:</b>	-	-	-	-		
<b>Other grant providers:</b>	-	-	-	-		
<b>Total Operating Transfers and Grants</b>	<b>626 000</b>	<b>686 000</b>	<b>686 000</b>	<b>619 000</b>	<b>9,70%</b>	<b>100,00%</b>
<b>T 5.2.1</b>						

## COMMENT ON OPERATING TRANSFERS AND GRANTS:

The total amount of Operating grants and Capital grants received by the Municipality was R 612 487 030 for the year under review. The operational grants consisted of Equitable Share, Finance Management Grant and EPWP Incentive. Capita grants consist of Municipal Infrastructure Grant, Water Services Infrastructure Grant and Integrated National Electrification Programme grants

The variance on operating transfers and grants was as result of decrease in spending due to COVID 19 Pandemic therefore construction of MIG, WSIG and EEDG project were affected due to the lockdown.

**T 5.2.2**

## Grants Received From Sources Other Than Division of Revenue Act (DoRA)

Details of Donor	Actual Grant 2018/2019	Actual Grant 2019/2020	2019/2020 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
No other grants allocated from sources other than DoRA						
<b>T 5.2.3</b>						

# Chapter 5

## COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The Municipality received R612 487 030 for the year under review and had Unspent conditional grants and receipts of R66 530 859.

T 5.2.4

## 5.3 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

The objective of Asset Management is to ensure effective and sufficient control, utilization, safeguarding and management of the Municipality's Property, Plant and Equipment GRAP 17, Investment Property GRAP 16 and Heritage Asset GRAP 103.

T 5.3.1

### TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2019/20 '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	2016/2017	2017/2018	2018/2019	2019/2020
	-	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	2016/2017	2017/2018	2018/2019	2019/2020
	17 735	30 694	37 204	37 534
Capital Implications	N/A			

# Chapter 5

Future Purpose of Asset	SERVICE DELIVERY			
Describe Key Issues	N/A			
Policies in Place to Manage Asset	MATJHABENG LM – ASSET MANAGEMENT POLICY			
<b>Asset 3</b>				
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	2016/2017	2017/2018	2018/2019	2019/2020
	-	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			
<b>T 5.3.2</b>				

## COMMENT ON ASSET MANAGEMENT:

The project were evaluated based on GRAP 17 of which valuation of the assets was accurate and payments related to the asset can be measured reliably.

**T 5.3.3**

Repair and Maintenance Expenditure: 2019/2020				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	132 679 092	133 048 394	88 755 028	33%
<b>T 5.3.4</b>				

## COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

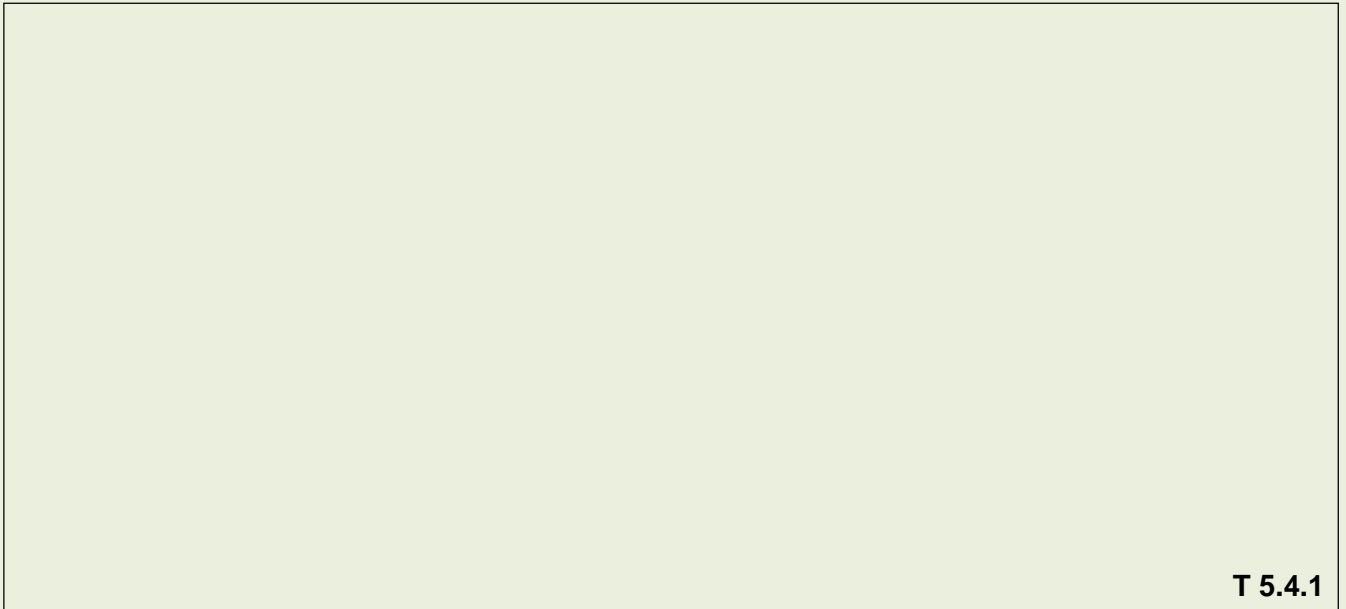
The budget for repair and maintenance for the year under review was R 132 679 092 and the actual expenditure for the year under review was at R 88 755 028 which is resulted into a variance of 33%.

# Chapter 5

The reason for the under-spending was as a result of the cash flow constraints experienced during the year under review. The variance on repairs and maintenance expenditure was as result of decrease in spending due to COVID 19 Pandemic.

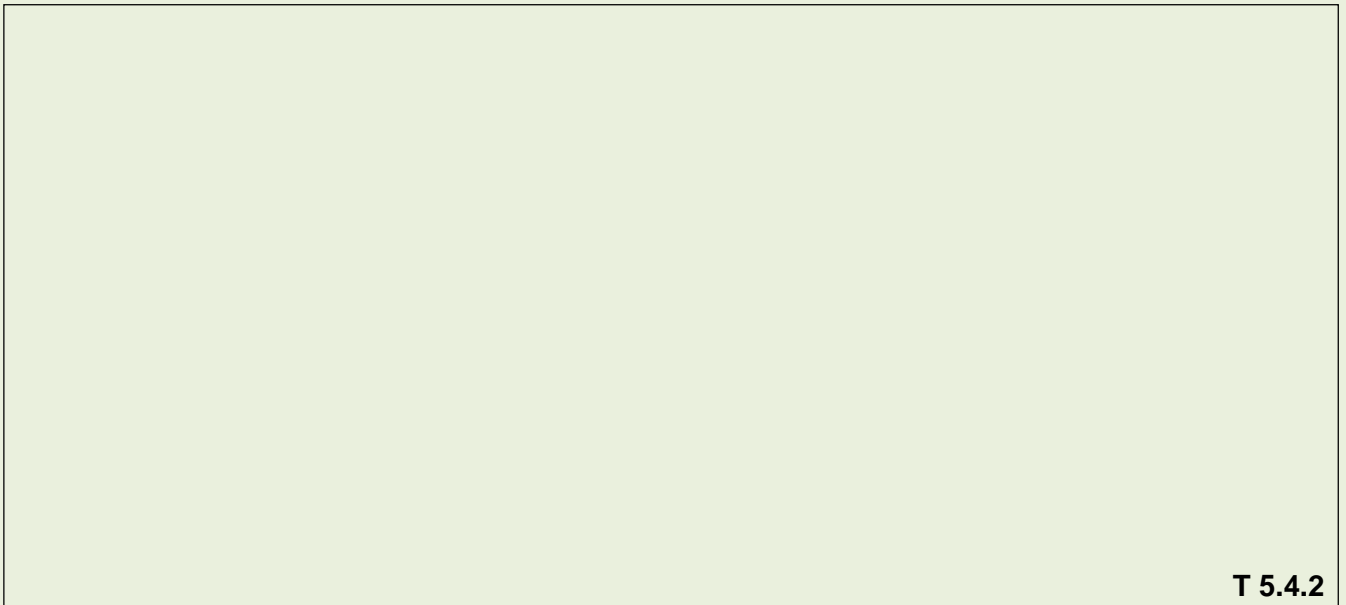
**T 5.3.4.1**

## **5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS**



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**T 5.4.1**



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**T 5.4.2**



# Chapter 5



T 5.4.3

# Chapter 5

T 5.4.6

## **Comment on Financial Ratios**

Information on financial ratios was not adequate as the relevant department could not provide sufficient performance information

T 5.4.9

## **COMPONENT B: SPENDING AGAINST CAPITAL BUDGET**

### **INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET**

The Capital Budget for the 2019/20 financial year is R 220 615 000 and actual was R 154 084 141 with unspent of R66 530 859

T 5.5.0

# Chapter 5

## 5.5 CAPITAL EXPENDITURE

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T 5.5.1

## 5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2018/2019 to 2019/2020							R' 000
Details	2018/2019	2019/2020					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
<b>Source of finance</b>							
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	151 383	170 615	170 615	109 084	0,00%	-36,06%	
Other	0	0	0	0	0,00%	0,00%	
<b>Total</b>	<b>151383</b>	<b>170615</b>	<b>170615</b>	<b>109084</b>	<b>0,00%</b>	<b>-36,06%</b>	
<b>Percentage of finance</b>							
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%	

# Chapter 5

<b>Capital expenditure</b>						
Water and sanitation	86617	100025	100025	40055	0,00%	-59,96%
Electricity	10204	18457	18457	14795	0,00%	-19,84%
Housing	0	0	0	0	0,00%	0,00%
Roads and storm water	13099	15753	15753	17221	0,00%	9,32%
Other	41 463	36 380	36 380	37 013	0,00%	1,74%
<b>Total</b>	<b>151 383</b>	<b>170 615</b>	<b>170 615</b>	<b>109 084</b>	<b>0,00%</b>	<b>-68,74%</b>
<b>Percentage of expenditure</b>						
Water and sanitation	57,2%	58,6%	58,6%	36,7%	0,00%	87,2%
Electricity	6,7%	10,8%	10,8%	13,6%	0,00%	28,9%
Housing	0,0%	0,0%	0,0%	0,0%	0,00%	0,0%
Roads and storm water	8,7%	9,2%	9,2%	15,8%	0,00%	-13,6%
Other	27,4%	21,3%	21,3%	33,9%	0,00%	-2,5%
						<b>T 5.6.1</b>

## COMMENT ON SOURCES OF FUNDING:

Out of Total Capital budget of R220 615 000, R110 704 was funded by grants and R 109 911 000 was internally generated funds.

**T 5.6.1.1**

## 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

<b>Capital Expenditure of 5 largest projects*</b>					
Name of Project	Current: 2019/2020			Variance: 2019/2020	
	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%

# Chapter 5

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%
<b>* Projects with the highest capital expenditure in 2019/2020</b>					
<b>Name of Project - A</b>	THERONIA WWTW				
Objective of Project	SOLID WASTE DISPOSAL				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	SERVICE DELIVERY				
<b>Name of Project - B</b>	MMAMAHABANE CEMETARY				
Objective of Project	BURIAL GROUNDS - COMMUNITY SERVICES				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	SERVICE DELIVERY				
<b>Name of Project - C</b>	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				
<b>Name of Project - D</b>	KUTLWANONG: UPGRADING OF OUTFALL SEWER				
Objective of Project	SOLID WASTE DISPOSAL				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	SERVICE DELIVERY				
<b>Name of Project - E</b>	WELKOM LANDFILL SITE				
Objective of Project	WASTE DISPOSAL				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	SERVICE DELIVERY				
					<b>T 5.7.1</b>

## COMMENT ON CAPITAL PROJECTS:

The variance on capital expenditure was as a result of decrease in spending due to COVID 19.

**T 5.7.1.1**

# Chapter 5

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

Service Backlogs as at 30 June 2020				
	Households (HHs)			
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water		%		%
Sanitation		%		%
Electricity		%		%
Waste management		%		%
Housing		%		%
				<b>T 5.8.2</b>

Municipal Infrastructure Grant (MIG)* Expenditure 2019/2020 on Service backlogs						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
<b>Infrastructure - Road transport</b>						
<i>Roads, Pavements &amp; Bridges</i>	563 989	563 989	2 688 599	- 377%	-377%	
<i>Storm water</i>	15 188 274	15 188 274	14 532 513	4%	4%	
<b>Infrastructure - Electricity</b>						
<i>Transmission &amp; Reticulation</i>	18 457 202	18 457 202	14 795 386	20%	20%	
<b>Infrastructure - Water</b>						
<i>Reticulation</i>	1 957 586	1 957 586	4 588 696	- 134%	-134%	
<b>Infrastructure - Sanitation</b>						
<i>Sewerage purification</i>	98 067 679	98 067 679	35 465 981	64%	64%	
<b>Infrastructure - Other</b>						
<i>Other :</i>	86 380 271	86 380 271	2 012 967	5%	5%	
<b>Total</b>	<b>220</b>	<b>220</b>	<b>54</b>	<b>30%</b>	<b>30%</b>	

# Chapter 5

	615 001	615 001	084 142			
						T 5.8.3

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### 5.9 CASH FLOW

Cash Flow Outcomes					R'000
Description	2018/2019	2019/2020			
	Audited Outcome	Original Budget	Adjusted Budget	Actual	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>	<b>1 646 516</b>	<b>1 809 936</b>	<b>1 809 936</b>	<b>1 816 965</b>	
Ratepayers and other	1 034 522	1 206 429	1 206 429	1 147 843	
Government - operating	603 307	513 333	513 333	666 994	
Government - capital		-	-		
Interest	8 667	90 153	90 153	2 107	
Dividends	20	22	22	21	
<b>Payments</b>	<b>1 503 250</b>	<b>1 725 214</b>	<b>1 725 214</b>	<b>1 592 628</b>	
Suppliers and employees	1 502 909	1 639 518	1 639 518	1 592 628	
Finance charges	341	84 495	84 495	-	
Transfers and Grants		1 200	1 200		
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>143 266</b>	<b>84 723</b>	<b>84 723</b>	<b>224 337</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of PPE		53 000	53 000		
Decrease (Increase) in non-current debtors	(13 381)				
Decrease (increase) other non-current receivables					

# Chapter 5

Decrease (increase) in non-current investments				
<b>Payments</b>				
Capital assets	(132 180)	(170 615)	(170 615)	(146 035)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(145 561)</b>	<b>(117 615)</b>	<b>(117 615)</b>	<b>(146 035)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans		10 000	10 000	
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
Employee benefit obligation payments				(20 570)
<b>Payments</b>				
Repayment of borrowing				
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>10 000</b>	<b>10 000</b>	<b>(20 570)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(2 295)</b>	<b>(22 892)</b>	<b>(22 892)</b>	<b>57 732</b>
Cash/cash equivalents at the year begin:	3 058	(1 992)	(1 992)	763
Cash/cash equivalents at the year-end:	763	(24 884)	(24 884)	58 495
				<b>T 5.9.1</b>

## COMMENT ON CASH FLOW OUTCOMES:

The Municipality had no Borrowings for the year under review

**T 5.9.1.1**

## 5.10 BORROWING AND INVESTMENTS

### INTRODUCTION TO BORROWING AND INVESTMENTS

The Municipality had no borrowings for the year under review

**T 5.10.1**



# Chapter 5

<b>Actual Borrowings: 2017/2018 to 2019/2020</b>			
	R' 000		
<b>Instrument</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
<b>Municipality</b>			
Long-Term Loans (annuity/reducing balance)	-	-	-
Long-Term Loans (non-annuity)	-	-	-
Local registered stock	-	-	-
Instalment Credit	-	-	-
Financial Leases	-	-	-
PPP liabilities	-	-	-
Finance Granted By Cap Equipment Supplier	-	-	-
Marketable Bonds	-	-	-
Non-Marketable Bonds	-	-	-
Bankers Acceptances	-	-	-
Financial derivatives	-	-	-
Other Securities	-	-	-
<b>Municipality Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Municipal Entities</b>			
Long-Term Loans (annuity/reducing balance)	-	-	-
Long-Term Loans (non-annuity)	-	-	-
Local registered stock	-	-	-
Instalment Credit	-	-	-
Financial Leases	-	-	-
PPP liabilities	-	-	-
Finance Granted By Cap Equipment Supplier	-	-	-
Marketable Bonds	-	-	-

# Chapter 5

Non-Marketable Bonds	-	-	-
Bankers Acceptances	-	-	-
Financial derivatives	-	-	-
Other Securities	-	-	-
<b>Entities Total</b>	-	-	-
			<b>T 5.10.2</b>

The Municipality had no borrowings for the year under review

**T 5.10.3**

<b>Municipal and Entity Investments</b>			
R' 000			
Investment* type	217/2018	2018/2019	2019/2020
	Actual	Actual	Actual
<b>Municipality</b>			
Securities - National Government	0	0	0
Listed Corporate Bonds	0	0	0
Deposits - Bank	16	7	64 257
Deposits - Public Investment Commissioners	0	0	0
Deposits - Corporation for Public Deposits	0	0	0
Bankers Acceptance Certificates	0	0	0
Negotiable Certificates of Deposit - Banks	0	0	0
Guaranteed Endowment Policies (sinking)	0	0	0
Repurchase Agreements - Banks	0	0	0
Municipal Bonds	0	0	0
Other	0	0	0
<b>Municipality sub-total</b>		7	64 257
<b>Municipal Entities</b>			
Securities - National Government	0	0	0
Listed Corporate Bonds	0	0	0
Deposits - Bank	0	0	0
Deposits - Public Investment Commissioners	0	0	0
Deposits - Corporation for Public Deposits	0	0	0
Bankers Acceptance Certificates	0	0	0

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Negotiable Certificates of Deposit - Banks	0	0	0
Guaranteed Endowment Policies (sinking)	0	0	0
Repurchase Agreements - Banks	0	0	0
Other	0	0	0
<b>Entities sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Consolidated total:</b>	<b>0</b>	<b>7</b>	<b>64 257</b>
			<b>T 5.10.4</b>

## COMMENT ON BORROWING AND INVESTMENTS:

The Municipality had no borrowings for the year under review

**T 5.10.3**

## 5.11 PUBLIC PRIVATE PARTNERSHIPS

### PUBLIC PRIVATE PARTNERSHIPS

There are no private partnerships within the municipality

**T 5.11.1**

## COMPONENT D: OTHER FINANCIAL MATTERS

## 5.12 SUPPLY CHAIN MANAGEMENT

## 5.13 GRAP COMPLIANCE

### GRAP COMPLIANCE

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

**T 5.13.1**

# Chapter 6

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

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

T 6.0.1

### COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2018/2019

#### Report of the auditor-general to the Free State Legislature and council on the Matjhabeng Local Municipality-Report on the audit of the financial statements

##### Qualified opinion

I have audited the financial statements of the Matjhabeng Local Municipality set out on pages 01 to 93 which comprise the statement of financial position as at 30 June 2019, 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 the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Matjhabeng Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa 56 of 2003 (MFMA) and the Division of Revenue Act of South Africa 1 of 2018 (Dora).

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## **Basis for qualified opinion**

### **Service charges**

I was unable to obtain sufficient appropriate audit evidence for service charges as the municipality did not implement adequate processes and controls to ensure consumers were correctly billed for services used. The municipality did not read meters regularly, which resulted in estimates being used for extended periods. We identified active meters that were not billed, and meters that were billed on estimates despite not being in use as they were disconnected for non-payment of services. I could not confirm the service charges by alternative means. In addition, revenue was incorrectly recognised for disconnected meters, resulting in service charges being overstated by R245 003 779. Consequently, I was unable to determine whether any adjustment was necessary to service charges, stated at R1 115 263 946 (2018: R1 097 788 518) in the financial statements.

### **Trade payables**

I was unable to obtain sufficient appropriate audit evidence for trade payables due to the status of the accounting records. I could not confirm the trade payables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to trade payables, stated at R409 415 105 in note 18 to the financial statements.

### **Property rates**

I was unable to obtain sufficient appropriate audit evidence for property rates as the valuation roll used as the basis for charging property rates was not appropriate. No reliance could be placed on the valuation roll values, as multiple valuations performed during the current year could not be substantiated. I could not confirm property rates by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to property rates, stated at R376 083 038 in the financial statements.

### **Contracted services**

The municipality did not present contracted services in accordance with GRAP 1, *Presentation of financial statements* in the notes to the financial statements. Contracted services disclosed in note 35 to the financial statements were aggregated by function and not by their nature. Additionally, I was unable to obtain sufficient appropriate audit evidence for contracted services due to the state of the accounting records. I could not confirm the contracted services by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to contracted services, stated at R250 190 228 in the financial statements.

# Chapter 6

## **Receivables from exchange transactions**

I was unable to obtain sufficient appropriate audit evidence for rental debtors included in receivables from exchange transactions due to the status of the accounting records. I could not confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to receivables from exchange transactions, stated at R840 615 370 (2018: R720 984 212) in the financial statements. In addition, the municipality did not present the receivables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements* in the notes to the financial statements, as material classes of receivables were not presented separately. The municipality incorrectly included amounts owed by consumers for sewerage, refuse, water, electricity and rentals in sundry receivables. Consequently, sundry receivables disclosed in note 14 to the financial statements was overstated by R84 892 607 in the financial statements. I was unable to determine the impact on the receivables for sewerage, refuse, water, electricity and rentals as it was impracticable to do so.

## **Employee related costs – Overtime**

I was unable to obtain sufficient appropriate audit evidence for overtime recorded as a part of employee related costs due to the state of the accounting records. I could not confirm the overtime by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to overtime, stated at R67 800 843 on note 28 in the financial statements.

## **Payments received in advance from consumer receivables**

The municipality recognised items that did not meet the definition of a liability, which constitutes a departure from GRAP 1, *Presentation of financial statements*, as payments received in advance from consumer receivables included debit balances. Consequently, payments received in advance from consumer receivables in note 18 was understated by R36 544 995 and receivables from exchange transactions was understated by R36 544 995.

## **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 this auditor's report.

I am independent of the municipality in accordance with the sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants*, and parts 1 and 3 of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA codes), as well as the ethical requirements that are

# Chapter 6

relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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**

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

Note 49 to the financial statements indicates that the municipality incurred a net loss of R1 442 912 352 during the year ended 30 June 2019 and, as of that date, the municipality's total liabilities exceeded its total assets by R21 647 635. In addition, as disclosed in note 18, the municipality owed Eskom R2 493 130 642 (2018: R1 895 894 280) and Sedibeng Water R2 943 695 563 (2018: R2 299 167 866) as at 30 June 2019, which is long overdue. These events and conditions, along with the other matters set forth in note 49, 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**

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

### **Irregular expenditure**

As disclosed in note 53 to the financial statements, the municipality incurred irregular expenditure of R307 018 306 (2018: R358 024 407) due to non-compliance with the MFMA, supply chain management (SCM) requirements and Dora. In addition, the total extent of the irregular expenditure for the year ended 30 June 2019 is still under investigation.

### **Unauthorised expenditure**

As disclosed in note 51 to the financial statements, the municipality incurred unauthorised expenditure of R1 538 965 912 (2018: R873 124 569) due to overspending the approved budget.

### **Fruitless and wasteful expenditure**

As disclosed in note 52 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R281 423 740 (2018: R168 167 299) mainly due to interest and penalties charged for late payments.

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## **Material losses**

As disclosed in note 54 to the financial statements, material electricity losses of R122 116 273 (2018: R70 504 900) was incurred, which represents 27,98% (2018: 11,45%) of total electricity purchased, mainly due to tampering and theft.

As disclosed in note 54 to the financial statements, material water losses of R462 844 267 (2018: R155 272 799) was incurred, which represents 77.07% (2018: 55,40%) of total water purchased, mainly due to leakages, burst water pipes, line losses, tampering and theft.

## **Material uncertainty relating to claims against the municipality**

With reference to note 44 to the financial statements, the municipality is the defendant in several legal claims, as it believes that the claims are invalid. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

## **Other matters**

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

## **Unaudited disclosure notes**

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

## **Service delivery**

### *Service delivery*

The Mmamahabane fire station was constructed in Ventersburg in August 2015 at a cost of R14 787 794. Although the building has been completed and commissioned, the fire station has not been operational since its construction as the municipality does not have the resources to staff or equip it.

### *Environmental audit*

Poor environmental management, monitoring and enforcement at the municipality had a negative impact on the environment, its natural resource base and its sustainability. During audit visits to selected sites on 28 and 29 January 2020, serious non-compliance with environmental legislation and related requirements was noted at the waste landfill sites and waste relay station, next to roads, in public open spaces, and at the sewer purification works, inlet and pump station.



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The four waste landfill sites (Allanridge, Odendaalsrus, Welkom, Henneman) and one waste relay station (Virginia) visited, do not comply with most license conditions, the *Minimum requirements for waste disposal by landfill* and other legislative requirements. Furthermore, during the site visits we noted continual illegal waste dumping or unauthorised disposal practices that caused serious pollution and had an impact on the receiving environment.

General authorisations or water use licenses and sewage treatment sampling results for the sewage purification works operated by the municipality were not submitted on request. Poor maintenance and repairs, vandalism, theft, and destruction of plants, infrastructure and equipment resulted in a total collapse of some sewage treatment works and non-compliance with sewage effluent quality standards.

Serious and continual raw sewage disposal into the immediate environment was noted at the Witpan, Odendaalsrus and Phomolong sewage purification works, the Kutlwanong sewage inlet works, the Allanridge (Nyakallong) sewage pump station and at some sewer lines or release points. Operations at both the Thabong and Odendaalsrus sewage purification works had ceased or were dysfunctional due to theft, vandalism, and destruction of plant and equipment at both sites. This included the laboratory and related services (not functional) at the Thabong sewage purification works.

Some upgrade and repair needs were also noted at the Henneman sewage purification works, while the Whites sewage purification works and pump station had been discontinued for years due to uncertainty regarding the sewage disposal practices. Upgrades for operational needs and other repairs were in progress at the Theronia sewage purification works, which had also been subjected to vandalism and theft.

The key environmental management concerns resulted from serious and continual vandalism and theft, and a lack of resources including personnel, funding, vehicles, infrastructure and equipment – and their upgrade, maintenance and repair. This led to ineffective environmental management, monitoring and legislative enforcement, which had an impact on the municipality's ability to fulfil its environmental mandates and responsibilities. The result was a continual degradation of the environment, pollution, threats to the sustainability of natural resources, and a risk to the health and safety of communities.

Service delivery is directly affected where the assigned municipal powers and functions are not properly fulfilled. Furthermore, it will become increasingly difficult to maintain and deliver basic services based on the quality, availability and sustainability of the natural resource base within the municipality's jurisdiction.

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

The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal controls 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.

In preparing the financial statements, the accounting officer is responsible for assessing the Matjhabeng Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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.

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**

In accordance with the Public Audit Act of South Africa 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected development priority presented in the annual performance report. I performed procedures to identify findings, but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to 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.

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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 development priority presented in the annual performance report of the municipality for the year ended 30 June 20:

Development priority	Pages in the annual performance report
KPA 2 – basic service delivery and infrastructure investment	x – x

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.

The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

## Various indicators

Reported achievements for the indicators listed below were not consistent with the planned and reported indicator and target.

Indicator description	Target	Reported achievement
PPIM % completed – refurbishment of Theronia WWTP and pump stations with WSIG funding	PPIM 80	Project under construction
PPIM % completed – refurbishment of Klippan pump station completion and upgrading of the Mostert/Sandriver canal	PPIM 49	We have not started with the development of business plan
Number of sumps cleaned	5 sumps	More than the planned 5 sumps have been cleaned
Number of dysfunctional water meters replaced	1 000 new meters	More than 100% of water pipes have been replaced
PPIM% completed – Thabong installation of zonal water meters and valves	PPIM 80	The project is under construction and still at below 70% completion stage

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Indicator description	Target	Reported achievement
PPIM % completed – Thabong x 20 (Hani Park): Extension of network, house connection and meters (180 stands)	PPIM 95 completed	The project is under construction and still at below 80% completion stage
Number of square meters of streets patched	12 000 m <sup>2</sup>	More than the set m <sup>2</sup> of streets have been patched
Number of km of gravel and dirt roads refurbished through blading and regravelling	60 km	More than the planned km blading has been achieved.
Number of lined storm water canals cleaned	8 km of lined canals cleaned	Less than the planned lined storm water canals has been cleaned
Number of km of storm water canal cleaned	8 km of unlined canals cleaned	More than the planned storm water canals has been cleaned
Number of km of storm water drainage pipes cleaned and maintained	2 km of drainage pipes cleaned and maintained	More than the planned drainage pipes have been cleaned and maintained
Number of stolen or damaged catch pit and manhole lids repaired or replaced	100 lids repaired or replaced	More than 200 manhole lids have either been repaired or replaced
PPIM% completed – Welkom: Provide and install 20MVA 132 KV transformer at Urania sub-station	PPIM 67	Project is still under construction
Number of streetlights maintained and repaired	200	There has been excellent work done here as above average work has been completed
Number of high mast lights maintained and repaired	60	More work has also been done here
PPIM% completed – Mmamahabane: Creation and upgrading of cemeteries (new development)	PPIM 62	Project is still under construction
PPIM% completed – provision of water, sanitation and high mast lights	PPIM 49	Only the service was appointed
PPIM% completed – upgrade and create new sports and recreational facilities, phase 3 Thabong Stadium, Zuka Baloyi Stadium & Kopano Indoor Centre	PPIM 100	A final hand over has been done
PPIM% completed – Meloding: Construction of indoor sports complex	PPIM 71	The sport centre is still under construction

# Chapter 6

Indicator description	Target	Reported achievement
PPIM% completed – regional taxi centres	PPIM 40	The project has not started due to financial challenges
PPIM% completed – upgrading of Welkom landfill site	PPIM 71	The landfill site is under construction

I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 30 of the 65 indicators relating to this KPA. This was due to limitations placed on the scope of my work. 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 of the indicators listed below:

Indicator description
PPIM % completed – refurbish Klippan pump station completion and upgrading of the Mostert/Sandriver canal
PPIM % completed – construct and refurbish Odendaalsrus (Van Der Vyfer) outfall sewer line over 2 financial years
PPIM % completed – refurbish Stateway main sewer busy collapsing in 3 phases of 600 m each
PPIM % completed – refurbish Koppie Alleen and the Jan Hofmeyr intersection main sewer busy collapsing in 2 phases of 500 m each
PPIM % completed – replace worn out asbestos and steel water pipes to reduce water loss and service disruptions
The percentage of households with access to basic level of water, electricity and waste removal
Number of km of streets resurfaced per year
Number of square meters of street patched
PPIM% completed – regional taxi centres
PPIM% completed – upgrade Welkom landfill site
The total number electronic security systems installed and reactivated
Number of control rooms upgraded
Hazmat unit vehicle
Number of satellite fire stations established
Refurbished fire training college
Procure 2 000 wheelie bins
Number of compactor trucks purchased
Recyclable waste storage facility in Odendaalsrus landfill site
Number of reports sent to the national waste information system for Welkom & Odendaalsrus landfill sites regarding quantities of waste handled at the sites
Reviewed integrated waste management plan
Developed and approved integrated environmental management plan
Developed and approved waste management by law

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Indicator description
Number of reports on cleaning and maintenance of municipal recreational parks
Number of reports on cleaning and maintenance of municipal open space
Quarterly reports on the cleaning and maintenance of municipal cemeteries
Plant 80 trees in September 2019
Disaster management awareness conducted by 30 June 2019
Number of meetings conducted for local disaster advisory forum
Developed and signed memorandum of understanding with the district
Disaster risk profile generated

The annual performance report did not include a comparison between the year under review and the previous year's planned and actual performance for the following indicators:

Indicator descriptions
PPIM % completed – refurbish and upgrade - Nyakallong WWTP phase 2
PPIM % completed – Virginia: WWTP sludge management phase 1
PPIM % completed – Virginia: WWTP sludge management phase 2
PPIM % completed – Mmamahabane: WWTW, pump station and outfall sewer pipeline refurbish
PPIM % completed – refurbish Theronia WWTP and pump stations with WSIG funding
PPIM % completed – Whites: septic tank system
PPIM % completed – upgrade Kutlwanong WWTW and inlet pump station to address new developments to total of 9MI/d
PPIM % completed – upgrade T8 pump station to address new developments
PPIM % completed – upgrade Phomolong pump station to address additional flow from bucket eradication programme
PPIM % completed – refurbish Klippan pump station completion and upgrade the Mostert/Sandriver canal
Number of sumps cleaned
PPIM % completed – construct and refurbish Kutlwanong outfall sewer line
PPIM % completed – construct and refurbish Odendaalsrus (Van Der Vyfer) outfall sewer line over 2 financial years
PPIM % completed – refurbish Stateway main sewer busy collapsing in 3 phases of 600 m each
PPIM % completed – refurbish Koppie Alleen and the Jan Hofmeyr intersection main sewer busy collapsing in 2 phases of 500 m each
PPIM % completed – replace worn out asbestos and steel water pipes to reduce water loss and service disruptions
PPIM% completed – Allanridge: replace old galvanised steel
Number of dysfunctional water meters replaced
PPIM% completed – Thabong: install zonal water meters and valves



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Indicator descriptions
PPIM % completed – Thabong x 20 (Hani Park): Extend network, house connection and meters (180 stands)
The percentage of households with access to basic level of water, electricity and waste removal
Number of km of streets resurfaced per year
Number of square meters of street patched
Number of km of gravel and dirt roads refurbished though blading/ regravelling
PPIM% completed – construct 2 km of roads in ward 28
PPIM% completed – construct Dr Mngoma Road in Thabong
PPIM% completed – Meloding: Construct roads, sidewalks and storm water 2,2 km
Number of km of lined storm water cleaned
Number of km of storm water canals cleaned
Number of km of storm water drainage pipes cleaned and maintained
Number of stolen or damaged catch pit and manhole lids replaced
PPIM% completed – Nyakallong: Construct storm water system - phase 1
PPIM% completed – Welkom: Provide and install 20MVA 132 KV transformer at Urania sub-station
PPIM% completed – Welkom: Supply 4 km of low and medium voltage network in extension 15 Thabong
Number of streetlights maintained and repaired
Number of high mast lights maintained and repaired
PPIM% completed – Mmamahabane: Create and upgrade cemeteries (new development)
PPIM% completed – provide water, sanitation and high mast lights
PPIM% completed – upgrade and create new sports and recreational facilities phase 3 Thabong Stadium, Zuka Baloyi Stadium & Kopano Indoor Centre
PPIM% completed – Meloding: Construct indoor sports complex
PPIM% completed – Thabong: Upgrade the far east indoor sports and recreational facility
PPIM% completed – regional taxi centres
PPIM% completed – upgrade Welkom landfill site
The total number electronic security systems installed and reactivated BS44
Number of control rooms upgraded
Hazmat unit vehicle
Number of satellite fire stations established
Refurbished fire training college
Procure 2 000 wheelie bins
Number of compactor trucks purchased
Recyclable waste storage facility in Odendaalsrus landfill site
Number of reports sent to the national waste information system for Welkom & Odendaalsrus landfill site regarding quantities of waste handled at the sides
Reviewed integrated waste management plan

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Indicator descriptions
Developed and approved integrated environmental management plan
Developed and approved waste management by law
Number of reports on cleaning and maintenance of municipal recreational parks.
Number of reports on cleaning and maintenance of municipal open space
Quarterly reports on the cleaning and maintenance of municipal cemeteries
Plant 80 trees in September 2019
Disaster management awareness conducted by 30 June 2019
Number of meetings conducted for local disaster advisory forum
Developed and signed memorandum of understanding with the district
Disaster risk profile generated

The annual performance report for 2018-19 did not include the measures taken to improve performance for the following indicators:

Indicator description
Number of compactor trucks
Recyclable waste storage facility in Odendaalsrus landfill site
Reviewed integrated waste management plan
Developed and approved integrated environmental management plan
Developed and approved waste management by-law
Quarterly reports on the cleaning and maintenance of municipal cemeteries

Reported achievement in the annual performance report did not agree to the supporting evidence provided, resulting in material differences.

Indicator description	Reported achievement as per APR (construction stage)	Reported achievement (phase of indicator)	Actual achievement
PPIM% completed – Allanridge replace old, galvanised steel	Project is 40% complete	62%	71%
PPIM% completed – construct 2 km of roads in ward 28	Construction has reached completion and a snag list process was also reached	95%	85%
PPIM% completed – Welkom: Supply 4 km of low and medium voltage network in extension 15 Thabong	The project is at 90% complete	80%	58%



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## **Other matter**

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

## **Achievement of planned targets**

Refer to the annual performance report on KPA 2 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings expressed on the usefulness and reliability of the reported performance information in paragraph 41 to 45 of this report.

## **Adjustment of material misstatements**

We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 2: basic service delivery and infrastructure investment. As management did not correct these misstatements, we raised material findings on the usefulness and reliability of the reported performance information.

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

### **Introduction and scope**

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

### **Annual financial statements, and performance and annual reports**

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 liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or supporting records were provided, but the uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

The financial statements were not submitted to the auditor-general for auditing within two months of the end of the financial year, as required by section 126(1)(a) of the MFMA.

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

A performance management system was not adopted, as required by municipal planning and performance management regulation 8.

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## **Revenue management**

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

## **Liability management**

An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.

## **Expenditure management**

Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Payments were made from the municipality's bank account without the approval of the accounting officer / chief financial officer, as required by section 11(1) of the MFMA.

Reasonable steps were not taken to prevent irregular expenditure of R307 018 306 disclosed in note 53 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM processes.

Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R281 423 740 disclosed in note 52 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by interest charged by Eskom.

Reasonable steps were not taken to prevent unauthorised expenditure of R1 538 965 912 disclosed in note 51 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by under budgeting on bulk purchases, finance costs, employee-related costs and non-cash items, such as the impairment of debtors and depreciation.

## **Human resource management**

An approved staff establishment was not in place, as required by section 66(1)(a) of the Municipal Systems Act 32 of 2000 (MSA).

Appropriate systems and procedures to monitor, measure and evaluate staff performance were not developed and adopted, as required by section 67(1)(d) of the MSA.

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## **Consequence management**

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

Irregular expenditure by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

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

Allegations of financial misconduct against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.

## **Procurement and contract management**

Sufficient appropriate audit evidence that all contracts were awarded in accordance with the legislative requirements could not be obtained, as management could not provide the auditors with all the procurement documentation.

Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c). Similar non-compliance was reported in the previous year.

Some contracts and quotations were accepted from bidders whose tax matters had not been declared to be in order by the South African Revenue Service, in contravention of SCM regulation 43.

Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was reported in the previous year.

Some construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) or did not qualify for the contract in accordance with section 18(1) of the CIDB Act 38 of 2000 and CIDB regulations 17 and 25(7A).

Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5.

The performance of some contractors or providers was not monitored monthly, as required by section 116(2)(b) of the MFMA. Similar non-compliance was reported in the previous year.

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The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

## **Other information**

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.

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I did not receive the other information prior to the date of the 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**

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 performance report and the findings on compliance with legislation included in this report.

Leadership did not effectively oversee financial and performance reporting, compliance and related internal controls, as they were slow in responding to the outcome of the previous year's audit. This resulted in previously reported internal control weaknesses not being adequately addressed.

Management did not ensure that effective internal control processes are implemented to manage the daily and monthly processing and reconciling of transactions, and did not

# Chapter 6

implement proper recordkeeping to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. In addition, management did not ensure that sufficient consequence management was implemented to address instances where the municipality's internal controls were not implemented. This resulted in material misstatements being identified in the financial statements and the annual performance report, and on non-compliance with legislation.

The municipality's governance structures did not adequately discharge their responsibilities. Internal audit was not adequately resourced and functioning, and the audit committee did not adequately review and verify the information reported in the financial statements and annual performance report submitted for auditing. This resulted in misstatements in the financial statements and the performance report that could have been prevented.

## **Material irregularities**

In accordance with the PAA and the material irregularities regulations, I have a responsibility to report on material irregularities identified during the audit.

I identified material irregularities during the audit and notified the accounting officer thereof as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not completed the process of evaluating the responses of the accounting officer. These material irregularities will be included in the next year's auditor's report.

## **Other reports**

I draw attention to the following engagements conducted by various parties that 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.

The South African Police Services is investigating allegations of unauthorised amendments to the supplier banking details on the municipality's accounting system. The investigation covers the specific incident that occurred on 13 May 2016. At the time of this report, this investigation had not yet been finalised.

The South African Police Services is investigating allegations of a municipal official's signature being forged, which resulted in a payment being made without a service being rendered to the municipality. This investigation covers a specific incident that occurred on 11 November 2015. At the time of this report, this investigation had not yet been finalised.

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Bloemfontein  
4 July 2020



# Chapter 6

## COMPONENT B: AUDITOR-GENERAL OPINION YEAR 2019/2020 (CURRENT YEAR)

### REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON MATJHABENG LOCAL MUNICIPALITY-REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Qualified opinion

I have audited the financial statements of the Matjhabeng Local Municipality set out on pages 01 to 87, which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects and the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Matjhabeng Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 16 of 2019 (Dora).

#### Basis for qualified opinion

##### Service charges

I was unable to obtain sufficient appropriate audit evidence for service charges as the municipality did not implement adequate processes and controls to ensure consumers were correctly billed for services rendered. The municipality did not read meters regularly, which resulted in estimates being used for extended periods. I identified active meters that were not billed, and meters that were billed on estimates despite not being in use as they were disconnected for non-payment of services. I could not confirm the service charges by alternative means. In addition, revenue was incorrectly recognised for disconnected meters, resulting in service charges being overstated by R234 944 899. Consequently, I was unable to determine whether any adjustment was necessary to service charges, stated at R1 283 071 845 (2019: R1 115 263 946) in the financial statements.



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## **Property rates**

I was unable to obtain sufficient appropriate audit evidence for property rates as the valuation roll used as the basis for charging property rates was not appropriate. No reliance could be placed on the valuation roll values, as multiple valuations performed during the current year could not be substantiated. I could not confirm property rates by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to property rates, stated at R401 915 359 in the financial statements

## **Contracted services**

I was unable to obtain sufficient and appropriate audit evidence for contracted services due to information not being submitted to confirm these transactions. Furthermore, the municipality did not classify transactions correctly and some were recorded in the incorrect accounting period and resulted in contracted services being overstated by R92 401 663 (2019: R82 427 181). I was unable to confirm the disclosure by other means. Consequently, I was unable to determine whether any further adjustments were necessary to the contracted services stated at R292 556 112 (2019: R253 733 941) as disclosed in note 34 to the financial statements.

## **General expenditure**

I was unable to obtain sufficient appropriate audit evidence for general expenses, as supporting evidence was not provided. I was unable to confirm the general expenses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary relating to general expenses stated as R373 175 886 (2019: R305 810 651), were necessary.

## **Employee related costs**

I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as employee related costs due to the state of the accounting records. I was unable to confirm employee related costs by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to employee related cost stated at R767 387 398 (2019: R726 307 686) in the financial statements.

## **Receivables from exchange transactions**

I was unable to obtain sufficient appropriate audit evidence for rental debtors included in receivables from exchange transactions due to the status of the accounting records. I could not confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions, stated at R931 666 834 (2019: R840 615 370) in the financial statements. In addition, the municipality incorrectly classified trade debtors for sewerage, refuse, water, electricity and rentals in sundry receivables. Consequently, sundry receivables



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disclosed in note 14 to the financial statements was overstated by R98 305 445 in the financial statements. I was unable to determine the impact on the receivables for sewerage, refuse, water, electricity and rentals as it was impracticable to do so.

## **Investment property**

I was unable to obtain sufficient appropriate audit evidence that investment properties for the current year had been properly accounted for due to the fact that the municipality did not recognise all investment properties from farms. Furthermore, the municipality included investment properties which are not in the name of the municipality resulting in investment properties being overstated by an amount of R28 883 984. I was unable to confirm the investment properties by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to investment properties stated at R1 045 584 956 (2019: R995 681 135) in the financial statements.

## **Trade payables**

I was unable to obtain sufficient appropriate audit evidence from trade payables and accrued leave due to information not being provided. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to trade payables stated at R381 485 876 (2019: R 448 977 554) as disclosed in note 18 to the financial statements.

## **Payments received in advance**

During 2019, the municipality recognised items that did not meet the definition of a liability, which constitutes a departure from GRAP 1, *Presentation of financial statements*, as payments received in advance from consumer receivables included debit balances. Consequently, payments received in advance from consumer receivables in note 18 was understated by R36 546 991 and receivables from exchange transactions was overstated by R36 546 991. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the payment received in advance for the current period Irregular expenditure

I was unable to obtain sufficient appropriate audit evidence for irregular expenditure written off due to investigation reports not being provided for the write off. I was unable to confirm the write off by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure written off amounting to R114 209 752 in the prior year disclosed in note 51 to the financial statements.

## **Fruitless and wasteful expenditure**

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I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure written off as no council certification of write off was submitted. I was unable to confirm the write off by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure written off amounting to R388 908 961 in the prior year disclosed in note 49 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 this auditor's 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**

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

Note 48 to the financial statements indicates that the municipality had a deficit of R1 300 719 611 for the year ended 30 June 2020 and, as of that date, the municipality's current liabilities exceeded its current assets by R5 993 466 152. The municipality's total liabilities exceeded its total assets by R1 384 421 500. In addition, as disclosed in note 18, the municipality owed Eskom R3 339 427 253 (2019: R2 509 644 294) and Sedibeng Water R3 683 781 220 (2019: R2 943 695 563) as at 30 June 2020, which was long overdue. These events and conditions, along with the other matters set forth in note 48, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

## **Emphasis of matter paragraphs**

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

## **Material losses**

As disclosed in note 33 to the financial statements, material electricity losses of R153 604 174 (2019: R 122 116 273) was incurred, which represents 30 % (2019: 28%) of total electricity purchased, mainly due to tampering and theft.

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As disclosed in note 33 to the financial statements, material water of R513 514 598 (2018: R462 844 267) was incurred, which represents 76% (2018: 77%) of total water purchased, mainly due to leakages, burst water pipes, line losses, tampering and theft.

## **Other matters**

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

## **Unaudited disclosure notes**

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**

The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting officer is responsible for assessing the Matjhabeng Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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.

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**

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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 development priorities presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

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 measures included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to 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.

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 development priorities presented in the municipality's annual performance report for the year ended 30 June 2020:

<b>Development Priority</b>	<b>Pages in the annual performance report</b>
KPA 2 – Basic Services and Infrastructure Investment	x – x

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.

The material findings in respect of the usefulness and reliability of the selected development priority are as follows:

## **KPA2 – basic services and infrastructure investment**

### **Various indicators**

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The following objectives were changed without the necessary approval.

<b>Strategic objectives description</b>
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue
To develop infrastructure roads, water, sewerage, electricity, storm water masterplans in order to facilitate proper planning and budgeting in a cost effective manner.
Ensure proper waste management through promotion of recycling schemes and adequate landfill management.

The targets for the indicators listed below were changed without the necessary approval.

<b>Indicator description</b>	<b>Planned Target (SDBIP)</b>	<b>Target on the APR</b>
% of completed refurbishment works of Nyakallong WWTW	100% completed refurbishment	Project retention stage
% of completed refurbishment works of Virginia WWTP sludge management	100% completed refurbishment works Virginia WWTP sludge management	Project completed
% of completed refurbishment works of WWTW, pump station and outfall sewer pipeline in Mmamahabane	100% completed refurbishment works of WWTW, pump station and outfall sewer pipeline in Mmamahabane	100% completion of the works
Construction of the septic tank system whites started	100% construction completed	Refurbishment of works in the next year
Completed works of Virginia: upgrading of waste water treatment works - phase 2	Completed works of Virginia: upgrading of wastewater treatment works-Phase 2	Upgrading of works in the next year
Commenced upgrade and refurbishment of Kutlwanong WWTW and inlet pump station to address new developments to total of 9 MI/d	60% upgrade commenced	Refurbishment of works in the next year
% commenced refurbishment of Theronia WWTW	55% commenced refurbishment of Theronia WWTW	The target is not included in the annual performance report
Phomolong WWTW	Upgraded WWTW	Annual target is not included in the APR

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Indicator description	Planned Target (SDBIP)	Target on the APR
Completed upgrade and refurbishment of Thabong T8 pump station to address new developments.	Completed upgrade and refurbishment of Thabong T8 pump station	Construction stage
Completed upgrade and refurbishment of Phomolong pump station	1 Functional pump station	1 Functional pump station
8 sumps cleaned in the next financial year	8 sumps/a	8 sumps/a
Commence upgrade and refurbishment Kutlwanong outfall sewer	Commenced upgrade and refurbishment of Kutlwanong outfall sewer	Construction stage
Number of manholes covers replaced	200 MH covers replaced/a	200 MH covers replaced/a
Replace 5Km of worn out water pipelines replaced	5 km of worn out water pipelines replaced	10 Km/ a worn out water pipelines replaced.
1000 dysfunctional water meters replaced	1000 Dysfunctional water meters replaced	1000 new meters
Completed tendering process	Completed tendering process	Appointment letter
180 house connections and meters installed	180 house connections and meters installed	180
Completed tendering process	Completed tendering process	650M
Completed tendering process	Completed tendering process	650M
Continued construction of Thabong gravel road to concrete paving blocks in ward 28	Continued construction of Thabong gravel road to concrete paving blocks in ward 28	2,1Km over 2 financial years.
Completed tendering process	Completed tendering process	3 km over financial years
8km of streets resealed per year	8km	8km
2 Kilometres of road upgraded per year	2 Km of road upgraded	2 Km of road upgraded in Meloding
2 Km of main storm water system in Nyakallong upgraded	2 Km of main storm water system in Nyakallong upgraded	2 Km
7,1 Kilometres of lined storm water canals cleaned according to maintenance plan.	7,1 Kilometres of water lined storm water canals cleaned	7,1 Km
8 Km of unlined storm water canals cleaned	8 Km of unlined storm water canals cleaned	8 Km

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Indicator description	Planned Target (SDBIP)	Target on the APR
2 Km of existing drainage pipes cleaned and maintained	2 Km of existing drainage pipes cleaned and maintained	2 Km

The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:

Indicator description	Reported achievement	Audited achievement	Differences
% of completed refurbishment works of WWTW, pump station and outfall sewer pipeline in Mmamahabane	100%	0	100%
Construction of septic tank system whites started	25%	0%	25%
Completed works of Virginia: upgrading of waste water treatment works - phase 2	75%	97%	22%

The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achieved, while in other instances I was unable to obtain sufficient appropriate audit evidence. 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 further adjustments were required to these reported achievements.

Performance indicator	Reported achievement
% commenced Refurbishment of Theronia WWTW	55%
8 sumps cleaned in the next financial year	6
Old, galvanized steel pipes replaced	95%
1 000 dysfunctional water meters replaced	1 219
2 000 water meters investigated and registered	744
2 Kilometres of road upgraded per year	2



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60 Kilometres of gravel roads refurbished by blading.	25,76
8 Km of unlined storm water canals cleaned	3,075

I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 12 indicators relating to this programme. 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 description
Commenced upgrade and refurbishment of Kutlwanong WWTW and inlet pump station to address new developments to total of 9 MI/d
Phomolong WWTW
Number of manhole covers replaced
180 house connections and meters installed
40 zonal meters and valves installed
Continued construction of Thabong gravel road to concrete paving blocks in ward 28
8 Km of streets released per year
1 Kilometre of road upgraded
12 000 square meters of streets patched
2 Km of main storm water system in Nyakallong upgraded
7.1 kilometres of lined storm water canals cleaned according to maintenance plan.
2 Km of existing drainage pipes cleaned and maintained

The indicators listed below were approved in the service delivery and budget implementation plan (SDBIP) but were not included and reported on in the annual performance report. These changes were made without the necessary approval.

Indicators as per the SDBIP	Indicators as per the annual performance report
Phomolong WWTW	The indicator is not included on the APR
Completed tendering process	The indicator is not included on the APR
2 Established transfer stations	The indicator is not included on the APR

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



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Indicator
% of completed refurbishment works of Nyakallong WWTW
% of completed refurbishment works of Virginia WWTP Sludge management
% of completed refurbishment works of WWTW, pump station and outfall sewer pipeline in Mmamahabane
Construction of Septic Tank system whites started
Completed works of Virginia: Upgrading of Waste Water Treatment works -Phase 2
Commenced upgrade and refurbishment of Kutlwanong WWTW and inlet pump station to address new developments to total of 9 MI/d
% commenced Refurbishment of Theronia WWTW
Phomolong WWTW
Completed upgrade and refurbishment of Thabong T8 pump station to address new developments.
Completed upgrade and refurbishment of Phomolong pump station
8 sumps cleaned in the next financial year
Commence upgrade and refurbishment Kutlwanong outfall sewer
Number of manholes covers replaced
Replace 5Km of worn out water pipelines replaced
Old galvanized steel pipes replaced
1000 dysfunctional water meters replaced
Completed tendering process (Finalise procurement process for water meters in Kutlwanong X9, K2 Block 5 to 200 stands)
180 house connections and meters installed
Completed tendering process (Kutlwanong: Replacement of old asbestos water pipes with pvc pipes)
Completed tendering process (Replacement of water asbestos pipes in Thabong)
2000 water meters investigated and registered
40 zonal meters and valves installed
Continued construction of Thabong gravel road to concrete paving blocks in ward 28
Completed tendering process (Thabong Ext. 22 Tandanani: Road and storm water (2.3Km))
8Km of streets released per year
1 Kilometre of road upgraded
2 Kilometres of road upgraded per year
12 000 square meters of streets patched
60 Kilometres of gravel roads refurbished by blading.
2Km of main storm water system in Nyakallong upgraded
7.1 kilometres of lined storm water canals cleaned according to maintenance plan.
8 Km of unlined storm water canals cleaned 2Km of existing drainage pipes cleaned and maintained

## Other matters

# Chapter 6

I draw attention to the matters below.

## **Achievement of planned targets**

Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 32 to 38 of this report.

## **Adjustment of material misstatements**

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 service delivery and infrastructure investment. 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**

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.

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

### **Annual financial statements and annual reports**

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 **xxx** 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.

The 2018/19 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

### **Expenditure management**

Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

# Chapter 6

An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, accounted for creditors and accounted for payments made, as required by section 65(2)(b) of the MFMA.

Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R892 842 421, 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 processes.

Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R281 932 415, 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 charged on late payments to suppliers.

Reasonable steps were not taken to prevent unauthorised expenditure amounting to R2 084 096 204, 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 of the approved budget.

## **Revenue management**

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

Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

## **Consequence management**

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.

Losses resulting from unauthorised expenditure were written-off as irrecoverable without being certified by council as irrecoverable, in contravention of section 32(2)(a)(ii) of the MFMA.

Some of the irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Some of the losses resulting from irregular expenditure were certified council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA.

# Chapter 6

Cases of irregular expenditure that constituted a criminal offence were not reported to the South African Police Service, as required by section 32(6) of the MFMA.

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

Some of the losses resulting from fruitless and wasteful expenditure were written-off as irrecoverable without being certified by council as irrecoverable, in contravention of section 32(2)(b) of the MFMA.

## **Asset management**

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.

## **Strategic planning and performance management**

A performance management system was not adopted, as required by municipal planning and performance management regulation 8.

## **Procurement and contract management**

Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements due to supporting information not being provided. Similar limitation was also reported in the prior year.

Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

Some of the quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(1)(b).

Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.

# Chapter 6

Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year.

Some of the contracts were not awarded in an economical manner and as required by MFMA sec 62(1)(a) and MFMA section 95(a).

The preference point system was not applied for some of the procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). Similar non-compliance was also reported in the prior year.

Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and 2017 preferential procurement regulations (PPR).

Some of the contracts were awarded to bidders based on functionality criteria that differed from those stipulated in the original invitation for bidding, in contravention of PPR.

Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the PPR 8(2).

Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the PPR 8(5).

Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).

The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year

The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA. Similar non-compliance was also reported in the prior year.

## **Other information**

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

# Chapter 6

annual performance report that have been specifically reported in this auditor's report.

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

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.

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**

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.

Leadership did not effectively oversee financial and performance reporting, compliance and related internal controls, as they were slow in responding to the outcome of the previous year's audit. This resulted in previously reported internal control weaknesses not being adequately addressed.

Management did not ensure that effective internal control processes are implemented to manage the daily and monthly processing and reconciling of transactions, and did not implement proper recordkeeping to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. In addition, management did not ensure that sufficient consequence management was implemented to address instances where the municipality's internal controls were not implemented. This resulted in material misstatements being identified in the financial statements and the annual performance report, and on non-compliance with legislation.

# Chapter 6

The municipality's governance structures did not adequately discharge their responsibilities. Internal audit was not adequately resourced and functioning, and the audit committee did not adequately review and verify the information reported in the financial statements and annual performance report submitted for auditing. This resulted in misstatements in the financial statements and the performance report that could have been prevented.

## **Material irregularities**

In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

## **Material irregularities identified during the audit**

The material irregularity identified is as follows:

### **Suspected material irregularity: Overpayment on Nyakallong stormwater system phase 1**

A contract of R13 744 408 for the construction of the Nyakallong storm water system was awarded to a contractor on 12 April 2017. Two variation orders amounting to R3 268 705 were approved in 2017 and 2019. During a site visit it was found that the project was incomplete, and the contractor abandoned site. There was indication of poor workmanship including pipes/ channels that were constructed but not installed and pipes/channels that were not functioning as intended. Furthermore, there was no evidence of an attenuation dam that had to be built by the contractor and was paid for by the municipality. Payments, estimated at R7 214 719 million, were certified by the consulting engineer and paid by the municipality to the contractor for the attenuation dam in contravention of 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 is likely to result in a material financial loss for the municipality, if not recovered.

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 have been taken in response to being notified of the suspected material irregularity. I am in the process of referring the suspected material irregularity to a public body for investigation as provided for in section 5(1A) of the PAA.

## **Material irregularities in progress**

I identified other material irregularities during the audit and notified the accounting office 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 for some material irregularities and for the remainder, I had not yet completed the process of evaluating the responses from the



# Chapter 6

accounting officer. These material irregularities will be included in the next year's auditor's report

## Other reports

I draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the municipality's financial statements, reported performance information and compliance with applicable legislation and other related matters. The reports noted do not form part of the opinion on the financial statements or findings on the reported performance information or compliance with legislation.

There was an ongoing investigation being conducted by the South African Police Services into allegations of unauthorised amendments to the supplier banking details on the municipality's accounting system. The investigation covers the specific incident that occurred on 13 May 2016.

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 being rendered to the municipality. This investigation is being conducted by the South African Police Services and covers a specific incident that occurred on 11 November 2015. At the time of this report, this investigation had not yet been finalised.

Bloemfontein

16 April 2021



**COMMENTS ON AUDITOR-GENERAL'S OPINION 2019/2020:**



# Chapter 6

Management will develop an Audit Report and Management Report Action Plans to deal with matters raised by the Office of the Auditor General of South Africa in their Audit Report and Management Report for the Regulatory Audit 2019/2020 in order to ensure that there are no repeat findings in the next financial year.

## **COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:**

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

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

# GLOSSARY

## GLOSSARY

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

# GLOSSARY

<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery and infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In these EPMDs performance standards are divided into indicators and the time factor.

# GLOSSARY

<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <ul style="list-style-type: none"><li><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></li><li><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></li></ul>

# APPENDICES

## APPENDICES

All appendices were not completed. In future all the required information will be completed to ensure that the reported performance information is complete, accurate and valid.

# GLOSSARY

VOLUME II: ANNUAL FINANCIAL STATEMENTS



Matjhabeng Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2020

# Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2020

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
<b>The following is included in the scope of operation</b>	Area FS184, as a high capacity local municipality, as demarcated by the Demarcation Board and indicated on the demarcated map published for FS184.
<b>Executive Mayor</b>	Speelman NW
<b>Members of the Mayoral Committee</b>	Speelman NW - Executive Major Direko DR - Spatial planning and land use management. Kabi M - Policy and planning Khalipha TD - Human Settlement Lushaba TB - Community Services Manese SD - Finance Mawela VE - Corporate Services Morris VR - Public Safety Radebe MC - Local Economic Development Radebe ML - Integrated Development Planning Tshopo ME - Technical Services / Infrastructure Refer to councillors note
<b>Councillors</b>	
<b>Grading of local authority</b>	Local High Capacity Municipality (Grade 5)
<b>Chief Finance Officer (CFO)</b>	Panyani T
<b>Accounting Officer (MM)</b>	Tindleni Z
<b>Registered office</b>	Civic Centre 319 Stateway Welkom Free State 9460
<b>Postal address</b>	P O Box 708 Welkom Free State 9460
<b>Bankers</b>	ABSA Bank Limited
<b>Attorneys</b>	Full list available at the municipal offices in Welkom
<b>Enabling legislation</b>	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)
<b>Website</b>	<a href="http://www.matjhabeng.co.za">www.matjhabeng.co.za</a>



# Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2020

## Index

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

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Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Statement of Comparison of Budget and Actual Amounts	9 - 10
Accounting Policies	11 - 34
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COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2020

## Accounting officer's Responsibilities and Approval

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

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

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

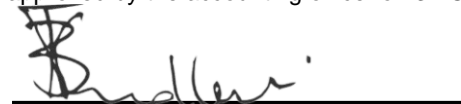
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards 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 is 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 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020.



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**Tindleni Z**  
**Accounting Officer**

# Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2020

## Accounting officer's Report

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The accounting officer submits his report for the year ended 30 June 2020.

### 1. Review of activities

#### Main business and operations

### 2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated deficit of R (1,384,421,500) and that the municipality's total liabilities exceed its total assets by R(1,384,421,500).

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

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

In addition, as disclosed in note 18, the municipality owed Eskom R3 339 427 253 (2019: R2 509 644 294) and Sedibeng Water R3 683 781 220 (2019: R2 943 695 563) as at 30 June 2020, which were long overdue.

The provision for bad debt increased from R2 459 718 644 (71% of total receivables) at 30 June 2019 to R2 932 546 722 (73% of total receivables) at 30 June 2020.

These events and conditions, along with the other matters set forth in note 48, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern

### 3. Accounting Officer

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

Tindleni Z

# Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	10	11,243,871	12,698,240
Other receivables	11	37,936,236	40,319,929
Receivables from non-exchange transactions	12	173,406,667	147,744,755
VAT receivable	13	627,234,606	508,790,831
Receivables from exchange transactions	14	931,666,834	840,615,370
Cash and cash equivalents	15	58,495,420	763,086
		<b>1,839,983,634</b>	<b>1,550,932,211</b>
<b>Non-Current Assets</b>			
Investment property	3	1,045,584,956	995,681,135
Property, plant and equipment	4	3,965,306,359	4,066,400,549
Heritage assets	5	7,104,349	7,104,349
Other financial assets	6	304,555	318,288
Receivables from non-exchange transactions (non-current)	8	48,443	16,515
Receivables from exchange transactions (non-current)	9	389,458	408,807
		<b>5,018,738,120</b>	<b>5,069,929,643</b>
<b>Total Assets</b>		<b>6,858,721,754</b>	<b>6,620,861,854</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Employee benefit obligation	7	19,104,033	20,569,575
Unspent conditional grants and receipts	16	66,530,859	12,023,556
Payables from exchange transactions	18	7,713,156,012	6,164,075,311
Consumer deposits	19	34,658,882	34,563,882
		<b>7,833,449,786</b>	<b>6,231,232,324</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	7	371,361,016	427,520,978
Provisions	17	38,332,450	45,810,444
		<b>409,693,466</b>	<b>473,331,422</b>
<b>Total Liabilities</b>		<b>8,243,143,252</b>	<b>6,704,563,746</b>
<b>Net Assets</b>		<b>(1,384,421,498)</b>	<b>(83,701,892)</b>
Accumulated surplus / (deficit)		(1,384,421,500)	(83,701,890)

\* See Note 45

# Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	1,283,071,845	1,115,263,946
Rental of facilities and equipment	21	13,748,446	19,069,607
Commissions received	22	13,548,143	12,021,040
Other income	23	8,185,839	18,162,225
Interest received	24	231,248,336	205,940,675
Dividends received	24	21,446	20,400
<b>Total revenue from exchange transactions</b>		<b>1,549,824,055</b>	<b>1,370,477,893</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	401,915,359	376,083,038
<b>Transfer revenue</b>			
Government grants & subsidies	26	612,487,030	614,588,576
Fines, Penalties and Forfeits	38	4,265,607	8,877,833
<b>Total revenue from non-exchange transactions</b>		<b>1,018,667,996</b>	<b>999,549,447</b>
<b>Total revenue</b>		<b>2,568,492,051</b>	<b>2,370,027,340</b>
<b>Expenditure</b>			
Employee related costs	27	(767,387,398)	(726,307,686)
Remuneration of councillors	28	(33,697,331)	(32,962,554)
Depreciation and amortisation	29	(205,110,776)	(212,794,964)
Finance costs	31	(326,869,337)	(324,320,285)
Debt Impairment	32	(684,012,154)	(554,662,155)
Bulk purchases	33	(1,206,492,326)	(1,052,109,336)
Contracted services	34	(292,556,112)	(253,733,941)
General Expenses	35	(372,832,171)	(305,810,651)
Repairs and maintenance	39	(88,755,028)	(135,808,561)
<b>Total expenditure</b>		<b>(3,977,712,633)</b>	<b>(3,598,510,133)</b>
<b>Operating deficit</b>		<b>(1,409,220,582)</b>	<b>(1,228,482,793)</b>
Actuarial gains	7	106,523,027	52,175,859
Impairment loss	30	(47,912,144)	(315,745,851)
Fair value adjustments	36	49,890,088	47,545,780
		<b>108,500,971</b>	<b>(216,024,212)</b>
<b>Deficit for the year</b>		<b>(1,300,719,611)</b>	<b>(1,444,507,005)</b>

\* See Note 45

# Matjhabeng Local Municipality

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## Statement of Changes in Net Assets

	Accumulated surplus / (deficit)	Total net assets
Figures in Rand		
Opening balance as previously reported	1,421,264,717	1,421,264,717
Adjustments		
Correction of errors	(60,459,602)	(60,459,602)
<b>Balance at 01 July 2018 as restated*</b>	<b>1,360,805,115</b>	<b>1,360,805,115</b>
Changes in net assets		
Deficit for the year	(1,444,507,005)	(1,444,507,005)
Total changes	(1,444,507,005)	(1,444,507,005)
<b>Restated* Balance at 01 July 2019</b>	<b>(83,701,889)</b>	<b>(83,701,889)</b>
Changes in net assets		
Deficit for the year	(1,300,719,611)	(1,300,719,611)
Total changes	(1,300,719,611)	(1,300,719,611)
<b>Balance at 30 June 2020</b>	<b>(1,384,421,500)</b>	<b>(1,384,421,500)</b>

\* See Note 45

# Matjhabeng Local Municipality

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## Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		1,105,710,813	984,194,836
Grants		666,994,333	603,306,790
Interest income		2,106,916	8,666,992
Dividends received		21,446	20,400
Other receipts		42,131,728	50,327,305
		<u>1,816,965,236</u>	<u>1,646,516,323</u>
<b>Payments</b>			
Employee costs		(749,393,073)	(696,138,612)
Suppliers		(843,235,287)	(806,770,114)
Finance costs		-	(341,442)
		<u>(1,592,628,360)</u>	<u>(1,503,250,168)</u>
<b>Net cash flows from operating activities</b>	40	<b><u>224,336,876</u></b>	<b><u>143,266,155</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	<u>(146,034,968)</u>	<u>(132,180,406)</u>
<b>Cash flows from financing activities</b>			
Employee benefit obligation payments		<u>(20,569,574)</u>	<u>(13,380,796)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>57,732,334</b>	<b>(2,295,047)</b>
Cash and cash equivalents at the beginning of the year		763,086	3,058,139
<b>Cash and cash equivalents at the end of the year</b>	15	<b><u>58,495,420</u></b>	<b><u>763,092</u></b>

\* See Note 45

# Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved and final budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1,365,050,546	-	<b>1,365,050,546</b>	1,283,071,845	<b>(81,978,701)</b>	
Rental of facilities and equipment	22,323,600	-	<b>22,323,600</b>	13,748,446	<b>(8,575,154)</b>	Note 1
Commission received	-	-	-	13,548,143	<b>13,548,143</b>	Note 2
Other income	237,192,789	-	<b>237,192,789</b>	8,185,839	<b>(229,006,950)</b>	Note 3
Interest received - trading	220,682,619	-	<b>220,682,619</b>	231,248,336	<b>10,565,717</b>	
Dividends received	21,522	-	<b>21,522</b>	21,446	<b>(76)</b>	
<b>Total revenue from exchange transactions</b>	<b>1,845,271,076</b>	-	<b>1,845,271,076</b>	<b>1,549,824,055</b>	<b>(295,447,021)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	376,695,687	-	<b>376,695,687</b>	401,915,359	<b>25,219,672</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	685,544,000	-	<b>685,544,000</b>	612,487,030	<b>(73,056,970)</b>	
Fines	22,483,622	-	<b>22,483,622</b>	4,265,607	<b>(18,218,015)</b>	Note 4
<b>Total revenue from non-exchange transactions</b>	<b>1,084,723,309</b>	-	<b>1,084,723,309</b>	<b>1,018,667,996</b>	<b>(66,055,313)</b>	
<b>Total revenue</b>	<b>2,929,994,385</b>	-	<b>2,929,994,385</b>	<b>2,568,492,051</b>	<b>(361,502,334)</b>	
<b>Expenditure</b>						
Employee related cost	(785,036,022)	-	<b>(785,036,022)</b>	(767,387,398)	<b>17,648,624</b>	Note 5
Remuneration of councillors	(33,753,672)	-	<b>(33,753,672)</b>	(33,697,331)	<b>56,341</b>	
Depreciation and amortisation	(116,298,126)	-	<b>(116,298,126)</b>	(205,110,776)	<b>(88,812,650)</b>	Note 6
Impairment loss	-	-	-	(47,912,144)	<b>(47,912,144)</b>	
Finance costs	(141,185,794)	-	<b>(141,185,794)</b>	(326,869,337)	<b>(185,683,543)</b>	Note 7
Debt impairment	(584,895,295)	-	<b>(584,895,295)</b>	(684,012,154)	<b>(99,116,859)</b>	Note 8
Bulk purchases	(330,080,033)	-	<b>(330,080,033)</b>	(1,206,492,326)	<b>(876,412,293)</b>	Note 9
Contracted services	(528,434,177)	-	<b>(528,434,177)</b>	(292,556,112)	<b>235,878,065</b>	Note 10
General expenses	(436,420,267)	-	<b>(436,420,267)</b>	(372,832,171)	<b>63,588,096</b>	Note 11
Repairs and maintenance	-	-	-	(88,755,028)	<b>(88,755,028)</b>	
<b>Total expenditure</b>	<b>(2,956,103,386)</b>	-	<b>(2,956,103,386)</b>	<b>(4,025,624,777)</b>	<b>(1,069,521,391)</b>	
<b>Operating deficit</b>	<b>(26,109,001)</b>	-	<b>(26,109,001)</b>	<b>(1,457,132,726)</b>	<b>(1,431,023,725)</b>	
Gain on disposal of assets and liabilities	53,000,000	-	<b>53,000,000</b>	-	<b>(53,000,000)</b>	Note 12
Fair value adjustments	-	-	-	49,890,088	<b>49,890,088</b>	Note 13
Actuarial gains/losses	-	-	-	106,523,027	<b>106,523,027</b>	Note 14
	<b>53,000,000</b>	-	<b>53,000,000</b>	<b>156,413,115</b>	<b>103,413,115</b>	
<b>Deficit before taxation</b>	<b>26,890,999</b>	-	<b>26,890,999</b>	<b>(1,300,719,611)</b>	<b>(1,327,610,610)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>26,890,999</b>	-	<b>26,890,999</b>	<b>(1,300,719,611)</b>	<b>(1,327,610,610)</b>	



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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved and final budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
Net increase/(decrease) in cash and cash equivalents	-	-	-	57,732,334	<b>57,732,334</b>	Note 16
<b>Cash and cash equivalents at the end of the year</b>	-	-	-	<b>57,732,334</b>	<b>57,732,334</b>	

### Differences between actual and budgeted amounts (above 10% variance) are due to:

Note 1 - Less rental income was received than budgeted for.

Note 2 - No budget was provided for commission received.

Note 3 - Less other income received than budgeted for.

Note 4 - Less traffic fines received than budgeted due to COVID 19 pandemic.

Note 5 - More overtime paid than budgeted for.

Note 6 - Not sufficient budget provided for depreciation.

Note 7 - Not sufficient budget provided for finance cost.

Note 8 - Not sufficient budget provided for debt impairment.

Note 9 - More bulk water and electricity purchased than budgeted for.

Note 10 - Less spend on contracted service than budgeted for due to cashflow constraints.

Note 11 - More spend on general expenses than budgeted for.

Note 12 - There were no actual gains on the disposal of assets and liabilities.

Note 13 - No budget provided for fair value adjustments.

Note 14 - No budget provided for actuarial gains/losses.

Note 15 - Improper budgeting disclosure on budget template.

Note 16 - Improper budgeting disclosure on budget template.

# Matjhabeng Local Municipality

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## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

#### Significant judgements include:

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

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

The impairment for trade receivables, 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 has 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.

# Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### 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 is included in note 17 - Provisions.

#### Useful lives of Property Plant and Equipment

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

#### Employee benefit 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 7.

#### 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.

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## Accounting Policies

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### 1.4 Investment property (continued)

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.

#### 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.

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## Accounting Policies

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

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.

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

#### 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.

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.

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## Accounting Policies

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### 1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

### 1.7 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.

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

# Matjhabeng Local Municipality

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## Accounting Policies

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### 1.8 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## Accounting Policies

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### 1.8 Financial instruments (continued)

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:

<b>Class</b>	<b>Category</b>
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:

<b>Class</b>	<b>Category</b>
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 entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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

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



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### 1.8 Financial instruments (continued)

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

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

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

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

#### Fair value measurement considerations

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

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

#### Reclassification

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

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

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

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

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

#### Gains and losses

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

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

#### Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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### 1.8 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

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### 1.8 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

##### Financial liabilities

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

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

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### 1.8 Financial instruments (continued)

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

#### Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

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

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

### 1.9 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 building 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 the remaining balance of the liability.

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

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### 1.10 Leases (continued)

#### 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.

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 that 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 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.

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.

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

A cash-generating unit is the smallest identifiable group of assets held 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.

#### 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.

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### 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.

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### 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.



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### 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.

#### 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 assess 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.

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

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### 1.14 Employee benefits (continued)

- 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 recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

### Post-employment benefits

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

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

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

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### 1.14 Employee benefits (continued)

#### Other long term employee benefit

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.

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 non-occurrence 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 43.

#### 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:

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.

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### 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.

#### Rendering of services

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

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

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

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

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

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### 1.17 Revenue from exchange transactions (continued)

#### 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.

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### 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.

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.

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### 1.18 Revenue from non-exchange transactions (continued)

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.

### 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 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.

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

### 1.23 Fruitless and wasteful expenditure

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

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

### 1.24 Irregular expenditure

Irregular expenditure 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

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### 1.24 Irregular expenditure (continued)

- (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 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 the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

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

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

### 1.26 Related parties

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

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

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



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## Accounting Policies

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### 1.26 Related parties (continued)

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

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

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

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

### 1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.28 Consumer deposits

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

### 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.

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2020

2019

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

The following GRAP standards or interpretations become effective for the first time for the 30 June 2020 year-end.

##### **Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme**

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality has adopted the guideline for the first time in the 2019/2020 annual financial statements.

The impact of the guideline is not material.

##### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

### **GRAP 32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

### **GRAP 108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

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### 2. New standards and interpretations (continued)

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements

The impact of the standard is not material.

#### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has adopted the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of the interpretation is not material.

#### **IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land**

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has adopted the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of the interpretation is not material.

#### **IGRAP 19: Liabilities to Pay Levies**

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has adopted the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of the interpretation is not material.

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### 2. New standards and interpretations (continued)

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

##### **IGRAP 20: Accounting for Adjustments to Revenue**

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

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

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

The impact of this standard is currently being assessed.

##### **GRAP 34: Separate Financial Statements**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

##### **GRAP 35: Consolidated Financial Statements**

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

To meet this objective, the Standard:

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

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

It furthermore covers definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

#### **GRAP 36: Investments in Associates and Joint Ventures**

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

It furthermore covers definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

#### **GRAP 37: Joint Arrangements**

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

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

It furthermore covers definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

#### **GRAP 38: Disclosure of Interests in Other Entities**

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

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

It furthermore covers definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, Interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

# Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

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

The objective of this Standard is to prescribe the:

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

It furthermore covers definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

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

The most significant changes to the Standard are:

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

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

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

The impact of this standard is currently being assessed.

#### GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

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

The impact of this standard is currently being assessed.



# Matjhabeng Local Municipality

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### 2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods.

##### **GRAP 104 (amended): Financial Instruments**

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

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

The most significant changes to the Standard affect:

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

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

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

The impact of this standard is currently being assessed.

##### **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 not yet set by the Minister of Finance.

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

The impact of this standard is currently being assessed.

# Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

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### 3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,045,584,956	-	1,045,584,956	995,681,135	-	995,681,135

#### Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	995,681,135	49,903,821	1,045,584,956

#### Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	948,153,686	47,527,449	995,681,135

#### Pledged as security

139 Farnes were provided as security for the Eskom debt owed at 30 June 2020.

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.

#### Maintenance of investment property

##### The following maintenance costs were incurred:

Maintenance	200,680	419,237
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#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	13,748,446	19,069,607
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# Matjhabeng Local Municipality

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### 4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Transport assets	149,732,077	(83,934,979)	65,797,098	129,597,869	(74,839,443)	54,758,426
Infrastructure	8,722,578,389	4,933,585,820	3,788,992,569	8,595,294,454	4,710,351,067	3,884,943,387
Other moveable assets	35,478,469	(31,860,621)	3,617,848	37,293,219	(27,797,119)	9,496,100
Landfill rehabilitation assets	79,673,269	(49,118,587)	30,554,682	79,471,559	(41,924,257)	37,547,302
Land and buildings	134,399,627	(58,055,465)	76,344,162	134,399,627	(54,744,293)	79,655,334
<b>Total</b>	<b>9,121,861,831</b>	<b>(5,156,555,472)</b>	<b>3,965,306,359</b>	<b>8,976,056,728</b>	<b>(4,909,656,179)</b>	<b>4,066,400,549</b>

### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Transport assets	54,758,426	20,134,208	-	(9,095,536)	-	65,797,098
Infrastructure	3,884,943,387	127,283,936	-	(175,322,610)	(47,912,144)	3,788,992,569
Other movable assets	9,496,100	6,835,007	(8,649,758)	(4,063,501)	-	3,617,848
Landfill rehabilitation assets	37,547,302	201,710	-	(7,194,330)	-	30,554,682
Land and buildings	79,655,334	-	-	(3,311,172)	-	76,344,162
	<b>4,066,400,549</b>	<b>154,454,861</b>	<b>(8,649,758)</b>	<b>(198,987,149)</b>	<b>(47,912,144)</b>	<b>3,965,306,359</b>

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#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Transport assets	63,034,610	293,213	-	-	-	(8,569,397)	-	54,758,426
Infrastructure	4,199,384,320	185,021,242	-	(144,590)	(3,849,270)	(188,814,857)	(306,653,458)	3,884,943,387
Other movable assets	15,015,834	1,547,713	-	-	(2,179,894)	(4,887,553)	-	9,496,100
Landfill rehabilitation assets	44,901,347	-	(189,229)	-	-	(7,164,816)	-	37,547,302
Land and buildings	92,106,069	-	-	-	-	(3,358,342)	(9,092,393)	79,655,334
	<b>4,414,442,180</b>	<b>186,862,168</b>	<b>(189,229)</b>	<b>(144,590)</b>	<b>(6,029,164)</b>	<b>(212,794,965)</b>	<b>(315,745,851)</b>	<b>4,066,400,549</b>

##### Pledged as security

None of these assets were pledged as security.

##### Property, plant and equipment in the process of being constructed halted during the year

##### Cumulative expenditure recognised in the carrying value of property, plant and equipment

Thabong Taxo Rank	2,588,469	2,588,469
Nyakolong Taxi Rank	377,781	377,781
White Septic Tank Welkom	200,008	200,008
Thabong Community Centre parking upgrade	220,493	220,493
Mmamahabane Taxi Rank	477,699	477,699
Upgrading of 7 electrical panels	167,058	167,058
Welkom Regional Taxi Rank	6,741,313	6,741,313
	<b>10,772,821</b>	<b>10,772,821</b>

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

# Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

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### 4. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Other PPE	Total
Work in progress	617,667,947	2,938,708	620,606,655

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Other PPE	Total
Work in progress	567,113,282	2,938,708	570,051,990

#### Expenditure incurred to repair and maintain property, plant and equipment.

##### Repairs and maintenance per class of asset:

Buildings	17,328,808	18,374,564
Infrastructure	62,598,009	101,535,529
Vehicles	4,323,346	5,835,246
Other movables assets	4,504,866	7,841,658
Landfill sites	-	5,161,150
<b>Total</b>	<b>88,755,029</b>	<b>138,748,147</b>

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.

### 5. Heritage assets

	2020			2019		
	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	-	2,356,514	2,356,514	-	2,356,514
<b>Total</b>	<b>7,104,349</b>	<b>-</b>	<b>7,104,349</b>	<b>7,104,349</b>	<b>-</b>	<b>7,104,349</b>

#### Reconciliation of heritage assets 2020

	Opening balance	Total
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514
<b>Total</b>	<b>7,104,349</b>	<b>7,104,349</b>

#### Reconciliation of heritage assets 2019

	Opening balance	Total
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514
<b>Total</b>	<b>7,104,349</b>	<b>7,104,349</b>

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### 5. Heritage assets (continued)

#### 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.

### 6. Other financial assets

#### Designated at fair value

Unlisted shares

304,555

318,288

The unlisted shares consist of 17,238 (2019: 17,238) equity shares in Senwes Limited and 26,435 (2019: 26,435) equity shares in Senwesbel Limited.

#### Non-current assets

Designated at fair value

304,555

318,288

#### 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)

304,555

318,288

#### Renegotiated terms

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

#### Financial assets pledged as collateral

#### Collateral

Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities

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# Matjhabeng Local Municipality

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### 7. 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	(342,373,880)	(395,063,365)
Present value of the long service award benefit	(48,091,169)	(53,027,188)
	<b>(390,465,049)</b>	<b>(448,090,553)</b>
Non-current liabilities	(371,361,016)	(427,520,978)
Current liabilities	(19,104,033)	(20,569,575)
	<b>(390,465,049)</b>	<b>(448,090,553)</b>

These obligations are not funded arrangements and no separate assets have been set aside currently to meet these obligations.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	448,090,553	445,464,543
Net expense recognised in the statement of financial performance	(57,625,504)	2,626,010
	<b>390,465,049</b>	<b>448,090,553</b>

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	2020	2019
<b>7. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	24,530,176	25,627,566
Interest cost	44,936,922	42,555,103
Actuarial (gains) / losses	(106,523,027)	(52,175,859)
Expected benefits paid	(20,569,575)	(13,380,800)
	<b>(57,625,504)</b>	<b>2,626,010</b>

### 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 state that an employee who retires from employment with an employer 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. Bonus are payable in the following scale:

Years of service completed	Percentage of annual salary as a 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

### Calculation of actuarial gains and losses

Actuarial (gains)/losses - Long service	(2,969,117)	537,037
Actuarial (gains)/losses - Medical aid	(103,553,910)	(52,712,896)
	<b>(106,523,027)</b>	<b>(52,175,859)</b>



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### 7. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

CPI (Medical aid)	7.74 %	6.34 %
CPI (Long service)	2.86 %	4.38 %
Discount rate (Medical aid)	13.53 %	10.53 %
Discount rate (Long service)	7.82 %	8.10 %
Medical aid inflation rate (Medical aid)	9.24 %	7.84 %
Net discount rate (Long service award)	3.81 %	2.58 %
Net discount rate (Medical aid)	3.93 %	2.49 %
Salary increase rate (Long service award)	3.86 %	5.38 %
Continuation percentage	100.00 %	100.00 %

#### Other assumptions

The effect of one percentage increase/decrease in the net discount rate is as follows for the 2020 financial year:

	One percentage point increase	One percentage point decrease
Employer's accrued liability (Long service awards)	51,150,219	45,315,447
Current service cost (Long service awards)	3,921,789	3,429,415
Interest cost (Long service awards)	3,664,272	3,322,857
Employer's accrued liability (Medical aid)	302,604,006	390,885,108
Current service cost (Medical aid)	14,387,938	19,680,527
Interest cost (Medical aid)	43,204,158	48,318,890

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

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	(390,465,049)	(448,090,553)	(445,464,543)	(449,849,626)	(405,964,772)

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### 7. Employee benefit obligations (continued)

#### Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement 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 Councillors 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:

- 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 and 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/(income) for defined contribution plans is:

57,625,504	(2,626,010)
<b>57,625,504</b>	<b>(2,626,010)</b>

### 8. Receivables from non-exchange transactions (non-current)

Consumer receivables - rates	930,491	792,201
Allowance for impairment - rates	(882,048)	(775,686)
	<b>48,443</b>	<b>16,515</b>

#### Receivables from non-exchange transactions pledged as security:

None of the consumer receivables were pledged as security.

#### Renegotiated terms:

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

#### Fair value of receivables:

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

#### Receivables from non-exchange transactions impaired:

As of 30 June 2020, receivables from non-exchange transactions of R 882 048 (2019: R 775 686) were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging 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.

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### 9. Receivables from exchange transactions (non-current)

	2020	2019
Receivables from exchange transactions	7,709,007	7,957,394
Allowance for impairment	(7,319,549)	(7,548,587)
	<b>389,458</b>	<b>408,807</b>

#### Receivables from exchange transactions pledged as security:

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

#### Renegotiated terms:

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

#### Fair value of receivables

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

#### Receivables from exchange transactions impaired:

As of 30 June 2020, receivables from exchange transactions of R7 319 549 (2019: R7 548 587) were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging 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.

### 10. Inventories

Consumable stores	5,138,955	7,011,297
Spare material (projects)	3,849,270	3,849,270
Water for distribution	2,255,646	1,837,673
	<b>11,243,871</b>	<b>12,698,240</b>

Inventories recognised as an expense during the year. 677,917,381 601,750,800

#### Inventory pledged as security

None of the inventory was pledged as security for any financial liability of the municipality.

### 11. Other receivables

Accrued interest	190,774	29,984
Deposits	9,850	9,850
Sundry receivables	9,309,442	7,445,932
Traffic fines receivable	8,404,249	16,320,511
Maritz Attorneys	16,513,652	16,513,652
Payroll fraud	3,508,269	-
	<b>37,936,236</b>	<b>40,319,929</b>

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### 11. Other receivables (continued)

#### Other receivables pledged as security

None of the other receivables were pledged as security during the year.

Refer to prior period error note 45 for more details on the error.

#### Fair value of other receivables

The carrying value of other receivables approximate their fair values.

#### Other receivables past due but not impaired

The carrying value of other receivables approximate their fair values.

#### Other receivables impaired

As of 30 June 2020, none of the other receivables were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging 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.

### 12. Receivables from non-exchange transactions

Consumer receivables - rates

489,833,407 408,985,776

Allowance for impairment - rates

(316,426,740) (261,241,021)

**173,406,667 147,744,755**

#### 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 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

At 30 June 2020, R35,045,412 (2019: R 13,354,284) were past due but not impaired.

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

1 month past due

2,909,914 742,036

2 months past due

1,189,151 348,430

3 months past due

30,946,347 12,263,818

#### Rates aging

Current (0 -30 days)

24,281,276 25,757,150

31 - 60 days

12,350,346 10,368,799

61 - 90 days

10,770,319 8,626,919

91 days +

443,361,956 365,025,109

Less: Allowance for impairment

(317,308,788) (262,016,707)

**173,455,109 147,761,270**

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### 12. 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 2020, receivables from non-exchange transactions of R 317,308,788 (2019: R 262,016,707) were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging 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.

### 13. VAT receivable

VAT	627,234,606	508,790,831
-----	-------------	-------------

Vat was restated in the prior year, refer to prior period error note 45.

### 14. Receivables from exchange transactions

#### Gross balances

Electricity	372,845,497	332,337,261
Water	1,685,215,026	1,419,656,695
Sewerage	677,630,045	577,221,429
Refuse	437,119,207	374,747,030
Other receivables	5,726,733	6,023,720
Rentals	98,305,445	85,542,721
Sundries	133,369,266	120,872,384
Unmetered consumption - Water	55,450,805	42,792,293
Unmetered consumption - Electricity	89,833,799	87,856,854
Less: Non-current consumer receivables (arrangements)	(7,709,007)	(7,957,394)
	<b>3,547,786,816</b>	<b>3,039,092,993</b>

#### Less: Allowance for impairment

Electricity	(228,658,900)	(182,305,402)
Water	(1,325,413,018)	(1,111,137,313)
Sewerage	(524,518,051)	(442,984,339)
Refuse	(345,550,879)	(295,194,955)
Rentals	(87,385,845)	(73,492,239)
Sundries	(107,305,262)	(96,091,813)
Other receivables	(4,607,576)	(4,820,149)
Less: Non-current consumer receivables (arrangement)	7,319,549	7,548,587
	<b>(2,616,119,982)</b>	<b>(2,198,477,623)</b>

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### 14. Receivables from exchange transactions (continued)

#### Net balance

	2020	2019
Electricity	144,186,597	150,031,859
Water	359,802,008	308,519,382
Sewerage	153,111,994	134,237,090
Refuse	91,568,328	79,552,075
Rentals	10,919,600	12,050,482
Sundries	26,064,004	24,780,571
Other receivables	1,119,157	1,203,571
Unmetered consumption - Water	55,450,805	42,792,293
Unmetered consumption - Electricity	89,833,799	87,856,854
Less: Non-current consumer receivables (arrangements)	(389,458)	(408,807)
	<b>931,666,834</b>	<b>840,615,370</b>

#### Electricity

Current (0 -30 days)	49,594,706	47,606,465
31 - 60 days	19,817,627	17,569,932
61 - 90 days	14,112,081	12,129,356
91 + days	289,321,083	255,031,508
Less: Impairment	(228,658,900)	(182,305,402)
	<b>144,186,597</b>	<b>150,031,859</b>

#### Water

Current (0 -30 days)	46,682,606	78,236,113
31 - 60 days	35,310,769	57,398,677
61 - 90 days	32,410,013	23,677,808
91 + days	1,570,811,638	1,260,344,097
Less: Impairment	(1,325,413,018)	(1,111,137,313)
	<b>359,802,008</b>	<b>308,519,382</b>

#### Sewerage

Current (0 -30 days)	16,010,280	15,736,476
31 - 60 days	13,018,740	12,816,330
61 - 90 days	12,911,804	12,369,886
91 + days	635,689,221	536,298,737
Less: Impairment	(524,518,051)	(442,984,339)
	<b>153,111,994</b>	<b>134,237,090</b>

#### Refuse

Current (0 -30 days)	9,744,566	9,754,784
31 - 60 days	8,072,622	7,916,573
61 - 90 days	7,989,590	7,561,377
91 + days	411,312,429	349,514,296
Less: Impairment	(345,550,879)	(295,194,955)
	<b>91,568,328</b>	<b>79,552,075</b>

#### Rentals

Current (0 -30 days)	1,354,613	3,231,379
31 - 60 days	1,344,671	1,264,429
61 - 90 days	1,339,704	1,251,988
91 + days	94,266,457	79,794,925
Less: Impairment	(87,385,845)	(73,492,239)
	<b>10,919,600</b>	<b>12,050,482</b>

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### 14. Receivables from exchange transactions (continued)

#### Sundries

	2020	2019
Current (0 -30 days)	1,006,015	3,495,057
31 - 60 days	1,014,943	2,775,837
61 - 90 days	1,100,365	2,803,478
91 + days	130,247,942	111,798,012
Less: Impairment	(107,305,261)	(96,091,813)
	<b>26,064,004</b>	<b>24,780,571</b>

#### Other

Current (0 -30 days)	40,507	33,445
31 - 60 days	18,061	12,930
61 - 90 days	10,524	10,681
91 + days	5,657,641	5,966,664
Less: Impairment	(4,607,576)	(4,820,149)
	<b>1,119,157</b>	<b>1,203,571</b>

#### Unmetered consumption - Water

Current (0 -30 days)	55,450,805	42,792,293
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#### Unmetered consumption - Electricity

Current (0 -30 days)	89,833,799	87,856,854
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### 14. Receivables from exchange transactions (continued)

#### Summary of receivables by customer classification

##### Consumers

	2020	2019
Current (0 -30 days)	87,362,027	108,992,451
31 - 60 days	67,130,517	79,159,677
61 - 90 days	60,170,922	47,060,290
91 + days	2,887,838,373	2,238,083,474
	<u>3,102,501,839</u>	<u>2,473,295,892</u>
Less: Allowance for impairment	(2,489,030,781)	(1,988,759,000)
	<b><u>613,471,058</u></b>	<b><u>484,536,892</u></b>

##### Business, Industrial and Commercial

Current (0 -30 days)	48,684,802	40,198,258
31 - 60 days	19,817,121	14,564,603
61 - 90 days	17,133,677	10,812,972
91 + days	578,546,308	316,757,697
	<u>664,181,908</u>	<u>382,333,530</u>
Less: Allowance for impairment	(378,828,470)	(212,720,980)
	<b><u>285,353,438</u></b>	<b><u>169,612,550</u></b>

##### Farms and agriculture

Current (0 -30 days)	4,245,511	138,969
31 - 60 days	2,249,692	280,568
61 - 90 days	2,197,252	93,824
91 + days	82,523,643	3,590,628
	<u>91,216,098</u>	<u>4,103,989</u>
Less: Allowance for impairment	(70,893,837)	(3,353,403)
	<b><u>20,322,261</u></b>	<b><u>750,586</u></b>

##### Indigents

Current (0 -30 days)	76,066	41,642
31 - 60 days	60,384	73,153
61 - 90 days	60,665	48,637
91 + days	1,798,117	1,029,395
Less: Allowance for impairment	(1,995,232)	(1,192,827)
	<u>-</u>	<u>-</u>

##### National and Provincial Government

Current (0 -30 days)	8,346,162	6,778,350
31 - 60 days	1,690,064	5,676,707
61 - 90 days	1,081,883	1,788,852
91 + days	29,962,727	39,231,622
	<u>41,080,836</u>	<u>53,475,531</u>

#### Receivables from exchange transactions pledged as security

No consumer receivables were pledged as security for any financial liability.



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### 14. Receivables from exchange transactions (continued)

#### Credit quality of receivables from exchange transactions

The credit quality of receivables from 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.

#### Renegotiated terms:

None of the receivables from exchange transactions that are fully performing have been renegotiated in the last year.

#### Fair value of receivables from exchange transactions:

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

#### Receivables from exchange transactions past due but not impaired

As at 30 June 2020 consumer receivables of R 69,097,155 (2019: R 46,697,181) were past due but not impaired.

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

1 month past due	7,728,427	5,676,707
2 months past due	2,219,099	1,788,852
3 months past due	59,149,629	39,231,622
	<b>69,097,155</b>	<b>46,697,181</b>

#### Receivables from exchange transactions impaired

As of 30 June 2020, receivables from exchange transactions of R2,616,119,982 (2019: R2,198,477,623) were impaired and provided for.

The following factors were considered in determining the impairment:

- The aging of the outstanding debt.
- Whether or not any payments were received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner.

### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand and advances	9,474	9,474
Bank balances	(10,771,282)	686,293
Short-term deposits	69,257,228	67,319
	<b>58,495,420</b>	<b>763,086</b>

No restrictions have been imposed on the municipality in terms of the availability of its cash and cash equivalents for use.

The total amount of undrawn facilities available for future operating activities and commitments are as follows:

ACB mag tape debit facility	2,000,000	2,000,000
Housing guarantee	20,000	500,000
Fleet card	1,000,000	60,000
Credit card facility	300,000	-

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### 15. Cash and cash equivalents (continued)

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

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

#### 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 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Primary cheque account Acc no (40-5370-5465)	3,399,671	4,601,404	3,110,990	(9,412,429)	1,899,250	4,310,769
ABSA Market cheque account Acc no (40-5644-3399)	3,000,306	371,607	283,643	(1,358,853)	(1,212,958)	(1,278,480)
ABSA Savings account Acc no (90-9461-7107)	69,250,276	1,000	11,000	69,250,276	61,036	11,000
ABSA Savings account Acc no (91-0668-4115)	2,497	1,908	1,099	2,497	1,908	1,099
ABSA Savings account Acc no (91-1114-1338)	1,109	1,101	1,088	1,109	1,100	1,088
ABSA Savings account Acc no (91-0668-4238)	1,247	1,201	1,132	1,250	1,196	1,132
ABSA Savings account Acc no (91-0668-4157)	1,048	1,041	1,028	1,048	1,040	1,028
ABSA Savings account Acc no (91-2351-5666)	1,048	1,041	1,028	1,048	1,040	1,028
<b>Total</b>	<b>75,657,202</b>	<b>4,980,303</b>	<b>3,411,008</b>	<b>58,485,946</b>	<b>753,612</b>	<b>3,048,664</b>

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### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

	2020	2019
Municipal Infrastructure Grant (MIG)	44,388,904	-
Integrated national electrification program grant (INEP)	837,283	440,044
Energy Efficiency and Demand side Management Grant (EEDG)	5,000,000	-
Municipal water services infrastructure grant (MWSIG)	16,304,672	11,583,512
	<b>66,530,859</b>	<b>12,023,556</b>

#### Movement during the year

Balance at the beginning of the year	12,023,556	23,305,342
Additions during the year	172,006,333	603,306,791
Income recognition during the year	(105,475,472)	(614,588,577)
Amount withheld from Equitable share (Unfulfilled conditional grants)	(12,023,558)	-
	<b>66,530,859</b>	<b>12,023,556</b>

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the 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.

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### 17. Provisions

#### Reconciliation of provisions - 2020

	Opening Balance	Discounting	Movement due to change in the net discount rate	Total
Rehabilitation of landfill sites	45,810,444	(7,679,704)	201,710	38,332,450

#### Reconciliation of provisions - 2019

	Opening Balance	Discounting	Movement due to change in the net discount rate	Total
Rehabilitation of landfill sites	52,442,967	(6,443,292)	(189,231)	45,810,444

#### 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 discount rate used for the landfill sites is based on the risk free rate which is in line with the useful lives of the landfill sites.

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

Landfill	Estimated remaining useful lives
Allanridge	5 years (2019: 6 years)
Henneman (Phomolong)	8 years (2019: 9 years)
Odendaalsrus	20 years (2019: 21 years)
Virginia (Transfer station)	8 years (2019: 9 years)
Bronville (Welkom)	2 years (2019: 3 years)

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 2020	30 June 2019	30 June 2018
Discount rate (D)	9.68 %	8.29 %	8.84 %
Consumer price inflation (CPI)	2.20 %	4.47 %	4.60 %

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### 17. Provisions (continued)

#### Movement in the closing balance of the provision

##### Reconciliation of landfill sites - 30 June 2020

	Opening Balance 1 July 2019	Discounting	Movement due to change in the net discount rate	Closing Balance 30 June 2020
Odendaalsrus	8,044,582	(2,669,092)	80,852	5,456,342
Bronville (Welkom)	14,491,283	(785,167)	21,851	13,727,967
Allanridge	8,875,304	(1,315,826)	28,945	7,588,423
Henneman (Phomolong)	11,954,214	(2,381,877)	58,026	9,630,363
Virginia (Transfer station)	2,445,062	(527,742)	12,035	1,929,355
	<b>45,810,445</b>	<b>(7,679,704)</b>	<b>201,709</b>	<b>38,332,450</b>

##### Reconciliation of landfill sites - 30 June 2019

	Opening Balance 1 July 2018	Discounting	Movement due to change in the net discount rate	Closing Balance 30 June 2019
Odendaalsrus	10,622,702	(1,029,313)	(1,548,807)	8,044,582
Bronville (Welkom)	26,035,727	(12,157,367)	612,923	14,491,283
Allanridge	5,291,424	3,126,330	457,550	8,875,304
Henneman (Phomolong)	8,363,920	3,350,282	240,012	11,954,214
Virginia (Transfer station)	2,129,194	266,777	49,091	2,445,062
	<b>52,442,967</b>	<b>(6,443,291)</b>	<b>(189,231)</b>	<b>45,810,445</b>

### 18. Payables from exchange transactions

Accrued bonus	9,842,936	9,942,408
Accrued leave pay	97,353,390	83,802,832
Deferred income - pre paid electricity	2,900,000	900,000
Deposits received - hall and facilities	15,175	15,175
Eskom	3,339,427,253	2,509,644,294
Payments received in advanced from consumer receivables	77,489,466	63,352,486
Salary control account (3rd parties)	118,039,245	104,328,851
Sedibeng Water	3,683,781,220	2,943,695,563
Trade payables	381,485,876	448,977,554
Rental receivables	2,821,451	(583,852)
	<b>7,713,156,012</b>	<b>6,164,075,311</b>

Comparatives figures on trade payables were restated refer to note 45

### 19. Consumer deposits

Electricity and water	33,790,167	33,781,555
Key deposits	868,715	782,327
	<b>34,658,882</b>	<b>34,563,882</b>

Guarantees held in lieu of electricity and water deposits amounted to R 6,047,965.66 (2019: R 6,050,466).

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.

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	2020	2019
<b>19. Consumer deposits (continued)</b>		
The carrying value of consumer deposits approximates their fair values.		
Refer to prior period error note 45.		
<b>20. Service charges</b>		
Sale of electricity	639,510,810	562,749,382
Sale of water	418,626,871	337,963,758
Sewerage and sanitation charges	168,587,546	157,534,927
Refuse removal	110,393,966	104,060,855
Less: Income forgone - indigents	(54,047,348)	(47,044,976)
	<b>1,283,071,845</b>	<b>1,115,263,946</b>
<b>21. Rental of facilities and equipment</b>		
<b>Premises</b>		
Rental of living quarters	12,990,388	18,288,676
<b>Facilities and equipment</b>		
Rental of facilities	758,058	780,931
	<b>13,748,446</b>	<b>19,069,607</b>
<b>22. Commission received</b>		
Commission received	13,548,143	12,021,040
<b>23. Other income</b>		
Connection fees	299,971	234,930
Disconnection fees	5,968,241	10,795,795
Meter fees	(6,190)	10,180
Sundry income	1,923,817	7,121,320
	<b>8,185,839</b>	<b>18,162,225</b>
Refer to prior period error note 45 for more details on the error.		
<b>24. Investment revenue</b>		
<b>Dividend revenue</b>		
Unlisted shares - Local	21,446	20,400
<b>Interest revenue</b>		
Bank and investments	2,106,916	1,118,760
Interest charged on consumer receivables	221,461,716	198,378,623
Provisions	7,679,704	6,443,292
	<b>231,248,336</b>	<b>205,940,675</b>
	<b>231,269,782</b>	<b>205,961,075</b>

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### 25. Property rates

#### Rates received

	2020	2019
Commercial	155,232,062	145,184,531
Residential	104,512,847	97,923,886
Small holdings and farms	7,395,712	6,983,898
State	134,774,738	125,990,723
	<b>401,915,359</b>	<b>376,083,038</b>

Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

#### Valuations

Commercial	3,725,066,340	3,600,596,640
Residential	12,040,471,921	12,280,628,651
Small holdings and farms	3,457,136,410	3,296,512,510
State	1,499,833,500	1,484,200,100
	<b>20,722,508,171</b>	<b>20,661,937,901</b>

Valuations on land and buildings are performed every four years. The last general valuation roll came into effect on 1 July 2015, and is based on market-related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.

Extension for the current financial year was requested, a firm was appointed and the new valuation roll will be implemented on 1 July 2020 for the financial period 2021 to 2026.

The first R 75,000 of the valuation of residential property is exempted from property rates.

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### 26. Government grants and subsidies

#### Operating grants

	2020	2019
Equitable share	497,499,557	459,037,000
Finance Management Grant (FMG)	2,680,000	2,215,000
Expanded Public Works Program (EPWP)	1,236,000	1,000,000
Sector Education and Training Authority (SETA)	1,391,333	953,791
Municipal Disaster Relief Grant	596,000	-
	<b>503,402,890</b>	<b>463,205,791</b>

#### Capital grants

Municipal Infrastructure Grant (MIG)	74,681,096	116,581,000
Water Services Infrastructure Grant (WSIG)	19,695,327	25,241,487
Integrated National Electrification Program Grant (INEP)	14,707,717	9,560,298
	<b>109,084,140</b>	<b>151,382,785</b>
	<b>612,487,030</b>	<b>614,588,576</b>

#### Conditional and unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	114,987,473	155,551,576
Unconditional grants received	497,499,557	459,037,000
	<b>612,487,030</b>	<b>614,588,576</b>

#### Equitable share

Current-year receipts as per Government Gazette	504,417,000	459,037,000
Conditions met - transferred to revenue	(485,476,000)	(435,731,999)
Amount withheld from Equitable share (Unfulfilled conditional grants)	(12,023,557)	(23,305,001)
Amount short paid by Treasury	(6,917,443)	-
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

An amount of R6 917 443 was short paid during the year by Treasury, no reason could be provided for the short payment.

#### Municipal Infrastructure Grant (MIG)

Current-year receipts	119,070,000	116,581,000
Conditions met - transferred to revenue	(74,681,096)	(116,581,000)
	<b>44,388,904</b>	-

Conditions still to be met - remain liabilities (see note 16).

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.

\* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove that to the satisfaction that of the National Treasury that the unspent allocation is committed with identifiable project.

Approval for roll-over of unspent grants amounting to R44 388 904 granted by Treasury.

#### Finance Management Grant (FMG)



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<b>26. Government grants and subsidies (continued)</b>		
Current-year receipts	2,680,000	2,215,000
Conditions met - transferred to revenue	(2,680,000)	(2,215,000)
	-	-

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

### Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	440,044	4,117,341
Current-year receipts	15,545,000	10,000,000
Conditions met - transferred to revenue	(14,707,717)	(9,560,298)
Amount withheld from Equitable share	(440,044)	(4,116,999)
	<b>837,283</b>	<b>440,044</b>

Conditions still to be met - remain liabilities (see note 16).

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

\* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end is not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to an identifiable project.

### Expanded Public Works Programme (EPWP)

Current-year receipts	1,236,000	1,000,000
Conditions met - transferred to revenue	(1,236,000)	(1,000,000)
	-	-

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)

Current-year receipts	5,000,000	-
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Conditions still to be met - remain liabilities (see note 16).

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

\* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end is not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to an identifiable project

### Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	11,583,512	19,188,001
Current-year receipts	36,000,000	36,825,000
Conditions met - transferred to revenue	(19,695,328)	(25,241,487)
Amount withheld from Equitable share	(11,583,512)	(19,188,002)
	<b>16,304,672</b>	<b>11,583,512</b>

Conditions still to be met - remain liabilities (see note 16).

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### 26. Government grants and subsidies (continued)

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

\* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end is not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to an identifiable project.

#### Municipal Disaster Relief Grant

Current-year receipts	596,000	-
Conditions met - transferred to revenue	(596,000)	-
	<u>-</u>	<u>-</u>

The purpose of this grant is to address the Covid 19 global pandemic, mostly to source personal protective equipment.

#### Sector Education and Training Authority (SETA)

Current-year receipts	1,391,333	953,791
Conditions met - transferred to revenue	(1,391,333)	(953,791)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is to do skills development among employees and improve the auditing skills of the municipality.

\* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end is not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to an identifiable project.

#### 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.

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	2020	2019
<b>27. Employee related costs</b>		
Salaries	424,009,945	397,629,654
13th Cheque	30,060,388	31,761,185
Pension	64,291,077	61,256,043
Other long term employee benefits	(6,185,469)	(2,303,260)
Employee benefit (medical aid)	34,586,068	35,372,039
Group life insurance	2,087,749	1,856,408
Housing allowances	4,102,625	3,930,714
Leave pay provision charge	24,420,208	16,877,380
Medical aid	44,533,057	41,615,581
Other allowances	25,027,934	23,289,837
Overtime payments	70,965,083	67,800,843
Transport allowance	40,709,224	37,717,859
UIF	3,614,715	3,648,105
SDL	5,164,794	5,855,298
	<b>767,387,398</b>	<b>726,307,686</b>

### Remuneration of Municipal Manager - Tsoaeli ET

Annual Remuneration	835,454	1,289,565
Car and other allowances	195,904	363,894
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	153,437	248,851
Leave payout	636,798	-
	<b>1,821,593</b>	<b>1,902,310</b>

The Municipal Manager passed away during November 2019.

### Remuneration of Chief Financial Officer - Panyane CT

Annual Remuneration	946,390	993,709
Car and other allowances	383,600	386,184
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	200,998	156,287
	<b>1,530,988</b>	<b>1,536,180</b>

### Remuneration of Acting Director's LED & Planning Mothekhe MMG

Annual Remuneration	290,239	-
Car and other allowances	91,013	-
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	62,600	-
	<b>443,852</b>	-

Mothekhe MMG has been acting as Director from 1 February 2020 until 31 March 2020 and from 1 May 2020 until 30 June 2020.

### Remuneration of Director Strategic and Support Services - Makofane TB

Annual Remuneration	1,185,791	1,187,487
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	38,760	39,078
	<b>1,224,551</b>	<b>1,226,565</b>

### Remuneration of Director Corporate Services - Wetes FF

Annual Remuneration	929,205	1,326,075
Car and other allowances	256	-

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### 27. Employee related costs (continued)

Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	45,993	52,138
Leave payout	102,824	-
	<b>1,078,278</b>	<b>1,378,213</b>

Wetes FF left the services of the municipality on 31 March 2020.

### Remuneration of Director Infrastructure Services - Maswanganyi HB

Annual Remuneration	-	264,527
Car and other allowances	-	42,950
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	-	8,581
	-	<b>316,058</b>

### Remuneration of Acting Director Local Economic Development & Planning - Golele KBA

Annual Remuneration	183,334	1,048,201
Car and other allowances	37,184	222,804
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	2,437	14,100
	<b>222,955</b>	<b>1,285,105</b>

### Remuneration of Director Community Services (Acting Municipal Manager) - Tindleni ZK

Annual Remuneration	1,109,121	952,230
Car and other allowances	132,000	138,432
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	239,364	233,912
	<b>1,480,485</b>	<b>1,324,574</b>

Tindleni ZK was appointed as Acting Municipal Manager as from December 2019 till date.

### Remuneration of Director Infrastructure - Thobela MB

Annual Remuneration	397,816	-
Car and other allowances	267,430	-
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	5,675	-
	<b>670,921</b>	-

### 28. Remuneration of councillors

Executive Mayor and Councillors	33,697,331	32,962,554
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### 28. Remuneration of councillors (continued)

#### 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.

Details of remuneration for the year ended 30 June 2020 Name of councillor	Annual remuneration	Car allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	289,301	82,834	2,726	374,861
Badenhorst HS	289,301	82,834	2,726	374,861
Botha PF	256,445	82,834	35,324	374,603
Chaka MS	273,076	82,834	19,230	375,140
Claasen Malherbe C	289,301	82,834	2,726	374,861
Daly A	289,301	82,834	2,726	374,861
Danster MP	34,508	9,853	-	44,361
Direko DR	(21,616)	(5,688)	(256)	(27,560)
Dyantyi A	272,520	82,834	19,230	374,584
Jacobs EJ	272,520	82,834	19,230	374,584
Jama BL	272,520	82,834	19,230	374,584
Kabi M	367,667	125,821	41,462	534,950
Khalipha TD	(11,885)	(2,585)	(137)	(14,607)
Khetsi LE	272,520	82,834	19,130	374,484
Khothule MJ	272,520	82,834	19,230	374,584
Kopela MP	116,560	33,187	2,726	152,473
Lethake TW	283,443	82,834	19,230	385,507
Liphoko SJ	620,576	206,597	45,645	872,818
Lushaba TB	612,455	196,312	23,461	832,228
Macingwane MT	272,520	82,834	19,230	374,584
Mafa DM	256,445	82,834	35,324	374,603
Mafaisa MG	256,445	82,834	35,324	374,603
Mahlumba BH	328,244	106,304	40,715	475,263
Manenye AJ	272,520	82,834	19,230	374,584
Manese SD	612,455	196,312	23,461	832,228
Manzana NR	256,445	82,834	35,324	374,603
Marais JS	289,301	82,834	2,726	374,861
Masienyane MD	673,970	89,335	66,749	830,054
Masina XN	616,765	206,597	60,398	883,760
Mawela VE	580,787	196,312	61,389	838,488
Meli TS	256,445	82,834	35,324	374,603
Moipatle KSV	257,524	82,834	35,324	375,682
Mokhomo HA	354,350	106,304	40,715	501,369
Molefi M	333,685	-	40,959	374,644
Molelekoa PMI	278,664	82,834	19,230	380,728
Moloja NJ	256,445	82,834	35,324	374,603
Monjovo NE	256,445	82,834	35,324	374,603
Morris VR	638,570	196,312	23,461	858,343
Moshoeu ZS	262,832	82,834	31,300	376,966
Mosia TJ	272,520	82,834	19,230	374,584
Mphikeleli MA	338,174	106,304	24,621	469,099
Mthebere NA	272,021	82,834	20,006	374,861
Nkonka BB	256,445	82,834	35,324	374,603

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<b>28. Remuneration of councillors (continued)</b>				
Nqeobe ME	272,520	82,834	19,230	374,584
Nthako TD	272,520	82,834	19,230	374,584
Ntsebeng MH	262,589	82,834	35,324	380,747
Ntuli BN	302,562	82,834	19,230	404,626
Phofeli NM	272,021	82,834	20,006	374,861
Pholo SJ	256,445	82,834	35,324	374,603
Poo IP	256,445	82,834	35,324	374,603
Presente LN	289,301	82,834	2,726	374,861
Radebe MC	573,889	196,312	61,389	831,590
Radebe ML	582,398	196,312	61,389	840,099
Rakaki MM	272,520	82,834	19,230	374,584
Ramabodu BM	289,301	82,834	2,726	374,861
Ramalefane SJ	258,813	82,834	35,324	376,971
Ramatisa PT	333,685	-	40,959	374,644
Sebotsa MM	256,445	82,834	35,324	374,603
Senoge MM	286,742	85,671	15,271	387,684
Sephiri MJ	580,826	196,312	61,389	838,527
Sithole AM	256,445	82,834	35,324	374,603
Speelman NW	826,048	261,749	8,174	1,095,971
Stofile B	610,500	209,399	64,395	884,294
Styger A	289,301	82,834	2,726	374,861
Taljaard SDM	272,021	82,834	20,006	374,861
Thelingoane TJ	288,223	82,834	19,230	390,287
Thelingoane NE	257,085	82,834	35,324	375,243
Tlake KR	269,984	68,423	36,814	375,221
Tsatsa SJ	256,445	82,834	35,324	374,603
Thabangu SE	289,301	82,834	2,726	374,861
Tshokotshela NJ	247,814	74,669	14,813	337,296
Tsopo ME	612,455	196,312	23,461	832,228
Van Rooyen MS	289,301	82,834	2,726	374,861
Van Rooyen KR	296,469	82,834	2,726	382,029
Van Schalkwyk HCT	272,520	82,834	19,230	374,584
	<b>24,453,984</b>	<b>7,311,302</b>	<b>1,932,045</b>	<b>33,697,331</b>

### Details of remuneration for the year ended 30 June 2019

Name of councillor	Annual remuneration	Car allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	279,743	79,648	3,237	362,628
Badenhorst HS	279,743	79,648	3,237	362,628
Botha PF	247,372	79,648	35,303	362,323
Chaka MS	263,959	79,648	19,206	362,813
Claasen Malherbe C	279,743	79,648	3,237	362,628
Daly A	279,743	79,648	3,237	362,628
Direko DR	546,451	173,021	22,617	742,089
Jacobs EJ	263,448	79,648	19,206	362,302
Jama BL	264,223	79,648	18,450	362,321
Kabi M	552,388	188,749	61,333	802,470
Khalipha TD	540,653	173,021	22,617	736,291
Khetsi LE	263,448	79,648	19,085	362,181
Khothule MJ	263,448	79,648	19,206	362,302
Kopela MP	279,743	79,648	3,237	362,628
Lethake TW	266,903	79,648	19,206	365,757
Liphoko SJ	263,448	79,648	19,206	362,302
Lushaba TB	592,735	188,749	24,326	805,810
Macingwane TM	264,631	79,648	19,206	363,485
Mafa MD	247,372	79,648	35,303	362,323

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<b>28. Remuneration of councillors (continued)</b>				
Mafaisa MG	248,556	79,648	35,303	363,507
Mahlumba BH	313,913	102,215	40,682	456,810
Manenye AJ	263,448	79,648	19,206	362,302
Manese SD	589,804	188,749	24,672	803,225
Manzana NR	247,372	79,648	35,303	362,323
Marais JS	279,743	79,648	3,237	362,628
Masienyane MD	652,767	89,335	66,330	808,432
Masina XN	265,473	79,648	20,546	365,667
Mawela VE	556,871	188,749	61,333	806,953
Meli TS	247,884	79,648	35,303	362,835
Moipatle KV	251,040	79,648	35,303	365,991
Mokhomo HA	346,841	102,215	40,682	489,738
Molefi M	321,588	-	40,783	362,371
Molelekoa PMI	268,055	79,648	19,205	366,908
Moloja NJ	247,372	79,648	35,303	362,323
Monjovo NE	247,372	79,648	35,303	362,323
Morris VR	644,963	188,749	24,657	858,369
Moshoeu ZS	264,631	79,648	19,205	363,484
Mosia TJ	267,064	79,648	19,205	365,917
Mphikeleli MA	326,531	102,215	24,584	453,330
Mthebere NA	262,463	79,648	20,517	362,628
Nkonka BB	247,372	79,648	35,303	362,323
Nqeobo ME	263,447	79,648	19,205	362,300
Nthako TD	263,447	79,648	19,205	362,300
Ntsebeng MH	250,828	79,648	35,303	365,779
Nthuli BN	276,372	79,648	19,206	375,226
Phofeli NM	262,463	79,648	20,517	362,628
Pholo SJ	247,372	79,647	35,303	362,322
Poo IP	247,372	79,647	35,303	362,322
Presente LN	279,743	79,647	3,237	362,627
Radebe MC	582,456	188,749	61,333	832,538
Radebe ML	575,047	188,749	61,333	825,129
Rakaki MM	263,447	79,648	19,205	362,300
Ramabodu BM	279,743	79,647	3,237	362,627
Ramalefane SJ	247,373	79,647	35,303	362,323
Ramatisa PT	321,900	-	40,470	362,370
Sebotsa MM	247,372	79,647	35,303	362,322
Senxezi ME	(26,669)	(7,221)	(305)	(34,195)
Sephiri MJ	564,328	188,749	61,333	814,410
Sithole MA	248,705	79,647	35,155	363,507
Speelman NW	800,070	251,682	9,768	1,061,520
Stofile B	589,491	201,345	64,326	855,162
Styger BA	279,743	79,648	3,237	362,628
Taljaard SDM	262,463	79,647	20,517	362,627
Thelingoane TJ	266,813	79,647	19,205	365,665
Thelingoane NE	247,372	79,647	35,307	362,326
Tlake KR	247,372	79,647	35,303	362,322
Tsatsa SJ	247,372	79,647	35,317	362,336
Tshabangu SE	279,743	79,647	3,237	362,627
Tshopo ME	589,804	188,749	24,672	803,225
Tsoaeli ME	-	-	17,635	17,635
Tsupa MR	-	-	32,390	32,390
Van Rooyen MR	279,743	79,647	3,237	362,627
Van Rooyen KV	302,318	79,647	3,237	385,202
Van Schalkwhyk HCT	263,448	79,647	19,205	362,300
Dyantyi A	263,449	77,462	13,921	354,832
	<b>23,914,264</b>	<b>7,105,711</b>	<b>1,942,580</b>	<b>32,962,555</b>

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<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	205,110,776	212,794,964
<b>30. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	47,912,144	315,745,851
The condition of some assets deteriorated faster than expected.		
<b>The main classes of assets affected by impairment losses are as follows:</b>		
Infrastructure	46,975,390	306,653,458
Land and buildings	936,754	9,092,393
	<b>47,912,144</b>	<b>315,745,851</b>
<b>31. Finance costs</b>		
Bank	-	341,443
Employee benefits	44,936,922	42,555,103
Trade and other payables	281,932,415	281,423,739
	<b>326,869,337</b>	<b>324,320,285</b>
<b>32. Debt impairment</b>		
Contributions to bad debt provision	684,012,154	554,662,155
<b>Reconciliation of allowance for impairment</b>		
Balance at the beginning of the year	(2,468,042,917)	(2,041,259,043)
Contributions to allowance	(684,012,154)	(554,662,153)
VAT provision on impairment	(31,840,552)	(33,915,279)
Adjustments during the year (settlement discounts etc.)	4,900,615	-
Debt impairment written off against the allowance	238,246,689	161,793,558
	<b>(2,940,748,319)</b>	<b>(2,468,042,917)</b>
<b>33. Bulk purchases</b>		
Electricity	528,574,945	450,358,536
Water	677,917,381	601,750,800
	<b>1,206,492,326</b>	<b>1,052,109,336</b>



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<b>33. Bulk purchases (continued)</b>		
<b>Electricity losses</b>		
Units purchased (Kw/H)	450,004,414	455,165,714
Units sold (Kw/H)	(350,582,934)	(327,800,811)
<b>Total loss</b>	<b>99,421,480</b>	<b>127,364,903</b>
<b>Rand value of loss:</b>		
Non-technical losses	116,350,948	122,116,273
<b>Percentage Loss:</b>		
Non-technical losses	22 %	28 %
<b>Water losses</b>		
Units purchased (K/L)	111,227,886	106,110,238
Units sold (K/L)	(26,633,886)	(24,335,632)
<b>Total</b>	<b>84,594,000</b>	<b>81,774,606</b>
<b>Rand value of loss:</b>		
Non-technical losses	497,835,691	462,844,267
<b>Percentage Loss:</b>		
Non-technical losses	76 %	77 %
<b>34. Contracted services</b>		
Professional services	58,274,116	43,762,730
Meter reading services	18,087,498	32,396,464
Legal services	197,729,794	129,409,913
Security services	18,464,704	48,164,834
	<b>292,556,112</b>	<b>253,733,941</b>

Refer to prior period error note 45 for more details on the error.

# Matjhabeng Local Municipality

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	2020	2019
<b>35. General expenses</b>		
Advertising	13,261,465	3,961,812
Audit fees	9,269,861	12,770,860
Bank charges	10,538,072	4,486,395
Cleaning	5,500,741	10,680,770
Community development and training	4,737,134	5,006,065
Consumables	51,500,614	64,409,014
Entertainment	287,426	577,313
Expired traffic fines	10,157,212	8,810,841
Insurance	50,846,686	30,331,063
Medical expenses	477,470	976,059
Motor vehicle expenses	100,187,314	62,531,739
Fuel and oil	18,417,475	4,865,425
Postage and courier	1,035,224	8,922,089
Royalties and license fees	1,171,339	1,189,573
Staff welfare	765,430	3,167,546
Subscriptions and membership fees	14,515,127	15,298,877
Telephone and fax	39,041,446	21,557,630
Training	1,482,080	3,080,869
Subsistence and travel	3,588,824	4,545,938
Assets expensed	3,012,727	2,282,834
Uniforms	18,862,833	27,532,661
Sundry expense	142,644	1,105,682
Other expenses	14,033,027	7,719,596
	<b>372,832,171</b>	<b>305,810,651</b>
Refer to prior period error note 45 for more details on the error.		
<b>36. Fair value adjustments</b>		
Investment property (Fair value model)	49,903,821	47,527,449
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(13,733)	18,331
	<b>49,890,088</b>	<b>47,545,780</b>
<b>37. Auditors' remuneration</b>		
Fees	9,269,861	12,770,860
<b>38. Fines, Penalties and Forfeits</b>		
Traffic fines	4,265,607	8,877,833
<b>39. Repairs and maintenance</b>		
Repairs and maintenance	88,755,028	135,808,561

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	2020	2019
<b>40. Cash generated from operations</b>		
Deficit	(1,300,719,611)	(1,444,507,005)
<b>Adjustments for:</b>		
Depreciation and amortisation	205,110,776	212,794,964
Fair value adjustments	(49,890,088)	(47,545,780)
Finance costs - Trade and other payable	281,932,415	281,423,739
Impairment loss	47,912,144	315,745,851
Debt impairment	684,012,154	554,662,155
Employee benefit obligations - current service cost	24,530,176	25,627,566
Provision raises/increased - finance cost	(7,679,704)	(6,443,292)
Actuarial loss	(106,523,027)	(52,175,859)
Interest received - Receivables	(221,461,716)	(190,830,391)
Finance cost - Employee benefit obligation	44,936,922	42,555,103
<b>Changes in working capital:</b>		
Inventories	1,454,369	(2,717,464)
Other receivables	2,383,693	(7,803,400)
Receivables from exchange transactions	(553,459,875)	(430,200,144)
Other receivables from non-exchange transactions	(25,816,516)	(76,952,004)
Payables from exchange transactions	1,261,456,236	1,071,949,144
VAT	(118,443,775)	(86,467,587)
Unspent conditional grants and receipts	54,507,303	(11,281,786)
Consumer deposits	95,000	(4,567,655)
	<b>224,336,876</b>	<b>143,266,155</b>

# Matjhabeng Local Municipality

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### 41. Financial instruments disclosure

#### Categories of financial instruments

#### 2020

##### Financial assets

	At fair value	At cost	Total
Other receivables	-	37,936,236	37,936,236
Receivables from non-exchange transactions	-	173,406,667	173,406,667
Receivables from exchange transactions	-	931,666,834	931,666,834
Cash and cash equivalents	-	58,495,420	58,495,420
Other financial assets	304,555	-	304,555
Receivables from non-exchange transactions (non-current)	-	48,443	48,443
Receivables from exchange transactions (non-current)	-	389,458	389,458
	<b>304,555</b>	<b>1,201,943,058</b>	<b>1,202,247,613</b>

##### Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	7,713,156,012	7,713,156,012
Consumer deposits	34,658,882	34,658,882
Unspent conditional grants and receipts	66,530,859	66,530,859
	<b>7,814,345,753</b>	<b>7,814,345,753</b>

#### 2019

##### Financial assets

	At fair value	At cost	Total
Other receivables	-	40,319,929	40,319,929
Receivables from non-exchange transactions	-	147,744,755	147,744,755
Receivables from exchange transactions	-	840,615,370	840,615,370
Cash and cash equivalents	-	763,086	763,086
Other financial assets	318,288	-	318,288
Receivables from non-exchange transactions (non-current)	-	16,515	16,515
Receivables from exchange transactions (non-current)	-	408,807	408,807
	<b>318,288</b>	<b>1,029,868,462</b>	<b>1,030,186,750</b>

##### Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	6,164,075,311	6,164,075,311
Consumer deposits	34,563,882	34,563,882
Unspent conditional grants and receipts	12,023,556	12,023,556
	<b>6,210,662,749</b>	<b>6,210,662,749</b>

# Matjhabeng Local Municipality

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### 42. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	276,637,288	241,181,690
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##### Total capital commitments

Already contracted for but not provided for	276,637,288	241,181,690
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This committed expenditure relates to infrastructure projects and will be financed by available bank facilities, funds internally generated and grants received.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	-	837,688
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Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years. No contingent rent is payable.

### 43. Contingencies

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 2020	value of claim 2019		
Civil litigations	110,280,328	123,516,181	13	18
Claims for services rendered	57,991,038	59,596,993	18	16
Interdict application	4,695,610	4,695,610	4	4
Application to compel	-	-	1	1
Labour related matter	569,860	3,647,490	2	6
Legal opinion	-	-	1	1
Motion proceedings	-	162,689	1	3
Public liability claim	1,567,190	694,690	7	4
	<b>175,104,026</b>	<b>192,313,653</b>	<b>47</b>	<b>53</b>

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### 43. Contingencies (continued)

**Application to Compel** - Media News sought for a notice to compel Matjhabeng Local Municipality to provide evidence for findings through private investigations against Matjhabeng.

**Civil Litigation** - Summons was 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 has been issued against Matjhabeng Local Municipality by plaintiffs for services that they rendered for the Municipality, but did not receive payment for.

**Interdict Application** - Matjhabeng Local Municipality has been included as a respondent in matters where privately owned property was illegally occupied, plaintiffs obtained prevention interdicts to stop Matjhabeng from disconnecting water and electricity as well as interdict applications against Union Strikes.

**Labour Related Matter** - Eighty-three (83) different employees from the Municipality issued summons for alleged over time worked and not yet been remunerated for.

**Legal Opinion** - SALGBC, unfair dismissal dispute, recommendations for appointments in executive offices were made by the municipality for both plaintiffs and they claimed they have not yet been awarded with such.

**Motion proceedings** - The applicant sought an order demanding the Respondent to amongst others to maintain the Witpan sewer and proceedings in Welkom Magistrate's Court for alleged storage of a motor vehicle which had capsized and was sent to the plaintiff for repairs.

**Public Liability Claim** - Plaintiff alleges 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, the nature and amount of the different litigations are as follows:

Nature of litigations	Possible rand	Possible rand	Number of	Number of
	value of claim	value of claim	litigations	litigations
	2020	2019	2020	2019
Civil litigations	-	314,782	-	3
Conveyancing	-	-	3	3
Labour related matter	-	-	-	1
Legal opinion	-	-	2	2
Eviction notice	2,146,089	2,146,089	11	11
Interdict application	-	300,000	1	2
Claims for services rendered	178,290	178,290	1	1
	<b>2,324,379</b>	<b>2,939,161</b>	<b>18</b>	<b>23</b>

**Interdict Application** - Interdict Applications was sought against illegal occupants occupying municipal property.

**Claims for Services Rendered** - A letter of demand was sent out to Ericson on behalf of Matjhabeng Local Municipality for services rendered and not compensated for.

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

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

**Legal Opinion** - Legal advice obtained regarding the municipal councillor's pension fund and the way forward.

# Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

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	2020	2019
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### 44. Related parties

#### Relationships

Members of key management

Refer to note 27

Members of council

Refer to note 28

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

Payments made to MBV Security are for security services rendered to Matjhabeng Local Municipality. The owner of MBV Security is married to a municipal employee who holds the position of Senior Manager Treasury.

#### Purchases from (sales to) related parties:

MBV Security

-	20,900,000
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### 45. Prior-year adjustments

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

The prior period errors were due to expenditure not recorded in the correct financial year, input VAT errors, misclassification and incorrect recognition of creditors.

### Statement of Financial Position

2019

	Note	As previously reported	Correction of error	Correction of error - Statement of financial performance	Restated
Other receivables	11	29,691,017	10,628,912	-	40,319,929
VAT	13	534,865,799	(26,074,968)	-	508,790,831
Payables from exchange transactions	18	(6,111,582,368)	(52,492,941)	-	(6,164,075,309)
Consumer deposits	19	(40,448,622)	5,884,740	-	(34,563,882)
Accumulated surplus		21,647,632	60,459,603	1,594,654	83,701,889
		<b>(5,565,826,542)</b>	<b>(1,594,654)</b>	<b>1,594,654</b>	<b>(5,565,826,542)</b>

### Statement of Financial Performance

2019

	Note	As previously reported	Correction of error	Restated
Rental of facilities and equipment	21	(15,357,879)	(3,711,728)	(19,069,607)
Other income	23	(18,161,260)	(965)	(18,162,225)
Repairs and maintenance	39	138,748,148	(2,939,586)	135,808,562
Contracted services	34	250,190,228	3,543,712	253,733,940
General expenditure	35	301,107,430	4,703,222	305,810,652
<b>Surplus for the year</b>		<b>656,526,667</b>	<b>1,594,655</b>	<b>658,121,322</b>

### 46. Comparative figures

Prior year figures were restated due to prior period errors and reclassifications. Refer to note 45 prior period errors.

# Matjhabeng Local Municipality

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### 47. 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 on-going review of future commitments and credit facilities.

#### At 30 June 2020

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	7,713,156,012	-	-	-
Consumer deposits	34,658,882	-	-	-
Unspent conditional grant and receipts	66,530,859	-	-	-
	<b>7,814,345,753</b>	-	-	-

#### At 30 June 2019

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	6,164,075,311	-	-	-
Consumer deposits	34,563,882	-	-	-
Unspent conditional grant and receipts	12,023,556	-	-	-
	<b>6,210,662,749</b>	-	-	-

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going 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	2020	2019
Other financial assets	304,555	318,288
Other receivables	37,936,236	29,691,017
Receivables from non-exchange transactions	173,406,667	147,744,755
Receivables from exchange transactions	931,666,834	840,615,370
Cash and cash equivalents	58,495,420	763,086
Receivables from non-exchange transactions (non-current)	48,443	16,515
Receivables from exchange transactions (non-current)	389,458	408,807

#### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.



# Matjhabeng Local Municipality

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### 48. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated deficit of R(1,384,421,500) (2019: R86 701 890)) and that the municipality's total liabilities exceed its assets by R(1,384,421,500) and (2019: R 86 901 476).

The municipality had a deficit of R(1,300,719,611) (2019: R(1,444,507,005)) for the year. The current liabilities exceeds the current assets by R5,993,466,152 (2019: R4,680,300,113).

In addition, as disclosed in note 18, the municipality owed Eskom R3 339 427 253 (2019: R2 509 644 294) and Sedibeng Water R3 683 781 220 (2019: R2 943 695 563) as at 30 June 2020, which were long overdue.

The provision for bad debt increased from R2 459 718 644 (71% of total receivables) at 30 June 2019 to R2 932 546 722 (73% of total receivables) at 30 June 2020.

These events and conditions, along with the other matters set forth in note 48, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern

### 49. Unauthorised expenditure

Opening balance	2,412,090,481	873,124,569
<b>Opening balance as restated</b>	<b>2,412,090,481</b>	<b>873,124,569</b>
Add: Unauthorised expenditure (opex)	1,499,069,612	1,497,647,555
Add: Unauthorised expenditure (capex)	-	41,318,357
Less: Amount written off - current	(1,820,713,941)	-
<b>Closing balance</b>	<b>2,090,446,152</b>	<b>2,412,090,481</b>

### 50. Fruitless and wasteful expenditure

Opening balance	388,308,961	106,885,221
Fruitless and wasteful expenditure	281,932,415	281,423,740
<b>Opening balance as restated</b>	<b>670,241,376</b>	<b>388,308,961</b>
Less: Amount written off	(255,747,155)	-
<b>Closing balance</b>	<b>414,494,221</b>	<b>388,308,961</b>

#### Details of fruitless and wasteful expenditure

Eskom	273,753,232	255,747,155
Payables from exchange transactions	1,201,655	2,297,023
Late contribution to pension fund	938,609	7,415,517
Interest and penalties - SARS (VAT)	1,447,387	4,207,168
Interest and penalties - Compensation Commission	1,138,563	1,143,601
Interest and penalties - SARS (PAYE)	3,452,969	10,613,276
	<b>281,932,415</b>	<b>281,423,740</b>

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

The fruitless and wasteful expenditure was investigated during the financial period by MPAC and determined to be irrecoverable and no criminal or disciplinary actions were taken.

The recommendations of the MPAC on fruitless and wasteful expenditure are yet to be tabled to the council, and therefore no fruitless and wasteful expenditure was certified by Council to be irrecoverable and to be written-off.

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	2020	2019
<b>51. Irregular expenditure</b>		
Opening balance as previously reported	599,990,077	292,971,771
Add: Irregular Expenditure	339,793,590	239,749,800
Add: Irregular Expenditure identified during audit	-	67,268,506
<b>Closing Balance</b>	<b>939,783,667</b>	<b>599,990,077</b>

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

	<b>Disciplinary steps taken/criminal proceedings</b>		
Non-compliance with the MFMA & Supply Chain	None	339,793,590	294,994,750
Non-compliance with paragraph 21 of the Division of Revenue Act 2 of 2013	None	-	12,023,556
		<b>339,793,590</b>	<b>307,018,306</b>

### Cases under investigation

The total extent of the 2020 financial year's Irregular Expenditure is under investigation.

### Details of investigations performed

Irregular expenditure includes instances of non-compliance with the requirements of MFMA, MSA, Supply Chain Management regulations, DORA and non-compliance with Remuneration of Office Bearers' Act.

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

## 52. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to Organised Local Government (SALGA)

Opening balance	7,493,473	7,686,129
Current year subscription / fee	8,918,825	7,925,032
Amount paid - current year	-	(7,617,688)
Amount paid - previous years	(7,493,473)	(500,000)
	<b>8,918,825</b>	<b>7,493,473</b>

Being the subscription fee to the South African Local Government Association (SALGA).

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### 52. 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

As at 30 June 2020 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 - Banking 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.

#### Audit fees

Opening balance	7,084,419	2,695,125
Current year audit fees	10,660,340	10,661,489
Interest charged	311,980	422,931
Amount paid - current year	(5,251,375)	(4,000,000)
Amount paid - previous years	(7,084,420)	(2,695,126)
	<b>5,720,944</b>	<b>7,084,419</b>

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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### PAYE, UIF and SDL

Opening balance	40,285,408	27,060,189
Current year payroll deductions and council contributions	121,076,320	119,455,747
Prior period error	-	245,274
Penalties and interest	3,012,294	-
Adjustments made by SARS	(6,027,805)	-
Amount paid - current year	(88,779,851)	(77,501,992)
Amount paid - previous years	(34,646,512)	(28,973,810)
	<b>34,919,854</b>	<b>40,285,408</b>

#### Pension and Medical Aid deductions

Opening balance	35,744,147	30,823,603
Current year payroll deductions and council contributions	189,188,537	189,071,809
Amount paid - current year	(148,632,504)	(153,327,643)
Amount paid - previous years	(35,744,166)	(30,823,622)
	<b>40,556,014</b>	<b>35,744,147</b>

#### VAT

VAT receivable	627,234,606	508,790,831
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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

#### 30 June 2020

	<b>Outstanding more than 90 days R</b>
Direko DR	9,036
Khothule MJ	37,088
Liphoko SJ	54,396
Mahlumba BH	15,624
Meli TS	255
Monjovo NE	16,592
Nthako TD	8,771
Pholo SJ	687
Ramabodu BM	38,523
Ramatisa PT	10,239
Sithole MA	183,186
Tshabangu SE	1,016
Tshokotshela NJ	9,034
Tshopo ME	38,182
Van Rooyen KV	239,134
	<b>661,763</b>

#### 30 June 2019

	<b>Outstanding more than 90 days R</b>
Chaka MS	10,556
Khothule MJ	247,176
Mafaisa MG	44,886
Mahlumba BH	14,482
Manenye AJ	26,552
Manese SD	1,741
Molelekoa PMI	10,929
Nthako TD	6,360
Ntsebeng MH	4
Pholo SJ	68,305
Ramabobu BM	35,928
Ramatisa PT	9,415
Tshabangu SE	1,015
Tsoeli MS	34,527
	<b>511,876</b>

# Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and report them to the next meeting of the and includes a note to the annual financial statements.

#### 30 June 2020

	Strip and quote	Sole suppliers	Emergency	Impractical
July 2019	58,000	195,651	450,000	58,000
August 2019	-	135,931	-	-
September 2019	-	41,480	-	-
October 2019	-	60,893	-	-
November 2019	-	158,810	-	-
March 2020	-	580,000	-	-
April 2020	-	634,497	1,821,000	-
May 2020	-	192,859	780,842	-
June 2020	-	-	2,160,272	-
Subtotal	58,000	-	-	-
	<b>58,000</b>	<b>2,000,121</b>	<b>5,212,114</b>	<b>58,000</b>

#### 30 June 2019

	Strip and quote	Sole suppliers	Emergency	Impractical
July 2018	328,000	-	818,100	850,648
August 2018	109,199	168,601	1,571,461	73,680
September 2018	762,143	-	3,072,639	1,066,310
October 2018	261,667	-	1,500,000	876,564
December 2018	958,641	-	3,260,300	2,007,318
January 2019	275,338	-	1,617,090	298,939
February 2019	884,270	-	1,295,956	2,526,886
March 2019	-	-	4,093,791	2,055,181
April 2019	510,057	8,322	2,706,528	703,037
May 2019	497,885	-	2,000,000	1,066,667
June 2019	14,528	-	-	-
	<b>4,601,728</b>	<b>176,923</b>	<b>21,935,865</b>	<b>11,525,230</b>