

LETSEMENG LOCAL MUNICIPALITY



DRAFT ANNUAL REPORT

2019/2020 Financial Year

"A responsive Municipality in pursuit of service excellence"

CLLR. MA LEBAKA
07 Grootrekke Street, Koffiefontein, 9986

CONTENTS

| | | | |
|-------|--|-------|------|
| 1.1 | List of Figures | _____ | |
| 1.2 | List of Tables | _____ | |
| 1. | MAYOR'S FOREWORD AND EXECUTIVE SUMMARY | _____ | 1 |
| 1.1 | COMPONENT A: MAYOR'S FOREWORD | _____ | 1 |
| 1.1.1 | <i>Vision</i> | _____ | 1 |
| 1.1.2 | <i>Mission</i> | _____ | 1 |
| 1.1.3 | <i>Values</i> | _____ | 2 |
| 1.1.4 | <i>Key Policy Developments</i> | _____ | 2 |
| 1.1.5 | <i>Key Service Delivery Improvements</i> | _____ | 2 |
| 1.1.6 | <i>Public Participation</i> | _____ | 2 |
| 1.1.7 | <i>Future Actions</i> | _____ | 3 |
| 1.1.8 | <i>Agreements / Partnerships</i> | _____ | 3 |
| 1.1.9 | <i>Conclusion</i> | _____ | 3-4 |
| | COMPONENT B: EXECUTIVE SUMMARY | _____ | 5 |
| | MUNICIPAL MANAGER'S OVERVIEW | _____ | 5-6 |
| 2. | CHAPTER 1-MUNICIPAL FUNCTIONS, POPULATION & ENVIRONMENTAL OVERVIEW | | 7 |
| 2.1 | INTRODUCTION TO BACKGROUND DATA | _____ | 7 |
| 2.1.1 | Demographic and Socio-Economic Profile | _____ | 9 |
| 2.1.2 | <i>Table 2: Census Key Statistics</i> | _____ | 9-10 |
| 2.1.3 | <i>Housing and dwellings</i> | _____ | 11 |
| 2.1.4 | <i>Socio- economic Status</i> | _____ | 11 |
| 2.1.5 | <i>Income distribution</i> | _____ | 12 |
| 2.1.6 | <i>Education and skills</i> | _____ | 13 |
| 3 | SERVICE DELIVERY OVERVIEW | _____ | 14 |
| 3.1 | Water | _____ | 14 |
| 3.2 | Sanitation | _____ | 15 |
| 3.3 | Electricity | _____ | 15 |
| 3.4 | Refuse removal | _____ | 16 |
| 3.5 | Housing | _____ | 17 |
| 3.6 | Roads and Storm Water | _____ | 17 |
| 3.7 | FINANCIAL HEALTH OVERVIEW | _____ | 18 |
| 3.8 | COMMENT ON CAPITAL EXPENDITURE | _____ | 19 |
| 3.9 | ORGANISATIONAL DEVELOPMENT OVERVIEW | _____ | 19 |
| 3.10 | AUDITOR GENERAL REPORT | _____ | 19 |
| 4. | STATUTORY ANNUAL REPORT PROCESS | _____ | 20 |
| 5. | CHAPTER 2 – GOVERNANCE | _____ | 21 |

| | | |
|------|--|-------|
| 5.1 | INTRODUCTION TO GOVERNANCE | 21 |
| 5.2 | COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE | 21-22 |
| (a) | POLITICAL GOVERNANCE | 23 |
| (b) | ADMINISTRATIVE GOVERNANCE | 24 |
| 5.3 | COMPONENT B: INTERGOVERNMENTAL RELATIONS | 25 |
| 5.4 | INTERGOVERNMENTAL RELATIONS | 25 |
| 5.5 | COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION | 26 |
| 5.6 | PUBLIC MEETINGS | 26 |
| 5.7 | IDP PARTICIPATION AND ALIGNMENT | 28 |
| 5.8 | COMPONENT D: CORPORATE GOVERNANCE | 28 |
| 5.9 | RISK MANAGEMENT | 28 |
| 5.10 | ANTI-CORRUPTION AND FRAUD | 29 |
| 5.11 | SUPPLY CHAIN MANAGEMENT | 29 |
| 5.12 | BY-LAWS litigation | 30 |
| 5.13 | WEBSITE | 30 |
| 5.14 | COMMENTS ON MUNICIPAL WEBSITE | 31 |
| 6 | CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I) | 32 |
| 6.1 | INTRODUCTION | 32 |
| 6.2 | COMPONENT A: BASIC SERVICES | 32-37 |
| 6.3 | COMMENT ON WATER USE BY SECTOR: | 37-67 |
| 6.4 | WASTE WATER (SANITATION) PROVISION | 68-71 |
| 6.5 | ELECTRICITY | 71-73 |
| 6.6 | WASTE MANAGEMENT | 74-76 |
| 6.7 | HOUSING | 77 |
| 6.8 | COMPONENT B: FREE BASIC SERVICES AND INDIGENT SUPPORT | 78-79 |
| 6.9 | COMPONENT C: ROAD AND TRANSPORT | 80 |
| 6.10 | ROADS | 80-82 |
| 6.11 | TRANSPORT | 82 |
| 6.12 | COMPONENT D: WASTE WATER (STORMWATER DRAINAGE) | 82-83 |
| 6.13 | COMPONENT E: PLANNING AND DEVELOPMENT | 84 |
| 6.14 | PLANNING | 84-85 |
| 6.15 | LOCAL ECONOMIC DEVELOPMENT | 85-89 |
| 6.16 | COMPONENT F: COMMUNITY & SOCIAL SERVICE | 89 |
| 6.17 | LIBRARIES, ARTS AND CULTURE | 89 |
| 6.18 | PARKS AND CEMETERIES | 89-91 |
| 6.19 | COMPONENT G: ENVIRONMENTAL PROTECTION | 92 |
| 6.20 | OTHER (DISASTER MANAGEMENT & OTHER) | 92 |
| 6.21 | COMPONENT H: SPORT AND RECREATION | 92-93 |
| 7 | CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II) | |
| 7.1 | INTRODUCTION TO THE OFFICE OF THE MUNICIPAL MANAGER | 94 |
| 7.2 | FINANCIAL SERVICES | 95-96 |

| | | |
|------|---|---------|
| 7.3 | HUMAN RESOURCE SERVICES | 97-98 |
| 7.4 | INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES | 99 |
| 7.5 | LEGAL AND COUNCIL SUPPORT SERVICES | 100-101 |
| 7.6 | COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL | 102-103 |
| 7.7 | COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE | 104 |
| 7.8 | POLICIES | 104 |
| 7.9 | INJURIES, SICKNESS AND SUSPENSIONS | 105 |
| 7.10 | PERFORMANCE REWARDS | 106 |
| 7.11 | ORGANISATIONAL PERFORMANCE SCORECARD | 107 |
| 7.12 | COMPONENT C: CAPACITATING MUNICIPAL WORKFORCE | 108 |
| 7.13 | SKILLS DEVELOPMENT AND TRAINING | 109 |
| 7.14 | COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE | 111 |
| 7.15 | EMPLOYEE EXPENDITURE | 111 |
| 8 | CHAPTER 5 – FINANCIAL PERFORMANCE | 113 |
| 8.1 | COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE | 113 |
| | STATEMENTS OF FINANCIAL PERFORMANCE | |
| | GRANTS | 114 |
| | ASSET MANAGEMENT | 115 |
| | FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS | |
| 8.2 | COMPONENT B: SPENDING AGAINST CAPITAL BUDGET | 119-121 |
| | CAPITAL EXPENDITURE | |
| | SOURCES OF FINANCE | |
| | CAPITAL SPENDING ON 5 LARGEST PROJECTS | |
| | BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW | |
| 8.3 | COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS | 122 |
| 8.4 | COMPONENT D: OTHER FINANCIAL MATTERS | 123 |
| 12 | CHAPTER 6 – AUDITOR GENERAL AUDIT REPORT | 124-141 |
| | GLOSSARY | 142-143 |
| | APPENDICES | 144 |
| | APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE | 144-145 |
| | APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES | 145 |
| | APPENDIX C – THIRD TIER ADMINISTRATIVE STRUCTURE | 146 |
| | APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY | 146-147 |
| | APPENDIX E – WARD REPORTING | 148 |
| | APPENDIX F – WARD INFORMATION | 148 |
| | APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2019/20 | 149 |
| | APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS | 149 |
| | APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE | 150 |
| | APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS | 151 |

| | |
|---|---------|
| APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE | 152 |
| APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG | 153 |
| APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES | 153-155 |
| APPENDIX N: CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME | 155 |
| APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2019/20 | 156 |
| APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS | 156 |
| APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION | 157 |
| APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY | 157 |

| | |
|--|---------|
| AUDITED FINANCIAL STATEMENTS Audited Financial | 158-293 |
|--|---------|

AUDIT ACTION RECOVERY PLAN 2019/2020 *Attached please find Audit Action Plan as Annexure for more information*

1.1 LIST OF FIGURES

| | |
|---|-----|
| Figure 1: Letsemeng Municipal Area | 7 |
| Figure 2: Population by Age and Gender..... | 10 |
| Figure 3: Ratio Cost Coverage | 116 |
| Figure 4: Service Debtors to Revenue Ratio..... | 117 |
| Figure 5: Debt Coverage Ratio | 117 |
| Figure 6: Employee Cost..... | 118 |
| Figure 7: Capital Expenditure | 119 |

1.2 LIST OF TABLES

| | |
|--|----|
| Table 1: Overview of Neighbourhoods within Letsemeng Municipality..... | 8 |
| Table 2: Census Key Statistics..... | 9 |
| Table 3: Distribution of Population by Population Group..... | 10 |
| Table 4: Settlement Type | 11 |
| Table 5: Income profile..... | 13 |
| Table 6: Employment Status: | 13 |
| Table 7: Educations and skills profile..... | 13 |
| Table 8: Distribution of population aged 20 years and older by level of education attained | 14 |
| Table 9: Distribution of households with access to piped (tap) water by geography | 15 |
| Table 10: Toilet Facility..... | 15 |

| | |
|---|----|
| Table 11: Distribution of households with access to electricity for lighting by geography | 16 |
| Table 12: Distribution of households by type of refuse removal and geography..... | 16 |
| Table 13: Proportion of Households with minimum level of Basic Services..... | 17 |
| Table 14: Financial Overview – 2019/20..... | 18 |
| Table 15: Operating Ratios..... | 18 |
| Table 16: Total Capital Expenditure..... | 18 |
| Table 17: Public Meetings..... | 27 |
| Table 18: IDP Participation and Alignment Criteria..... | 28 |
| Table 19: By-laws introduced..... | 30 |
| Table 20: Municipal Website: Content and Currency of Material..... | 30 |
| Table 21: Water Service Delivery Levels | 37 |
| Table 22: Households - Water Service Delivery Levels | 37 |
| Table 23: Employees Water Service..... | 66 |
| Table 24: Financial Performance Water Service | 66 |
| Table 25: Capital Expenditure Water Service..... | 67 |
| Table 26: Sanitation Service Delivery | 68 |
| Table 27: Sanitation Service Delivery Levels below the minimum..... | 69 |
| Table 28: Employees: Sanitation Service..... | 70 |
| Table 29: Financial Performance 2019/20: Sanitation Service | 70 |
| Table 30: Capital Expenditure 2019/20: Sanitation Service..... | 70 |
| Table 31: Electricity Service Delivery Levels..... | 72 |
| Table 32: Households - Electricity Service Delivery Levels below the minimum..... | 72 |
| Table 33: Employees: Electricity Services..... | 72 |
| Table 34: Financial Performance: Electricity Services | 73 |
| Table 35: Capital Expenditure: Electricity Services..... | 73 |
| Table 36: Solid Waste Service Delivery Levels..... | 74 |
| Table 37: Households - Solid Waste Service Delivery Levels..... | 75 |
| Table 38: Employee: Waste Management Services..... | 75 |
| Table 39: Employee: Waste Disposal and other services | 75 |
| Table 40: Financial Performance 2019/20: Waste Management Services | 76 |

| | |
|--|----|
| Table 41: Capital Expenditure: Waste Management Services | 76 |
| Table 42: Households - Access to basic housing..... | 77 |
| Table 43: Employees: Housing | 77 |
| Table 44: Financial Performance: Housing..... | 78 |
| Table 45: Capital Expenditure: Housing | 78 |
| Table 46: Free Basic Services | 79 |
| Table 47: Financial Performance: Free Basic Services | 79 |
| Table 48: Gravel Road Infrastructure | 80 |
| Table 49: Paved Road Infrastructure | 81 |
| Table 50: Employees: Road Services..... | 81 |
| Table 51: Financial Performance: Road Services | 81 |
| Table 52: Capital Expenditure: Road Services..... | 81 |
| Table 53: Storm water Infrastructure..... | 82 |
| Table 54: Employees: Storm water Services | 83 |
| Table 55: Financial Performance: Storm water Services..... | 83 |
| Table 56: Applications for Land Use Development..... | 84 |
| Table 57: Employees: Urban Planning & Property Management | 84 |
| Table 58: Financial Performance: Urban Planning & Property Management..... | 84 |
| Table 59: Capital Expenditure 2019/20: Urban Planning & Property Management..... | 85 |
| Table 60: Jobs Created during 2019/20 by LED Initiatives | 86 |
| Table 61: Jobs Created through EPWP projects | 86 |
| Table 62: Employees: LED Services..... | 86 |
| Table 63: Financial Performance 2019/20: LED Services | 87 |
| Table 64: Capital Expenditure 2019/20 LED Services | 87 |
| Table 65: Employees: Parks and Cemeteries | 90 |
| Table 66: Financial Performance: Parks and Cemeteries..... | 90 |
| Table 67: Capital Expenditure: Parks and Cemeteries | 90 |
| Table 68: Employees: Sport and Recreation..... | 93 |
| Table 69: Financial Performance: Sport and Recreation | 93 |
| Table 70: Capital Expenditure: Sport and Recreation..... | 93 |

| | |
|---|-----|
| Table 71: Service Statistics: Office of the Municipal Manager | 94 |
| Table 72: Employees: Office of the Municipal Manager | 94 |
| Table 73: Financial performance: Office of the MM | 95 |
| Table 74: Capital Expenditure: Office of the MM | 95 |
| Table 75: Employees: Financial Services | 96 |
| Table 76: Financial Performance: Financial Services | 96 |
| Table 77: Capital expenditure: Financial Services | 96 |
| Table 78: Employees: Human Resource Services | 98 |
| Table 79: Financial Performance: Human Resource Services | 98 |
| Table 80: Capital Expenditure: Human Resource Services | 98 |
| Table 81: Employees: ICT Services | 99 |
| Table 82: Financial Performance: ICT Services | 99 |
| Table 83: Capital Expenditure: ICT Services | 100 |
| Table 84: Employees: Legal and Council Support Services | 100 |
| Table 85: Financial Performance: Legal and Council Support Services | 101 |
| Table 86: Capital Expenditure: Legal and Council Support Services | 101 |
| Table 87: Total Number of Employees | 102 |
| Table 88: Vacancy Rate | 103 |
| Table 89: Turn-over rate | 103 |
| Table 90: HR Policies and Plans | 104 |
| Table 91: Number and Cost of Injuries on Duty | 105 |
| Table 92: Number and Period of Suspensions | 106 |
| Table 93: Disciplinary Action Taken on Cases of Financial Misconduct | 106 |
| Table 94: Skills Matrix | 109 |
| Table 95: Financial Competency Development: Progress Report | 110 |
| Table 96: Number of Employees Whose Salaries Were Increased Due to Their Positions Being Upgraded | 112 |
| Table 97: Employees Whose Salary Levels Exceed the Grade Determined by Job Evaluation | 112 |
| Table 98: Employees appointed to posts not approved | 112 |
| Table 99: Grants | 114 |
| Table 100: Treatment of the three largest assets acquired | 115 |

| | |
|---|-----|
| Table 101: Repairs and Maintenance Expenditure | 116 |
| Table 102: Debtors Age Analysis by Income Source..... | 120 |
| Table 103: Debtors Age analysis by Customer Group | 120 |
| Table 104: Service Backlogs | 121 |

1 MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD



It is a great pleasure and honour for me, to present the annual report to the community of Letsemeng. The report covers the work done during 2019/20 financial year, which started in July 2019 to June 2020.

The municipality was operating under severe unprecedented times and devastating situation under Global Pandemic. Service delivery has been our priority by ensuring that the community is receiving services they are entitled to receive. The impact of Covid-19 negatively affected the provision of service delivery whereby the President, Cyril Ramaphosa issued a directive in terms of reprioritisation of projects implementation within the country to accommodate Covid-19 related issues to reduce the outbreak of the corona virus.

The greater importance of accelerated provision service delivery through various mechanisms which were implemented by the senior management of the municipality to ensure that there is an effective and efficient projects implementation. The municipal offices were most of the time closed, except for the employees who were directly responsible for essential services, including, frontline desk and customer care services.

It is important to ensure that the municipality addresses most of the challenges resulted by the Covid-19 pandemic. However, strategies and plans will be revived to ensure that the service delivery related deficiencies are also addressed, accordingly.

1.1 Vision

“A responsive Municipality in pursuit of Service excellence”

1.2 Mission

“Providing sustainable quality services through partnering with Stakeholders and Communities”.

1.3 Values

- Integrity
- Commitment
- Transparency
- Innovation
- Accountability

1.4 Key Policy Developments

Although the municipality is still facing challenges with the developmental agenda as espoused in the IDP and the Free State Growth and Development Strategy, there is progress in achieving some of the goals we have set for ourselves. We have to ensure that our policies becomes consistent in its delivery to achieve the set objectives. We also have the responsibility to address the issues raised by the Auditor General on the pre-determined objectives and our Annual Financial Statements.

1.5 Key Service Delivery Improvements

The municipality has retained its audit outcomes. Some of the Capital projects could not be completed as a result of service delivery protests and the municipality is attentively looking into these challenges which contributed towards deficiencies identified. Detailed information will be reflected in this report in terms of its implementation of these capital projects.

1.6 Public Participation

Public Participation is the cornerstone of deepening the relationship between the communities and the municipality through improved community engagement mechanisms. It creates a an opportunity aim at involving communities to better understand Letsemeng jurisdictions and practically direct efforts at the real needs of our communities. It also requires the involvement of stakeholder groups, including marginalised groups. These involvements are solely directed to create an opportunity for our stakeholders to present the interests of their constituencies. It has always been a challenge in terms of making sure that the regular coordination of our local stakeholder meetings and direct representation in some of the structures which are aimed at improving service delivery due to lack of staff. However, necessary measures are put in place in ensuring that these deficiencies are addressed. Ward Committees are also expected to narrow the gap between the various stakeholder groups, community and the municipality through their involvement during public participation programmes. The challenge had been the number of vacant sits which were deliberately abandoned by a number of ward committee members. However, this shortcoming had been addressed and vacant sits had been filled.

Thus the functionality of the Ward Committees and regular ward meetings are imperative. The municipality did not do well in this field. However, the situation is improving gradually and for the better since one public participation officer was appointed. The Council should look at some of the issues below for effective strategy to be developed in addressing the failures;

- ❖ Public communication systems;
- ❖ Feedback to communities.
- ❖ Public Participation Models
- ❖ Service Delivery Satisfaction Survey for 19/20 Financial Year.

Amongst the above-mentioned issues, electronic complaints management system had been implemented and the municipality need to conduct awareness campaign by making sure that the community is aware of this service.

Capacity building of the Ward Committees will also be the main key in ensuring that our communities participate fully in the democratic processes and strengthening of the municipality.

1.7 Future Actions

I also need to inform that our plans have been drawn to accommodate public participation, implementation of revenue enhancement strategy without any fail. The municipality has also considered to interconnect human resource management, performance management system and strengthen retention strategies in order to ensure that we retain skilled employees. That the management fill up critical vacant positions promptly to improve remarkably on service delivery.

1.8 Agreements / Partnerships

The municipality did not enter into any agreement or partnership with any entity or service provider regarding local economic development as a result of long unrest and community protest that took place during the financial year under review

1.9 Conclusion

We rendered services under difficult circumstances mainly influenced by external forces within the space of service delivery.

We remain committed in making sure that we provide a responsive systems which support service delivery initiatives and local economic development.

We also recognised all the identified areas of development within communities. We anticipate improvements more especially on developmental needs of the communities through service delivery projects and programmes.

I must say that we remain committed to the principle of a responsive and accountable local government, a local government by the people, for the people.

Thank you,

.....
Cllr. MA Lebaka
Mayor / Speaker

2 EXECUTIVE SUMMARY

COMPONENT B: MUNICIPAL MANAGER'S OVERVIEW



Our motto “we sparkle in pursuit of service delivery” compels administration in general, and management in particular, to perform to our utmost best in ensuring that service delivery is rendered in an efficient and effective manner at all our communities irrespective of socio-economic status, colour or creed. In pursuance of the motto, minor changes were effected in the technical department to accommodate the electrical manager in the organogram. Further staff placement and re-assignment of duties in the technical and community services departments were made in order to minimise escalating overtime costs and improve efficiencies. Some improvement is starting to show through the downward trend of overtime costs at one of our units and slight improvement of refuse removal at the other unit.

The following specific activities highlight where there has been either improvement or under performance.

Year after year the municipality seem to be facing the same challenges. The situation can only change if the municipality and the supporting economic sector cluster can bring about a radical economic transformation in the area. **The key challenges are;**

- ❖ Attracting economic investment opportunities to improve the economy of the municipal area;
- ❖ Professionalizing the institution so as to enable it to render efficient government services to the people as per the electoral mandate;
- ❖ Creating adequate job opportunities in attempting to alleviate poverty;
- ❖ Empowerment of the SMMEs and entrepreneurs to create job opportunities and increase economic activity in the area;
- ❖ Provide alternative means of support to rural / informal population in order to decrease dependencies on the grants
- ❖ Improvement of the road networks (internal and external roads);

Council, management and staff strongly believe that challenges can be effectively addressed only if we maintain and continue to build partnerships that include all spheres of government, organizations of civil society, communities and the private sector.

The Municipality has now an internal audit unit in place. The risk management unit has also been established and headed by an officer.

The municipality used to have a shared Audit committee , unfortunately it was dissolved in the third quarter of the year under review.

Appreciation

I record my thanks and appreciation to the political leadership for support and guidance. The appreciation is also extended to the management and administration team who selflessly devoted so much time and effort in the execution of their mandates.

Regards,

Mr. TL Mkhwane
Municipal Manager

2 CHAPTER 1: MUNICIPAL FUNCTIONS, POPULATION & ENVIRONMENTAL OVERVIEW

2.1 INTRODUCTION TO BACKGROUND DATA

Our Municipality is situated in the South Western part of the Free State Province and forms part of the smallest district namely Xhariep District Municipality, a rich agricultural area with natural economic resources. The local municipality area measures 10 192 square kilometres in extend and comprises of five towns; Koffiefontein (which is the head office), Petrusburg, Jacobsdal, Oppermansgronde and Luckhoff. The figure below shows the Letsemeng area with its main towns and neighbouring municipalities of the Xhariep District.



Figure 1: Letsemeng Municipal Area

It borders the Northern (through Jacobsdal) and Western Cape Provinces and is renowned for diamond, salt and slate mining as well as irrigation farming along the Orange Riet Canal and Van der Kloof Dam. Letsemeng Local Municipality is situated in the south-west of the Free State province within the Xhariep District Municipality, a rather agriculturally rich area with limited natural economic resources.

The N8 route transgresses the area to the North West and links Kimberley and Bloemfontein via Petrusburg. The N8 route also crosses the area to the north and links Kimberley and Bloemfontein via Petrusburg. The Port Elizabeth railway line starts at Koffiefontein and connects at Springfontein with the Bloemfontein/Cape Town. It is also bordered by Tokologo Local Municipality in Lejweleputswa District to the north, Mangaung Metro Municipality to the east and Kopanong Local Municipality in the south-east. Other borders are the Pixley ka Seme District Municipality (Sol Plaatje Local Municipality) in Northern Cape Province to the west and Frances Baard District Municipality (Siyacuma, Thembalihle and Renoster Local Municipalities) in Northern Cape Province to the south-west.

The Local Municipality consists of the towns Koffiefontein, Jacobsdal, Petrusburg, Luckhoff and Oppermansgronde. Koffiefontein is the municipal head office.

The five towns are connected with tarred road infrastructure via Koffiefontein. The R705 links Jacobsdal with Koffiefontein while the R48 links Petrusburg, Koffiefontein and Luckhoff in a north-south direction. The R704 links Koffiefontein, Fauresmith and Jagersfontein with one another.

The municipal area also accommodates Oppermansgronde, just west of Koffiefontein, which is part of a land restitution project. Several pans occur in the area while the Van der Kloof dam, Kalkfontein Dam and Wuras Resort are some of the more prominent water sources available near the area. The Riet River drains through the area in a Westerly direction while the Orange River is the border west of the area. Although there are ample water sources available near the area, access to potable water in some of the towns remain problematic.

The Northern parts of the municipal area surrounding Petrusburg are good cultivated agricultural land while the southern area is renowned for livestock farming. The socio-economic development of the municipality is centred on agriculture. The municipal area also has mining activities, with diamonds being the major natural resource that helps with employment creation.

Table 1: Overview of Neighbourhoods within Letsemeng Municipality

| Overview of Neighbourhoods within Letsemeng | |
|---|------------|
| Settlement Type | Households |
| Towns | |
| Jacobsdal | 1003 |
| Koffiefontein | 3203 |
| Petrusburg | 2639 |
| Luckhoff | 1007 |
| Sub-Total | 7852 |
| Townships | |
| Ratanang | 1112 |
| | |
| | |
| Sub-Total | 1112 |

| Overview of Neighbourhoods within Letsemeng | |
|---|----------------|
| Settlement Type | Households |
| Rural settlements | 1717 |
| Oppermansgronde | 230 |
| | |
| Sub-Total | 1947 |
| Informal settlements | 202 |
| | |
| Sub-Total | 202 |
| Total | 11113 |
| | <i>T 1.2.6</i> |

2.1.1 DEMOGRAPHIC AND SOCIO-ECONOMIC PROFILE

The population figures are based on the census conducted in 2016 and the recent 2016 household survey. Migration tends to be voluntary, in most cases it is in search of better economic opportunities and a quality of life. A case in point is foreign nationals. Thus migration patterns are difficult to measure, keep track and get the exact reasons for migrating.

According to the 2016 survey, there is a positive growth in Letsemeng. It is an indication that more and more people are moving to Letsemeng municipality for various reasons. The population in Letsemeng currently stands at 40 044 This is according to the latest STATSSA figures.

Unemployment has marginally increased from 22.8% to 22.30%. Suffice to say the effect of drought and decreasing job opportunities might have a direct effect on migration out of the Letsemeng jurisdiction. Youth unemployment stands at 27.7%, which poses another challenge to the municipality and all Sector Departments to pay special attention to the youth in terms of both employment and economic empowerment.

2.1.2 Table 2: Census Key Statistics

| Census Key Statistics | |
|--------------------------|--------|
| Population | 38 628 |
| Age Structure | |
| Population under 15 | 29.70% |
| Population 15 to 64 | 64.80% |
| Population over 65 | 5.40% |
| Dependency Ratio | |
| Per 100 (15-64) | 54.20 |
| Sex Ratio | |
| Males per 100 females | 105.70 |
| Population Growth | |
| Per annum | -1.04% |

| Census Key Statistics | |
|--|--------|
| Labour Market | |
| Unemployment rate (official) | 22.30% |
| Youth unemployment rate (official) 15-34 | 27.70% |
| Education (aged 20 +) | |
| No schooling | 17.70% |
| Higher education | 4.80% |
| Matric | 18.70% |
| Household Dynamics | |
| Households | 11 242 |
| Average household size | 3.30 |
| Female headed households | 33.50% |
| Formal dwellings | 83.20% |
| Housing owned | 54.00% |
| Household Services | |
| Flush toilet connected to sewerage | 72.80% |
| Weekly refuse removal | 68.00% |
| Piped water inside dwelling | 49.80% |
| Electricity for lighting | 92.80% |

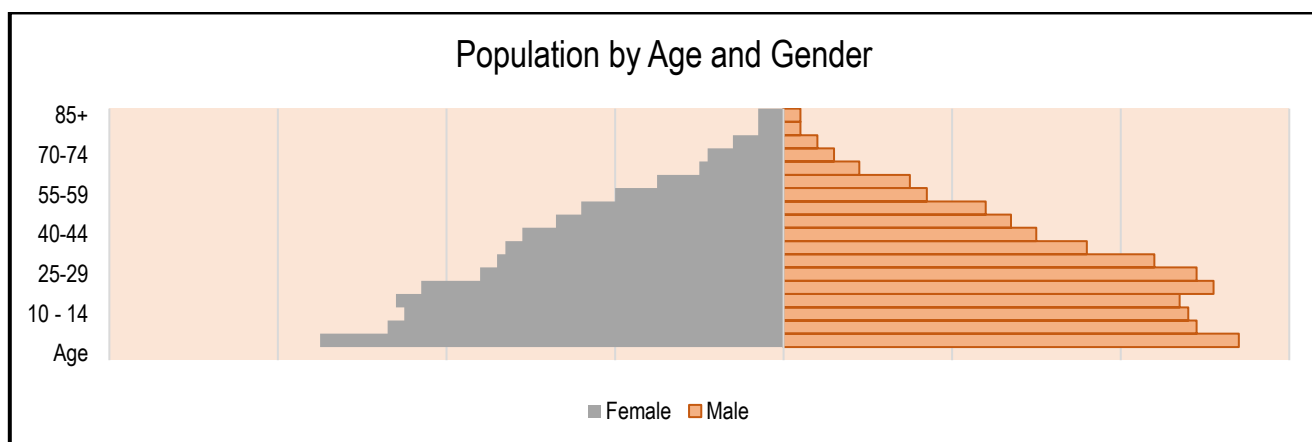


Figure 2: Population by Age and Gender

Table 3: Distribution of Population by Population Group

| | Census 2011 |
|---------------|-------------|
| Black African | 67.80% |
| Coloured | 23.40% |
| Indian/Asian | 0.30% |
| White | 8.10% |

Households

There are 11 242 households in the municipality according to Stats SA. The technical department conducted a physical count of households at all five towns and found that there are 8 369 houses with an average household size of 3, 3 persons per household. 90, 8% of households have access to piped water either in their dwelling or in the yard. Only 2, 2% of households do not have access to piped water.

The figures above are according to the 2011 census, and they are still official statistics. The view might slightly change following the physical count done by the municipality.

Table 4: Settlement Type

| Area | Percentage |
|--------------------|------------|
| Urban | 83,3% |
| Tribal/Traditional | 0% |
| Farm | 16,7% |

2.1.3 Housing and dwellings

All urban areas are composed of various residential components varying from formal housing units to informal dwellings units as indicated in the table below. Within the Local Municipality, 83.2% of the population live in formal housing, 16.1% in informal housing and only 0.5% in traditional housing. This reflects that the housing backlog is not that huge but will increase with the new development patterns in the municipality.

The following issues were highlighted regarding the housing delivery:

- ❖ Lack of funding for housing development;
- ❖ Access to land for sustainable human development;
- ❖ Construction of more RDP houses;
- ❖ Provision of services to new residential sites;
- ❖ Fast tracking land availability and transfer of land;
- ❖ Slow delivery of housing development;
- ❖ Lack of capacity at local municipal level;

2.1.4 Socio- economic Status

The socio-economic growth of the municipality is centred on agriculture. The municipality area also has mining activities that are taking place with diamond minerals being the major natural resource which helps with employment creation. The municipality's effort is to create an environment that will be conducive for investment and entrepreneurs to do business.

The LED division at the municipality is making effort to empower local small business and individuals to take advantage of local procurement, organize workshops business skills and making comply with relevant pieces of legislation.

However, the challenge is the sustainability thereof due to limited financial resources and lack of skills by various people to run their own projects. Whilst the trend is worldwide in that about 96% of businesses / projects fail within the first five years, the municipality will make an effort to reduce the failure rate.

Letsemeng Municipals economy is characterized by the following:

- ❖ Mining and agricultural sector are the largest contributor to the local economy;
- ❖ The decline in the agricultural sector over the recent years has had an adverse effect on the employment potential of the rural areas;
- ❖ Luckhoff has the highest unemployment rate;
- ❖ De Beers Mines contributed a major part to the local economy before it was closed;

By virtue of its geographic location the Municipality prides itself as a natural transportation route for people travelling to destinations such as Bloemfontein since one of the major national roads, namely N8 passes through the municipal area.

2.1.5 INCOME DISTRIBUTION

In order to determine the people's living standards, as well as their ability to pay for basic services, such as water and sanitation, the income levels of the local population are analysed.

Household Income

Household income is a parameter which is, amongst others, also indicative of poverty levels within a community. A financially healthy community's household income usually displays a so-called "normal" income distribution pattern where the income is spread over a fairly wide range of income categories, and the income of the bulk of the community is situated more or less within the first half to two thirds of the income category range.

Females are more likely to be unemployed and looking for work than males. Poor communities are sometimes highly dependent on the environment for survival and, in this regard, almost always over-exploit the environment.

Only 10.2% of households in the Letsemeng Municipal fall within the "No income" category. Of concern is that 7.4% of the households in Letsemeng have an annual income of less than R 10 000 and 23.9% of the households have an annual income of less than R19 601.00.

Table 5: Income profile

| Income | Percentage |
|-------------------------|------------|
| None income | 10,2% |
| R1 - R4,800 | 4,2% |
| R4,801 - R9,600 | 7,4% |
| R9,601 - R19,600 | 23,9% |
| R19,601 - R38,200 | 24,6% |
| R38,201 - R76,4000 | 14,1% |
| R76,401 - R153,800 | 8% |
| R153,801 - R307,600 | 4,5% |
| R307,601 - R614,400 | 2,3% |
| R614,001 - R1,228,800 | 0,5% |
| R1,228,801 - R2,457,600 | 0,2% |
| R2,457,601+ | 0,1% |

2.1.6 EDUCATION AND SKILLS

11 788 people are economically active (employed or unemployed but looking for work), and of these 22, 3% are unemployed. Of the 6 058 economically active youth (15 – 34 years) in the area, 27, 7% are unemployed. The level of skills within an area is important to determine the level of potential employment.

Using the expanded definition, on average 22.3% of the population in Letsemeng is unemployed, with the highest rate of unemployment being in rural areas.

This high unemployment rate has serious repercussions on the ability of the residents of Letsemeng to pay for their daily needs. Unemployment is more than 21% in all of the areas and the highest is in Luckhoff at 32%.

Table 6: Employment Status:

| Employment Status | Number |
|-------------------------|--------|
| Employed | 9164 |
| Unemployed | 2624 |
| Discouraged Work Seeker | 1745 |
| Not Economically Active | 11518 |

Table 7: Educations and skills profile

| Group | Percentage |
|-------------------|------------|
| No Schooling | 4,4% |
| Some Primary | 45,4% |
| Completed Primary | 8% |
| Some Secondary | 29,9% |

| | |
|---------------------|------|
| Completed Secondary | 8,6% |
| Higher Education | 0,6% |
| Not Applicable | 3,1% |

Table 8: Distribution of population aged 20 years and older by level of education attained

| Group | % |
|---------------------|----------|
| No Schooling | 4,4% |
| Some Primary | 45,4% |
| Completed Primary | 8% |
| Some Secondary | 29,9% |
| Completed Secondary | 8,6% |
| Higher Education | 0,6% |
| Not Applicable | 3,1% |

3 SERVICE DELIVERY OVERVIEW

3.1 WATER

The Municipality's objective remains that of ensuring at least 100% of its inhabitants have access to portable water. Measures are being implemented on a regular and on-going basis to ensure that this objective is achieved. We will continue to ensure that this is met, and clean water is delivered to our communities. Where necessary and required, the municipality will engage the Provincial/National Government as well as other key stakeholders. Projects such as the Petrusburg one undertaken in the previous year is an example of such coordinated and joint efforts.

90, 8% of households have access to piped water either in their dwelling or in the yard. Only 2, 2% of households do not have access to piped water.

Table 9: Distribution of households with access to piped (tap) water by geography

| Geography | Households | | | | Percentages | | | |
|------------------|-----------------------------------|--------------------------------------|--------------------------------|-------|-----------------------------------|--------------------------------------|--------------------------------|-------|
| | Piped (tap) inside dwelling /yard | Piped (tap) water on community stand | No access to piped (tap) water | Total | Piped (tap) inside dwelling /yard | Piped (tap) water on community stand | No access to piped (tap) water | Total |
| FS161: Letsemeng | 10211 | 788 | 243 | 11242 | 90.8 | 7.0 | 2.2 | 100.0 |
| Koffiefontein | 3180 | 8 | 15 | 3203 | 99.3 | 0.3 | 0.5 | 100.0 |
| Ratanang | 1105 | 1 | 6 | 1112 | 99.3 | 0.1 | 0.5 | 100.0 |
| Jacobsdal | 646 | 354 | 3 | 1003 | 64.4 | 35.3 | 0.3 | 100.0 |
| Riet River | 224 | 78 | 30 | 332 | 67.6 | 23.5 | 8.9 | 100.0 |
| Petrusburg | 2400 | 154 | 85 | 2639 | 91.0 | 5.8 | 3.2 | 100.0 |
| Oppermans | 230 | - | - | 230 | 100.0 | - | - | 100.0 |
| Luckhoff | 987 | 17 | 3 | 1007 | 98.0 | 1.6 | 0.3 | 100.0 |

3.2 SANITATION

The Municipality's continues to provide proper sanitation facilities to all communities. The municipality managed to reduce the number of bucket toilets. To date there are two hundred households who are still using a bucket system. Plans are afoot to totally eradicate the system.

Table 10: Toilet Facility

| Toilet Facility | Percentage |
|---|------------|
| None | 5% |
| Flush toilet (connected to sewerage system) | 72,8% |
| Flush toilet (with septic tank) | 2,7% |
| Chemical toilet | 0,5% |
| Pit toilet with ventilation | 10,5% |
| Pit toilet without ventilation | 5,3% |
| Bucket toilet | 2,3% |
| Other | 0,8% |

3.3 ELECTRICITY

Electricity provision in the Municipality is jointly supplied by ESKOM and the Municipality. The Municipality is servicing four of the five towns under its jurisdiction, which are Koffiefontein, Petrusburg, Oppermansgronde and Luckhoff. The municipality also sells prepaid electricity to some Koffiefontein and Luckhoff residents. In Jacobsdal, Ratanang and Bolokanang distribution is done by ESKOM.

Table 11: Distribution of households with access to electricity for lighting by geography

| Geography | Households | | | | Percentages | | | |
|------------------|-------------|-------|------|-------|-------------|-------|------|-------|
| | Electricity | Other | None | Total | Electricity | Other | None | Total |
| FS161: Letsemeng | 10430 | 796 | 17 | 11243 | 92.8 | 7.1 | 0.1 | 100.0 |
| Koffiefontein | 3157 | 41 | 5 | 3203 | 98.6 | 1.3 | 0.2 | 100.0 |
| Ratanang | 1068 | 44 | - | 1112 | 96.0 | 4.0 | - | 100.0 |
| Jacobsdal | 809 | 187 | 7 | 1003 | 80.6 | 18.7 | 0.7 | 100.0 |
| Riet River | 258 | 74 | - | 332 | 77.7 | 22.3 | - | 100.0 |
| Petrusburg | 2524 | 112 | 2 | 2638 | 95.7 | 4.3 | 0.1 | 100.0 |
| Oppermans | 227 | 2 | - | 229 | 98.9 | 1.1 | - | 100.0 |
| Luckhoff | 919 | 88 | - | 1007 | 91.3 | 8.7 | - | 100.0 |

3.4 REFUSE REMOVAL

Waste Removal Services are provided to all the towns Koffiefontein, Petrusburg, Luckhoff, Oppermansgronde and Jacobsdal. These land fill sites with the exception of Jacobsdal and Petrusburg, are currently used as transfer stations and will be registered accordingly and be used fully as land fill sites.

Table 12: Distribution of households by type of refuse removal and geography

| Geography | Households | | | | | Percentages | | | | |
|------------------|-----------------|----------|-------------|-------|-------|-----------------|----------|-------------|-------|-------|
| | Formal Dwelling | Informal | Traditional | Other | Total | Formal Dwelling | Informal | Traditional | Other | Total |
| FS161: Letsemeng | 9358 | 1812 | 17 | 55 | 11242 | 83.2 | 16.1 | 0.1 | 0.5 | 100.0 |
| Koffiefontein | 2659 | 538 | 1 | 5 | 3203 | 83.0 | 16.8 | 0.0 | 0.2 | 100.0 |
| Ratanang | 861 | 240 | 2 | 10 | 1113 | 77.4 | 21.6 | 0.2 | 0.9 | 100.0 |
| Jacobsdal | 598 | 395 | - | 10 | 1003 | 59.6 | 39.4 | - | 1.0 | 100.0 |
| Riet River | 251 | 76 | 5 | - | 332 | 75.6 | 23.0 | 1.4 | - | 100.0 |
| Petrusburg | 2181 | 450 | 1 | 7 | 2639 | 82.6 | 17.1 | 0.0 | 0.3 | 100.0 |
| Oppermans | 229 | 1 | - | - | 230 | 99.5 | 0.5 | 0 | 0 | 100.0 |
| Luckhoff | 937 | 60 | 1 | 8 | 1006 | 93.1 | 6.0 | 0.1 | 0.8 | 100.0 |

3.5 HOUSING

The objective of the Municipality is to facilitate provision of adequate and affordable housing structures to the communities in its area of jurisdiction. Provision for houses is not the core competency of the Municipality; this objective is undertaken in partnership with the Provincial Department of Human Settlement which continues to allocate houses to residents on an on-going basis. This is mainly due to the fact that demand for housing remains a big challenge but we remain committed to facilitate the provision of shelter to the communities we serve.

3.6 ROADS AND STORM WATER

Another aim of the municipality is to facilitate the adequate and constant maintenance of access roads and to ensure regular maintenance of all internal roads. Every year, a lot more kilometres of internal roads have been repaired. Furthermore, there is an annual allocation to ensure that roads are maintained. The proportion of households with access to the minimum level of services is shown in the table below:

Table 13: Proportion of Households with minimum level of Basic Services

| Proportion of Households with minimum level of Basic services | | | | |
|--|--|---------|---------|---------|
| | | 2014/18 | 2018/19 | 2019/20 |
| Electricity service connections | | 100% | 100% | 100% |
| Water - available within 200 m from dwelling | | 99% | 99% | 99% |
| Sanitation - Households with at least VIP service | | 99% | 99% | 99% |
| Waste collection - Kerbside collection once a week | | 100% | 100% | 100% |

3.7 FINANCIAL OVERVIEW

This overview sets out highlights of the municipality's financial performance in the past year. Full details appear in the annual financial statements. .

Table 14: Financial Overview – 2019/20

| 2018/19 | | | | 2019/20 | | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Details | Original budget | Adjustment Budget | Actual | Original Budget | Adjustment Budget | Actual |
| Income: | | | | | | |
| Grants | 111 001 000 | 101 570 000 | 96 766 698 | 113 452 000 | 124 107 000 | 102 922 774 |
| Taxes, Levies and tariffs | 70 223 160 | 70 467 890 | 70 086 062 | 61 651 768 | 59 305 330 | 73 496 228 |
| Other | 7 310 141 | 5 744 461 | 20 329 490 | 6 110 411 | 5 637 662 | 16 971 864 |
| Sub Total | 188 534 301 | 177 782 351 | 187 182 250 | 181 214 179 | 189 049 992 | 193 390 866 |
| Less: Expenditure | 180 146 754 | 166 071 759 | 259 026 205 | 182 317 733 | 185 035 157 | 224 801 652 |
| Net Total* | 8 387 547 | 11 710 592 | (71 843 955) | (1 103 554) | 4 014 835 | -(31 410 786) |
| <i>* Note: surplus/(deficit)</i> | | | | | | |

Table 15: Operating Ratios

| Operating Ratios | | | | |
|-----------------------|---------|---------|---------|---------|
| Detail | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | % | % | % | |
| Employee Cost | 26% | 32% | 26% | 0.9% |
| Repairs & Maintenance | 1% | 1% | 1% | 2% |
| Finance Charges | 1% | 1% | 0.7% | 0.8% |

Table 16: Total Capital Expenditure

| Total Capital Expenditure: '2017/18 - to '2018/19 | | | |
|---|------------|------------|------------|
| Detail | 2017/18 | 2018/19 | 2019-20 |
| Original Budget | 46 877 000 | 49 949 000 | 48 531 850 |
| Adjustment Budget | 43 047 000 | 49 949 000 | 48 158 250 |
| Actual | 26 507 620 | 33 274 000 | 31 801 063 |
| T 1.4.4 | | | |

3.8 COMMENT ON CAPITAL EXPENDITURE

The municipality's property, plant and equipment for the financial year under review amounted to R 724 539 410 compared to R 738 606 479 for the previous year. Capital commitments as at 30 June 2020 amounted to R 18 483 078 (2018: R 30 753 122). The fixed assets were financed from government grants..

3.9 ORGANISATIONAL DEVELOPMENT OVERVIEW

Staffing

There are still some key posts at lower levels of the organogram that need to be filled with urgency. The challenge the institution will forever battle with is the retention of skilled personnel. The geographical location and the financial position of the municipality are major deterrents to potential candidates.

3.10 AUDITOR GENERAL REPORT

3.10.1 AUDITOR-GENERAL REPORT: 2019/20

3.10.1.1 The Municipality Received A Qualified Opinion For Financial Year Under Review 2019/20 Statutory Annual Report Process

According to legislation the Annual Report of a municipality must be tabled in the municipal council on or before 31 January each year. In order to enhance Councils oversight function the municipality should submit their Annual Reports as soon as possible after the financial year end, ideally this ought to be the end of August.

Due to the AG not completing their audits at 31 January 2021 and the majority of the audits not being completed as at 30 March 2021, Letsemeng Local Municipality did not submit their draft annual reports in March 2021 to their Council.

The Annual Financial Statements and Annual Performance Report were submitted on 31 October 2020 to the Auditor-General. Management is currently developing processes and systems in order to ensure that the remaining sections be in place for the 2019/20 Annual Report process. It is expected that the entire process should be concluded by the end of January. The legislative process for the creation, submission, review and approval of the 2019/20 Annual Report is set out in the table below.

4 STATUTORY ANNUAL REPORT PROCESS

| No. | Activity | Timeframe |
|-----|--|--------------------------|
| 1 | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period | July 2020 |
| 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 2018/19 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 2021 |
| 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 2021 |
| 12 | Municipalities receive and start to address the Auditor General's comments | January 2021 |
| 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 | February 2021 |
| 16 | Council adopts Oversight report | March 2021 |
| 17 | Oversight report is made public | |
| 18 | Oversight report is submitted to relevant provincial councils | April 2021 |
| 19 | Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input | March 2021 |

5 CHAPTER 2 – GOVERNANCE

5.1 INTRODUCTION TO GOVERNANCE

The Letsemeng Local Municipality is an organ of state within the local sphere of government. It was established by means of Provincial Notice No 181, published in the Free State Provincial Gazette of 28 September 2000. The Municipality is a municipality with plenary executive system determined by the Determination of Types of Municipality Act, 2000 (Act No. of 2000.

In terms of section 151(3) of the Constitution of the Republic of South Africa the municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to the national and provincial legislation, as provided for in the Constitution.

5.2 COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

5.2.1 INTRODUCTION TO POLITICAL GOVERNANCE

Section 151 of the Constitution, 1996 states that, the executive and legislative authority of a municipality is vested in its municipal council. This is complemented by the Municipal Structures Act and Municipal Systems Act. In terms of section 160(2) of the Constitution, 1996, the following powers may not be delegated by a municipal council and must therefore be exercised by council: passing of by-laws, approval of budgets, imposition of rates and taxes, levies and duties and the raising of loans. The Speaker is appointed by Council and performs her/his functions in terms of section 37 of the Municipal Structures Act, such as presiding at council meetings and overseeing the work of council committees.

The Municipal Council uses a governance system that applies plenary executive type system. It is consisted of eleven (11) Councillors with a Speaker/Mayor being a member who has been designated as full time councillor. In terms of section 36(5) of the Local Government: Municipal Structures Act, No. 117 of 1998, the speaker must be called mayor as the Letsemeng Municipal Council is plenary executive type system.

The main obligations of the Municipal Council is to formulate and endorse or pass by – laws, policies, most importantly the Integrated Development Plan and the Medium term revenue and expenditure framework (Budget)

The Speaker presides over Ordinary as well as Special Council meetings. The administration dispatch notices and agendas to Councillors forty eight (48) hours before the commencement of the council meetings as determined in the Standard Rule and Orders.

The Mayor as a political head of the Municipal Council attends to day to day obligations of the Municipal Council by playing oversight role over the administration and represents the meeting at the district and provincial intergovernmental relation forums as well as at the, South African Local Government Association. The Mayor provides general guidance over the fiscal and financial affairs of the municipality as well as the Integrated Development Plan.

The Council has established four (4) Section 79 Committees in terms of the Municipal Structures Act and the Municipal Finance Management Act to process items before they could be forwarded to the Municipal Council i.e. Finance, Local Economic Development and Planning and Development, Corporate Services committee and Local Labour Forum, Technical Services and Infrastructure Committee, and Community Services. These Committees process items before they could be forwarded to the Council.

The different Departments of the Municipality prepare reports that are then submitted to the Council for consideration and approval. Important to note is that the Section 79 Committees and Municipal Council sit as per schedule of Council meetings that was adopted by the Council.

The Municipal Council has established an MPAC, which is composed of four members and the Council is playing an Oversight role in the activities that are performed by the Municipality.

The Annual Report is prepared by the Performance Management Unit in collaboration with other departments. When the management is satisfied with this report it is then submitted to the Council for noting before the 25th of January of each year. Subsequent to this process it is forwarded to the Oversight Committee before the 31st March of each year for assessment and thereafter it is presented before the Council with the Committee comments and recommendations. The Annual Report and the Oversight Committee report are submitted to Departments of Treasury, Cooperative Governance and Traditional Affairs for comments. Furthermore, these reports are separately published to the community for comments.

The Internal Audit Unit conducts audit throughout the year in terms of their audit plan and prepares Audit packs/reports that are then submitted to the Internal Audit Committee. After consideration of these reports the Audit Committee forwards its recommendations to Council for considerations and approval

The Municipality has appointed the Municipal Manager who is the head of the administration. He is responsible for day to day operations of the organization and accounts to the Mayor in between Council meetings. Other senior managers who have been appointed in terms of section 56 of the Local Government: Municipal Systems Act, 2000 reports directly to the Municipal Manager. It is important to highlight that the Municipality is composed of four (4) departments that are headed by departmental heads, section 56 managers, excluding the office of the Municipal Manager i.e. Corporate Services, Budget and Treasury, Community Services and Technical Services.

A) POLITICAL GOVERNANCE

| POLITICAL STRUCTURE | Function |
|--|--|
| MAYOR Cllr MA Lebaka | <i>Preside over Municipal Council meetings and attend to day to day obligations of the Council by playing oversight role over the administration.</i> |
| Section 79 Committee Chairpersons Cllr XW Nqelani Cllr VP Mlozana Cllr N November Cllr MJ Phaliso | Chairperson for Planning and Development, LED and Finance Committee Chairperson for Corporate Services Committee and Local Labour Forum Chairperson for Community Services Committee Chairperson for Technical and Infrastructure Committee |

COUNCILLORS

The Municipal Council of Letsemeng Local Municipality comprises of eleven (11) Councillors. Six of them were elected to represent wards and five (5) were proportional representative. The Council was represented of three political parties as follows:

African National Congress (ANC) : Eight (8)

Democratic Alliance (DA) : Two (2)

Economic Freedom Fighter (EFF) : One (1)

Four (4) members of Council, were designated as Chairpersons of Section 79 Committees. Each Committee is composed of three members which includes the Chairperson of the Committee. Furthermore, it has established an Municipal Public Accounts Committee which is composed of five (5) Council members. The Ward Councillors are Chairpersons of Ward Committees, and the Ward Committee serves as an advisory committee to the wards councillors.

B) ADMINISTRATIVE GOVERNANCE

5.2.2 INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the accounting officer of the municipality and the head of the administration and reports directly to the Mayor and Council. Directors (section 56 managers) report directly to the Municipal Manager and their performance is managed by the Municipal Managers in terms of the annually signed performance agreements and plans.

Directors are responsible for the management of their respective functions/departments, which include the management of service delivery programs and targets, personnel and budgets.

The Municipal Manager ensures accountability by departments through weekly and monthly management meetings and quarterly performance reviews of Directors.

TOP ADMINISTRATIVE STRUCTURE

| | POST DESIGNATION | FUNCTION | PERFORMANCE AGREEMENT SIGNED YES/NO |
|----|--|--|-------------------------------------|
| 1. | MUNICIPAL MANAGER Mr TL Mkhwane | Accounting Officer/Head of Administration | Yes |
| 2. | DIRECTOR: CORPORATE SERVICES Mr. T Deeuw | <i>Human Resources, Auxiliary and Legal Services, Council Support</i> | Yes |
| | ACTING DIRECTOR: CORPORATE SERVICES Mr S Qwelane | <i>Human Resources, Auxiliary and Legal Services, Council Support</i> | No |
| 3. | CHIEF FINANCIAL OFFICER Mr CFO/SJ Tooi | <i>Expenditure, Revenue, Assets & Liability Management, Budgeting & Reporting</i> | Yes |
| 4. | DIRECTOR: COMMUNITY SERVICES Mr. CJ Makhoba | <i>Waste Management, Sport & Recreation, Arts & Culture, Public Safety and Parks</i> | Yes |
| 5. | DIRECTOR: TECHNICAL SERVICES Mrs DG Tsikang | <i>Water, Sanitation, Electricity, Roads & Storm water, Urban Planning and PMU</i> | Yes |

5.3 COMPONENT B: INTERGOVERNMENTAL RELATIONS

5.3.1 INTRODUCTION TO COOPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Letsemeng Municipality through the 2019/20 financial year participated in a number of intergovernmental forums. This ensures that the Municipality is kept up to date on key developments in strategic areas of its responsibilities.

Through active participation in these forums and the available platform created, the Municipality exchanges ideas and interact with other spheres of government to improve mutual relations between government institutions.

5.4 INTERGOVERNMENTAL RELATIONS

5.4.1 NATIONAL INTERGOVERNMENTAL STRUCTURES

The Municipality participate in the National South African Local Government Association Members Assembly which is held once annually. The municipalities converge annually at the assembly to discuss matters that affects the municipality and resolved how to tackle the challenges faced by the municipalities

5.4.2 PROVINCIAL INTERGOVERNMENTAL STRUCTURES

The Municipality is part of the Provincial Coordinating Forum which is used to facilitate intergovernmental relations between the province and local government in the province. The Municipality also participates in Provincial Forums which include Provincial IDP Forum, Provincial Energy Forum, Provincial AIDS Forum as well as South African Local Government Association (SALGA).

5.4.3 DISTRICT INTERGOVERNMENTAL STRUCTURES

Meetings are been held once in a quarter, whereby the District Municipality is responsible for ensuring the co-ordination of intergovernmental relations within the district municipality with local municipalities in the district. District Coordinating Forum consists of the Executive Mayor of the District and three other local municipalities' Mayors who are primary members of this structure.

5.4.5 TECHNICAL SUPPORT COMMITTEE

This Committee consists of the District Municipal Manager and other three Local Municipal Manager who are primary members of the structure. The Committee must meet at least once per quarter with other stakeholders to process issues in preparation of the political District Forum.

5.5 COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

5.5.1 OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality improved on the responsibilities mentioned above as indicated in the 2019/20 IDP by:

- Providing feedback to different communities on issues people raised during the first round of public engagements.
- Providing progress report on funded projects implemented in the different Wards.
- Providing opportunity for communities to making input to the 2019/20 IDP process.
- Providing Ward Committee an opportunity to prioritise inputs received from the different wards.
- Encouraging Ward Councillors and Ward Committees to do further consultation about communities service delivery priorities.
- Encouraging communities, Stakeholders and individual members of society to make use of the opportunity to do submission regarding the IDP review and budget of the municipality.

The staff is allocated wards to work with and report on their activities. There are also members of ward committees responsible for different sections in their wards. These measures have helped as members of community reports issues related to service delivery at their earliest occurrence.

5.6 PUBLIC MEETINGS

5.6.1 KEY PURPOSES OF WARD COMMITTEES

- Create formal unbiased communication channels and co-operative partnerships between the Municipality and the community within a ward.
- Ensure contact between the Municipality and the community through the relevant feedback mechanisms.
- Act as an advisory body on council policies and matters affecting communities in the ward as requested.

- Make recommendations on matters affecting the ward to the ward councillor.
- Serve as a constructive mobilizing agent for positive community action.

5.6.2 COMMUNICATION, PARTICIPATION AND FORUMS

The municipality uses loud hailing, print media, posters, as well as physical delivery of invitation such as IDP/budget which are on semester interval. These meetings are inclusive of representative from Safety, Business and CBO's.

Table 17: Public Meetings

| Public Meetings | | | | | | |
|---|----------------|---|--|---------------------------------------|--------------------------|---|
| Nature and purpose of meeting | Date of events | Number of Participating Municipal Councillors | Number of Participating Municipal Administrators | Number of Community members attending | Issue addressed (Yes/No) | Dates and manner of feedback given to community |
| IDP, Budget Consultation meeting at Oppermansgronde | None | 0 | 0 | 0 | None | Meetings were not conducted due to Covid-19 regulations |
| IDP and Budget Consultation at Petrusburg | None | 0 | 0 | 0 | None | Meetings were not conducted due to Covid-19 regulations |
| IDP and Budget Consultation at Koffiefontein (Ward 5) | None | 0 | 0 | 0 | None | Meetings were not conducted due to Covid-19 regulations |
| IDP and Budget Consultation at Luckhoff | None | 0 | 0 | 0 | None | Meetings were not conducted due to Covid-19 regulations |
| IDP and Budget Consultation at Phambili | None | 0 | 0 | 0 | None | Meetings were not conducted due to Covid-19 regulations |

5.6.3 COMMENT ON THE EFFECTIVENESS OF PUBLIC MEETINGS HELD

The community consultation meetings were not conducted due to Covid-19 regulations.

5.7 IDP PARTICIPATION AND ALIGNMENT

Table 178: IDP Participation and Alignment Criteria

| IDP Participation and Alignment Criteria* | Yes/No |
|---|--------|
| Does the municipality have impact, outcome, input, output indicators? | Yes |
| Does the IDP have priorities, objectives, KPIs, development strategies? | Yes |
| Does the IDP have multi-year targets? | Yes |
| 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 directly to the Section 57 Managers | Yes |
| Do the IDP KPIs lead to functional area KPIs as per the SDBIP? | Yes |
| Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes | Yes |
| Were the indicators communicated to the public? | Yes |
| *Section 26 Municipal Systems Act 2000 | |

5.8 COMPONENT D: CORPORATE GOVERNANCE

5.8.1 OVERVIEW OF CORPORATE GOVERNANCE

The municipality endeavours to comply with the regulatory frameworks and best practices regarding corporate governance. This includes the establishment of a risk management function, internal audit unit and independent audit committee and the implementation of fraud and anti-corruption policies and measures.

In addition, Letsemeng Municipality follows a comprehensive system of rules and processes that are designed to sustain and enhance optimal end to effective organizational management.

5.9 RISK MANAGEMENT

Risk Management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows the municipality to measure and prioritise them and take the appropriate actions to reduce possible losses.

The Municipality implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the municipality to achieve its service delivery outcomes and enhance organisational performance. The risks are managed formally and periodically by means of a factual and realistic approach. This promotes the achievement of objectives and further avoids these risks from impacting negatively on the organizational efficiency

The average risks in developing the Internal Audit Coverage Plan was extracted from the risk assessment report, considering the impact and likelihood of critical issues/risks within each of the identified activities.

5.10 ANTI-CORRUPTION AND FRAUD

The actions that constitute corruption can be classified as follows:

- Any dishonest, fraudulent or corrupt act,
- Theft of funds, supplies and other assets,
- Maladministration or financial misconduct in handling or reporting of money,
- Making profit from insider knowledge,
- Disclosing confidential information to outside parties,
- Deliberately refusing or omitting to report or act upon reports of irregular or dishonest conduct

The strategies in place to prevent corruption, fraud and theft are the application of policies approved by council such as the supply chain management policy and the segregation of duties to approval of transactions within the municipality.

Key risk areas susceptible to corruption and fraud are the procurement, cash collection and payments as well as unauthorized distribution of information from the institution. Policies were approved by council. The code of conduct in terms of the Municipal Systems Act was communicated to all employees to highlight the importance of proper employee behaviour and conduct.

A previous challenge that is now overcome was the lack of important structures to effectively deal with the occurrence of corruption and fraud within the municipality. A lack of capacity at the Internal Audit and Supply Chain and the ineffective functioning of the Audit Committee were some of the challenges the municipality faced to effectively eliminate the occurrence of fraud and corruption. These challenges have now been resolved and a functional internal audit, supply chain management. The Municipality established an Audit Committee that serve only the Letsemeng Local Municipality.

5.11 SUPPLY CHAIN MANAGEMENT

Supply Chain Management is centralised and attached to Budget and Treasury Office which is mainly responsible for the administration and procurement of goods and services. The municipality is currently utilizing *Sage Evolution* which its implementation commenced during 2019/20 financial year. All the

procurements are transacted through sage evolution system to avoid irregular and fruitless expenditure. Supply Chain processes are regulated by supply chain policy which is in line with relevant regulations.

5.12 BY-LAWS LITIGATION

Table 19: By-laws introduced

| By-laws Introduced during 2019/20 | | | | | |
|-----------------------------------|---------|--|-------------------------------|----------------------------|---------------------|
| 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 |
| None | - | - | - | - | - |
| <i>*Note: See MSA section 13.</i> | | | | | |

5.12.1 COMMENT ON BY-LAWS

For the financial year under review the municipality did not have any new By-Laws to be promulgated.

5.13 WEBSITE

A municipal website <http://www.letsemeng.gov.za> is a key communication mechanism in terms of service offering, information sharing and public participation and should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets, budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Table 20: Municipal Website: Content and Currency of Material

| Municipal Website: Content and Currency of Material | |
|--|----------|
| Documents published on the Municipality's Website | Yes / No |
| Current annual and adjustments budgets and all budget-related documents | Yes |
| All current budget-related policies | Yes |
| The previous annual report (2018/19) | Yes |
| The annual report (2019/20) to be published | Yes |
| All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2019/20) and resulting scorecards | Yes |
| All service delivery agreements (2019/20) | No |

| Municipal Website: Content and Currency of Material | |
|---|-----------------|
| Documents published on the Municipality's Website | Yes / No |
| All long-term borrowing contracts (2019/20 | No |
| All supply chain management contracts above a prescribed value R100 000 for 2019/20 | Yes |
| An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1 | No |
| Contracts agreed in 2019/20 to which subsection (1) of section 33 apply, subject to subsection (3) of that section | No |
| Public-private partnership agreements referred to in section 120 made in 2019/20 | No |
| All quarterly reports tabled in the council in terms of section 52 (d) during 2019/20 | Yes |
| <i>T 2.10.1</i> | |

5.14 COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS

The municipality's website is managed and maintained by the ICT section. ICT has greatly improved in terms of managing and compliance of the municipality's website.

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

6.1 INTRODUCTION

The municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The Technical Department is responsible for operation and maintenance of infrastructure which include electricity, water services, roads and storm water. The Technical Department also provides support services such as the mechanical workshop.

The Technical Department plays a pivotal role in terms of facilitation and coordination of services provided by Provincial and National Departments. The municipality has adopted a five-year IDP Plan which is a strategic document aiding in the developments within the municipality. Sector plans are also included which gives effect to the strategies and objectives in the IDP. The IDP is further informed by both the National and Provincial development strategies.

The purpose of the report is to provide information in respect of the core responsibilities, objectives, achievements as well as challenges faced by the Technical Department during the 2019/20 financial year.

6.2 COMPONENT A: BASIC SERVICES - WATER

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services. The municipality accepted that the number of households within the municipal area is 40 044 as provided by Statistics South Africa for 2016.

INTRODUCTION TO BASIC SERVICES

Technical Services Department is responsible for the following services:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishing/rehabilitation of existing infrastructure.
- Provision of basic services such as water, electricity and roads.

This is done as a basic service delivery aspect in the following areas:

A. Water and waste water services

- Water purification
- Sewerage treatment
- Storage dams
- Water reservoirs
- Water and sewage reticulation networks

B. Roads, storm water, railways and public works

- Roads design, construction and maintenance
- Storm water drainage system
- Bridges and culverts
- Landfill site management

C. Electricity

- Electricity Distribution
- Electricity network maintenance and upgrading
- Electricity Consumption Care
- Public lighting

D. Buildings survey

- Approval of building plans, construction and inspections thereof

Objectives and Achievements

Strategic objectives are set out in planning and budgeting tools such as IDP and SDBIP in order to properly plan and achieve targets. Priority areas regarding basic service delivery are as follows:

- Access to water,
- Water loss,

- Water quality,
- Access to sanitation,
- Access to electricity,
- Energy efficiency,
- Access to municipal surfaced roads

Departmental Challenges

- Institutional and organizational development:
 - Inadequate attraction and retention of skilled competent personnel,
 - Prolonged recruitment processes,
 - Inadequate training and development of staff
- Infrastructure maintenance and development:
 - Outdated technology and aged infrastructure,
 - Water and Sanitation Master plans are in place and have been approved by council,
 - Inadequate infrastructure capacity to meet supply demand,
 - Increasing theft and vandalism of infrastructure,
 - Limited preventative maintenance,
 - Decaying infrastructure,
 - Heavy motor vehicular movement through and around CBD,
 - High distribution losses (water and electricity)
- Machinery, equipment and fleet:
 - Shortage of machinery, equipment and fleet,
 - High average age of municipal fleet,
 - Most fleet out of useful lifespan,
 - Prolonged turnaround time in terms of repairs and continued breakages,
 - Limited maintenance equipment,
 - Delayed processing time of purchase request in terms of maintenance and repairs,

- Shortage of vehicles and machinery causing low productivity and low morale of staff cascading into serious delays in service delivery.
- Financial Constraints:
 - Insufficient maintenance budget,
 - Insufficient capital budget appropriated (own funding),
 - Lack of consumables and sundry items,
 - Supplier / municipal relations dented,
 - Long processing period of purchase orders.
- Natural Hazards:
 - rainfall and flooding causes delay in project implementation and flooding of residential areas,
 - Drought, leading to inadequate raw water supply and thereby negatively affecting the Municipality's mandate of providing basic water service to its communities.
 - Extensive damage to infrastructure (decaying roads surfaces and potholes) and facilities / property.
- Compliance to Regulations:
 - Inadequate monitoring and measuring equipment and processes to facilitate compliance.
- Bulk Supply Services:
 - Inadequate bulk raw water supply in Petrusburg and Koffiefontein.
 - Rapidly deteriorating condition of roads network including main roads.

WATER PROVISION

Water needs are determined via the consumer base on the ground. Figures used to determine this includes provision for registered indigents according to the municipal policy. Supply and disruptions are monitored and future needs are based on results. Further inputs from the community and political offices are compared with departmentally identified issues and included in the IDP as needed. National government targets are also included in future planning.

For blue drop purposes the water quality is monitored continuously and uploaded on the IRIS site and water provision to the community is done in accordance with the Water Services Act 1997.

The top four priorities are:

1. Sufficient water supply for communities.
2. Connections to individual stands with provision for indigents.
3. Provision of water within legal requirements (Water within Blue drop and SANS 241 standards)
4. Monitoring of water supply through proper installation of water meters

The challenge in water supply remains the balance between the available raw water and demand from the community.

The blue drop status have increased to 48% and it is expected to improve with a bigger percentage the next financial year due to the appointment of process controllers that are in line with regulation 813 of the national standards for process cotrollers and water services works. There is currently construction of a Water Treatment Works in progress at the Jacobsdal water treatment plant. This will improve the quality of water supply and capacity in general and also contribute to an increase in the bluedrop status.

All formal areas of Letsemeng available for occupation are provided with water networks with pre installed connections and consumers moving onto unconnected stands are connected on application.

Letsemeng Local Municipality (LLM) is a Water Service Provider (WSP) and a Water Service Authority (WSA), all this functions are currently operated by the Municipality. Letsemeng Local Municipality has through the Department of Cooperative Governance and Traditional Affairs (Cogta) prepared a Water and Sanitation Master Plan and Maintenance and Operations in 2019.

LLM is struggling to meet the water demand from three towns namely Jacobsdal and Petrusburg. This is due to the low capacity of the Water treatment Works (WTW) and availability of surface water, the demand is higher than the available supply, this is in some cases compromising the quality of water since the plans would be pushed to the maximum capacity or even be exeded resulting in turbidity increasing. LLM has through the Department of Water & Sanitation (DWS) been upgrading Jacobsdal, Luckhoff and Koffiefonteinthe WTW to bigger capacities to be able to meet the demand, this project will be vissible under the capital project table. Due to the unavailability of funds, all the projects are multi-phased projects which run in different financial years. The biggest project recorded in LLM is the Construction of 4.15Ml Jacobsdal Conventional WTW with a budget of R66 million.

Unavailability of surface water poses a high risk to the community of Petrusburg because they rely on ground water, most of the boreholes have already started showing reduced capacity while there is no alternatices sources. LLM has prioritized two projects to improve water supply in Petrusburg and Bolokana/ng, the

refurbishment and equipping of 12 boreholes and construction of a new pipeline from borehole 14 and 15 in Petrusburg to Bolokanang Reservoir. Improvement of water supply in Ratanang 202 sites has been completed with water reticulation and yard connections.

6.3 COMMENT ON WATER USE BY SECTOR:

As indicated earlier, LLM did not have enough metering points to be able to gather the water balancing statistics, it is only recently when Oppermansgronde has been declared ready for water balancing. The below graph will not be able to show different categories and their usage.

Table 21: Water Service Delivery Levels

| Water Service Delivery Levels | | | | | |
|---|-----|--------------|--------------|-----------------------------------|--------------------------|
| Description | Ref | Households | | | |
| | | | | 2018/19 Actual 0-Jan- 00 | 2019/20 Actual No. |
| <u>Water: (above min level)</u> | | | | | |
| Piped water inside dwelling | | | | 8 336 | 8 336 |
| Piped water inside yard (but not in dwelling) | | | | 0 | 0 |
| Using public tap (within 200m from dwelling) | 2 | | | 693 | 693 |
| Other water supply (within 200m) | 4 | | | 493 | 493 |
| <i>Minimum Service Level and Above sub-total</i> | | | | 9 522 | 9 522 |
| <i>Minimum Service Level and Above Percentage</i> | | | | 100% | 100% |
| <u>Water: (below min level)</u> | | | | | |
| Using public tap (more than 200m from dwelling) | 3 | 490 | 490 | 0 | 0 |
| Other water supply (more than 200m from dwelling) | 4 | 0 | 0 | 0 | 0 |
| No water supply | | 0 | 0 | 0 | 0 |
| <i>Below Minimum Service Level sub-total</i> | | 490 | 490 | 0 | 0 |
| <i>Below Minimum Service Level Percentage</i> | | 5% | 5% | 0% | 0% |
| Total number of households* | 5 | 9 319 | 9 319 | 9 320 | 9 522 |

Table 22: Households - Water Service Delivery Levels

| Description | | 2018/19 | 2019/20 |
|--|--|------------|------------|
| | | Actual No. | Actual No. |
| Formal Settlements | | | |
| Total households | | 8 134 | 8 336 |
| Households below minimum service level | | 0 | 0 |
| Proportion of households below minimum service level | | 0% | 0% |
| Informal Settlements | | | |
| Total households | | 493 | 493 |
| Households below minimum service level | | 0 | 0 |
| Proportion of households below minimum service level | | 0% | 0% |

Actual performance against the predetermined objectives and targets

TECHNICAL SERVICES

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|-----|------------------------|--|--|---------------------|---|-------------------------------|--------------------|--|---|--|--|
| TL1 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | 100% upgrading of Koffiefontein substation and bulk feeder lines by 30 June 2020 | Percentage | Progress reports and completion certificate | 100% Completion of substation | Achieved | N/A | N/A | Information submitted | |
| TL2 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Electrification of 27 stands in Diamanthoogte by 30 June 2020 | Number | Progress report and Certificate of Compliance | 27 Stands | Achieved | N/A | N/A | Information submitted | |
| TL3 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | 100% Completion of the new 4.2MI Conventional WTW in Jacobsdal by 30 June 2020 | Percentage | Progress reports and completion certificate | 100% Completion | Not Achieved | As a result of the Covid-19 Global pandemic and the uncertainty of the unprecedented times that we were living in, the municipality have after careful consideration of several factors, decided to adhere to the lockdown regulations hence the project delayed and could not be completed as expected. | The project has been taken the devastating Covid-19 situation into consideration. However, provisions will be made in the next ensuing MTREF 2020/21 financial year | Please find a detailed report in the POE | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|-----|------------------------|--|---|---------------------|---|-------------------------------------|--------------------|---|-------------------------------|--|--|
| TL4 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Installation of 750 domestic water meters at Dithlake (250), Sonwabile (250), Diamanthoogte (250). (MIS:321576) by 30 June 2020 | Number | Progress reports and completion certificate | 750 domestic water meters installed | Not Achieved | Project started three months late due to National lockdown as per government directive due to COVID-19 | Covid-19 lockdown regulation | Please find a detailed report in the POE | |
| TL5 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Installation of 1 bulk water meter at Koffiefontein (MIS:321576) by 30 June 2020 | Number | Progress reports and completion certificate | 1 bulk water meter installed | Not Achieved | Project started three months late due to National lockdown as per government directive due to COVID-19 | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |
| TL6 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Installation of 681 domestic water meters at Jacobsdal (205) and Ratanang (476) by 30 June 2020 (MIS:321605) | Number | Progress reports and completion certificate | 681 domestic water meters installed | Not Achieved | Project started three months late due National lockdown as per government directive due to COVID -19 As at end March 2020 the Municipality was only able to procure meters | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|------------------------|--|---|---------------------|---|-------------------------------------|--------------------|---|-------------------------------|--|--|
| TL7 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Installation of 2 bulk water meters and valves at Ratanang by 30 June 2020 (MIS:321605) | Number | Progress reports and completion certificate | 2 bulk water meter installed | Not Achieved | Project started three months late due National lockdown as per government directive due to COVID -19 As at end March 2020 the Municipality was only able to procure meters | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |
| TL8 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Installation of 250 domestic water meters at Relebohile by 30 June 2020 (MIS:321628) | Number | Progress reports and completion certificate | 250 domestic water meters installed | Not Achieved | Project started three months late due National lockdown as per government directive due to COVID -19 As at end March 2020 the Municipality was only able to procure meters | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |
| TL9 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Installation of 1 bulk water meter and valves in Luckhoff by 30 June 2020 | Number | Progress reports and completion certificate | 1 bulk water meter installed | Not Achieved | Project started three months late due National lockdown as per government directive due to COVID -19 As at end March 2020 the Municipality was only able to procure meters | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |
| TL10 | Basic Service delivery | Eradicate backlogs in order to improve | Installation of 150 domestic water meters at Bolokanang by 30 | Number | Progress reports and completion certificate | 150 domestic water | Not Achieved | Project started three months late due National lockdown as per | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|------------------------|--|---|---------------------|---|------------------------------|--------------------|---|-------------------------------|--|--|
| | | access to services and ensure proper operations and maintenance | June 2020 (MIS:321618) | | | meters installed | | government directive due to COVID -19 As at end March 2020 the Municipality was only able to procure meters | | | |
| TL11 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Installation of 8 bulk water meters and valves at Petrusburg (5) and Bolokanang (3) by 30 June 2020 (MIS:321618) | Number | Progress reports and completion certificate | 8 bulk water meter installed | Not Achieved | Project started three months late due National lockdown as per government directive due to COVID -19 As at end March 2020 the Municipality was only able to procure meters | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |
| TL12 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | 20% Construction of new pipeline from boreholes 14 & 15 in Petrusburg to reservoir at Bolokanang by 30 June 2020 (MIS:325184) | Percentage | Progress reports | 20% | Not Achieved | The application of the way leaves with SANRAL for pipe jacking took longer than anticipated so the project had only started on the 8 October 2020. Please see attached application for more information | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |
| TL13 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | 100% completion of Upgrading and refurbishment Sports Facility in Koffiefontein , Dithlake | Percentage | Completion Certificate/ Close out report | 100% Completion | Not Achieved | The project could not be completed due to Covid-19 lockdown regulations | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|------------------------|--|--|---------------------|--|------------------------|--------------------|--|--------------------------------------|--|--|
| TL14 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | 100% completion of construction of the new Sports facility in Koffiefontein/Son wabile 2019/20 financial | Percentage | Completion Certificate/ Close out report | 100% Completion | Not Achieved | The project could not be completed due to Covid-19 lockdown regulations | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |
| TL15 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Number of water samples submitted to an accredited laboratory for testing. | Number | Laboratory test reports. | 24 reports | Achieved | N/A | N/A | Evidence submitted | |
| TL16 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Number of waste water samples submitted to an accredited laboratory for testing. | Number | Laboratory test reports. | 24 reports | Achieved | N/A | N/A | Evidence submitted | |
| TL17 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure | Installation of 4 level control valves at Nkululeko (1), Bolokanang (2) and Petrusburg (1) reservoir. | Number | Progress report and completion certificate | 4 control level valves | Not Achieved | It will be addressed under WSIG refurbishment of Boreholes in Petrusburg: Project currently under construction | No corrective measures were provided | Please find a detailed report in the POE | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|------------------------|--|---|---------------------|---|-----------------------|--------------------|----------------------------|---------------------|--------------------|--|
| | | proper operations and maintenance | | | | | | | | | |
| TL18 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Number of updates on the strategic risk register 2019/20 financial year | Number | Reports implementation of risk mitigating plans and evidence. | 4 reports per quarter | Achieved | N/A | N/A | Evidence submitted | |
| TL19 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Number of Section 79 Committee meetings held 2019/20 financial year | Number | Attendance registers, minutes of committee meetings and approved schedule of committee meetings | 5 committee meetings | Achieved | N/A | N/A | Evidence submitted | |

COMMUNITY SERVICES

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|------------------------|--|---|---------------------|---|-----------------------|--------------------|--------------------------------------|---|--|--|
| TL20 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Number of updates on the strategic risk register 2019/20 financial year | Number | Reports implementation of risk mitigating plans and evidence. | 4 reports per quarter | Achieved | n/a | n/a | Information submitted | |
| TL21 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | Number of Section 79 Committee meetings held 2019/20 financial year | Number | Attendance registers, minutes of committee meetings and approved schedule of committee meetings | 5 committee meetings | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find a detailed report in the POE | |
| TL22 | Basic Service delivery | Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance | 100% Upgrading of Daniel Moopela Hall, Koffiefontein/Ditlhake by 30 June 2020 | Percentage | Completion Certificate/Progress report | 100% completion | Not achieved | Due to the financial constraints | Provision will be made in the next ensuing MTREF 2020/21 financial year | Please find a detailed report in the POE | |
| TL23 | Basic Service delivery | Eradicate backlogs in order to | 100% Upgrading of Bolokanang | Percentage | Completion Certificate/Progress report | 100% Completion | Not achieved | Due to the financial constraints | Provision will be made in the next | Please find a detailed | |

| | | | | | | | | | | | |
|------|------------------------|---|---|------------|--|--|--------------|----------------------------------|---|--|--|
| | | improve access to services and ensure proper operations and maintenance | Hall, Petrusburg by 30 June 2020 | | | | | | ensuing MTREF 2020/21 financial year | report in the POE | |
| TL24 | Basic Service delivery | | 100% Upgrading of Ratanang Hall, Jacobsdal by 30 June 2020 | Percentage | Completion Certificate/Progress report | Completion Certificate/Progress report | Not achieved | Due to the financial constraints | Provision will be made in the next ensuing MTREF 2020/21 financial year | Please find a detailed report in the POE | |
| TL25 | Basic Service delivery | | 100% Extension of Diamanthoogte Cemetery, Koffiefontein by 30 June 2020 | Percentage | Completion Certificate/Progress report | Completion Certificate/Progress report | Achieved | NA | NA | Sufficient evidence has been submitted | |

LOCAL ECONOMIC DEVELOPMENT

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|----------------------------|---|---|---------------------|---|------------------------------------|--------------------|--------------------------------------|---|--|--|
| TL26 | Local Economic Development | Inclusive Economic growth and sustainable job creation | Number of LED forums established in the municipality 2019/2020 financial year | Number | TOR, Report of establishment and attendance register. | 5 LED Forums Established | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find a detailed report in the POE | |
| TL27 | Local Economic Development | Inclusive Economic growth and sustainable job creation | Number of LED Strategies approved by Council by 30 June 2020 | Number | Strategy and Council resolution | An approved LED Strategy | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find a detailed report in the POE | |
| TL28 | Local Economic Development | Inclusive Economic growth and sustainable job creation | Number of Commonage Policies approved by Council by 30 June 2020 | Number | Commonage policy and Council resolution | An approved commonage Policy | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find a detailed report in the POE | |
| TL29 | Local economic Development | Inclusive Economic growth and sustainable job creation | Number of Business Licencing policy approved by Council by 30 June 2020 | Number | Business licence policy and Council resolution | Approved Business Licencing Policy | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find a detailed report in the POE | |
| TL30 | Local Economic development | To create an environment that promotes development of the local economy and facilitate job creation | Number of SMMEs supported through supply of specialised equipment (Budgetary constrain) | Number | Goods received notes/registers | 4 SMMEs Supported | Not achieved | Due to the financial constraints | Provision will be made in the next ensuing MTREF 2020/21 financial year | Please find a detailed report in the POE | |
| TL31 | Local Economic development | To create an environment that promotes development | Number of SMMEs/ Cooperatives/ Contractor Development | Number | Attendance register, Minutes and report. | 1 Workshop conducted | Achieved | N/A | N/A | Information submitted | |

| | | | | | | | | | | | |
|--|--|--|---|--|--|--|--|--|--|--|--|
| | | of the local economy and facilitate job creation | Workshops/Training Programmes conducted 2019/2020 financial | | | | | | | | |
|--|--|--|---|--|--|--|--|--|--|--|--|

MUNICIPAL MANAGER

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|---|---------------------|-------------------------------------|--|--------------------|--|--|---------------------------------|--|
| TL32 | Public participation and good governance | Efficient administration and good governance | Number of approved ICT Policies and Governance Framework by 30 June 2020 | Number | ICT policies and Council resolution | Approved ICT Policies and Governance Framework | Achieved | N/A | N/A | Information submitted | |
| TL33 | Public participation and good governance | To promote a culture of participatory and good governance | 100% Renovation of the Municipality's ICT network infrastructure, server room included by 30 September 2019 | Percentage | Close out report | 100% completion | Achieved | n/a | n/a | Information submitted | |
| TL34 | Public participation and good governance | To promote a culture of participatory and good governance | 100% Acquisition/Procurement of licensed software (MS Office, MS Windows and others) by 31 December 2019 | Percentage | Goods received note | 100% acquisition | Achieved | N/A | N/A | Information submitted | |
| TL35 | Public participation | To promote a culture of participatory | Percentage installation of Biometric | Percentage | Goods received note | 100% acquisition | Not Achieved | The reason for non-achievement for this project was due to Municipal | The project was therefore moved to the 2020/21 | Provision should be made in the | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|--|---------------------|---|-----------------------------|--------------------|--|--|---|--|
| | and good governance | and good governance | Systems and Surveillance Systems (cameras) by 30 June 2020 | | | | | Financial cost constraints and the budgetary issues Covid-19 had on Municipal Finances. | financial year. The first phase of the project has already been achieved by installation the camera system at the Municipal Stores building in Koffiefontein. The following phase would then be the Head Office. | next ensuing MTREF processes 2020/21 financial year | |
| TL36 | Public participation and good governance | Efficient administration and good governance | Number of ICT Steering committee established by 30 June 2020 | Number | Appointment letters and Council resolution | 1 ICT committee established | Not Achieved | As a result on regulations that government introduced during the covid19 pandemic whereby employees had to work from home, it was merely impossible to establish an ICT steering committee. It should be noted that the committee has never existed before in the Municipality and there is little knowledge on how it operates. The plan was to have IT and the Risk Management, visit two (2) if not three (3) government institutions, the purpose of the visit was to learn how they conduct their committee and implement for Letsemeng Local Municipality. | The target should be moved/taken over to the 2020/21 financial year. | Provision should be made in the next ensuing MTREF processes 2020/21 financial year | |
| TL37 | Public participation and good governance | To promote a culture of participatory and good governance | Number of audit assignments conducted | Number | Internal Audit reports | 15 Audit assignments | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find a detailed report in the POE | |
| TL38 | Public participation and good governance | To promote a culture of participatory and good governance | Number of audit committee meetings held | Number | Attendance registers, resolution registers, IA reports, | 6 Audit committee meetings | Achieved | N/A | N/A | Information submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|--|---------------------|--|---|--------------------|----------------------------|---------------------|-----------------------|--|
| | | | | | schedule of audit committee meetings. | | | | | | |
| TL39 | Public participation and good governance | Efficient administration and good governance | Number of approved Audit Strategic documents for the 2020/21 financial year. | Number | Approved risk based audit plan (RBAP) (MFMA - Section 165(2) (a)) Approved Internal Audit Charter Approved Audit Committee Charter Approved Audit Methodology | 4 audit strategic documents approved | Achieved | N/A | N/A | Information submitted | |
| TL40 | Public participation and good governance | To promote a culture of participatory and good governance | Number of updates on the strategic risk register 2019/20 financial year | Number | Reports implementation of risk mitigating plans and evidence. | 4 reports per annum | Achieved | N/A | N/A | Information submitted | |
| TL41 | Public participation and good governance | To promote a culture of participatory and good governance | Number of Risk Committee Meeting held for the 2019/20 financial year | Number | Minutes of meeting and attendance registers and reports, RMC | 4 Committee meetings | Achieved | N/A | N/A | Information submitted | |
| TL42 | Public participation and good governance | Efficient administration and good governance | Number of approved risk management strategic documents for the 2020/21 by the Accounting Officer | Number | Approved Risk management policy Approved Risk management strategy Approved anti-fraud and corruption policy | 7 approved risk managements strategic documents | Achieved | N/A | N/A | Information submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|---|---------------------|---|----------------------------|--------------------|----------------------------|---------------------|-----------------------|--|
| | | | | | Approved anti-fraud and corruption strategy Approved Risk committee charter Approved risk management implementation plan Approved and signed off strategic and operational risk register | | | | | | |
| TL43 | Public participation and good governance | To promote a culture of participatory and good governance | Number of quarterly RM reports compiled and presented to the Risk Management Committee 2019/20 financial year | Number | Attendance registers, Minutes of the meeting and approved report, schedule of RMC meetings. | 4 approved RM reports | Achieved | N/A | N/A | Information submitted | |
| TL44 | Public participation and good governance | To promote a culture of participatory and good governance | Number of Risk and fraud Awareness workshops conducted to inculcate a culture of Risk Management 2019/20 financial year | Number | Attendance registers | 1 Workshops conducted | Achieved | N/A | N/A | Information submitted | |
| TL45 | Public participation | To promote a culture of participatory | Number of risk assessment working | Number | Attendance registers per department, | 4 risk assessments working | Achieved | N/A | N/A | Information submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|--|---------------------|---|---|--------------------|--|-------------------------------|--|--|
| | and good governance | and good governance | sessions facilitated quarterly per department by 2019/20 financial year | | schedule of risk assessment and signed off updated risk registers per department. | sessions facilitated quarterly per department. | | | | | |
| TL46 | Public participation and good governance | To promote a culture of participatory and good governance | Number of Process plans approved by Council for 2020/21 Financial year by 31 August 2019 | Number | Approved process plan and Council resolution | 1 approved process plan | Achieved | N/A | N/A | Information submitted | |
| TL47 | Public participation and good governance | To promote a culture of participatory and good governance | Number of approved 2020/2021 IDP and related sector plans submitted to Council | Number | IDP and Council resolution | 1 approved IDP | Achieved | N/A | N/A | Information submitted | |
| TL48 | Public participation and good governance | To promote a culture of participatory and good governance | Number of integrated Development Plan Community Representative forum held 2019/20 financial year | Number | Report of the IDP Rep forum, attendance register | 3 integrated Development Plan Community Representative forum held | Not Achieved | Due to Covid-19 lockdown regulations. However, notices were circulated amongst all communities via municipal facebook pages and website to solicit inputs and comments in the Draft Bu | Covid-19 Lockdown regulations | Please find a detailed report in the POE | |
| TL49 | Public participation and good governance | To promote a culture of participatory and good governance | Number of draft Integrated Development Plan 2020/21 tabled in Council | Number | 2020/21 Draft IDP and Council resolution | 1 | Achieved | N/A | N/A | Information submitted | |
| TL50 | Public participation | To promote a culture of participatory | Number of credible and legally | Number | Approved IDP 2020/21 and | 1 | Achieved | N/A | N/A | Information submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|---|---------------------|--|-------------------------|--------------------|---|---|--|--|
| | and good governance | and good governance | complaint Integrated Development Plan 2020/21 submitted to Council for approval | | Council resolution | | | | | | |
| TL51 | Public participation and good governance | To promote a culture of participatory and good governance | Number of reviewed Communication Strategy approved by Council 2019/20 | Number | Approved Communication Strategy and Council resolution | 1 | Not achieved | Due to Covid-19 lockdown regulations | Communication Strategy will be finalised and approved once lockdown regulations have been relaxed | Please find detailed report in the POE | |
| TL52 | Public participation and good governance | To promote a culture of participatory and good governance | Number of Local Communicators forum meetings held 2019/20 financial year | Number | Invitations, attendance register and minutes | 2 | Not Achieved | Due to Covid-19 lockdown regulations | Communication Forum meetings will be held once the lockdown regulations have been relaxed | Please find detailed report in the POE | |
| TL53 | Public participation and good governance | To promote a culture of participatory and good governance | Number of press release on Council resolutions 2019/20 financial year | Number | Screen shots from official Facebook page; press release to print media | 4 | Not Achieved | Due to the coronavirus crisis all focuses were placed on mitigating the spread of the coronavirus whereby most of the budget had to be redirected to curb the spread of the pandemic. | This activity will be attended to in the next financially year | Please find detailed report in the POE | |
| TL54 | Public participation and good governance | To promote a culture of participatory and good governance | Number of approved SDBIP for 2019/20 within 28 days by the Mayor | Number | Approved SDBIP 2019 /20 | Approved SDBIP 2019/20 | Achieved | N/A | N/A | Information submitted | |
| TL55 | Public participation and good governance | To promote a culture of participatory and good governance | Publishing of SDBIP 2019/20 on the website, notice boards and libraries | Number | screen dump for publication on website | 2019/20 SDBIP Published | Achieved | N/A | N/A | Evidence submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|--|---------------------|--|--|--------------------|--------------------------------------|-------------------------------|--|--|
| | | | within 14days after approval by the Mayor | | | | | | | | |
| TL56 | Public participation and good governance | To promote a culture of participatory and good governance | Number of SDBIP's submitted to Cogta, PT and NT | Number | Proof of submission | 2019/20 SDBIP | Achieved | N/A | N/A | Evidence submitted | |
| TL57 | Public participation and good governance | To promote a culture of participatory and good governance | Number of Performance Agreements developed and signed by relevant officials for 2019/20 FY | Number | Signed performance agreements | 2019/20 Performance agreements | Achieved | N/A | N/A | Evidence submitted | |
| TL58 | Public participation and good governance | To promote a culture of participatory and good governance | Number of performance agreements submitted to department of Cogta by July 2020 | Number | Proof of submission | 5 Performance Agreements submitted to Cogta by July 2020 | Achieved | N/A | N/A | Evidence submitted | |
| TL59 | Public participation and good governance | To promote a culture of participatory and good governance | Number of Quarterly Performance Reports developed and submitted to Council | Number | Performance reports and council resolution | 4 reports | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find detailed report in the POE | |
| TL60 | Public participation and good governance | To promote a culture of participatory and good governance | Number of Annual Performance Reports for 2018/19 submitted to AGSA on or before 31 August 2019 | Number | Annual Performance Report and proof of submission. | Annual Performance Report 2018-19 | Achieved | N/A | N/A | Information submitted | |
| TL61 | Public participation | To promote a culture of | Number of Draft Annual Reports | Number | Draft Annual Report and | Draft Annual Report 2018-19 | Achieved | N/A | N/A | No Comment | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|--|---------------------|--|---|--------------------|--------------------------------------|------------------------------|--|--|
| | and good governance | participatory and good governance | for 2018/19 submitted to Council on or before 31 January 2020 | | proof of submission. | | | | | | |
| TL62 | Public participation and good governance | To promote a culture of participatory and good governance | Number of approved 2018/19 Oversight Reports and Final Annual Report 2018/19 submitted to NT, PT and FS Legislature | Number | Council Resolution, Oversight Report and proof of submission to NT, PT and Legislature | Oversight Report and final Annual Report of 18/19 | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed report in the POE | |
| TL63 | Public participation and good governance | To promote a culture of participatory and good governance | Number of Bid committee members appointed at the beginning of financial year 2019/20 financial year by the Municipal Manager | Number | Proof of appointment letters | 13 Bid Committee members appointed at the beginning of the financial year | Achieved | N/A | N/A | Evidence submitted | |
| TL64 | Public participation and good governance | To promote a culture of participatory and good governance | Number of approved PMS Policy by 30 June 2020 | Number | Approved PMS Policy and Council Resolution | Approved PMS Policy and Council Resolution | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed report in the POE | |

CORPORATE SERVICES

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|---|---------------------|---|-------------------------|--------------------|--------------------------------------|------------------------------|--|--|
| TL65 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of Ward Committees established 2019/20 financial year | Number | Advertisement, elections report, attendance registers, appointment letters. | 1 established committee | Not achieved | N/A | N/A | Information was submitted | |
| TL66 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of ward committee workshops held 2019/20 financial year | Number | Attendance registers and training report. | 1 Workshop | Achieved | N/A | N/A | Information submitted | |
| TL67 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of Ordinary Council meetings held 2019/20 financial year | Number | Attendance registers and Council minutes, approved schedule of Council meetings | 4 Council meeting | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed report in the POE | |
| TL68 | Municipal Transformation and Institutional Development | Efficient administration and good governance | Number of Section 79 Committee meetings held 2019/20 financial year | Number | Attendance registers, minutes of committee meetings and approved schedule of committee meetings | 5 committee meetings | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed report in the POE | |
| TL69 | Municipal Transformation and | Efficient administration | Number of LLF meetings held | Number | Attendance registers, minutes of LLF | 2 LLF meetings held | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|---|---------------------|---|----------------------------|--------------------|--------------------------------------|------------------------------|--|--|
| | Institutional Development | and good governance | 2019/20 financial year | | meetings and approved schedule of LLF meetings | | | | | report in the POE | |
| TL70 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of Occupational Health and Safety Committee meetings held 2019/20 financial year | Number | Attendance registers, minutes of committee meetings and approved schedule of committee meetings | 4 Committee meeting | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed report in the POE | |
| TL71 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of adopted By-laws by Council 2019/20 financial year | Number | Attendance registers of public consultations and approved by-laws, Council resolution. | 6 adopted by-laws. | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed report in the POE | |
| TL72 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of progress reports on Council resolutions submitted to Council 2019/20 financial year | Number | Resolution register and Council resolution. | 4 Progress reports | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed report in the POE | |
| TL73 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of Reviewed Organizational Structure approved by Council 2020/21 financial year | Number | Council resolution and organisational structure. | 1 organisational structure | Achieved | N/A | N/A | Information submitted | |
| TL74 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of WSP developed and submitted to LGSETA by April 2020 | Number | WSP and proof of submission to LGSETA | 1 WSP | Achieved | N/A | N/A | Submitted on the 26 May 2020 at LGSETA | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Actual Performance | Reason for non-achievement | Corrective measures | PMS Comment | |
|------|--|---|---|---------------------|---|---------------------------------|--------------------|--------------------------------------|------------------------------|--|--|
| TL75 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of EE Plan compiled and submitted to DOL by January 2020 | Number | EE plan and proof of submission to DOL | 1 EE plan | Achieved | N/A | N/A | Information submitted | |
| TL76 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of Customer Care Policy developed and approved by Council 2019/20 financial year | Number | Approved Customer care policy, Service Charter and Council resolution | 1 approved customer care policy | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed report in the POE | |
| TL77 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of PPE procured for employees 2019/20 | Number | Goods received notes | 280 PPE procured | Achieved | N/A | N/A | Information submitted | |
| TL78 | Municipal Transformation and Institutional Development | Efficient administration and good governance | Number of HR related policies reviewed and approved by Council by 30 June 2020 | Number | Integrated HR policy manual and the Council resolution | 1 Integrated HR policy manual | Achieved | N/A | N/A | No Comment | |
| TL79 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of updates on the strategic risk register 2019/2020 financial year | Number | Reports implementation of risk mitigating plans and evidence. | 4 reports per quarter | Achieved | N/A | N/A | Sufficient evidence has been submitted | |
| TL80 | Municipal Transformation and Institutional Development | An effective administration capable of sustainable service delivery | Number of Section 79 Committee meetings held 2019/20 financial year | Number | Attendance registers, minutes of committee meetings and approved schedule of committee meetings | 5 committee meetings | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulation | Please find detailed report in the POE | |

FINANCIAL SERVICES

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Reason for non-achievement | Corrective measures | PMS Comment | PMS Comments | |
|------|------------------------------------|--|--|---------------------|--|------------------|-----------------------------------|---------------------|-------------|--|--|
| TL81 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | Number of updates on the approved valuation Roll. | Number | Supplementary valuation roll certified by the Accounting Officer | 1 | Achieved | N/A | N/A | No Comment | |
| TL82 | Financial Viability and Management | Efficient administration and good governance | Number of indigent households registered for the financial year 2020/21 financial year in all 6 Wards. | Number | Indigent register and indigent forms | 2100 | Not Achieved only 1722 registered | Due to COVID-19 | N/A | It was only 1722 indigent reported as registered | |
| TL83 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, | Number of GRAP compliant asset Register updated | Number | Quarterly updates on the asset register | 1 asset register | Achieved | N/A | N/A | Evidence submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Reason for non-achievement | Corrective measures | PMS Comment | PMS Comments | |
|------|------------------------------------|--|---|---------------------|---|---|----------------------------|--------------------------------------|-------------------------------|--|--|
| | | procedures and systems | | | | | | | | | |
| TL84 | Financial Viability and Management | Efficient administration and good governance | Number of 2020/21 Budget related policies reviewed and adopted by Council | Number | (1 Approved policy manual, including procurement plan) and Council resolution | 1 Approved policy manual, including procurement plan) | Achieved | N/A | N/A | Evidence submitted | |
| TL85 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | Number of section 72 report submitted to the PT, NT and the Mayor on or before the 25 th of January 2020 | Number | Section 72 reports and proof of submission to PT, NT and the Mayor | 1 section 72 report | Achieved | N/A | N/A | No Comment | |
| TL86 | Financial Viability and Management | Efficient administration and good governance | Number of section 52d reports submitted to Council within 30 days after end of each quarter | Number | Section 52d reports and Council resolution | 3 report | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find detailed report in the POE | |
| TL87 | Financial viability and management | To improve overall financial management in the municipality by developing and | Number of section 66 reports submitted to Council per quarter | Number | Section 66 reports and Council resolution | 12 section 66 reports | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find detailed report in the POE | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Reason for non-achievement | Corrective measures | PMS Comment | PMS Comments | |
|-------|------------------------------------|--|--|---------------------|--|--|----------------------------|--------------------------------------|-------------------------------|--|--|
| | | implementing appropriate financial management policies, procedures and systems | | | | | | | | | |
| ITL88 | Financial Viability and Management | Efficient administration and good governance | Number of section 70 reports submitted to Council per quarter | Number | Section 70 reports and Council resolution | 2 section 70 reports | Not Achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find detailed report in the POE | |
| TL89 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | Number of section 71 reports submitted to the Mayor, PT and NT within 10 days after the end of the month | Number | Section 71 reports and proof of submission | 12 reports | Achieved | N/A | N/A | Information submitted | |
| TL90 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, | Number of MFMA compliant AFS submitted to the AGSA on or before 31 August 2019 | Number | AFS and proof of submission | MFMA compliant AFS submitted to the AGSA | Achieved | N/A | N/A | Information submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Reason for non-achievement | Corrective measures | PMS Comment | PMS Comments | |
|------|------------------------------------|--|--|---------------------|--|-----------------------|----------------------------|--------------------------------------|-------------------------------|--|--|
| | | procedures and systems | | | | | | | | | |
| TL91 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | Number of SCM implementation reports submitted to the Mayor and PT | Number | SCM reports and proof of submission | 4 SCM reports | Achieved | N/A | N/A | Information submitted | |
| TL92 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | Number of SCM deviations reports submitted to Council. | Number | Deviations register and Council resolution | 4 deviations reports. | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find detailed report in the POE | |
| TL93 | Financial viability and management | To improve overall financial management in the municipality by developing and | Number of Contracts Above R100 000.00 published in the municipal website | Number | Proof of website uploads (website screenshots and document upload register | 45 | Achieved | N/A | N/A | Information submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Reason for non-achievement | Corrective measures | PMS Comment | PMS Comments | |
|------|------------------------------------|--|---|---------------------|---|--------------------------------|----------------------------|--------------------------------------|-------------------------------|--|--|
| | | implementing appropriate financial management policies, procedures and systems | | | | | | | | | |
| TL94 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | Number of billing reports signed off by the CFO. | Number | Pre-billing reports | 12 pre-billing repots | Achieved | N/A | N/A | Information submitted | |
| TL95 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | Number of report on faulty electricity and water meters submitted to Technical department | Number | Proof of submission to Technical department | 12 reports | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find detailed report in the POE | |
| TL96 | Financial viability and management | To improve overall financial | Number of revenue enhancement | Number | Revenue enhancement strategy and | 1 revenue enhancement strategy | Achieved | N/A | N/A | Information submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Reason for achievement | non-Corrective measures | PMS Comment | PMS Comments | |
|------|------------------------------------|--|---|---------------------|---|-----------------------|------------------------|-------------------------|-------------|-----------------------|--|
| | | management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | strategies approved by Council 2019/2020 financial year | | Council resolution | | | | | | |
| TL97 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | Number of approved audit action plans. | Number | Audit action plan and Council resolution | 1 Audit action plan | Achieved | N/A | N/A | Information submitted | |
| TL98 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, | Number of updates on the strategic risk register 2019/2020 financial year | Number | Reports implementation of risk mitigating plans and evidence. | 4 reports per quarter | Achieved | N/A | N/A | Information submitted | |

| Ref | KPA | Strategic Objective | KPI | Unit of Measurement | Evidence | Annual Target | Reason for non-achievement | Corrective measures | PMS Comment | PMS Comments | |
|------|------------------------------------|--|---|---------------------|---|----------------------|----------------------------|--------------------------------------|-------------------------------|--|--|
| | | procedures and systems | | | | | | | | | |
| TL99 | Financial viability and management | To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems | Number of Section 79 Committee meetings held 2019/20 financial year | Number | Attendance registers, minutes of committee meetings and approved schedule of committee meetings | 5 committee meetings | Not achieved | Due to Covid-19 lockdown regulations | Covid-19 lockdown regulations | Please find detailed report in the POE | |

Table 23: Employees Water Service

| Employees: Water Services | | | | | |
|---------------------------|------------------|--------------|------------------|-------------------------------------|--------------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees No. | Posts No. | Employees No. | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| 0 – 3 | 0 | 0 | 0 | 0 | 0% |
| 4 – 6 | 11 | 20 | 11 | 9 | 45% |
| 7 – 9 | 2 | 0 | 2 | 0 | 0% |
| 10 – 12 | 0 | 0 | 0 | 0 | 0% |
| Total | 13 | 20 | 13 | 2 | 40% |

Table 24: Financial Performance Water Service

| Financial Performance : Water Services | | | | | |
|--|---------|--------------------|----------------------|--------|-----------------------|
| R'000 | | | | | |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 4 417 | 5346 | 4227 | 7604 | -3377 |
| Expenditure: | | | | | |
| Employees | 729 | 3229 | 3302 | 2711 | 591 |
| Repairs and Maintenance | - | 1300 | 3350 | 2115 | 1235 |
| Other | 1 552 | 4153 | 7475 | 2409 | 5066 |
| Total Operational Expenditure | 2 281 | 8682 | 14127 | 7235 | 6892 |
| Net Operational Expenditure | 2 136 | -3336 | -9900 | 369 | -10269 |

Table 185: Capital Expenditure Water Service

| Capital Expenditure 2019/20 Water Services | | | | | |
|---|---------------|----------------------|-----------------------|--|------------------------|
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | | | 0 | |
| Project A: Upgrading of Jacobsdal Water Treatment Works | 20 000 000.00 | 0 | 10,847,211.24 | 9,152,788.76 | 76 000 000 |
| Refurbish & Equipping of Boreholes And Connect Into the Existing Water Supply Scheme in Petrusburg | 4 000 000.00 | 0 | R1,010,209.25 | 2,989,790.75 | 13 800 000 |
| Koffiefontein/Ditlhake/Diamanthoogte: Installation of 340 new domestic water meters and refurbishment of 432 domestic water meters (MIS:321576) | 1,108,102.89 | 0 | 1,108,102.89 | 0 | 2,689,666.28 |
| Jacobsdal/Ratanang: Installation of 232 new domestic water meters, bulk water meters, 296 refurbishment of domestic meters (MIS:321605) | 906,157.77 | 0 | 906,157.77 | 0 | 1,740,766.55 |
| Luckhoff/Relebohile: Installation of 308 new domestic water meters and refurbishment of 46 domestic water meters (MIS:321628) | 906,157.75 | 0 | 906,157.75 | 0 | 1,400,324.90 |
| Petrusburg/Bolokanang: Installation of 231 domestic water meters and refurbishment of 134 domestic water meters (MIS:321618) | 906,157.75 | 0 | 906,157.75 | 0 | 1,049,851.82 |
| | | | | | <i>T 3.1.9</i> |

6.3.1 COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The Department of Water & Sanitation has been the main source of funds for upgrading the WTW's, even though progress has been made by completing Jacobsdal WTW, it has not yet made an immediate impact to all communities, however, the following are Municipality Interventions: Construction of the 5Ml Reservoir in Oppermansgronde catered for additional Raw Water storage for Koffiefontein and Oppermansgronde. The municipality currently is busy augmenting water supply in Petrusburg by refurbishing and equipping 13 boreholes and also construction of 3km pipeline connecting 2 boreholes to water supply scheme, this will act as additional water supply for Petrusburg.

All the future projects will be based on upgrading and looking for alternative surface water from other available sources. This will be a long-term solution since Petrusburg does not have any alternative water source except the ground water.

6.4 WASTE WATER (SANITATION) PROVISION

6.4.1 INTRODUCTION TO SANITATION PROVISION

LLM is a Water Service Authority (WSA) and a Water Service Provider, this means that LLM has a responsibility to authorise water & sanitation usage and also provide the services, it is the role of the Municipality to provide acceptable form of sanitation. Through programmes like Accelerated Community Infrastructure Programme (ACIP), Municipal Infrastructure Grant (MIG) and Municipal Water Infrastructure Grant (MWIG), LLM has been engaged in a number of projects upgrading and refurbishing the WWTW and the Sewer pump stations.

There is however prolonged challenges within the municipality that requires long term redress like the bucket toilets and the vandalism & theft of pumps and cables in the pump stations. This problem persisted for more than 5 years without a proper redress, the LLM always fixed the stolen and damaged goods out of its own funds. In some cases there would be spillages in to the river for months because of the above said challenge. The Koffiefontein WWTW has not been fully operational due to lack of maintenance and the stolen cables, pumps & motors. A project for refurbishment was registered with ACIP and it was able to get the plant to 90% operational.

One of the major challenges as outlined in the Sewer Master Plan is the location of the plant. It is indicated that the plant requires 80% of the sewer to be pumped upstream where the current plant is. A new conventional plant should be located at an area lower than the existing and the future planned settlements, which will eliminate all the current pump stations from the system.

Table 26: Sanitation Service Delivery

| *Households | | | | |
|--|--|--|-------------|------------|
| Description | | | 2018/19 | 2019/20 |
| | | | Outcome No. | Actual No. |
| <u>Sanitation/sewerage: (above minimum level)</u> | | | | |
| Flush toilet (connected to sewerage) | | | 8 021 | 8021 |
| Flush toilet (with septic tank) | | | 250 | 250 |
| Chemical toilet | | | 0 | 0 |
| Pit toilet (ventilated) | | | 354 | 354 |
| Other toilet provisions (above min. service level) | | | | |
| <i>Minimum Service Level and Above sub-total</i> | | | 8 625 | 8 625 |
| <i>Minimum Service Level and Above Percentage</i> | | | 90.6% | 90.6% |
| <u>Sanitation/sewerage: (below minimum level)</u> | | | | |

| | | | | |
|---|--|--|--------------|----------------|
| Bucket toilet | | | 452 | 452 |
| Other toilet provisions (below min. service level) | | | 443 | 443 |
| No toilet provisions | | | | |
| <i>Below Minimum Service Level sub-total</i> | | | 895 | 895 |
| <i>Below Minimum Service Level Percentage</i> | | | 9.4% | 9.4% |
| Total households | | | 9 520 | 9 520 |
| *Total number of households including informal settlements | | | | <i>T 3.2.3</i> |

Table 27: Sanitation Service Delivery Levels below the minimum

| | | | | Households |
|--|--|--|------------|----------------|
| Description | | | 2018/19 | 2019/20 |
| | | | Actual No. | Actual No. |
| Formal Settlements | | | | |
| Total households | | | 8 625 | 8 625 |
| Households below minimum service level | | | 202 | 202 |
| Proportion of households below minimum service level | | | 2% | 2% |
| Informal Settlements | | | | |
| Total households | | | 480 | 493 |
| Households below minimum service level | | | 480 | 493 |
| Proportion of households below minimum service level | | | 100% | 100% |
| | | | | <i>T 3.2.4</i> |

| *Households | | | | |
|---|--|--|--------------|----------------|
| Description | | | 2018/19 | 2019/20 |
| | | | Outcome No. | Actual No. |
| <u>Sanitation/sewerage:</u> (above minimum level) | | | | |
| Flush toilet (connected to sewerage) | | | 8 021 | 8 021 |
| Flush toilet (with septic tank) | | | 250 | 250 |
| Chemical toilet | | | 0 | 0 |
| Pit toilet (ventilated) | | | 354 | 354 |
| Other toilet provisions (above min. service level) | | | | |
| <i>Minimum Service Level and Above sub-total</i> | | | 8 625 | 8 625 |
| <i>Minimum Service Level and Above Percentage</i> | | | 90.6% | 90.6% |
| <u>Sanitation/sewerage:</u> (below minimum level) | | | | |
| Bucket toilet | | | 452 | 452 |
| Other toilet provisions (below min. service level) | | | 443 | 443 |
| No toilet provisions | | | | |
| <i>Below Minimum Service Level sub-total</i> | | | 895 | 895 |
| <i>Below Minimum Service Level Percentage</i> | | | 9.4% | 9.4% |
| Total households | | | 9 520 | 9 520 |
| *Total number of households including informal settlements | | | | <i>T 3.2.3</i> |

Table 28: Employees: Sanitation Service

| Employees: Sanitation Services | | | | | |
|--------------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 – 3 | 0 | 0 | 0 | 0 | 0% |
| 4 – 6 | 1 | 1 | 1 | 0 | 0% |
| 7 – 9 | 0 | 0 | 0 | 0 | 0% |
| 10 - 12 | 16 | 16 | 16 | 0 | 0% |
| Total | 17 | 17 | 17 | 0 | 0% |
| T 3.2.7 | | | | | |

Table 29: Financial Performance 2019/20: Sanitation Service

| Financial Performance : Sanitation Services | | | | | |
|---|---------|-----------------|-------------------|--------|--------------------|
| R'000 | | | | | |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | Actual | 8,534 | 7,902 | 10659 | -2757 |
| Expenditure: | - | | | | |
| Employees | | 0 | 0 | 0 | 0 |
| Repairs and Maintenance | 7 367 | 1000 | 3356 | 2495 | 861 |
| Other | 259 | 2140 | 1705 | 814 | 891 |
| Total Operational Expenditure | 286 | 3140 | 5061 | 3309 | 1752 |
| Net Operational Expenditure | 7 912 | 5394 | 2841 | 7350 | -4509 |
| T 3.2.8 | | | | | |

Table 30: Capital Expenditure 2019/20: Sanitation Service

| Capital Expenditure 2019/20: Sanitation Services | | | | | |
|--|--------------|-------------------|--------------------|-------------------------------|---------------------|
| R' 000 | | | | | |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | | | | |
| Jacobsdal/Ratanang: Construction of waterbourne Sanitation for 202 stands (MIS:272657) | 1 965 765.89 | 0 | 1 765 421.52 | 200,344.37 | 10,331,338.98 |
| T 3.2.9 | | | | | |

6.4.2 COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

LLM has not been compliant with the required legislative Water Acts for various reasons, including continuous spillages into the river, in-compliant final effluent from plants and many other areas. Ensuring Security availability at all the WWTW will guarantee continued reliable sanitation to the LLM constituencies and ensure compliance with the required laws and acts. The municipality has refurbished four sewer pump stations in Koffiefontein, and the pump stations are monitored and maintained by the water and sanitation teams.

Inadequate operation and maintenance budget also impact the poor service experience, resulting in pump stations not having attendants at all times, shortage of process controllers at WWTW. If this aspect can be addressed or prioritized, the municipality can experience a positive change in attitude by the consumers regarding revenue collection and other positive outcomes.

6.5 ELECTRICITY

6.5.1 INTRODUCTION TO ELECTRICITY

LLM shares the supply of electricity with Eskom within the municipality; there is about 50% for LLM and 50% for Eskom; LLM has secured and retained three electrical personnel. LLM has strategic documents like the Electrical Master Plan, Operations and Maintenance plan that should be submitted to Council for approval

One most significant challenge in the LLM supply area is the ageing and dilapidated infrastructure, requiring maintenance from time to time. Department of Mineral Resources and Energy allocated R5.2 million to upgrade and refurbish the main substation and bulk feeder lines. LLM has completed the project and is fully operational. Even though LLM is struggling with ageing infrastructure, it always makes sure that there is electricity available at all times. Some shutdowns were experienced during this year. However, they were attended to immediately.

Challenges are experienced with meters tampered with; however, the municipality has embarked on a systematic field assessment looking for irregular connections, damaged consumption meters and unmetered consumers. The shortage of vehicles is also a challenge in this regard. The frequent theft and vandalism of equipment and cables also negatively impacted the financial and operational effectiveness of the section because materials and equipment stolen must be replaced as soon as possible.

Besides, the network's damage extends much further than only the piece of cable or equipment that was damaged and, in some cases, requires specialised repairs. Vandalism and cable theft also pose a danger to the community and the culprits stealing the equipment due to exposed live conductor and consequent dangerous situations.

The constraints mentioned above all negatively impacted service delivery due to an additional workload. Unproductive standing time, the long waiting period for spares and equipment, limited preventative maintenance, and unnecessary and avoidable damage to the infrastructure.

Table 31: Electricity Service Delivery Levels

| Electricity Service Delivery Levels | | | | | Households |
|---|--|--|--------------------------|--------------------------|--------------------------|
| Description | | | 2017/18 Actual No. | 2018/19 Actual No. | 2019/20 Actual No. |
| Energy: (above minimum level) | | | | | |
| Electricity (at least min.service level) | | | 8 369 | 8369 | 8369 |
| Electricity - prepaid (min.service level) | | | | | |
| <i>Minimum Service Level and Above sub-total</i> | | | 8 369 | 8369 | 8369 |
| <i>Minimum Service Level and Above Percentage</i> | | | 100.0% | 100.0% | 100.0% |
| Energy: (below minimum level) | | | | | |
| Electricity (< min.service level) | | | – | – | – |
| Electricity - prepaid (< min. service level) | | | | | |
| Other energy sources | | | | | |
| <i>Below Minimum Service Level sub-total</i> | | | – | – | – |
| <i>Below Minimum Service Level Percentage</i> | | | 0.0% | 0.0% | 0.0% |
| Total number of households | | | 8 040 | 8369 | 8369 |
| | | | | | <i>T 3.3.3</i> |

Table 32: Households - Electricity Service Delivery Levels below the minimum

| Households - Electricity Service Delivery Levels below the minimum | | | | |
|--|--|--|---------|----------------|
| Description | | | 2018/19 | Households |
| | | | Actual | 2019/20 |
| | | | No. | Actual |
| Formal Settlements | | | | |
| Total households | | | 8369 | 8369 |
| Households below minimum service level | | | 0 | 0 |
| Proportion of households below minimum service level | | | 0% | 0% |
| Informal Settlements | | | | |
| Total households | | | 0 | 0 |
| Households below minimum service level | | | 0 | 0 |
| Proportion of households below minimum service level | | | 0% | 0% |
| | | | | <i>T 3.3.4</i> |

Table 193: Employees: Electricity Services

| Employees: Electricity Services | | | | | |
|---------------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 - 3 | 5 | 6 | 5 | 1 | 16.67% |
| 4 - 6 | 0 | 0 | 0 | 0 | 0% |

| | | | | | |
|----------------|---|---|---|---|--------|
| 7 - 9 | 3 | 3 | 3 | 0 | 0% |
| 10 - 12 | 0 | 0 | 0 | 0 | 0% |
| Total | 8 | 9 | 8 | 1 | 11.11% |
| <i>T 3.3.6</i> | | | | | |

Table 34: Financial Performance: Electricity Services

| Details | 2018/19 | 2019/20 | | | |
|--------------------------------------|---------|-----------------|-------------------|--------|--------------------|
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 4 154 | 19886 | 18510 | 17604 | 906 |
| Expenditure: | | 3318 | 5422 | 4742 | 680 |
| Employees | 4 997 | 1280 | 480 | 114 | 366 |
| Repairs and Maintenance | 29 | 21175 | 33127 | 30403 | 2724 |
| Other | 137 | 25773 | 39029 | 35259 | 3770 |
| Total Operational Expenditure | 5 163 | -5887 | -20519 | -17655 | -2864 |
| Net Operational Expenditure | -1 009 | 13 999 | -2 009 | -51 | -2 060 |

Table 35: Capital Expenditure: Electricity Services

| Capital Expenditure 2019/20 | | | | | |
|--|-----------|-------------------|--------------------|-------------------------------|---------------------|
| R' 000 | | | | | |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | | | | |
| Project A: Upgrading of Koffiefontein substation and bulk feeder lines | 5 200 000 | 0 | 5 200 000 | 0 | 5 200 000 |
| <i>T 3.3.8</i> | | | | | |

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL

LLM has successfully completed the Upgrading of Koffiefontein Substation and bulk feeder lines project, training of skilled personnel and appointment of one electrician. Long term plans will be included in the next IDP for the implementation of these projects. LLM has prioritized the following projects to address backlogs and infrastructure challenges for the current financial year 2019/20:

- ❖ Electrification of 252 sites in Koffiefontein (100 households for Phase 1)
- ❖ Electrification of 344 household connection in Jacobsdal Ratanang
- ❖ Enhance power supply and increase capacity

- ❖ Replacement of existing meters with split meters revenue enhancement and reduction of losses

6.6 WASTE MANAGEMENT

6.6.1 INTRODUCTION TO WASTE MANAGEMENT

Waste Management is a core function of local government and a basic service delivered by Letsemeng Municipality. It is also a major generator of revenue for the municipality and therefor the Municipality has to put mechanisms in place to deliver this service on a sustainable basis in the most cost-effective way. Section 11.4 of the Waste Act (59 of 2008) requires local municipalities to Develop Integrated Waste Management Plans. The IWMP of Letsemeng Municipality was adopted in 2015 and serves as an effective institutional framework for the following purpose:

- Pollution and waste minimization;
- Impact management and remediation;
- Holistic and integrated planning with the intention to develop mechanisms to ensure that integrated pollution and waste management considerations are integrated into the development of government policies, strategies and programmes; and

Table 36: Solid Waste Service Delivery Levels

| Solid Waste Service Delivery Levels | | | | |
|--|--|---------------|---------------|-----------------------|
| Description | | 2017/18 | 2018/19 | Households 2019/20 |
| | | Actual No. | Actual No. | Actual No. |
| <u>Solid Waste Removal: (Minimum level)</u> | | | | |
| Removed at least once a week | | 9 319 | 8369 | 8369 |
| <i>Minimum Service Level and Above sub-total</i> | | 9 319 | 8369 | 8369 |
| <i>Minimum Service Level and Above percentage</i> | | 100.0% | 100.0% | 100.0% |
| <u>Solid Waste Removal: (Below minimum level)</u> | | | | |
| Removed less frequently than once a week | | 0 | 0 | 0 |
| Using communal refuse dump | | 0 | 0 | 0 |
| Using own refuse dump | | 0 | 0 | 0 |
| Other rubbish disposal | | 0 | 0 | 0 |
| No rubbish disposal | | 0 | 0 | 0 |
| <i>Below Minimum Service Level sub-total</i> | | 0 | 0 | 0 |
| <i>Below Minimum Service Level percentage</i> | | 0.0% | 0.0% | 0.0% |
| Total number of households | | 9 319 | 8369 | 8369 |

T 3.4.2

Table 37: Households - Solid Waste Service Delivery Levels

| Households - Solid Waste Service Delivery Levels below the minimum | | | | |
|--|--|---------------|---------------|-----------------------|
| Description | | 2017/18 | 2018/2019 | Households 2019/20 |
| | | Actual No. | Actual No. | Actual No. |
| Formal Settlements | | | | |
| Total households | | 8369 | 8369 | 8369 |
| Households below minimum service level | | 0 | 0 | 0 |
| Proportion of households below minimum service level | | 0% | 0% | 0% |
| Informal Settlements | | | | |
| Total households | | 0 | 0 | 0 |
| Households below minimum service level | | 0 | 0 | 0 |
| Proportion of households below minimum service level | | 0% | 0% | 0% |
| T 3.4.3 | | | | |

Table 38: Employee: Waste Management Services

| Employees: Waste Management Services | | | | | |
|--------------------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 7 - 9 | 0 | | | | 100% |
| 10 - 12 | 6 | | | | % |
| 13 - 15 | 5 | | | | 0% |
| Total | 11 | | | | 15% |
| | | | | | <i>T 3.4.5</i> |

Table 39: Employee: Waste Disposal and other services

| Employees: Waste Management Services | | | | | |
|--------------------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | 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 | 1 | 0 | 1 | 100% |
| 13 - 15 | 34 | 34 | 34 | 0 | 0% |
| Total | 34 | 35 | 34 | 1 | 2.9% |
| | | | | | <i>T 3.4.5</i> |

Table 200: Financial Performance 2019/20: Waste Management Services

| Financial Performance 2019/20: Waste Management Services | | | | | |
|--|---------|-----------------|-------------------|--------|--------------------|
| R'000 | | | | | |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 10 852 | 7,059 | 6,174 | 10175 | -4001 |
| Expenditure: | | | | | |
| Employees | 0 | 676 | 676 | 370 | 306 |
| Repairs and Maintenance | 0 | 1950 | 1900 | 3376 | -1476 |
| Other | 0 | 1823 | 584 | 1321 | -737 |
| Total Operational Expenditure | 0 | 4449 | 3160 | 5067 | -1907 |
| Net Operational Expenditure | 10 852 | 2610 | 3014 | 5108 | -2094 |
| T 3.4.7 | | | | | |

Table 41: Capital Expenditure: Waste Management Services

| Capital Expenditure 2019/20: Waste Management Services | | | | | |
|--|---------|-------------------|--------------------|-------------------------------|---------------------|
| R' 000 | | | | | |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 0 | 0 | 0 | 0 | 0 |
| No projects for the financial year | | | | | |

COMMENT ON THE OVERALL PERFORMANCE OF WASTE MANAGEMENT SERVICES

The municipality is having a shortage of waste management personnel and equipment

6.7 HOUSING

6.7.1 INTRODUCTION TO HOUSING

The biggest challenge is that the demand for housing grows annually out of proportion in correlation with the funding resources that are available. With budgetary constraints it is difficult to install bulk services and infrastructure for housing development and the construction of top structures.

Some of the other fundamental challenges that influence housing delivery in Letsemeng Municipality include:

- Inadequate funding allocations for human settlement development;
- Limited availability of suitable land;
- Inadequate capacity of existing bulk infrastructure;
- Lengthy environmental and other statutory approval processes; and
- Alignment of identified pipeline projects

Table 42: Households - Access to basic housing

| 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 |
| 2019/20 | | | |
| T 3.5.2 | | | |

Table 43: Employees: Housing

| Employees: Housing | | | | | |
|--------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 – 3 | 0 | 0 | 0 | 0 | 100% |
| 4 – 6 | 1 | 1 | 1 | 0 | 0% |
| 7 – 9 | 1 | 1 | 1 | 0 | 0% |
| 10 – 12 | 0 | 0 | 0 | 0 | 0% |
| Total | 2 | 2 | 0 | 0 | 0% |
| T 3.5.4 | | | | | |

Table 44: Financial Performance: Housing

| Financial Performance 2019/20: Housing | | | | | |
|--|---------|-----------------|-------------------|--------|--------------------|
| R'000 | | | | | |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 0 | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 0 | 1428 | 90 | 111 | -21 |
| Repairs and Maintenance | 0 | 0 | 0 | 0 | 0 |
| Other | 508 | 1009 | 150 | 0 | 150 |
| Total Operational Expenditure | 508 | 2437 | 240 | 111 | 129 |
| Net Operational Expenditure | -508 | 2437 | 240 | 111 | 129 |
| <i>T 3.5.5</i> | | | | | |

Table 45: Capital Expenditure: Housing

| Capital Expenditure 2019/20: Housing | | | | | |
|---|---------|-------------------|--------------------|-------------------------------|---------------------|
| R' 000 | | | | | |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | | | | |
| No capital projects for the financial year. | | | | | |

6.8 COMPONENT B: FREE BASIC SERVICES AND INDIGENT SUPPORT

6.8.1 INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Section 97(1)(c) of the Municipal Systems Act requires municipalities to formulate an Indigent Policy that is consistent with Council's rate and tariff policies and also meets the requirements of S152 of the Constitution. The policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt. Adequate provision has to be made in the budget for provision of bad debts based on assumptions on collection rates. The municipality has an indigent register with 1 approved indigent households at the end of 2019/2020 financial year. The municipality provides indigent households with free 6kl of water per month, free sanitation and refuse removal per month, 50 units of electricity per indigent household per month and exemption on Property Rates for properties valued at R70 000.

Table 46: Free Basic Services

| 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 | |
| 2018/19 | 10 024 | 2 001 | 2 001 | 20% | 2 001 | 20% | 2 001 | 20% | 2 001 | 20% |
| 2019/20 | 10 024 | 1 722 | 1 722 | 20% | 1 722 | 20% | 1 722 | 20% | 1 722 | 20% |
| | | | | | | | | | | T 3.6.3 |

Table 47: Financial Performance: Free Basic Services

| Financial Performance 2019/20: Cost to Municipality of Free Basic Services Delivered | | | | | |
|--|---------|---------|-------------------|--------|--------------------|
| Services Delivered | 2018/19 | 2019/20 | | | |
| | Actual | Budget | Adjustment Budget | Actual | Variance to Budget |
| Water | 2 101 | 3980 | 3980 | 4999 | -1019 |
| Waste Water (Sanitation) | 1 899 | 2000 | 2000 | 3819 | -1819 |
| Electricity | 3 117 | 2500 | 2500 | 664 | 1836 |
| Waste Management (Solid Waste) | 1 764 | 4000 | 4000 | 3693 | 307 |
| Total | 8 881 | 12480 | 12480 | 13175 | -695 |
| | | | | | T 3.6.4 |

6.8.1 COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality allocates free basic water to all households including indigents households only in terms of the national norms.

The objective of Indigent Support is to ensure the following:

- The provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council;
- To provide procedures and guidelines for the subsidisation of rates and basic service charges to its indigent households, using the Council's budgetary provisions received from National Government, according to prescribed policy guidelines;
- That Council recognises that many of the residents can simply not afford the cost of full provision and for this reason Council will endeavour to ensure affordability through:
- To set rates and tariffs in terms of the Council's Rates and Tariff Policy, which will balance the economic viability of continued service delivery; and
- To determine appropriate service levels.

6.9 COMPONENT C: ROAD AND TRANSPORT

6.9.1 INTRODUCTION TO ROADS

Letsemeng Local Municipality has about 189km of roads or streets in five (5) towns. The table below shows the length of the existing roads per Town. Out of the 58km paved roads, 70% of them are in a poor condition if not very poor. This is as a result of poor or no maintenance at all. The condition is deteriorating in a fast pace since the existing potholes and cracks are not being attended as soon as they surfaces.

| TOWN | PAVED ROADS (KM'S) | GRAVEL ROADS (KM'S) |
|---------------|--------------------|---------------------|
| Jacobsdal | 9.539 | 22.6 |
| Luckhoff | 3.536 | 20.6 |
| Petrusburg | 10.942 | 47,249 |
| Oppermans | 4.306 | 16.2 |
| Koffiefontein | 24.365 | 24.1 |
| TOTALS | 52.688 | 130.7 |
| Koffiefontein | 23.7 | 24.1 |

6.10 ROADS

Table 48: Gravel Road Infrastructure

| Gravel Road Infrastructure | | | | |
|----------------------------|--------------------|------------------------------|-------------------------------|--|
| | Total gravel roads | New gravel roads constructed | Gravel roads upgraded to pave | Kilometres Gravel roads graded/maintained |
| 2018/19 | 130 | 0 | 1 | 0 |
| 2019/20 | 130 | 0 | 1 | 0 |
| T 3,7.2 | | | | |

Table 49: Paved Road Infrastructure

| Paved Road Infrastructure | | | | | |
|---------------------------|-------------------|-----------------|-------------------------------|--------------------------------|----------------------------------|
| | Total paved roads | New paved roads | Existing paved roads re-paved | Existing pave roads re-sheeted | Kilometres Pave roads maintained |
| 2018/19 | 54.8 | 2.2 | 0 | 0 | 0 |
| 2019/2020 | 54.8 | 2.2 | 0 | 0 | 0 |
| T 3.7.3 | | | | | |

Table 50: Employees: Road Services

| Employees: Road Services | | | | | |
|--------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 10 - 12 | 0 | 1 | 0 | 1 | 100% |
| 13 - 15 | 0 | 5 | 0 | 5 | 100% |
| Total | 0 | 6 | 0 | 6 | 100% |

Table 51: Financial Performance: Road Services

| Financial Performance 2019/20: Road Services | | | | | |
|--|---------|-----------------|-------------------|--------|--------------------|
| R' 000 | | | | | |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 0 | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 1 961 | 4034 | 8949 | 7734 | 1 215 |
| Repairs and Maintenance | - | 0 | 0 | 26 | -26 |
| Other | 64 | 114 | 114 | 42 | 72 |
| Total Operational Expenditure | 2 020 | 4148 | 9063 | 7802 | 1 261 |
| Net Operational Expenditure | -2 025 | 4148 | 9063 | 7802 | 1 261 |
| T 3.7.8 | | | | | |

Table 52: Capital Expenditure: Road Services

| Capital Expenditure 2019/20: Road Services | | | | | |
|--|------------|-------------------|--------------------|-------------------------------|---------------------|
| R' 000 | | | | | |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | | | | |
| Project A: Koffiefontein upgrading of 2.2km paved road and storm water | 12 380 666 | 0 | 11 770 028.06 | 610 637.94 | 12 380 666 |
| Project B: Luckhoff upgrading of 0.9km paved road and storm water | 8 500 000 | 0 | 836 628.18 | 7 663 371.82 | 8 500 000 |
| | | | | | |
| T 3.7.9 | | | | | |

6.10.1 COMMENT ON THE PERFORMANCE OF ROADS OVERALL

A rehabilitation of the roads in Koffiefontein is planned for the next financial year with a value of **R12million** this project will rehabilitate 2.2km of the existing tarred roads which were in a very poor condition. Koffiefontein has been prioritised for this first phase of rehabilitation; this is due to the amount of roads that were collapsing due to poor or non-maintenance. This project will be replacing the tarred roads with a block paving that is durable and has a low maintenance.

LLM does not have any dedicated roads maintenance teams in place, a new organogram clearly indicates that there must be a maintenance team, no additional employees were appointed to address this matter. LLM has little road maintenance equipment available, this will assist the new team to **Start and Go**; the only obstacle will be their Vehicle, PPE and minor tools.

6.11 TRANSPORT

The municipality does not perform this function.

6.12 COMPONENT D: WASTE WATER (STORMWATER DRAINAGE)

6.12.1 INTRODUCTION TO STORMWATER DRAINAGE

The storm water of LLM is also one of the infrastructure that is neglected. This is due to the unavailability of staff, the above team mentioned in Roads section will also be tasked with maintaining the storm water drainage and unblocking them. Currently most of the storm water V-drains and canals are filled with debris if not blocked, this is a challenge during heavy rains because people housed get flooded where as they are not supposed to.

LLM is faced with a paramount challenge of controlling storm water in the entire municipality, areas like Petrusburg, Jacobsdal and Koffiefontein get flooded by occasional floods which affects the streets in Bolokanang. There is also historical records of floods in these areas, and the matter has been neglected for years. A Storm Water Wasterplan, O&M manuals and plans are the highest priority in this case. As LLM is likely a flat area, a full study must be made to control this storm water, all the aforesaid flags require budget which can be able to address them one at a time for a period of 5 years.

Table 53: Storm water Infrastructure

| Storm water Infrastructure | | | | Kilometres |
|----------------------------|----------------------------|--------------------------|-------------------------------|---------------------------------|
| | Total Storm water measures | New storm water measures | Storm water measures upgraded | Storm water measures maintained |
| 2018/19 | | | | |
| 2019/20 | | | | |

Table 54: Employees: Storm water Services

| Employees: Road Services | | | | | |
|--------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 10 - 12 | 7 | 7 | 7 | 0 | 0% |
| 13 - 15 | 3 | 6 | 3 | 3 | 50% |
| Total | 10 | 13 | 10 | 3 | 23% |
| T3.7.7 | | | | | |

Table 55: Financial Performance: Storm water Services

| Financial Performance 2019/20: Storm water Services | | | | | |
|---|-------------------------------|-----------------|-------------------|--------|--------------------|
| R'000 | | | | | |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | Included in roads table above | | | | |
| Expenditure: | | | | | |
| Employees | | | | | |
| Repairs and Maintenance | | | | | |
| Other | | | | | |
| Total Operational Expenditure | | | | | |
| Net Operational Expenditure | | | | | |
| T 3.9.7 | | | | | |

6.12.2 COMMENT ON PERFORMANCE OF STORMWATER DRAINAGE OVERALL

LLM currently does not have any sector plans for Storm water, it is however part of the procurement plan to appoint service providers to develop a Master plan for the entire municipality. The priorities of Storm water projects are as the list below:

- ❖ Petrusburg Bolokanang – the entire Bolokanang require an urgent attention with regards to storm water flooding from the N8 National Road to the Bolokanang area, the road is collecting water from downstream (Bloemfontein), acting as a barrier, it channels water to the Bolokanang houses and streets.
- ❖ Jacobsdal – Occasional floods has been recorded, this Storm water does not have any channelling, internal streets get flooded as and when it rains heavy.
- ❖ Koffiefontein – no proper Storm water channels, the elevation of Koffiefontein is close to a flat surface, some of the houses in Khayelitsha get flooded as and when it heavily rains.

6.13 COMPONENT E: PLANNING AND DEVELOPMENT

6.13.1 INTRODUCTION TO PLANNING AND DEVELOPMENT

This component includes planning and local economic development.

6.14 PLANNING

6.14.1 INTRODUCTION TO PLANNING

Table 56: Applications for Land Use Development

| Applications for Land Use Development | | | | | | |
|---------------------------------------|----------------------------|---------|----------|---------|-------------------|-----------------|
| Detail | Formalisation of Townships | | Rezoning | | Built Environment | |
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| Planning application received | 4 | 0 | 7 | 0 | 0 | 0 |
| Determination made in year of receipt | 0 | 0 | 0 | 0 | 0 | 0 |
| Determination made in following year | 0 | 0 | 0 | 0 | 0 | 0 |
| Applications withdrawn | 0 | 0 | 0 | 0 | 0 | 0 |
| Applications outstanding at year end | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | <i>T 3.10.2</i> |

Table 57: Employees: Urban Planning & Property Management

| Employees: Urban Planning & Property Management | | | | | |
|---|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 10 - 12 | 0 | 0 | 0 | 0 | 0 |
| 13 - 15 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 |
| | | | | | <i>T 3.10.4</i> |

Table 58: Financial Performance: Urban Planning & Property Management

| Financial Performance 2019/20: Urban Planning & Property Management | | | | | |
|---|---------|-----------------|-------------------|--------|--------------------|
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| | | | | | |
| Total Operational Revenue | 4 320 | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 174 | 475 | 475 | 204 | 271 |
| Repairs and Maintenance | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Total Operational Expenditure | 174 | 475 | 475 | 204 | 271 |
| Net Operational Expenditure | 4 146 | 475 | 475 | 204 | 271 |
| | | | | | <i>T 3.10.5</i> |

Table 59: Capital Expenditure 2019/20: Urban Planning & Property Management

| Capital Expenditure 2019/20: Urban Planning | | | | | |
|---|---------|-------------------|--------------------|-------------------------------|---------------------|
| | | | | | R' 000 |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | | | | |
| No projects for the financial year | | | | | |
| | | | | | |
| | | | | | |

6.15 LOCAL ECONOMIC DEVELOPMENT

6.15.1 INTRODUCTION TO ECONOMIC DEVELOPMENT

The growth of our local economy remains key priority to unlocking the employment opportunities for our people, thereby fighting head-on the socio-economic challenges facing our communities. The municipality is duty bound to create an environment that promotes the development of the local economy and create jobs.

In this regard, the municipality continue to strive to maximise our natural resources with the aim of attracting investors to unlock employment opportunities for our community and thereby helping to tackle the socio-economic challenges faced by our communities.

The municipality remain positive and hopeful that due to our stable political environment and our rich natural resources we will attract positive investment which will benefit our community in the long term.

The development of local SMME's also remains our responsibility to ensure that they are developed and assisted to grow into self-sustainable businesses that will continue to invest and contribute to the local economic growth.

Expanded Public Works Programme and Community Works Programme have contributed positively in keeping our towns clean and also created jobs.

6.15.1.1 COMMENT ON LOCAL JOB OPPORTUNITIES:

Creation of long-term sustainable jobs remains a key challenge, majority of jobs created are short term and only in the main alleviate key challenges such as unemployment for a short period. There is a much broader need to identify and source funding for bigger projects with the aim of creating long term sustainable employment opportunities for our people.

The majority of our youth are unemployed due to shortage of skills in order to qualify for some of the identified opportunities that end up being sourced elsewhere. To curb this, the municipality has partnered with the key local

stakeholders such as Motheo and Petra Mine to ensure that some of the youth are given opportunities to be skilled in order to access better employment opportunities as they become available.

Table 60: Jobs Created during 2019/20 by LED Initiatives

| Jobs Created during 2019/20 by LED Initiatives (Excluding EPWP projects) | | | | |
|--|--------------|--|--------------------------------|--|
| Total Jobs created / Top 3 initiatives | Jobs created | Jobs lost/displaced by other initiatives | Net total jobs created in year | Method of validating jobs created/lost |
| | No. | No. | No. | |
| Total (all initiatives) | | | | |
| Top initiatives | | | | |
| Contractor Development through subcontracting In projects implemented | 42 | 0 | 42 | MIG non-financial report. |

Table61: Jobs Created through EPWP projects

| Job creation through EPWP* projects | | |
|-------------------------------------|---|---|
| Details | EPWP Projects No. | Jobs created through EPWP projects No. |
| 2019/20 | 3 Projects: Infrastructure Sector-120(Roads) Environmental Sector-120(Cleaning) Social Sector-40(Securities) | 280 |
| | | |
| | | |
| * - Extended Public Works Programme | | |

Table 62: Employees: LED Services

| Employees: Local Economic Development Services | | | | | |
|--|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0 | 0% |
| 4 - 6 | 1 | 1 | 1 | 0 | 0% |
| Total | 1 | 1 | 1 | 0 | 0% |
| T 3.11.8 | | | | | |

Table 63: Financial Performance 2019/20: LED Services

| Financial Performance 2019/20: Local Economic Development Services | | | | | |
|--|---------|-----------------|-------------------|--------|--------------------|
| R'000 | | | | | |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | | 579 | 717 | 626 | 91 |
| Repairs and Maintenance | | 100 | 100 | 32 | 68 |
| Other | | 1401 | 57 | 111 | -54 |
| Total Operational Expenditure | | 2080 | 874 | 483 | 105 |
| Net Operational Expenditure | | 2080 | 874 | 483 | 105 |

Table 64: Capital Expenditure 2019/20: LED Services

| Capital Expenditure 2019/20 Economic Development Services | | | | | |
|---|---------|-------------------|--------------------|-------------------------------|---------------------|
| R' 000 | | | | | |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | | | | |
| No capital projects | | | | | |
| T 3,11.10 | | | | | |

6.15.1.2 COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

High unemployment and poverty remain huge challenges that affect the growth of the local economy. As such it is incumbent upon the municipality to make a conducive environment in which people may find it easier to become entrepreneurs in order to create job opportunities for the unemployed and also as a way to escape poverty.

As a municipality we remain committed to assisting our local SMMEs, formal and informal businesses to can conduct their business in a way that is sustainable and efficient for the local economy to can grow.

For the year under review, the LED unit has implemented the following successfully:

- Conducted SARS related workshops to assist SMMEs in our towns between 28 – 30 August 2019, SMMEs were also assisted with compliance documents that are needed to run their businesses.
- The municipality also facilitated and overseen the completion of negotiation process between Petra Diamonds and the Community to handover the mine dumps for the use by the community as a means of job creation, which eventually saw the launch of the Artisanal Mining project in Koffiefontein on the 31 October 2019.

- The municipality as its contribution to the project, built ablution facilities and installed water points so that the workers on the site can have access to these.
- The municipality together with other stakeholders supported Small Enterprise Development Agency(SED) with organising and participating in the Agricultural Seminar held in Jacobsdal on 17 October 2019, this seminar focused on cattle farming whereby farmers were given information on how to run their livestock as a business and not merely as a means of survival.
- The municipality also leased its unused building in Petrusburg to be used by two local SMMEs who have since established a funeral parlour and a tyre business at the said premises. The municipality will also avail other properties for the development of local SMMEs.
- At the start of the New Year 2020 the municipality had planned to host a SMME workshop in March which would have seen some SMMEs funded with grants to expand and grow their businesses based on their needs, adverts were issued in this regard and closed only waiting for adjudication with the stakeholders that the municipality had partnered with. Unfortunately due to the country going into lockdown in March we had to cancel this event and postpone it.
- In the period under review and in line with the national directives the municipality issued over 200 trading permits to the Hawkers, Spazashops and other businesses that were allowed to open during the different lockdown levels. This allowed our local business to keep operating and earning an income.
- The LED Officer coordinated the process of distribution, filling, and submission of application for relief from farmers to the Department of Agriculture. Over 40 application forms were submitted to the Department on behalf of the farmers. The Department of Agriculture is still busy with verification of the information provided by the farmers and are busy visiting the farms that have been identified for funding.
- There are various SMME relief funds that are related to loss of income during the lockdown by the National and Provincial Small Business Departments made available to the SMMEs. All of these funds require that the SMMEs apply directly to the departments and as the municipality we are not involved at all in this process and as such we have no idea as to the number of our SMMEs that are applying for these reliefs. However as the LED unit we have circulated information to our SMMEs to inform them of the available funding options that they can access.
- The LED Officer with SED) have undertaken visits to the South African owned tuckshops to assist the entrepreneurs to apply for the relief by the Departments.
- The Municipality with Department of Small Business in Free State (DEST) through their office of the consumer protector coordinated unannounced raids on businesses in our municipality to check compliance on lockdown regulations by these businesses. The last raids were conducted in Luckhoff on 03 June 2020 and in Petrusburg on 05 June 2020 other towns will be done unannounced.

As the municipality was having financial constraints to can fund some of our activities, we leveraged on our good partnerships with various stakeholders including other government departments and agencies as well as the private sector particularly Petra Diamonds Mine who came on board and ensured that some of our activities could take place without any hindrance.

Some of the planned activities could not be done due to the national lockdown restrictions.

The municipality is in the process of finalising the key policies which will assist with the direction the municipality should take in tackling the economic development challenges. These policies are;

- Commonage Management Policy
- Business Licence Policy

These policies are expected to be finalised during the coming financial year.

6.16 COMPONENT F: COMMUNITY & SOCIAL SERVICES

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

6.16.1 INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

The libraries function has been transferred to the Provincial Government.

6.17 LIBRARIES, ARTS AND CULTURE

6.17.1.1 INTRODUCTION TO CIVIC THEATRE, ARTS AND CULTURE

The municipality does not perform this function.

6.18 PARKS AND CEMETERIES

6.18.1.1 INTRODUCTION TO PARKS AND CEMETERIES

OVERVIEW

It is the responsibility of the Community services division to provide a healthy and a conducive environment to the public, to upgrade the current developed parks and to develop new parks for informal recreation. It is of paramount importance to maintain cemeteries and to provide graves for funerals.

CORE AREAS OF RESPONSIBILITY

- Public Parks and open spaces
- Cemeteries

LOCAL JOB OPPORTUNITIES

The municipality is making use of EPWP and CWP employees for the cleaning of the cemeteries.

Table 65: Employees: Parks and Cemeteries

| Employees: Parks and Cemeteries | | | | | |
|---------------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0 | 0% |
| Total | 0 | 0 | 0 | 0 | 0 |
| T 3.13.4 | | | | | |

Table 66: Financial Performance: Parks and Cemeteries

| Financial Performance 2019/20: Parks and Cemeteries | | | | | |
|---|---------|-----------------|-------------------|--------|--------------------|
| | | | | | R'000 |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 0 | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 0 | 0 | 0 | 0 | 0 |
| Repairs and Maintenance | 0 | 500 | 250 | 304 | -54 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Total Operational Expenditure | 0 | 500 | 250 | 340 | -54 |
| Net Operational Expenditure | 0 | 500 | 250 | 340 | -54 |
| T 3.13.5 | | | | | |

Table 67: Capital Expenditure: Parks and Cemeteries

| Capital Expenditure 2019/20: Parks and Cemeteries | | | | | |
|---|---------|-------------------|--------------------|-------------------------------|---------------------|
| | | | | | R' 000 |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 0 | 0 | 0 | 0 | |
| No capital project for the Financial year | | | | | |
| | | | | | |
| T 3.13.6 | | | | | |

SPECIAL PROGRAMMES

6.18.1.2 INTRODUCTION TO SPECIAL PROGRAMMES

Special programmes are located in the Office of the Mayor and include the youth, women, disabled, aged, children and HIV/AIDS. The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

6.18.1.2.1 COMMENT ON THE PERFORMANCE OF SPECIAL PROGRAMMES OVERALL

The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

6.19 COMPONENT G: ENVIRONMENTAL PROTECTION

6.19.1 INTRODUCTION TO ENVIRONMENTAL PROTECTION

Top priority of the municipality is to formulate policies and procedures aimed at conserving the natural resources, preserving the current state of natural environment and where possible, reversing its degradation.

6.19.1.1 SERVICE STATISTICS FOR ENVIRONMENTAL PROTECTION

Environmental master plan to be designed with the assistance of the Department of Economic, Small Business Development, Tourism and Environmental Affairs.

6.20 OTHER (DISASTER MANAGEMENT & OTHER)

6.20.1.1 INTRODUCTION TO DISASTER MANAGEMENT

As per Section 53 (1) of the Disaster Management Act, 57 of 2005 each municipality must:

- prepare a disaster management plan for its area according to the circumstances prevailing in the area;
- co-ordinate and align the implementation of its plan with those of other organs of state and institutional role-players; and
- regularly review and update its plan; and through appropriate mechanisms, processes and procedures established in terms of Chapter 4 of the Local Government Systems Act, 2000 (Act No. 32 of 2000), consult the local community on the preparation or amendment of its plan.

Letsemeng Municipality has mostly partnered with the Xhariep District Municipality to develop a disaster management plan for its area of jurisdiction since. Disaster management function is not functional due lack of equipment. LLM has developed a Disaster Management Plan locally and it was approved by Council for the year under review.

6.21 SPORT AND RECREATION

6.21.1.1 INTRODUCTION TO SPORT AND RECREATION

The Municipality's core function is to maintain all sport and recreation facilities within its jurisdiction. The municipality also supports sports programmes such as the O.R Tambo regional games by assisting with transport through the office of Mayor.

Table 68: Employees: Sport and Recreation

| Employees: Sport and Recreation | | | | | |
|---------------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0 | |
| Total | 0 | 0 | 0 | 0 | |
| T 3.23.3 | | | | | |

Table 69: Financial Performance: Sport and Recreation

| Financial Performance 2018/19: Sport and Recreation R'000 | | | | | |
|--|---------|-----------------|-------------------|--------|--------------------|
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 0 | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 0 | 0 | 0 | 0 | 0 |
| Repairs and Maintenance | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Total Operational Expenditure | 0 | 0 | 0 | 0 | 0 |
| Net Operational Expenditure | 0 | 0 | 0 | 0 | 0 |

Table 70: Capital Expenditure: Sport and Recreation

| Capital Expenditure 2019/20: Sport and Recreation R' 000 | | | | | |
|---|---------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | | | | |
| No project for sports and recreation | 0 | 0 | 0 | 0% | 0 |
| 2019/20 | | | | | |
| T 3.23.5 | | | | | |

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

7.1 INTRODUCTION TO THE OFFICE OF THE MUNICIPAL MANAGER

The Municipal Manager is the Accounting Officer of the Municipality. As Accounting Officer he/she may delegate certain duties to the Chief Financial Officer, who will be accountable to him. The Municipal Manager is therefore accountable for all transactions entered into by his designates.

The Office of the Municipal Manager consists of the following administrative units:

- Internal Audit and Risk Management
- Integrated Development Planning and Performance Management
- ICT

The Municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The top three service delivery priorities are as follows:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishment/rehabilitation of existing infrastructure.
- Provision of basic services such as water, electricity and roads

SERVICE STATISTICS FOR THE OFFICE OF THE MUNICIPAL MANAGER

Table 71: Service Statistics: Office of the Municipal Manager

| Service Activity | Service Results |
|--|-----------------|
| Number of senior management meetings held: | 9 |
| Number of management meetings held: | 5 |
| Number of quarterly stakeholder meetings convened: | 4 |

Table 72: Employees: Office of the Municipal Manager

| Employees: Executive and Council | | | | | |
|----------------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | 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 | 1 | 0 | 1 | 100% |
| 7 – 9 | 3 | 4 | 3 | 1 | 25% |
| 10 - 12 | 2 | 2 | 2 | 0 | 0% |

| | | | | | |
|----------|---|---|---|---|--|
| 13-15 | 0 | 0 | 0 | 0 | |
| Total | 5 | 7 | 5 | 2 | |
| T 3.24.4 | | | | | |

Table 73: Financial performance: Office of the MM

| Financial Performance 2019/20: Office of the MM | | | | | |
|---|---------|-----------------|-------------------|--------|--------------------|
| R'000 | | | | | |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 0 | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 4 072 | 5138 | 6112 | 5189 | 923 |
| Repairs and Maintenance | | 1100 | 2850 | 2754 | 96 |
| Other | 12 389 | 2060 | 1105 | 3893 | -2788 |
| Total Operational Expenditure | 16 461 | 8298 | 10067 | 11836 | -1769 |
| Net Operational Expenditure | -16 461 | 8298 | 10067 | 11836 | -1769 |
| T 3.24.5 | | | | | |

Table 74: Capital Expenditure: Office of the MM

| Capital Expenditure 2019/20: Office of the MM | | | | | |
|---|---------|-------------------|--------------------|-------------------------------|---------------------|
| R' 000 | | | | | |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 0 | 0 | 0 | 0% | |
| No capital expenditure for the financial year | | | | | |
| | | | | | |

7.2 FINANCIAL SERVICES

7.2.1 INTRODUCTION TO FINANCIAL SERVICES

Debt recovery has been a serious concern over the past years. The municipality struggles to collect 100% of what is billed on monthly basis. The arrears are not really serviced. Write-offs have been implemented on irrecoverable inactive accounts older than 3 years and cut offs are performed regularly. However, the municipality experience some difficulties in some of the areas within Letsemeng jurisdiction especially when a need arise for the electricity cut-offs, for instance, it was established that there are illegal connections of 1 750 households and the municipality encounters complexities when executing cut-off lists as the community threatens to go on community unrest. The municipality has put its focus on debt collection supporting Revenue Division under those circumstances.

There is a challenge of low revenue collection due to non-payment of accounts. . Cut-off processes are performed on regular basis to address revenue losses from electricity, water services and other services. Faulty meters both water and electrical are being replaced as much as the supply of manpower allows to improve the collection rate.

Table 75: Employees: Financial Services

| Employees: Financial Services | | | | | |
|-------------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 – 3 | 15 | 19 | 15 | 4 | 21.05% |
| 4 – 6 | 16 | 24 | 16 | 8 | 33.33% |
| 7 – 9 | 4 | 6 | 4 | 2 | 33.33% |
| 10 - 12 | 3 | 3 | 3 | 3 | 0% |
| 13 - 15 | 0 | 0 | 0 | 0 | 0 |
| Total | 38 | 52 | 38 | 17 | 27% |
| T 3.25.4 | | | | | |

Table 76: Financial Performance: Financial Services

| Financial Performance 2019/20: Financial Services R'000 | | | | | |
|--|----------------|-----------------|-------------------|--------|--------------------|
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 15 681 | 20826 | 22493 | 26292 | |
| Expenditure: | | | | | |
| Employees | 12 489 | 9209 | 10268 | 7928 | 2340 |
| Repairs and Maintenance | 15 | 5752 | 1030 | 2768 | -1738 |
| Other | 42 200 | 3755 | 4455 | 20844 | -16389 |
| Total Operational Expenditure | 54 704 | 18716 | 15753 | 31540 | -15787 |
| Net Operational Expenditure | -39 023 | 2110 | 6740 | -5248 | 11988 |
| T 3.25.5 | | | | | |

Table 77: Capital expenditure: Financial Services

| Capital Expenditure 2019/20: Financial Services R' 000 | | | | | |
|---|---------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 0 | 0 | 0 | 0% | |
| No capital expenditure for the financial year | | | | | |
| | | | | | |

7.3 HUMAN RESOURCE SERVICES

7.3.1 INTRODUCTION TO HUMAN RESOURCE SERVICES

Human Resources is one of the supporting function in Corporate Services Department, its main functions are as follows: Leave Administration, Recruitment, Benefits and Terminations.

Priority: Institutional Performance Capacity and staff provision

To improve performance the Council approved Performance Management Policy and the Institutional Performance Management Framework that will provide guidance in measuring, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

The Municipality is currently standing with a total staff component of 200 employees as at end June 2019. The Municipality filled a total number of 17 positions, during the financial year 2019/20. A total of 17 terminations were recorded due to different types of terminations e.g. Death, retirement, ill health and resignations.

A total number of 5 training interventions were implemented with 75 employees being trained. Other main service statistics are included in Chapter 4 of the Annual Report.

Table 78: Employees: Human Resource Services

| Employees: Human Resource Services | | | | | |
|------------------------------------|-----------|---------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 – 3 | 8 | 10 | 8 | 2 | 20% |
| 4 – 6 | 8 | 9 | 8 | 1 | 11.11% |
| 7 – 9 | 1 | 5 | 1 | 4 | 80% |
| 10 - 12 | 2 | 2 | 2 | 0 | 0% |
| Total | 19 | 26 | 19 | 7 | 111.11% |
| T3.26.4 | | | | | |

Table 79: Financial Performance: Human Resource Services

| Financial Performance 2019/20: Human Resource Services | | | | | |
|--|---------|-----------------|-------------------|--------|--------------------|
| R'000 | | | | | |
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | | 0 | 0 | 0 | 0 |
| Expenditure: | 0 | | | | |
| 0 | 5 188 | 2591 | 4565 | 4928 | -363 |
| Repairs and Maintenance | - | 1191 | 20 | 33 | -13 |
| Other | 1 586 | 4158 | 806 | 2108 | -1302 |
| Total Operational Expenditure | 6 774 | 7940 | 5391 | 7069 | -1678 |
| Net Operational Expenditure | -6 774 | 7940 | 5391 | 7069 | -1678 |
| T 3.26.5 | | | | | |

Table 80: Capital Expenditure: Human Resource Services

| Capital Expenditure 2019/20: Human Resource Services | | | | | |
|--|---------|-------------------|--------------------|-------------------------------|---------------------|
| R' 000 | | | | | |
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 0 | 0 | 0 | 0% | |
| No projects for the financial year | | | | | |
| | | | | | |

7.4 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

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

7.4.1 INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Our 3 primary objectives in ICT are:

- To minimize IT downtime;
- To ensure that our financial system data is backed-up on a regular basis; and
- To ensure all IT queries are addressed within 48 hours depending on the nature of the query and availability of resources .

Table 81: Employees: ICT Services

| Employees: ICT Services | | | | | |
|-------------------------|------------------|--------------|------------------|--|---|
| Job Level | 2019/20 | 2019/20 | | | |
| | Employees No. | Posts No. | Employees No. | Vacancies (fulltime equivalents) No. | Vacancies (as a % of total posts) % |
| 0 - 3 | 0 | 0 | 0 | 0 | 0% |
| 7 - 9 | 1 | 2 | 1 | 1 | 50% |
| Total | 1 | 2 | 1 | 1 | 50% |
| | | | | | T3.27.4 |

Table 82: Financial Performance: ICT Services

| Financial Performance 2019/20: ICT Services R'000 | | | | | |
|--|---------|--------------------|----------------------|--------|-----------------------|
| Details | 2018/19 | 2019/20 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | | 407 | 231 | 0 | 231 |
| Repairs and Maintenance | | 175 | 20 | 24 | -4 |
| Other | | 117 | 15 | 108 | -93 |
| Total Operational Expenditure | | 699 | 266 | 132 | 134 |
| Net Operational Expenditure | | 699 | 266 | 132 | 134 |
| | | | | | T 3.27.5 |

Table 83: Capital Expenditure: ICT Services

| Capital Expenditure 2019/20: ICT Services R' 000 | | | | | |
|---|---------|----------------------|-----------------------|-------------------------------------|------------------------|
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 0 | 0 | 0 | 0 | 0 |
| No capital project for this year | | | | | |

7.5 LEGAL AND COUNCIL SUPPORT SERVICES

7.5.1 INTRODUCTION TO LEGAL AND COUNCIL SUPPORT SERVICES

The primary function of this division is to:

- Provide administrative support to Council.
- To attend to all legal related matters on behalf of the Municipality.
- To provide auxiliary services to the administration.
- To spearhead Batho Pele Principles and Back to Basics.
- To attend to all customer care related issues.

Table 84: Employees: Legal and Council Support Services

| Employees: Legal and Council Support Services | | | | | |
|---|-----------|---------|-----------|-------------------------------------|--------------------------------------|
| Job Level | 2018/19 | 2019/20 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 - 3 | 0 | | | 0 | 0% |
| 4 - 6 | 0 | 0 | 0 | 0 | 0% |
| 10 - 12 | 0 | 0 | 0 | 0 | 0% |
| 19 - 20 | 0 | 0 | 0 | 0 | 0% |
| Total | 0 | 0 | 0 | 0 | 0% |
| | | | | | T 3.28.4 |

Table 85: Financial Performance: Legal and Council Support Services

| Financial Performance 2019/20: Legal and Council Support Services R'000 | | | | | |
|--|---------|-----------------|-------------------|--------|--------------------|
| Details | 2019/20 | | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | | | | | |
| Expenditure: | | | | | |
| Employees | | 0 | 0 | | |
| Repairs and Maintenance | | | | | |
| Other | | | | | |
| Total Operational Expenditure | | 0 | 0 | | |
| Net Operational Expenditure | | | | | |
| | | | | | <i>T 3.28.5</i> |

Table 86: Capital Expenditure: Legal and Council Support Services

| Capital Expenditure 2019/20: Legal and Council Support Services R' 000 | | | | | |
|---|---------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | 2019/20 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 0 | 0 | 0 | 0 | |
| No capital project for this year | | | | | |
| Polishers | 0 | 0 | 0 | 0 | |
| Space saving cabinets | 0 | 0 | 0 | 0 | |
| | | | | | <i>T 3.28.6</i> |

COMMENT ON LEGAL AND COUNCIL SUPPORT SERVICE PERFORMANCE OVERALL

The Legal and Support Services Division perform exceptionally well for the period in review. It ensured that the Municipal Council sits as required by the Municipal Systems Act and the Standard Rules and Orders and make necessary preparations for community consultation. It further provided administrative support to the entire institution.

7.6 COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Table 87: Total Number of Employees

| Employees | | | | | |
|------------------------------------|------------------|--------------------------|------------------|------------------|----------------|
| Description | 2018/19 | 2019/20 | | | |
| | Employees No. | Approved Posts No. | Employees No. | Vacancies No. | Vacancies % |
| Water | 11 | 20 | 09 | 03 | 33% |
| Waste Water (Sanitation) | 6 | 12 | 16 | 00 | 0% |
| Electricity | 8 | 9 | 07 | 04 | 57% |
| Waste Management | 24 | 30 | 35 | 08 | 23% |
| Housing | 2 | 2 | 02 | 00 | 0% |
| Waste Water (Storm water Drainage) | 0 | 0 | 11 | 16 | 145% |
| Roads | 0 | 0 | - | | 0% |
| Transport | 0 | 0 | - | | 0% |
| Planning | 0 | 0 | 0 | 00 | 0% |
| | 1 | 1 | 1 | 00 | 0% |
| Planning (Strategic & Regulatory) | 0 | 0 | 0 | 00 | 0% |
| Community & Social Services | 0 | 0 | 0 | 00 | 0% |
| Environmental Protection | 0 | 0 | 0 | 00 | 0% |
| Health | 0 | 0 | 0 | 00 | 0% |
| Security and Safety | 0 | 0 | 0 | 00 | 0% |
| Sport and Recreation | 0 | 0 | 0 | 00 | 0% |
| Corporate Policy Offices and Other | 0 | 0 | 0 | 00 | 0% |
| Totals | 51 | 73 | 81 | 31 | 38% |

T 4.1.1

Table 88: Vacancy Rate

| Vacancy Rate: 2019/20 | | | |
|---|------------------------------|---|--|
| Designations | *Total Approved Posts No. | *Vacancies (Total time that vacancies exist using fulltime equivalents) No. | *Vacancies (as a proportion of total posts in each category) % |
| Municipal Manager | 1 | 0 | 100% |
| CFO | 1 | 0 | 100% |
| Other S57 Managers (excluding Finance Posts) | 2 | 1 | 50% |
| Other S57 Managers (Finance posts) | 0 | 0 | 0% |
| Police officers | 0 | 0 | 0% |
| Fire fighters | 0 | 0 | 0% |
| Senior management: Levels 13-15 (excluding Finance Posts) | 2 | 2 | 100% |
| Senior management: Levels 13-15 (Finance posts) | 3 | 0 | 100% |
| Highly skilled supervision: levels 9-12 (excluding Finance posts) | 4 | 3 | 25% |
| Highly skilled supervision: levels 9-12 (Finance posts) | 2 | 2 | 100% |
| Total | 15 | 8 | |
| T 4.1.2 | | | |

A high turnover rate may be costly to a Municipality and might negatively affect productivity, service delivery and institutional memory/Organizational knowledge. Below is a table that shows the turnover rate within the Municipality.

The table below indicates the turn-over rate over the last three years:

Table 89: Turn-over rate

| Turn-over Rate | | | |
|----------------|---|---|-----------------|
| Details | Total Appointments as of beginning of Financial Year No. | Terminations during the Financial Year No. | Turn-over Rate* |
| 2018/19 | 11 | 13 | |
| 2019/20 | 0 | 11 | |
| T 4.1.3 | | | |

7.6.1 COMMENT ON VACANCIES AND TURNOVER:

The Council approved the organizational structure in January 2020. Some critical positions that needed to be filled have been filled and recruitment processes are underway to accommodate other critical positions.

During the 2019/20 financial year a total number of one position was advertised externally. The position of Junior PMU Technician was advertised and filled.

Turnover is mainly as a result of terminations e.g. death, resignation, retirements and ending of fixed term contracts.

7.7 COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

7.7.1 INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality is constituted of five departments, Office of the Municipal Manager, Department of Corporate Services, Department of Finance, Department of Community Services and the Department of Technical Services of which each head of department is responsible for the management of the workforce in its department. Furthermore, each department is divided into divisions that are headed by managers who responsible for the discipline and work of employees in their divisions.

7.7.2 COMMENT ON WORKFORCE POLICY DEVELOPMENT:

During the financial year 2019/20, the Human Resource Policies Manual was reviewed and employees workshopped on it. It was tabled before the Council and approved in August 2019.

7.8 POLICIES

Table 90: HR Policies and Plans

| HR Policies and Plans | | | | |
|-----------------------|---|-------------|------------|--|
| | Name of Policy | Completed % | Reviewed % | Date adopted by council or comment on failure to adopt |
| 1 | Affirmative Action | | 95.0% | Not available |
| 2 | Attraction and Retention | 100% | | Part of HR Policy Manual/ 29 August 2019 |
| 3 | Code of Conduct for employees | | 100% | Collective Bargaining Council matter |
| 4 | Delegations, Authorisation & Responsibility | | 95.0% | Avail, needs to be reviewed |
| 5 | Disciplinary Code and Procedures | 100% | | Collective Bargaining Council |
| 6 | Essential Services | | 95.0% | Discussed at the level of the Local Labour Forum |
| 7 | Employee Assistance / Wellness | 100% | | Part of HR policy Manual/ 29 August 2019 |
| 8 | Employment Equity | | 95.0% | Not available |
| 9 | Exit Management | | 00.0% | Policy not yet developed |
| 10 | Grievance Procedures | | 100.0% | Collective Bargaining Council matter |
| 11 | HIV/Aids | | 95.0% | Part of HR Policy Manual/ 29 August 2019 |
| 12 | Human Resource and Development | 100% | | Part of HR Policy Manual/ 29 August 2019 |
| 13 | Information Technology | 100% | | In the process of developing IT policies |
| 14 | Job Evaluation | | 95.0% | In the process of conducting job evaluation |
| 15 | Leave | 100% | | Part of HR Policy manual/ 29 August 2019 |
| 16 | Occupational Health and Safety | 100% | | Part of HR Policy Manual/ 29 August 2019 |
| 17 | Official Housing | 100% | | Part of HR Policy Manual/ 29 August 2019 |
| 18 | Official Journeys | | 95.0% | Available |
| 19 | Official transport to attend Funerals | | 95.0% | A draft has been developed, still to be tabled before the LLF. |

| HR Policies and Plans | | | | |
|-----------------------|---|-------------|------------|--|
| | Name of Policy | Completed % | Reviewed % | Date adopted by council or comment on failure to adopt |
| 20 | Official Working Hours and Overtime | 100% | | Part of HR Policy Manual/29 August 2019 |
| 21 | Organisational Rights | | 95.0% | Collective Bargaining Council matter |
| 22 | Payroll Deductions | | 95.0% | Referred back to the section 79 Committee to further refinement. |
| 23 | Performance Management and Development | | | |
| 24 | Recruitment, Selection and Appointments | 100% | | Part of HR Policy Manual/29 August 2019 |
| 25 | Remuneration Scales and Allowances | | 95.0% | Available |
| 26 | Resettlement | | 95.0% | Available |
| 27 | Sexual Harassment | 100% | | Part of HR Policy Manual/29 August 2019 |
| 28 | Skills Development | 100% | | Part of HR Policy Manual/ 29 August 2019 |
| T 4.2.1 | | | | |

7.9 INJURIES, SICKNESS AND SUSPENSIONS

Table 91: Number and Cost of Injuries on Duty

| Number and Cost of Injuries on Duty | | | | | |
|---------------------------------------|----------------------------|-------------------------------------|--|---|-------------------------------|
| Type of injury | Injury Leave Taken Days | Employees using injury leave No. | Proportion employees using sick leave % | Average Injury Leave per employee Days | Total Estimated Cost R'000 |
| Required basic medical attention only | 0 | 0 | 0 | 0 | 0 |
| Temporary total disablement | - | | | | |
| Permanent disablement | - | | | | |
| Fatal | - | | | | |
| Total | 0 | 0 | 0 | 0 | 0 |
| T 4.3.1 | | | | | |

7.9.1 COMMENT ON INJURY AND SICK LEAVE:

The Municipality has put necessary precautions in place to mitigate the injuries from happening. The rate of employees who take sick leave is very minimal and it does not affect the smooth running of the operations.

Table 92: Number and Period of Suspensions

| Number and Period of Suspensions | | | | |
|----------------------------------|------------------------------|--------------------|--|----------------|
| Position | Nature of Alleged Misconduct | Date of Suspension | Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised | Date Finalised |
| NONE | | | | |
| | | | | |
| T 4.3.5 | | | | |

Table 93: Disciplinary Action Taken on Cases of Financial Misconduct

| 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 | | | |
| | | | |
| T 4.3.6 | | | |

7.9.2 COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

No employee was suspended for negligent of responsibilities under period in review and no cases of financial misconducted were reported or discovered.

7.10 PERFORMANCE REWARDS

In terms of regulation 8 of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 R.805 a bonus may only be paid after the municipal council has adopted the annual report of the year under review.

The majority of Managers (Directors) appointed in terms of Section 56 of the MSA are on fixed-term performance contracts. The Individual Performance Management System has not yet been cascaded down to the second reporting line of managers. Currently no performance bonus system or policy exists to pay bonus to non-section 57 employees. This will be put in place once the organisation achieves the necessary performance management maturity level.

The table below sets out the total number and cost of annual bonuses paid out to senior managers and fixed term contract employees for the 2019/20 financial year:

7.10.1 COMMENT ON PERFORMANCE REWARDS

There were no performances rewards issued to employees during the period under review.

7.11 ORGANISATIONAL PERFORMANCE SCORECARD

Performance Management is a process, which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, and measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets meet its strategic goals, set by the organisation and its employees, are met.

The constitution of S.A (1996) section 152 states that, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government" The democratic values and principles in terms of section 195 (1) are also linked with the concept of Performance management, with reference to the principles of inter alia:

- the promotion of efficient, economic and effective use of resources,
- accountable public administration
- to be transparent by providing information,
- to be responsive to the needs of the community,
- and to facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players."

Section 57 makes the employment of the Municipal Manager and Managers directly accountable to him subject to a separate performance agreement concluded annually before the end of July each year. Section 67 regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to hold municipal staff accountable to serve the public efficiently and effectively. Performance Management, therefore, is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities.

7.12 COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states, that a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose the human resource capacity of a Municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

7.12.1.1 INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The local sphere of government falls under Local Government Sector Education and Training Authority and is required to conduct skill audit and thereafter develop Workplace Skill Plan (WSP) which is accompanied by Training Plan. This Training Plan outlines the trainings that would be undertaken in a particular financial year. The employees are being sent to different training courses based on the skills identified in the WSP.

7.13 SKILLS DEVELOPMENT AND TRAINING

Table 94: Skills Matrix

| Skills Matrix | | | | | | | | | | | | | | |
|--|--------|---|---|------------------------|----------------|---|------------------------|----------------|-------------------------|------------------------|----------------|------------------------|------------------------|----------------|
| Management level | Gender | Employees in post as at 30 June 2019/20 | Number of skilled employees required and actual as at 30 June 2019/20 | | | | | | | | | | | |
| | | | Learnerships | | | Skills programmes & other short courses | | | Other forms of training | | | Total | | |
| | | No. | Actual: End of 2019/20 | Actual: End of 2019/20 | 2019/20 Target | Actual: End of 2019/20 | Actual: End of 2019/20 | 2019/20 Target | Actual: End of 2019/20 | Actual: End of 2019/20 | 2019/20 Target | Actual: End of 2019/20 | Actual: End of 2019/20 | 2019/20 Target |
| MM and s57 | Male | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Male | 4 | 0 | 0 | 0 | 0 | 4 | 4 | 0 | 4 | 0 | 0 | 4 | 0 |
| | Female | 1 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 0 |
| Councillors, senior officials and managers | Female | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 2 | 2 |
| | Male | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 9 | 9 | 9 | 9 |
| Technicians and associate professionals * | Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professionals | Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub total | Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 16 | 0 | 0 | 0 | 0 | 4 | 4 | 0 | 15 | 11 | 11 | 15 | 11 |
| *Registered with professional Associate Body e.g CA (SA) | | | | | | | | | | | | | T 4.5.1 | |

Table 95: Financial Competency Development: Progress Report

| Financial Competency Development: Progress Report* | | | | | | |
|--|--|---|--------------------------------------|---|---|--|
| Description | A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c)) | B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c)) | Consolidated: Total of A and B | Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d)) | Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f)) | Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e)) |
| Financial Officials | 0 | 0 | 0 | | 0 | 0 |
| <i>Accounting officer</i> | 1 | 0 | 1 | 1 | 1 | 1 |
| <i>Chief financial officer</i> | 1 | 0 | 1 | 1 | 1 | 1 |
| <i>Senior managers</i> | 3 | 0 | 3 | 3 | 3 | 3 |
| <i>Any other financial officials</i> | 10 | 0 | 10 | 7 | 0 | 7 |
| Supply Chain Management Officials | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Heads of supply chain management units</i> | 1 | 0 | 1 | 1 | 0 | 1 |
| <i>Supply chain management senior managers</i> | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 16 | 0 | 16 | 13 | 5 | 13 |

7.14 COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

7.14.1 INTRODUCTION TO WORKFORCE EXPENDITURE

Section 66 of the MFMA states that the Accounting Officer of a Municipality must report to the Council on all expenditure incurred by the Municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

7.15 EMPLOYEE EXPENDITURE

The success or failure of a municipality depends on the quality of its political leadership, sound governance of its finances, the strength of its institutions and the caliber of staff working for the municipality.

Although sound financial governance is perceived to be most important, without proper personnel management, municipalities are likely to experience difficulty. This has become increasingly evident in a number of large municipalities that have recently found themselves in precarious financial situations, and is certainly true of many smaller municipalities. An analysis of municipal finances suggests that personnel issues lie at the heart of many of the financial problems experienced by municipalities.

At an aggregate level, about 33 per cent of the total municipal operating budget gets spent on the remuneration of personnel.

Municipalities are required to carry out quality services in an effective, efficient and financially sound manner by supporting the principles of ensuring cost-effective and affordable service delivery. Accountability and transparency are, therefore, important when managing workforce expenditure. If the Municipality wants to be effective, it is important to ensure that the Municipality plan properly. To ensure that the Municipality adhere to legislation, only approved and budgeted posts on the structure are advertised. The training and development of internal staff are aimed at ensuring that they are able to perform their duties better.

As can be seen from the graph below the workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

7.15.1 COMMENT ON WORKFORCE EXPENDITURE:

The Municipal workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

Table 96: Number of Employees Whose Salaries Were Increased Due to Their Positions Being Upgraded

| Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded | | |
|---|--------|-------|
| Beneficiaries | Gender | Total |
| There were no salary increases due to upgrading of employee's position on the period under review. | | |
| <i>Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</i> | | |

Table 97: Employees Whose Salary Levels Exceed the Grade Determined by Job Evaluation

| Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation | | | | |
|---|---------------------|----------------------|--------------------|----------------------|
| Occupation | Number of employees | Job evaluation level | Remuneration level | Reason for deviation |
| None. | | | | |

Table 98: Employees appointed to posts not approved

| Employees appointed to posts not approved | | | | |
|---|-------|---------------------|---------------|---|
| Department | Level | Date of appointment | No. appointed | Reason for appointment when no established post exist |
| No appointments were made to posts not approved on the structure. | | | | |

7.15.2 COMMENT ON WORKFORCE EXPENDITURE:

There was no upgrade of positions due to job evaluation for the financial year 2019/20. Some variances are legacy issues that occurred as a result of previous amalgamation.

8 CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of the following three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

8.1 COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The municipality's performance during the year under review has been unsatisfactory, due to financial constraints, municipality experienced decline in revenue.

With the GRAP 24 (Presentation of Budget Information in Financial Statements) now effective, detailed analysis and comments for comparatives of Actual against Budgeted Amounts are shown in the financial statement, which forms part of this report.

STATEMENTS OF FINANCIAL PERFORMANCE

8.1.1 INTRODUCTION TO FINANCIAL STATEMENTS

The following sections provide an overview of the financial results of the Municipality for the year under review per economic classification compared to the prior year audited results, the original and final adjustments budget.

Total recognised revenue was R 193,390,866, the budgeted figure of R 189,049,992

The highlights of income recognised are as follows:

- Actual service charges amounts to R49,589,282 against a budget amount of R36,812,770
- Treasury withheld funds to repay unspent grants on MIG and WSIG.
- Total expenditure incurred amounted to R 224,801,652 and the budgeted expenditure was R185,035,157.

GRANTS

Table 99: Grant Performance

| Grants Performance | | | | |
|--|-----------|---------------|-------------------|---------------|
| Description | 2018/2019 | 2019/2020 | | |
| | Actual | Budget | Adjustment Budget | Actual |
| <u>Operational Transfers and Grants</u> | - | - | - | - |
| Equitable Shares | | 63,668,000.00 | - | 63,668,000.00 |
| Other Transfers | | 5,625,000.00 | - | 5,625,000.00 |
| | | | | |
| <u>Capital Grants and Transfers</u> | | | | |
| MIG | | 17,149,000.00 | - | 11,444,660.00 |
| INEP | | 5,200,000.00 | | 52,000,000.00 |
| WSIG | | 24,000,000.00 | | 16,187,351.00 |

Grants received from sources other than Division of Revenue Act (DoRA)

| Grants Received From Sources Other Than Division of Revenue Act (DoRA) | | | | | | |
|--|----------------------|----------------------|--------------------------------|-----------------------|--|--|
| Details of Donor | Actual Grant 2019/20 | Actual Grant 2019/20 | 2018/20 Municipal Contribution | Date Grant terminates | Date Municipal contribution terminates | Nature and benefit from the grant received, include description of any contributions in kind |
| Parastatals – No grants received | | | | | | |
| | | | | | | |
| Foreign Governments/Development Aid Agencies – No grants received | | | | | | |
| | | | | | | |
| Private Sector / Organisations – No grants received | | | | | | |
| | | | | | | |
| <i>T 5.2.3</i> | | | | | | |

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

The municipality did not receive any conditional grants from sources other than the DoRA.

ASSET MANAGEMENT

Table 100: Treatment of the three largest assets acquired

| TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED '2019/20 | | | | |
|---|--|--|----------------|--|
| Asset 1 | | | | |
| Name | Koffiefontein 4 ml Water Treatment Works | | | |
| Description | Water Treatment Works Project in Jacobsdal | | | |
| Asset Type | Infrastructure asset | | | |
| Key Staff Involved | Mpho Tsoene | | | |
| Staff Responsibilities | Project Management | | | |
| Asset Value (Spent in 2019/20) | | | 2019/20 | |
| | | | R 12.7 million | |
| Capital Implications | Service Delivery Asset | | | |
| Future Purpose of Asset | Improved Service Delivery | | | |
| Describe Key Issues | | | | |
| Policies in Place to Manage Asset | Yes | | | |
| Asset 2 | | | | |
| Name | Construction of 8 speed humps at 0.9 km paved road and storm water in Luckhoff | | | |
| Description | Construction of 8 speed humps at 0.9 km paved road and storm water in Luckhoff | | | |
| Asset Type | Infrastructure asset (Roads) | | | |
| Key Staff Involved | Mpho Tsoene | | | |
| Staff Responsibilities | Project Management | | | |
| Asset Value (Spent in 2019/20) | | | 2019/20 | |
| | | | R 6.9 million | |
| Capital Implications | Service Delivery Asset | | | |
| Future Purpose of Asset | Service delivery (roads) | | | |
| Describe Key Issues | | | | |
| Policies in Place to Manage Asset | Yes | | | |
| Asset 3 | | | | |
| Name | Construction of Sport Fields in Dithlake - Koffiefontein | | | |
| Description | Construction of Sport Fields in Dithlake - Koffiefontein | | | |
| Asset Type | Infrastructure Asset | | | |
| Key Staff Involved | Mpho Tsoene | | | |
| Staff Responsibilities | Project management | | | |
| Asset Value (Spent in 2019/20) | | | 2019/20 | |
| | | | 8 million | |
| Capital Implications | Service Delivery Asset | | | |
| Future Purpose of Asset | Sports and Recreation | | | |
| Describe Key Issues | | | | |
| Policies in Place to Manage Asset | Yes | | | |

COMMENT ON ASSET MANAGEMENT:

Majority of Assets are procured through Grants, the Municipality has an asset management unit, which deals with all asset management issues.

Table 101: Repairs and Maintenance Expenditure

| Repair and Maintenance Expenditure: 2019/20 | | | | |
|---|-----------------|-------------------|--------|-----------------|
| R' 000 | | | | |
| | Original Budget | Adjustment Budget | Actual | Budget variance |
| Repairs and Maintenance Expenditure | 6 469 | 3 469 | 3200 | 8% |
| | | | | <i>T 5.3.4</i> |

FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

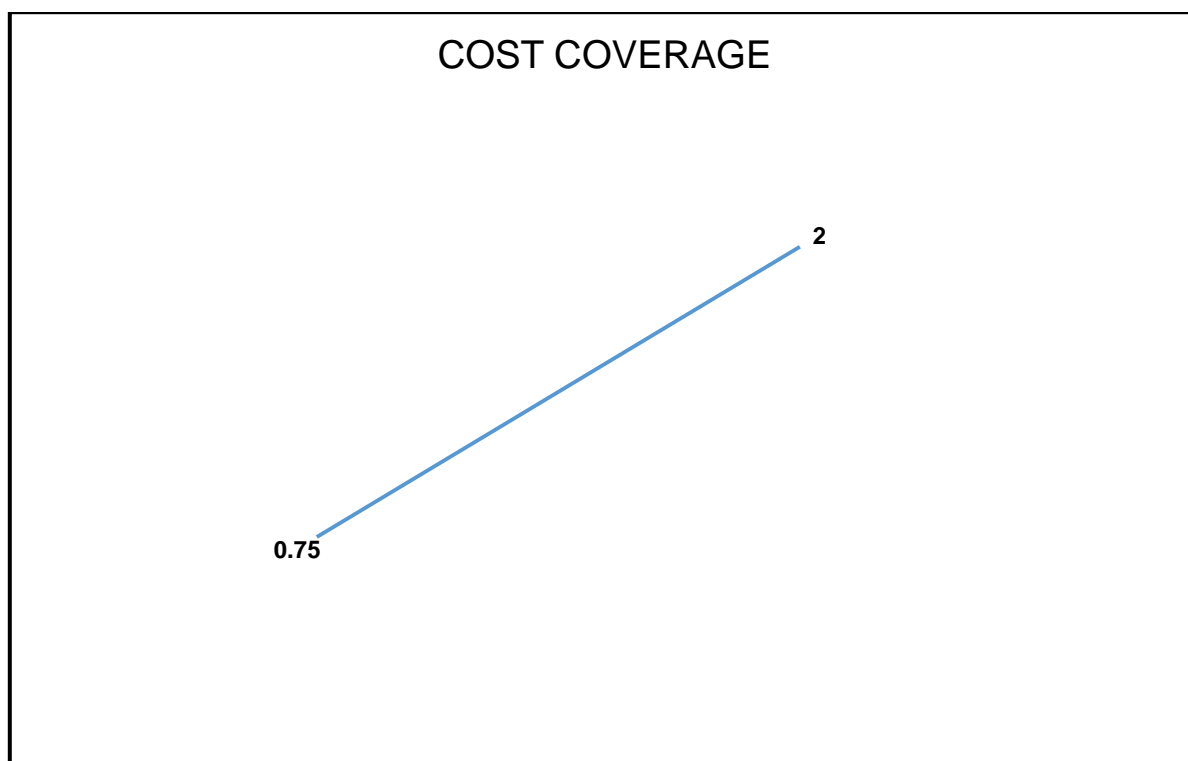


Figure 3: Ratio Cost Coverage

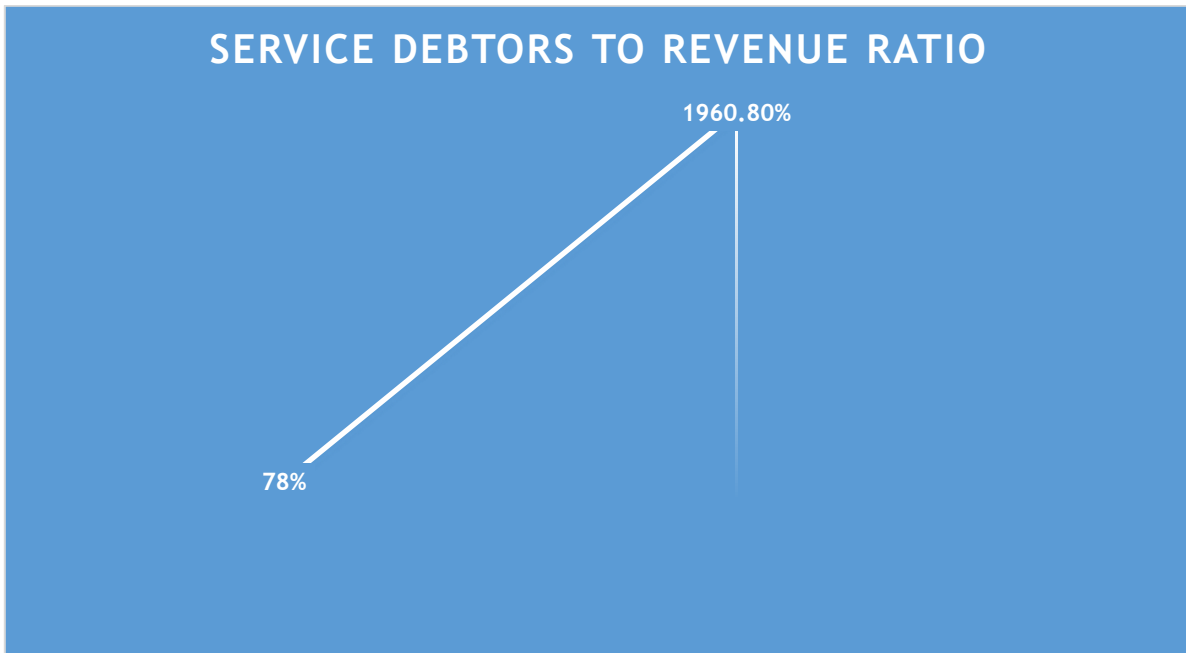


Figure 4: Service Debtors to Revenue Ratio

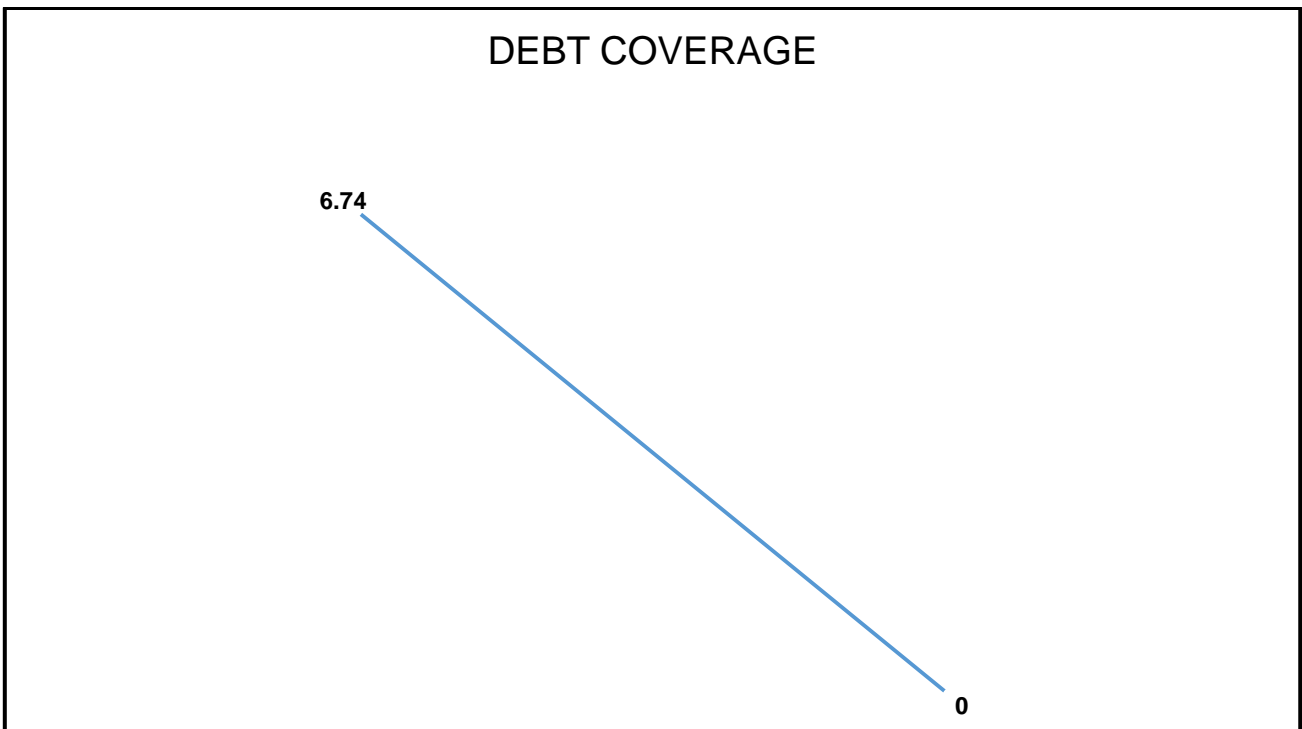


Figure 5: Debt Coverage Ratio

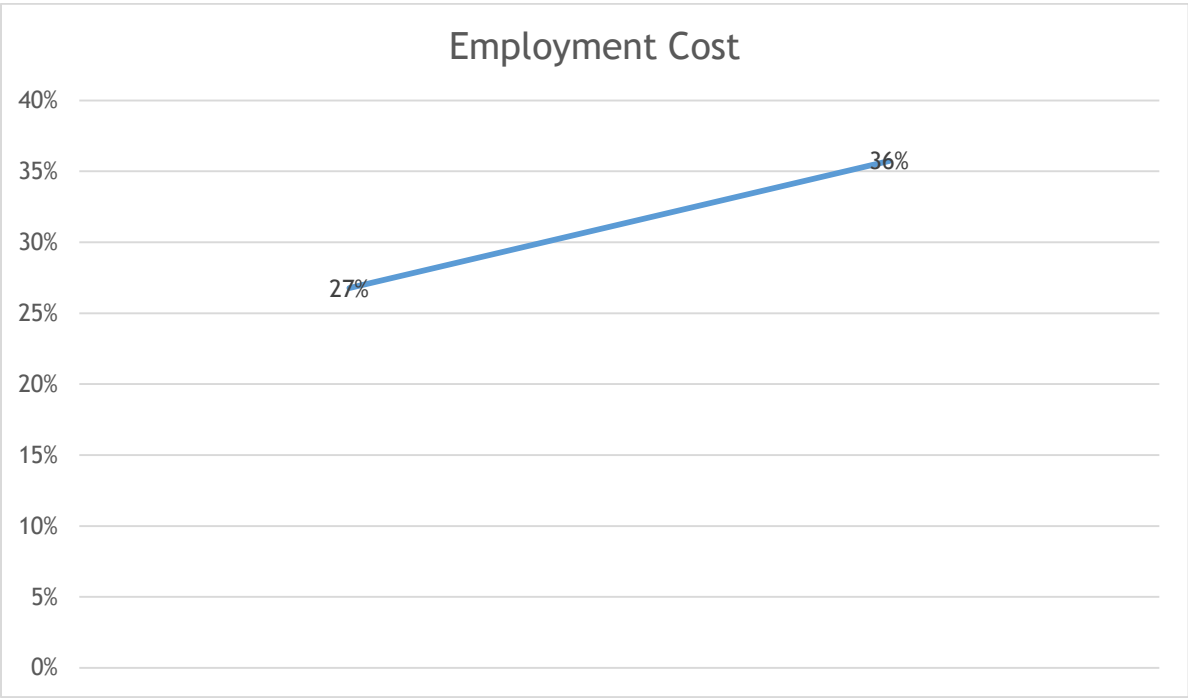


Figure 6: Employee Cost

8.2 COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend.

CAPITAL EXPENDITURE

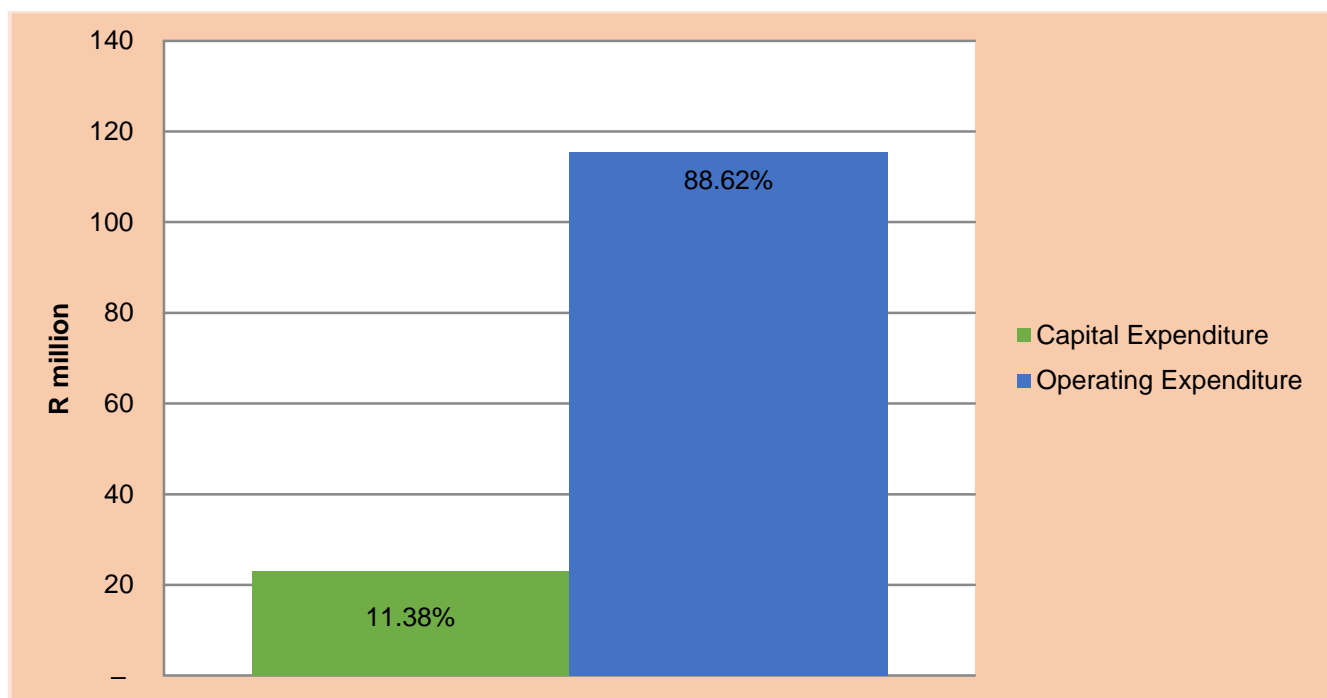


Figure 7: Capital Expenditure

8.2.1 INDIGENTS HOUSEHOLDS

The municipality embarked on an indigent registration for the period under review. At the end of June 2020 the number was standing at 1722

8.2.2 DEBTORS AGE ANALYSIS

The debtors of the municipality arise from the households, government, business and other. These debtors arise from the following services, water, electricity, sewerage and refuse removal.

DEBTORS PER SERVICE

The information below shows the total outstanding debtors of the municipality as at 30 June 2020.

Table 102: Debtors Age Analysis by Income Source (Exchange Transactions)

| | | |
|-----------------------|--------------------|--------------------|
| Gross balances | | |
| Electricity | 12,917,689 | 5,297,990 |
| Water | 45,795,031 | 36,688,607 |
| Sewerage | 40,048,823 | 29,781,675 |
| Refuse | 35,772,585 | 26,058,681 |
| Other | 120,787 | 124,899 |
| Housing rental | 2,179,878 | 1,948,253 |
| Interest | 60,194,841 | 49,055,425 |
| | 197,029,634 | 148,955,530 |

Table 103: Debtors Age Analysis by Income Source (Non- Exchange Transactions)

| | | |
|-------------------------|-------------------|-------------------|
| Assessment rates | 42,332,920 | 38,568,858 |
|-------------------------|-------------------|-------------------|

8.2.3 OPERATING EXPENDITURE

| Budget on Cash Basis | | | | | | |
|-----------------------------|----------------------|--------------------|----------------------|------------------------------------|--|------------|
| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| | R | R | R | R | R | |
| Expenditure | | | | | | |
| Employee costs | (53,561,422) | - | (53,561,422) | (59,470,390) | (5,908,968) | Note 55.55 |
| Remuneration of councillors | (4,127,430) | - | (4,127,430) | (4,200,291) | (72,861) | |
| Depreciation / amortisation | (38,649,428) | - | (38,649,428) | (41,071,347) | (2,421,919) | |
| Impairment loss | - | - | - | (13,232,331) | (13,232,331) | Note 55.16 |
| Finance costs | (600,000) | (1,400,000) | (2,000,000) | (2,513,323) | (513,323) | Note 55.17 |
| Debt Impairment | (22,998,000) | - | (22,998,000) | (38,650,492) | (15,652,492) | Note 55.18 |
| Repairs and maintenance | (7,608,792) | 2,254,035 | (5,354,757) | (4,043,070) | 1,311,687 | Note 55.19 |
| Bulk purchases | (21,000,000) | (12,000,000) | (33,000,000) | (37,267,215) | (4,267,215) | Note 55.20 |
| Contracted services | (18,160,417) | 6,316,840 | (11,843,577) | (4,830,632) | 7,012,945 | Note 55.21 |
| General expenses | (15,612,244) | 2,111,701 | (13,500,543) | (19,522,501) | (6,022,018) | Note 55.22 |
| Total expenditure | (182,317,733) | (2,717,424) | (185,035,157) | (224,801,652) | (39,766,495) | |
| Operating deficit | (1,103,554) | 5,118,389 | 4,014,835 | (31,410,786) | (35,425,621) | |
| Loss on disposal of assets | - | - | - | (1,432,931) | (1,432,931) | Note 55.23 |
| Fair value adjustments | - | - | - | (1,121) | (1,121) | |
| Actuarial gains/losses | - | - | - | 454,000 | 454,000 | Note 55.25 |
| Inventories losses | - | - | - | 449,253 | 449,253 | Note 55.26 |
| | - | - | - | (530,799) | (530,799) | |

BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

8.2.4 INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Table 104: Service Backlogs

| Service Backlogs as at 30 June 2020 | | | | |
|-------------------------------------|---------------------------------------|-------|--|-------|
| | *Service level above minimum standard | | **Service level below minimum standard | |
| | No. HHs | % HHs | No. HHs | % HHs |
| Water | 9814 | 100% | 0 | 0 |
| Sanitation | 9558 | 100% | 0 | 0 |
| Electricity | 5720 | 100% | 0 | 0 |
| Waste management | 9414 | 100% | 0 | 0 |
| Housing | | | | |
| T 5.8.2 | | | | |

8.2.5 COMMENT ON BACKLOGS:

As can be seen the basic services backlogs are a huge problem for Letsemeng Local Municipality, only few projects were implemented in the last financial year and this were fully funded by MIG and WSIG.

8.3 COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The proper management of cash resources is paramount in ensuring viability and sustainable growth and development. The municipality did not maintain significant investments due to pressing operational requirements and an effort to maintain creditors' payment within 30 days and addressing the long term liabilities.

Cash Flow Statement

| | Note(s) | 2020 R | 2019 Restated* R |
|---|---------|---------------------|------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 29,313,566 | 19,396,391 |
| Grants and subsidies received | | 90,739,763 | 88,677,569 |
| Interest income | | 441,075 | 594,158 |
| Other receipts | | - | 142,509 |
| | | <u>120,494,404</u> | <u>108,810,627</u> |
| Payments | | | |
| Employee costs | | (63,522,321) | (56,640,529) |
| Supplier and other payments | | (25,614,086) | (14,215,999) |
| Finance costs | | (4,453,700) | (2,046,204) |
| | | <u>(93,590,107)</u> | <u>(72,902,732)</u> |
| Net cash flows from operating activities | 42 | <u>26,904,297</u> | <u>35,907,895</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 9 | (29,369,375) | (33,508,468) |
| Net cash flows from investing activities | | <u>(29,369,375)</u> | <u>(33,508,468)</u> |
| Cash flows from financing activities | | | |
| Finance lease payments | | (35,741) | (819,418) |
| Net increase/(decrease) in cash and cash equivalents | | <u>(2,500,819)</u> | <u>1,580,009</u> |
| Cash and cash equivalents at the beginning of the year | | 3,703,777 | 2,123,768 |
| Cash and cash equivalents at the end of the year | 7 | <u>1,202,958</u> | <u>3,703,777</u> |

8.4 COMPONENT D: OTHER FINANCIAL MATTERS

8.4.1 SUPPLY CHAIN MANAGEMENT

COMMENTS ON SUPPLY CHAIN MANAGEMENT

Organogram for Supply Chain Management Unit has been amended to include an extra Demand Acquisition vacant position which will be filled in 2019/2020 financial year.

8.4.2 GRAP COMPLIANCE

COMMENTS ON GRAP COMPLIANCE

Letsemeng Local Municipal compiles its Annual Financial Statements in line with General Recognised Accounting Practise.

9. CHAPTER 6 – AUDITOR GENERAL AUDIT REPORT

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Letsemeng local municipality set out on pages 158 to 293, which comprise the statement of financial position as at 30 June 2020, 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.
2. In my opinion, except for the effects and the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Letsemeng 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

Receivables from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence that receivables from exchange transactions had been properly accounted for, due to the status of accounting records. I was unable to confirm receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments was necessary to receivables from exchange transactions, stated at R60 942 871 in note 5 to the financial statements.

Irregular expenditure

4. The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements, which were not disclosed. I was unable to determine the full extent of the understatement of irregular expenditure, stated at R340 741 253 (2019: R310 442 449) in note 48 to the financial statements, as it was impracticable to do so.

Service charges

5. The municipality did not recognise revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions* as consumers were levied at incorrect tariffs or not billed for the services they received. Consequently, service charges and receivables from exchange transactions were understated by R11 303 301. Additionally, there was a resultant impact on the deficit for the period and the accumulated surplus.
6. During 2019, I was unable to obtain sufficient appropriate audit evidence for service charges as it could not be confirmed that the reports used by management to record the sales of prepaid electricity were reliable. I could also not confirm the estimates made where actual meter readings were not taken, due to a lack of information to support the estimate calculations. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges for the prior year, stated at R49 903 186 in note 20 to the financial statements.

General expenses

7. The municipality did not recognise and classify all expenditure in accordance with GRAP 1, *Presentation of financial statements* as general expenses was not accounted for in the correct financial year and were also not correctly classified in the general ledger. Misstatements were identified with regard to the following lines items:

| Line item | 2020 overstatement/ (understatement) | 2019 overstatement/ (understatement) |
|---|--|--|
| General expenses (note 38) | (4 714 519) | (11 503 613) |
| Repairs and maintenance (note 35) | 1 679 746 | - |
| Property, plant and equipment (note 9) | (1 650 256) | - |
| Professional and consulting fees (note 37) | 1 034 002 | 2 254 134 |
| Payables from exchange transactions (note 14) | (3 651 027) | (9 249 479) |

Context for the opinion

8. 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.
9. 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.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.
12. Note 56 to the financial statements indicates that the municipality incurred a net loss of R31 941 585 during the year ended 30 June 2020 and, as of that date, the municipality's current liabilities exceeded its current assets by R71 535 877. In addition, as disclosed in note 14 to the financial statements, the municipality owed Eskom R54 512 777 (2019: R24 808 385) and the water boards R8 090 549 (2019: R3 936 106) as at 30 June 2020 – these amounts were long overdue. These events or conditions, along with other matters as set forth in note 56, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Unauthorised expenditure

14. As disclosed in note 50 to the financial statements, the municipality incurred unauthorised expenditure of R91 986 310 (2019: R119 627 572) due to overspending of the approved budget.

Fruitless and wasteful expenditure

15. As disclosed in note 49 to the financial statements, fruitless and wasteful expenditure of R5 727 502 (2019: R2 046 204) was incurred, mainly due to interest on arrear payments to creditors.

Restatement of corresponding figures

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

Underspending of conditional grants

17. As disclosed in note 26 to the financial statements, the municipality materially underspent the municipal infrastructure grant by R5 725 651 (2019: R8 521 311) and the water services infrastructure grant by R8 040 310 (2019: R17 427 661).

Material losses

18. As disclosed in note 51 to the financial statements, material water distribution losses of R4 296 573 (2019: R4 223 691) and electricity distribution losses of R11 718 554 (2019: R10 691 429) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.

Material impairment

19. As disclosed in notes 5 and 6 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R160 195 339 (2019: R126 808 527).

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

22. 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 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.
23. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

24. 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.

25. 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

26. 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.
27. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators/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.
28. 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:

| Development priority | Pages in the annual performance report |
|---|--|
| KPA 1 – basic service delivery and infrastructure development | 39-46 |

29. 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.

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

KPA 1 – basic service delivery and infrastructure development

Various indicators

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

| Indicator numbers | Indicator descriptions | Planned target | Reported achievement |
|-------------------|---|----------------|----------------------|
| TL3 | 100% completion of the new 4.2MI conventional WTW in Jacobsdal by 30 June 2020 | 100% | Not achieved |
| TL4 | installation of 750 domestic water meters at Ditlhake (250), Sonwabile (250), Diamanthoogte (250). (MIS:321576) by 30 June 2020 | 750 | Not achieved |
| TL6 | installation of 681 domestic water meters at Jacobsdal (205) and Ratanang (476) by 30 June 2020 (MIS:321605) | 681 | Not achieved |
| TL7 | installation of 2 bulk water meters and valves at Ratanang by 30 June 2020 (MIS:321605) | 2 | Not achieved |
| TL8 | installation of 250 domestic water meters at Relebohile by 30 June 2020 (MIS:321628) | 250 | Not achieved |
| TL10 | installation of 150 domestic water meters at Bolokanang by 30 June 2020 (MIS:321618) | 150 | Not achieved |

| Indicator numbers | Indicator descriptions | Planned target | Reported achievement |
|-------------------|--|----------------|----------------------|
| TL11 | installation of 8 bulk water meters and valves at Petrusburg (5) and Bolokanang (3) by 30 June 2020 (MIS:321618) | 8 | Not achieved |
| TL12 | 20% construction of new pipeline from boreholes 14 and 15 in Petrusburg to reservoir at Bolokanang by 30 June 2020 MIS:325184) | 20% | Not achieved |
| TL15 | number of water samples submitted to an accredited laboratory for testing | 24 | Achieved |
| TL16 | number of waste water samples submitted to an accredited laboratory for testing | 24 | Achieved |
| TL17 | installation of 4 level control valves at Nkululeko (1), Bolokanang (2) and Petrusburg (1) reservoir | 4 | Not achieved |

Various indicators

32. A comparison between the actual performance of the year under review and the previous year was not included in the annual performance report for all the indicators reported on. In addition, the measures taken to improve performance against the targets listed below were not reported in the annual performance report:

| Indicator numbers | Indicator descriptions |
|-------------------|--|
| TL3 | 100% completion of the new 4.2MI conventional WTW in Jacobsdal by 30 June 2020 |
| TL4 | installation of 750 domestic water meters at Dithake (250), Sonwabile (250), Diamanthoogte (250). (MIS:321576) by 30 June 2020 |
| TL5 | installation of 1 bulk water meter at Koffiefontein (MIS:321576) by 30 June 2020 |
| TL6 | installation of 681 domestic water meters at Jacobsdal (205) and Ratanang (476) by 30 June 2020 (MIS:321605) |
| TL7 | installation of 2 bulk water meters and valves at Ratanang by 30 June 2020 (MIS:321605) |

| Indicator numbers | Indicator descriptions |
|-------------------|---|
| TL8 | installation of 250 domestic water meters at Relebohile by 30 June 2020 (MIS:321628) |
| TL9 | installation of 1 bulk water meter and valves in Luckhoff by 30 June 2020 |
| TL10 | installation of 150 domestic water meters at Bolokanang by 30 June 2020 (MIS:321618) |
| TL11 | installation of 8 bulk water meters and valves at Petrusburg (5) and Bolokanang (3) by 30 June 2020 (MIS:321618) |
| TL12 | 20% construction of new pipeline from boreholes 14 and 15 in Petrusburg to reservoir at Bolokanang by 30 June 2020 (MIS:325184) |
| TL17 | installation of 4 level control valves at Nkululeko (1), Bolokanang (2) and Petrusburg (1) reservoir |

Various indicators

33. I was unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable the consistent measurement and reliable reporting of performance against the predetermined indicator definitions. This was due to a lack of sufficient measurement definitions and processes. I was unable to validate the existence of systems and processes by alternative means.

| Indicator numbers | Indicator descriptions | Planned target | Reported achievement |
|-------------------|--|----------------|----------------------|
| TL3 | 100% completion of the new 4.2MI conventional WTW in Jacobsdal by 30 June 2020 | 100% | Not achieved |
| TL4 | Installation of 750 domestic water meters at Dithake (250), Sonwabile (250), Diamanthoogte (250). (MIS:321576) by 30 June 2020 | 750 | Not achieved |
| TL6 | Installation of 681 domestic water meters at Jacobsdal | 681 | Not achieved |

| Indicator numbers | Indicator descriptions | Planned target | Reported achievement |
|-------------------|--|----------------|----------------------|
| | (205) and Ratanang (476) by 30 June 2020 (MIS:321605) | | |
| TL7 | Installation of 2 bulk water meters and valves at Ratanang by 30 June 2020 (MIS:321605) | 2 | Not achieved |
| TL8 | Installation of 250 domestic water meters at Relebohile by 30 June 2020 (MIS:321628) | 250 | Not achieved |
| TL10 | Installation of 150 domestic water meters at Bolokanang by 30 June 2020 (MIS:321618) | 150 | Not achieved |
| TL11 | Installation of 8 bulk water meters and valves at Petrusburg (5) and Bolokanang (3) by 30 June 2020 (MIS:321618) | 8 | Not achieved |
| TL17 | Installation of 4 level control valves at Nkululeko (1), Bolokanang (2) and Petrusburg (1) reservoir | 4 | Not achieved |

Various indicators

34. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined deadline for delivery to be used when measuring the actual achievement for the targets listed below. This was due to insufficient measurement definitions and processes. I was unable to test whether the targets for these indicators were clearly defined by alternative means.

| Indicator numbers | Indicator descriptions | Planned Target | Reported achievement |
|-------------------|---|----------------|----------------------|
| TL15 | Number of water samples submitted to an accredited laboratory for testing | 24 | Achieved |
| TL16 | number of waste water samples submitted to an accredited laboratory for testing | 24 | Achieved |

| | | | |
|------|--|---|--------------|
| TL17 | installation of 4 level control valves at Nkululeko (1), Bolokanang (2) and Petrusburg (1) reservoir | 4 | Not achieved |
|------|--|---|--------------|

Other matter

35. I draw attention to the matter below.

Achievement of planned targets

36. Refer to the annual performance report on pages xx to xx 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 31 to 34 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements and annual reports

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

Expenditure management

40. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
41. I was unable to obtain sufficient appropriate audit evidence that payments from the municipality's bank accounts were approved by the chief financial officer, as required by section 11(1) of the MFMA.
42. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval of funds, as required by section 65(2)(a) of the MFMA.
43. An adequate management, accounting and information system that recognised expenditure when it was incurred was not in place, as required by section 65(2)(b) the MFMA.
44. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure, as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by unspent conditional grants not being cash-backed at the end of the financial year, and SCM process not being followed.
45. Reasonable steps were not taken to prevent unauthorised expenditure of R91 986 310, as disclosed in note 50 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by non-cash items that were not adequately budgeted for.
46. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R5 727 502, as disclosed in note 49 to the 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 levied on overdue payables.

Revenue management

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

49. Revenue due to the municipality was not calculated monthly, as required by section 64(2)(b) of the MFMA.

Consequence management

50. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
51. Irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
52. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Conditional grants

53. The municipal infrastructure grant and the water services infrastructure grant were not spent for their intended purposes in accordance with the applicable grant framework, as required by section 17(1) of Dora.

Strategic planning and performance management

54. The performance management system and related controls were not maintained and implemented to ensure sufficient appropriate audit evidence, and ensure that systems and processes established enable consistent measurement and reliable reporting of processes, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

55. Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulations 17(a) and (c). Similar non-compliance was also reported in the prior year.
56. Quotations and some contracts were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.

57. Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the prior year.
58. Sufficient appropriate audit evidence could not be obtained that the performance of some contractors or providers was monitored monthly, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
59. 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. Similar non-compliance was also reported in the prior year.
60. Sufficient appropriate audit evidence could not be obtained that contract performance, and monitoring measures and methods were sufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA. Similar non-compliance was also reported in the prior year.

Other information

61. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected KPA presented in the annual performance report that have been specifically reported in this auditor's report.
62. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
63. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected KPA presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
64. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

65. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
66. Leadership did not monitor and enforce the implementation of the corrective measures included in the audit action plan. These measures were to address the weaknesses of the finance and supply chain directorates in procurement and contract management and the prevention of irregular, fruitless and wasteful, and unauthorised expenditure.
67. A lack of commitment of key officials and staff supporting them to implementing and monitoring internal controls over daily and monthly processing of transactions resulted in the audit findings included in this report.
68. There was no consequence management at the municipality and officials were not held accountable for irregular, unauthorised, and fruitless and wasteful expenditure incurred in the current and previous financial years.
69. Management did not in all instances effectively review and monitor the municipality's compliance with laws and regulations, due to their slow response in addressing the drivers of the compliance findings identified in the prior year. As a result, material instances of non-compliance that could have been prevented were repeated by the municipality.
70. Ineffective monitoring and supervision over financial and performance reporting resulted in material misstatements on the financial statements and annual performance report. The municipality continued to rely on consultants to resolve the prior year's audit findings; however, internal controls within the municipality did not improve as repeat findings were reported in the current year.

Material irregularities

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

Material irregularities in progress

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

Bloemfontein
27 February 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the safeguards applied.

GLOSSARY

| | |
|---|--|
| Accessibility indicators | Explore whether the intended beneficiaries are able to access services or outputs. |
| Accountability documents | Documents used by executive authorities to give " <i>full and regular</i> " reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports. |
| Activities | The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe " <i>what we do</i> ". |
| Adequacy indicators | The quantity of input or output relative to the need or demand. |
| Annual Report | A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General. |
| Approved Budget | The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive. |
| Baseline | Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period. |
| Basic municipal service | A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment. |
| Budget year | The financial year for which an annual budget is to be approved – means a year ending on 30 June. |
| Cost indicators | The overall cost or expenditure of producing a specified quantity of outputs. |
| Distribution indicators | The distribution of capacity to deliver services. |
| Financial Statements | Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed. |
| General Key performance indicators | After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally. |
| Impact | The results of achieving specific outcomes, such as reducing poverty and creating jobs. |
| Inputs | All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings. |
| Integrated Development Plan (IDP) | Set out municipal goals and development plans. |
| National Key performance areas | <ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation |
| Outcomes | 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". |
| Outputs | 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. |
| Performance Indicator | 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) |

| | |
|--|--|
| Performance Information | Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure. |
| Performance Standards: | The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor. |
| Performance Targets: | 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. |
| Service Delivery Budget Implementation Plan | 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. |
| Vote: | <p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p> |

APPENDICES

APPENDIX 'A' – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

| Councillors, Committees Allocated and Council Attendance | | | | | |
|--|--------------------------------|---|---------------------------------|--|---|
| Council Members | Full Time / Part Time FT/PT | Committees Allocated | *Ward and/ or Party Represented | Percentage Council Meetings Attendance | Percentage Apologies for non-attendance |
| | | | | % | % |
| Cllr MA Lebaka | FT | Oversight role | ANC – PR | 98 | 2 |
| Cllr XW Nqelani | P/T | Finance – Chairperson Add members: <ul style="list-style-type: none">• Cllr PN Dibe• Cllr MJ Phaliso• Cllr JDJ Barnes | ANC - Ward Councillor | 98 | 2 |
| Cllr SJ Bahumi | P/T | Good Governance and Monitoring (MPAC) – Chairperson Add members: <ul style="list-style-type: none">-Cllr AN November-Cllr MJ Phaliso-Cllr JDJ Barnes-Cllr TS Moqhoishi | ANC – Ward Councillor | 98 | 2 |
| Cllr PV Mlozana | P/T | Corporate Services – Chairperson Add members: <ul style="list-style-type: none">- Cllr AN November- Cllr TV Nthapo | ANC – Ward Councillor | 98 | 2 |
| Cllr MC Ntemane | P/T | Additional member – Technical Services | ANC – Ward Councillor | 95 | 2 |
| Cllr MJ Phaliso | P/T | Technical Services – Chairperson Add members: <ul style="list-style-type: none">- Cllr MC Ntemane- Cllr TS Moqhoishi | ANC – Ward Councillor | 98 | 2 |
| Cllr AN November | P/T | Community Services, Planning and LED – Chairperson | ANC – PR Councillor | 95 | 5 |

| | | | | | |
|--|-----|--|------------------------|----|--------------|
| | | Add members: - Cllr PM Dibe - Cllr JDJ Barnes | | | |
| Cllr PM Dibe | P/T | Additional member - Community Services | ANC – PR Councillor | 98 | 2 |
| Cllr JDJ Barnes | P/T | Additional member - Finance Services | DA – PR Councillors | 98 | 2 |
| Cllr TV Nthapo | P/T | Additional member - Corporate Services | DA – PR Councillor | 98 | 2 |
| Cllr TS Moqhoishi | P/T | Additional member - Technical Services | EFF – PR Councillor | 98 | 2 |
| Note: * Councillors appointed on a proportional basis do not have wards allocated to them | | | | | T A.1 |

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

| Committees (other than Mayoral / Executive Committee) and Purposes of Committees | |
|--|--|
| Municipal Committees | Purpose of Committee |
| Municipal Public Accounts Committee | Playing an oversight Role over the finances and the administration of the Municipality |
| Audit Committee | Performing duties as stipulated in Section 166 of the MFMA |
| Finance Committee | Perform duties as outlined on the legislation and advice council on finance related matters |
| Technical Services Committee | Perform duties as outlined on the legislation and advice council on technical department related matters |
| Corporate Services | Perform duties as outlined on the legislation and advice council on Corporate services related matters |
| Community and LED services | Perform duties as outlined on the legislation and advice council on Community services and LED related matters |

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

| Third Tier Structure | |
|---------------------------------|--|
| Directorate | Director/Manager (State title and name) |
| Office of the Municipal Manager | Municipal Manager – Mr TL Mkhwane |
| Financial Services | Chief Financial Officer – Mr SJ Tooi |
| Technical Services | Director: Technical Services – Mrs DG Tsikang |
| Corporate services | Acting Director: Corporate Services – Mr S Qwelane |
| Community Services | Director: Community Services – Mr CJ Makhoba |

APPENDIX D –FUNCTIONS OF MUNICIPALITY/ENTITY

| Municipal Functions | |
|---|---|
| Municipal Functions | Function Applicable to Municipality (Yes / No)* |
| Constitution Schedule 4, Part B functions: | |
| Air pollution | No |
| Building regulations | Yes |
| Child care facilities | No |
| Electricity and gas reticulation | Yes |
| Firefighting services | Yes |
| Local tourism | Yes |
| Municipal airports | No |
| Municipal planning | Yes |
| Municipal health services | No |
| Municipal public transport | No |
| Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law | Yes |
| Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto | No |
| Storm water management systems in built-up areas | Yes |
| Trading regulations | No |
| Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems | Yes |
| Beaches and amusement facilities | No |
| Billboards and the display of advertisements in public places | Yes |
| Cemeteries, funeral parlours and crematoria | Yes |
| Cleansing | Yes |
| Control of public nuisances | Yes |
| Control of undertakings that sell liquor to the public | Yes |
| Facilities for the accommodation, care and burial of animals | Yes |
| Fencing and fences | Yes |
| Licensing of dogs | No |
| Licensing and control of undertakings that sell food to the public | Yes |
| Local amenities | Yes |

| Municipal Functions | |
|---|---|
| Municipal Functions | Function Applicable to Municipality (Yes / No)* |
| Constitution Schedule 4, Part B functions: | |
| Local sport facilities | Yes |
| Markets | No |
| Municipal abattoirs | No |
| Municipal parks and recreation | Yes |
| Municipal roads | Yes |
| Noise pollution | Yes |
| Pounds | No |
| Public places | Yes |
| Refuse removal, refuse dumps and solid waste disposal | Yes |
| Street trading | Yes |
| Street lighting | Yes |
| Traffic and parking | Yes |
| <i>T D</i> | |

APPENDIX E – WARD REPORTING

| Functionality of Ward Committees | | | | | |
|----------------------------------|--|----------------------------------|---|--|---|
| Ward Name (Number) | Name of Ward Councillor and elected Ward committee members | Committee established (Yes / No) | Number of monthly Committee meetings held during the year | Number of monthly reports submitted to Speakers Office on time | Number of quarterly public ward meetings held during year |
| 1 | Cllr XW Nqelani | Yes | - | - | - |
| 2 | Cllr PV Mlozana | Yes | - | - | - |
| 3 | Cllr MA Lebaka | Yes | - | - | - |
| 4 | Cllr MC Ntemane | Yes | - | - | - |
| 5 | Cllr MJ Phaliso | Yes | - | - | - |
| 6 | Cllr SJ Bahumi | Yes | - | - | - |

APPENDIX F – WARD INFORMATION

| Ward Title: Ward Name (Number) | | | | |
|---|--|------------|-------------------|-----------------------|
| Capital Projects: Seven Largest in '2019/20 (Full List at Appendix O) | | | | |
| No. | Project Name and detail | Start Date | End Date | R' 000 Total Value |
| 4 | Koffiefontein: Construction of new sports facility in Ditlhake | 2018-07-16 | 2020-04-28 | R13 065 000 |
| 2 | Jacobsdal: Construction of new water treatment works (4.2 ml/day) | 2014 | 2021-04-30 | R12,142,579.51 |
| 5 | Koffiefontein: Construction of new sports facility in Sonwabile | 2019 | Not yet completed | R2 551 452.00 |
| 4 | Upgrading of Koffiefonteing substation and bulk feeder lines | 2018 | 2020/07/31 | R 5.2 000 00 |
| 4 & 5 | Koffiefontein/Ditlake/Diamanthoogte: Installation of 340 new domestic water meters and refurbishment of 432 domestic water meters (MIS:321576) | 2020-07-16 | 2021-04-28 | R2,689,666.28 |
| 1 | Jacobsdal/Ratanang: Installation of 232 new domestic water meters, bulk water meters, 296 refurbishment of domestic meters (MIS:321605) | 2020-02-21 | 2021-04-28 | R1,740,766.55 |

| Basic Service Provision | | | | | |
|--|-------|------------|-------------|--------|---------|
| Detail | Water | Sanitation | Electricity | Refuse | Housing |
| Households with minimum service delivery | 8916 | 8223 | 8040 | 8081 | |

| | | | | | |
|---|------|------|------|------|--|
| Households without minimum service delivery | | 490 | 0 | 0 | |
| Total Households* | 8916 | 8713 | 8040 | 8081 | |
| Houses completed in year | | | | | |
| Shortfall in Housing units | | | | | |

| Top Two Service Delivery Priorities for Ward (Highest Priority First) | | |
|---|--|--|
| Ward No. | Priority Name and Detail | Progress During '2019/20 |
| 1 (Jacobsdal) | Jacobsdal: Construction of new water treatment works (4.2 ml/day) | The project is under construction at 97% progress |
| 4 & 5 (Koffiefontein)) | Koffiefontein/Dithlake: Upgrading of sport facility | The project is under construction at 100% progress |
| | | |

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2019/20

| Municipal Audit Committee Recommendations | | |
|---|--|--|
| Date of Committee | Committee recommendations during 2019/20 | Recommendations adopted (enter Yes) If not adopted (provide explanation) |
| N/A | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | T G |

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

| Long Term Contracts (Largest Contracts Entered into during 2019/20) R' 000 | | | | | |
|---|--|------------------------|-------------------------|-----------------|----------------|
| Name of Service Provider (Entity or Municipal Department) | Description of Services Rendered by the Service Provider | Start Date of Contract | Expiry date of Contract | Project manager | Contract Value |
| Pan Solutions | Internet, Telephones and emails hosting services for 3 Years | 03/06/2019 | 03/06/2021 | IT Technician | 695 000.00 |

| Long Term Contracts (Largest Contracts Entered into during 2019/20) R' 000 | | | | | |
|---|--|------------------------|-------------------------|-----------------|----------------|
| Name of Service Provider (Entity or Municipal Department) | Description of Services Rendered by the Service Provider | Start Date of Contract | Expiry date of Contract | Project manager | Contract Value |
| BlaQ M Holdings | Short Term Insurance for 3 Years | 03/06/2019 | 03/06/2021 | SCM Manager | 1500 289.00 |
| TH.1 | | | | | |

| Public Private Partnerships Entered into during 2019/20 R' 000 | | | | | |
|---|--------------------|-----------------|-------------|-----------------|---------------|
| Name and Description of Project | Name of Partner(s) | Initiation Date | Expiry date | Project manager | Value 2015/16 |
| None entered into. | | | | | |
| NONE | | | | | |
| TH.2 | | | | | |

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

The municipality do not have a municipal entity.

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

| Disclosures of Financial Interests | | |
|--|-------------------|---|
| Period 1 July to 30 June of 2019/20 (Current Year) | | |
| Position | Name | Description of Financial interests* (Nil / Or details) |
| (Executive) Mayor | Cllr Lebaka | Nil |
| Member of MayCo / Exco | | |
| Councillors | | |
| | Cllr TS Moqhoishi | Nil |
| | Cllr AN November | Nil |
| | Cllr TV Nthapo | Nil |
| | Cllr JDJ Barnes | Nil |
| | Cllr XW Ngelani | Nil |
| | Cllr Dibe | Nil |
| | Cllr MC Ntemane | Nil |
| | Cllr SJ Bahumi | Nil |
| | Cllr MJ Phaliso | Nil |
| | Cllr PV Mlozana | Nil |
| Municipal Manager | Mr TL Mkhwane | Nil |
| Chief Financial Officer | Mr SJ Tooi | Nil |
| Other S57 Officials | Ms DG Motlogelwa | Nil |
| | Mr CJ Makhoba | Nil |
| | | |
| | | |
| | | |

TJ

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue from exchange transactions

| | | | | | | |
|---|-------------------|--------------------|-------------------|-------------------|-------------------|-----------|
| Service charges | 40,825,324 | (4,012,554) | 36,812,770 | 49,589,282 | 12,776,512 | Note 55.1 |
| Rental of facility/equipment | 473,400 | (189,380) | 284,040 | 804,448 | 320,408 | Note 55.2 |
| Interest on debtors | 4,069,737 | - | 4,069,737 | 11,384,140 | 7,294,403 | Note 55.3 |
| Other income | 1,059,258 | (211,852) | 847,406 | 575,775 | (271,631) | Note 55.4 |
| Dividends received | 41,238 | (31,238) | 10,000 | - | (10,000) | Note 55.5 |
| Interest-external investment | 443,117 | (53,174) | 389,943 | 441,075 | 51,132 | Note 55.6 |
| Total revenue from exchange transactions | 46,912,072 | (4,498,176) | 42,413,896 | 62,574,720 | 20,160,824 | |

Revenue from non-exchange transactions

Taxation revenue

| | | | | | | |
|---------------------|------------|-----------|------------|------------|-----------|-----------|
| Property rates | 20,826,444 | 1,886,116 | 22,492,560 | 23,906,948 | 1,414,386 | |
| Interest on debtors | - | - | - | 3,957,976 | 3,957,976 | Note 55.8 |

Transfer revenue

| | | | | | | |
|------------------------|-------------|------------|-------------|-------------|--------------|------------|
| Transfer and subsidies | 113,452,000 | 10,655,000 | 124,107,000 | 102,922,774 | (21,184,226) | Note 55.9 |
| Fines | 18,930 | 12,873 | 31,803 | 28,450 | (3,353) | Note 55.10 |
| Licences and permits | 4,733 | - | 4,733 | - | (4,733) | Note 55.11 |

| | | | | | | |
|---|--------------------|-------------------|--------------------|--------------------|---------------------|--|
| Total revenue from non-exchange transactions | 134,302,107 | 12,333,989 | 146,636,096 | 130,816,146 | (15,819,950) | |
|---|--------------------|-------------------|--------------------|--------------------|---------------------|--|

| | | | | | | |
|----------------------|--------------------|------------------|--------------------|--------------------|------------------|--|
| Total revenue | 181,214,179 | 7,835,813 | 189,049,992 | 193,390,866 | 4,340,874 | |
|----------------------|--------------------|------------------|--------------------|--------------------|------------------|--|

APPENDIX L: CONDITIONAL GRANTS RECEIVED/SPENT

| Grants Performance | | | | |
|---|-----------|---------------|-------------------|---------------|
| Description | 2018/2019 | 2019/2020 | | |
| | Actual | Budget | Adjustment Budget | Actual |
| Operational Transfers and Grants | - | - | - | - |
| Equitable Shares | | 63,668,000.00 | - | 63,668,000.00 |
| Other Transfers | | 5,625,000.00 | - | 5,625,000.00 |
| | | | | |
| Capital Grants and Transfers | | | | |
| MIG | | 17,149,000.00 | - | 11,444,660.00 |
| INEP | | 5,200,000.00 | | 52,000,000.00 |
| WSIG | | 24,000,000.00 | | 16,187,351.00 |

APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

| Capital Expenditure - New Assets Programme* | | | | | | | |
|---|---------|-----------------|-------------------|--------------------|-----------------------------|--------|--------|
| Description | 2018/19 | 2019/20 | | | Planned Capital expenditure | | |
| | Actual | Original Budget | Adjustment Budget | Actual Expenditure | FY + 1 | FY + 2 | FY + 3 |
| Capital expenditure by Asset Class | | | | | | | |
| Infrastructure - Total | - | | | - | - | - | - |
| Infrastructure: Road transport - Total | - | | | | - | - | - |
| Roads, Pavements & Bridges | | | | | | | |
| Storm water | | | | | | | |
| Infrastructure: Electricity - Total | - | | | | - | - | - |
| Generation | | | | | | | |
| Transmission & Reticulation | | | | | | | |
| Street Lighting | | | | | | | |
| Infrastructure: Water - Total | - | | | | - | - | - |
| Dams & Reservoirs | | | | | | | |

| | | | | | | |
|---|---|--|---|---|---|---|
| <i>Water purification</i> | | | | | | |
| <i>Reticulation</i> | | | | | | |
| Infrastructure: Sanitation - Total | — | | | — | — | — |
| <i>Reticulation</i> | | | | | | |
| <i>Sewerage purification</i> | | | | | | |
| Infrastructure: Other - Total | — | | — | — | — | — |
| <i>Waste Management</i> | | | | | | |
| <i>Transportation</i> | | | | | | |
| <i>Gas</i> | | | | | | |
| Community - Total | — | | — | — | — | — |
| Parks & gardens | | | | | | |
| Sports fields & stadia | | | | | | |
| Swimming pools | | | | | | |
| Community halls | | | | | | |
| Libraries | | | | | | |
| Recreational facilities | | | | | | |
| Fire, safety & emergency | | | | | | |
| Security and policing | | | | | | |
| Buses | | | | | | |
| Clinics | | | | | | |
| Museums & Art Galleries | | | | | | |
| Cemeteries | | | | | | |
| Social rental housing | | | | | | |
| Other | | | | | | |

Table continued next page

| <i>Table continued from previous page</i> | | | | | | | |
|--|---------|-----------------|-------------------|--------------------|-----------------------------|--------|--------|
| Capital Expenditure - New Assets Programme* | | | | | | | |
| R '000 | | | | | | | |
| Description | 2018/19 | 2019/20 | | | Planned Capital expenditure | | |
| | Actual | Original Budget | Adjustment Budget | Actual Expenditure | FY + 1 | FY + 2 | FY + 3 |
| Capital expenditure by Asset Class | | | | | | | |
| Heritage assets - Total | — | | | — | — | — | — |
| Buildings | | | | | | | |
| Other | | | | | | | |
| Investment properties - Total | — | | | — | — | — | — |
| Housing development | | | | | | | |
| Other | | | | | | | |
| - | | | | | | | |
| Other assets | — | | | | — | — | — |
| General vehicles | | | | | | | |
| Specialised vehicles | | | | | | | |
| Plant & equipment | | | | | | | |
| Computers - hardware/equipment | | | | | | | |
| Furniture and other office equipment | | | | | | | |
| Abattoirs | | | | | | | |
| Markets | | | | | | | |
| Civic Land and Buildings | | | | | | | |
| Other Buildings | | | | | | | |
| Other Land | | | | | | | |

| | | | | | | |
|--|---|--|--|---|---|---|
| Surplus Assets - (Investment or Inventory) | | | | | | |
| Other | | | | | | |
| <u>Agricultural assets</u> | — | | | — | — | — |
| <i>List sub-class</i> | | | | | | |
| <u>Biological assets</u> | — | | | — | — | — |
| <i>List sub-class</i> | | | | | | |
| <u>Intangibles</u> | — | | | — | — | — |
| Computers - software & programming | | | | | | |
| Other (<i>list sub-class</i>) | | | | | | |
| Total Capital Expenditure on new assets | — | | | — | — | — |

APPENDIX N – CAPITAL PROGRAMME BY PROJECT 2019/20

| Capital Programme by Project: '2019/20 | | | | | |
|--|-----------------|--------------------|--------------|------------------------|-----------------------|
| R' 000 | | | | | |
| Capital Project | Original Budget | Adjust ment Budget | Actual | Variance (Act - Adj) % | Variance (Act - OB) % |
| Water | | | | | |
| | | | | | |
| Upgrading of Jacobsdal Water Treatment Works | 24 000 000 | 0 | 12 374 806.6 | | |
| Sanitation/Sewerage | | | | | |
| Ratanang sanitation of 202 stands | 7 263 727 | 0 | 5 660 360.35 | | |
| Electricity | | | | | |
| Upgrading of Koffiefonteing substation and bulk feeder lines | 670 000 | 0 | 300 947.4 | | |
| Other | | | | | |
| Koffiefonteing upgrading of 2.2km paved road and storm water | 12 380 666 | 0 | 12 380 666 | | |
| Luckhoff upgrading of 0.9km paved road and storm water | 8 500 000 | 0 | 8 460 863.25 | | |
| | | | | | |
| | | | | | |
| TN | | | | | |

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2019/20

| Capital Programme by Project by Ward: 2019/20 R' 000 | | |
|---|------------------|--------------------------|
| Capital Project | Ward(s) affected | Works completed (Yes/No) |
| Water | | |
| Jacobsdal Construction of 4.15Ml WTW | 2 | No |
| Sanitation/Sewerage | | |
| Jacobsdal: Ratanang sanitation of 202 stands | 2 | No |
| Electricity | | |
| Koffiefontein: Upgrading of Koffiefonteing substation and bulk feeder lines | (4 & 5) | No |
| ICT and Other | | |
| Koffiefontein/Dithlake: Upgrading of sport facility | 4 & 5 | Yes |
| | | |
| T O | | |

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

| Service Backlogs: Schools and Clinics | | | | |
|---|-------|------------|-------------|------------------------|
| Establishments lacking basic services | Water | Sanitation | Electricity | Solid Waste Collection |
| Schools (NAMES, LOCATIONS) | | | | |
| None that the municipality is aware of. | | | | |
| | | | | |
| Clinics (NAMES, LOCATIONS) | | | | |
| None that the municipality is aware of. | | | | |
| | | | | |
| T P | | | | |

APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

| Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis) | | |
|--|---|--------------------|
| Services and Locations | Scale of backlogs | Impact of backlogs |
| Clinics: | None that the municipality is aware of. | |
| | | |
| | | |
| | | |
| Housing: | | |
| | | |
| | | |
| Licensing and Testing Centre: | | |
| | | |
| Reservoirs | | |
| | | |
| | | |
| Schools (Primary and High): | | |
| | | |
| | | |
| Sports Fields: | | |
| | | |
| | | |

T Q

APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

| Declaration of Loans and Grants made by the municipality: 2019/20 | | | | |
|---|-------------------|--------------------------------|----------------------|---|
| All Organisation or Person in receipt of Loans */Grants* provided by the municipality | Nature of project | Conditions attached to funding | Value 2019/20 R' 000 | Total Amount committed over previous and future years |
| No grants or loans were made. | | | | |
| *Loans/Grants - whether in cash or in kind | | | | T R |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

| | |
|--|---|
| Legal form of entity government exercising legislative and executive authority. | A municipality, which is an organ of state within the local sphere of |
| Nature of business and principal activities interest of the community in the Letsemeng municipal area. | A local authority providing municipal services and maintaining the best |
| Councillors Miss AN November Mr JDJ Barnes Mr MA Lebaka Mr MC NtemaneMr MJ Phaliso Miss PM Dibe Mr PV Mlozana Mr TS MoqhoishiMr TV Nthapo Mr XW Nqelani | Mr SJ Bahumi (Acting Mayor: 4 March 2019) |
| Grading of local authority | Grade 2 |
| Chief Finance Officer (CFO) | Mr SJ Tooi |
| Accounting Officer | Mr TL Mkhwane |
| Registered office 7 Groottrek StreetKoffiefontein 9986 | Civic Centre |
| Business address 7 Groottrek StreetKoffiefontein 9986 | Civic Centre |
| Postal address Koffiefontein9986 | Private Bag X3 |
| Bankers ABSA Bank | First National Bank |
| Auditors | Auditor-General of South Africa |

Index

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

| | Page |
|--|-------------|
| Accounting Officer's Responsibilities and Approval | 3 |
| Accounting Officer's Report | 4 - 5 |
| Statement of Financial Position | 6 |
| Statement of Financial Performance | 7 |
| Statement of Changes in Net Assets | 8 |
| Cash Flow Statement | 9 |
| Statement of Comparison of Budget and Actual Amounts | 10 - 12 |
| Accounting Policies | 13 - 42 |
| Notes to the Annual Financial Statements | 43 - 83 |

| | |
|---------|--|
| AGSA | Auditor-General of South Africa |
| CRR | Capital Replacement Reserve |
| COID | Compensation for Occupational Injuries and Diseases |
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| Mscoa | Municipal Standard Chart of Accounts |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 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 page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:



Mr TL Mkhwane
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The Letsemeng Local Municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Letsemeng municipal area.

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

Net deficit of the municipality was R 31,941,585 (2019: deficit R 54,872,199).

2. Going concern

Management experienced cash flow difficulties during the financial period. Management considered the following matters relating to the going concern:

- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the annual financial statements on the going concern basis. 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 government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cashflow of the municipality and where necessary procure funding for the ongoing operations for the municipality.

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstances arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

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

6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

7. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

| Name | Nationality |
|---------------|---------------|
| Mr TL Mkhwane | South African |

8. Corporate governance

General

The Accounting Officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

Management meetings

The Accounting Officer meets the section 56 managers at least on a monthly basis.

Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003(Act No. 56 of 2003).

9. Bankers

The municipality's bankers did not change during the year.

10. Auditors

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

11. Non-compliance with applicable legislation

Significant non-compliance with various legislation have been properly disclosed in the notes to the financial statements.

12. Retirement benefit obligation

Management performed an actuarial valuation of the council's liability arising from the post-retirement healthcare subsidy("PHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

Mr TL Mkhwane
Accounting Officer

Statement of Financial Position as at 30 June 2020

| | Note | 2020 R | 2019 Restated*R |
|--|------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 3 | 2,753,632 | 3,890,946 |
| Other receivables from exchange transactions | 4 | 2,801,668 | 2,783,085 |
| Receivables from exchange transactions | 5 | 60,942,871 | 47,259,204 |
| Receivables from non-exchange transactions | 6 | 18,224,344 | 13,456,657 |
| Cash & cash equivalents | 7 | 1,202,958 | 3,703,777 |
| | | 85,925,473 | 71,093,669 |
| Non-Current Assets | | | |
| Investment property | 8 | 77,704,540 | 77,704,540 |
| Property, plant and equipment | 9 | 702,953,967 | 720,417,055 |
| Intangible assets | 10 | 378,514 | 579,909 |
| Heritage assets | 11 | 15,000 | 15,000 |
| Other financial assets | 12 | 179,750 | 180,871 |
| | | 781,231,771 | 798,897,375 |
| Total Assets | | 867,157,244 | 869,991,044 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | 13 | 160,805 | 233,374 |
| Payables from exchange transactions | 14 | 138,009,374 | 90,835,441 |
| Consumer deposits | 15 | 739,342 | 732,877 |
| Employee benefit obligation | 16 | 575,000 | 493,000 |
| Unspent conditional grants | 17 | 13,765,961 | 25,948,972 |
| VAT payable | 18 | 4,210,868 | 7,810,355 |
| | | 157,461,350 | 126,054,019 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 13 | 177,643 | 104,812 |
| Employee benefit obligation | 16 | 3,839,000 | 4,235,000 |
| Provisions | 19 | 5,969,431 | 7,945,811 |
| | | 9,986,074 | 12,285,623 |
| Total Liabilities | | 167,447,424 | 138,339,642 |
| Net Assets | | 699,709,820 | 731,651,402 |
| Accumulated surplus | | 699,709,820 | 731,651,402 |

Statement of Financial Performance

| | | 2020 | 2019 |
|---|------|----------------------|----------------------|
| | Note | R | Restated*R |
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 20 | 49,589,282 | 49,903,186 |
| Interest received - outstanding debtors | 21 | 11,364,140 | 13,243,977 |
| Interest received - external investments | 22 | 441,075 | 594,158 |
| Rental of facilities and equipment | 23 | 604,448 | 506,403 |
| Other income | 24 | 575,775 | 350,816 |
| Total revenue from exchange transactions | | 62,574,720 | 64,598,540 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 25 | 23,906,946 | 19,826,211 |
| Interest earned - outstanding debtors | 21 | 3,957,976 | 4,803,463 |
| Transfer revenue | | | |
| Government grants and subsidies | 26 | 102,922,774 | 97,511,045 |
| Public contributions and donations | 27 | - | 134,144 |
| Fines, penalties and forfeits | 28 | 28,450 | 8,365 |
| Total revenue from non-exchange transactions | | 130,816,146 | 122,283,228 |
| Total revenue | | 193,390,866 | 186,881,768 |
| Expenditure | | | |
| Employee related costs | 29 | (59,470,390) | (55,516,861) |
| Remuneration of councillors | 30 | (4,200,291) | (3,991,114) |
| Depreciation and amortisation | 31 | (41,071,347) | (43,799,270) |
| Impairment loss | 32 | (13,232,331) | (2,309,157) |
| Finance costs | 33 | (2,513,323) | (1,815,700) |
| Debt impairment | 34 | (38,650,492) | (64,581,561) |
| Repairs and maintenance | 35 | (4,043,070) | (869,114) |
| Bulk purchases | 36 | (37,267,215) | (33,053,605) |
| Professional and consulting fees | 37 | (4,830,632) | (7,881,479) |
| General expenses | 38 | (19,522,561) | (21,507,295) |
| Total expenditure | | (224,801,652) | (235,325,156) |
| Operating deficit | | (31,410,786) | (48,443,388) |
| Loss on disposal of assets and liabilities | | (1,432,931) | (2,939,162) |
| Landfill sites write-off | 39 | - | (1,273,802) |
| Fair value adjustments | 40 | (1,121) | 6,616 |
| Actuarial gains | 16 | 454,000 | 14,000 |
| Inventories loss reversals (losses) | | 449,253 | (2,236,463) |
| | | (530,799) | (6,428,811) |
| Deficit for the year | | (31,941,585) | (54,872,199) |

Statement of Changes in Net Assets

| | Accumulated surplus R | Total net assets R |
|---|-----------------------------|-----------------------|
| Opening balance as previously reported | 835,009,583 | 835,009,583 |
| Adjustments | | |
| Prior year adjustments (see note 45) | (48,485,982) | (48,485,982) |
| Balance at 01 July 2018 as restated* | 786,523,601 | 786,523,601 |
| Changes in net assets | | |
| Surplus for the year | (54,872,199) | (54,872,199) |
| Total changes | (54,872,199) | (54,872,199) |
| Restated* Balance at 01 July 2019 | 731,651,405 | 731,651,405 |
| Changes in net assets | | |
| Surplus for the year | (31,941,585) | (31,941,585) |
| Total changes | (31,941,585) | (31,941,585) |
| Balance at 30 June 2020 | 699,709,820 | 699,709,820 |

Cash Flow Statement

| | | 2020 | 2019 |
|---|---------|----------------------------|----------------------------|
| | Note(s) | R | Restated*R |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 29,313,566 | 19,396,391 |
| Grants and subsidies received | | 90,739,763 | 88,677,569 |
| Interest income | | 441,075 | 594,158 |
| Other receipts | | - | 142,509 |
| | | <u>120,494,404</u> | <u>108,810,627</u> |
| Payments | | | |
| Employee costs | | (63,522,321) | (56,640,529) |
| Supplier and other payments | | (25,614,086) | (14,215,999) |
| Finance costs | | (4,453,700) | (2,046,204) |
| | | <u>(93,590,107)</u> | <u>(72,902,732)</u> |
| Net cash flows from operating activities | 42 | <u>26,904,297</u> | <u>35,907,895</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 9 | (29,369,375) | (33,508,468) |
| Net cash flows from investing activities | | <u>(29,369,375)</u> | <u>(33,508,468)</u> |
| Cash flows from financing activities | | | |
| Finance lease payments | | (35,741) | (819,418) |
| Net increase/(decrease) in cash and cash equivalents | | (2,500,819) | 1,580,009 |
| Cash and cash equivalents at the beginning of the year | | 3,703,777 | 2,123,768 |
| Cash and cash equivalents at the end of the year | 7 | <u>1,202,958</u> | <u>3,703,777</u> |

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|--------------------|--------------------|---------------------|---|---|------------|
| | R | R | R | R | R | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 40,825,324 | (4,012,554) | 36,812,770 | 49,589,282 | 12,776,512 | Note 55.1 |
| Rental of facility/equipment | 473,400 | (189,360) | 284,040 | 604,448 | 320,408 | Note 55.2 |
| Interest on debtors | 4,069,737 | - | 4,069,737 | 11,364,140 | 7,294,403 | Note 55.3 |
| Other income | 1,059,258 | (211,852) | 847,406 | 575,775 | (271,631) | Note 55.4 |
| Dividends received | 41,236 | (31,236) | 10,000 | - | (10,000) | Note 55.5 |
| Interest-external investment | 443,117 | (53,174) | 389,943 | 441,075 | 51,132 | Note 55.6 |
| Total revenue from exchange transactions | 46,912,072 | (4,498,176) | 42,413,896 | 62,574,720 | 20,160,824 | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 20,826,444 | 1,666,116 | 22,492,560 | 23,906,946 | 1,414,386 | |
| Interest on debtors | - | - | - | 3,957,976 | 3,957,976 | Note 55.8 |
| Transfer revenue | | | | | | |
| Transfer and subsidies | 113,452,000 | 10,655,000 | 124,107,000 | 102,922,774 | (21,184,226) | Note 55.9 |
| Fines | 18,930 | 12,873 | 31,803 | 28,450 | (3,353) | Note 55.10 |
| Licences and permits | 4,733 | - | 4,733 | - | (4,733) | Note 55.11 |
| Total revenue from non-exchange transactions | 134,302,107 | 12,333,989 | 146,636,096 | 130,816,146 | (15,819,950) | |
| Total revenue | 181,214,179 | 7,835,813 | 189,049,992 | 193,390,866 | 4,340,874 | |
| Expenditure | | | | | | |
| Employee costs | (53,561,422) | - | (53,561,422) | (59,470,390) | (5,908,968) | Note 55.55 |
| Remuneration of councillors | (4,127,430) | - | (4,127,430) | (4,200,291) | (72,861) | |
| Depreciation / amortisation | (38,649,428) | - | (38,649,428) | (41,071,347) | (2,421,919) | |
| Impairment loss | - | - | - | (13,232,331) | (13,232,331) | Note 55.16 |
| Finance costs | (600,000) | (1,400,000) | (2,000,000) | (2,513,323) | (513,323) | Note 55.17 |
| Debt Impairment | (22,998,000) | - | (22,998,000) | (38,650,492) | (15,652,492) | Note 55.18 |
| Repairs and maintenance | (7,608,792) | 2,254,035 | (5,354,757) | (4,043,070) | 1,311,687 | Note 55.19 |
| Bulk purchases | (21,000,000) | (12,000,000) | (33,000,000) | (37,267,215) | (4,267,215) | Note 55.20 |
| Contracted services | (18,160,417) | 6,316,840 | (11,843,577) | (4,830,632) | 7,012,945 | Note 55.21 |
| General expenses | (15,612,244) | 2,111,701 | (13,500,543) | (19,522,561) | (6,022,018) | Note 55.22 |

| | | | | | | |
|----------------------------|----------------------|--------------------|----------------------|----------------------|---------------------|------------|
| Total expenditure | (182,317,733) | (2,717,424) | (185,035,157) | (224,801,652) | (39,766,495) | |
| Operating deficit | (1,103,554) | 5,118,389 | 4,014,835 | (31,410,786) | (35,425,621) | |
| Loss on disposal of assets | - | - | - | (1,432,931) | (1,432,931) | Note 55.23 |
| Fair value adjustments | - | - | - | (1,121) | (1,121) | |
| Actuarial gains/losses | - | - | - | 454,000 | 454,000 | Note 55.25 |
| Inventories losses | - | - | - | 449,253 | 449,253 | Note 55.26 |
| | - | - | - | (530,799) | (530,799) | |
| Surplus | (1,103,554) | 5,118,389 | 4,014,835 | (31,941,585) | (35,956,420) | |

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|--------------------|--------------------|--|---|------------|
| | R | R | R | R | R | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 2,677,159 | - | 2,677,159 | 2,753,632 | 76,473 | |
| Other receivables | - | - | - | 2,801,668 | 2,801,668 | Note 55.28 |
| Receivables: exchange | - | - | - | 18,224,344 | 18,224,344 | Note 55.29 |
| Receivables: non-exchange | 27,849,374 | - | 27,849,374 | 60,942,871 | 33,093,497 | Note 55.30 |
| Cash & cash equivalents | 8,282,676 | - | 8,282,676 | 1,202,958 | (7,079,718) | Note 55.31 |
| | 38,809,209 | - | 38,809,209 | 85,925,473 | 47,116,264 | |
| Non-Current Assets | | | | | | |
| Long term receivables | - | 108,000,000 | 108,000,000 | - | (108,000,000) | Note 55.32 |
| Investment property | 237,277,795 | - | 237,277,795 | 77,704,540 | (159,573,255) | Note 55.33 |
| Property, plant and equipment | 48,392,250 | (1,028,600) | 47,363,650 | 702,953,967 | 655,590,317 | Note 55.34 |
| Intangible assets | 139,600 | - | 139,600 | 378,514 | 238,914 | Note 55.35 |
| Heritage assets | - | - | - | 15,000 | 15,000 | Note 55.36 |
| Other financial assets | - | - | - | 179,750 | 179,750 | Note 55.37 |
| | 285,809,645 | 106,971,400 | 392,781,045 | 781,231,771 | 388,450,726 | |
| Total Assets | 324,618,854 | 106,971,400 | 431,590,254 | 867,157,244 | 435,566,990 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Finance lease obligation | - | - | - | 160,805 | 160,805 | Note 55.38 |
| Payables from exchange transactions | 12,659,800 | 49,340,200 | 62,000,000 | 138,009,375 | 76,009,375 | Note 55.39 |
| Consumer deposits | 57,397 | - | 57,397 | 739,342 | 681,945 | Note 55.40 |
| Employee benefit obligation | - | - | - | 575,000 | 575,000 | Note 55.41 |
| Unspent conditional grants | - | - | - | 13,765,961 | 13,765,961 | Note 55.42 |
| VAT Payable | - | - | - | 4,210,868 | 4,210,868 | Note 55.54 |
| | 12,717,197 | 49,340,200 | 62,057,397 | 157,461,351 | 95,403,954 | |
| Non-Current Liabilities | | | | | | |
| Finance lease obligation | - | - | - | 177,643 | 177,643 | Note 55.43 |
| Employee benefit obligation | - | - | - | 3,839,000 | 3,839,000 | Note 55.44 |
| Provisions | - | - | - | 5,969,431 | 5,969,431 | Note 55.45 |
| | - | - | - | 9,986,074 | 9,986,074 | |
| Total Liabilities | 12,717,197 | 49,340,200 | 62,057,397 | 167,447,425 | 105,390,028 | |
| Net Assets | 311,901,657 | 57,631,200 | 369,532,857 | 699,709,819 | 330,176,962 | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 311,901,657 | 57,631,200 | 369,532,857 | 699,709,819 | 330,176,962 | Note 55.46 |

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual R | Reference |
|---|--------------------|---------------------|--------------------|--|--|------------|
| | R | R | R | R | R | |
| Cash Flow Statement | | | | | | |
| Cash flows from operating activities | | | | | | |
| Receipts | | | | | | |
| Sale of goods and services | 74,131,768 | (13,552,074) | 60,579,694 | 29,313,566 | (31,266,128) | Note 55.47 |
| Grants | 113,452,000 | 5,655,000 | 119,107,000 | 90,739,763 | (28,367,237) | Note 55.48 |
| Other receipts | 1,059,258 | (211,852) | 847,406 | 441,075 | (406,331) | Note 55.49 |
| 188,643,026 | | (8,108,926) | 180,534,100 | 120,494,404 | (60,039,696) | |
| Payments | | | | | | |
| Supplier payments and employee costs | 120,070,304 | 662,424 | 120,732,728 | 89,136,407 | (31,596,321) | Note 55.50 |
| Finance charges | 600,000 | 1,400,000 | 2,000,000 | 4,453,700 | 2,453,700 | Note 55.51 |
| 120,670,304 | | 2,062,424 | 122,732,728 | 93,590,107 | (29,142,621) | |
| Net cash flows from operating activities | 309,313,330 | (6,046,502) | 303,266,828 | 214,084,511 | (89,182,317) | |
| Cash flows from investing activities | | | | | | |
| Purchase of property, plant and equipment | - | - | - | (29,369,375) | (29,369,375) | Note 55.56 |
| Cash flows from financing activities | | | | | | |
| Finance lease payments | - | - | - | (35,741) | (35,741) | Note 55.57 |
| Net increase/(decrease) in cash and cash equivalents | 309,313,330 | (6,046,502) | 303,266,828 | (2,500,819) | (118,551,692) | Note 55.52 |
| Cash and cash equivalents at the beginning of the year | 309,313,330 | (6,046,502) | 303,266,828 | 3,703,777 | (299,563,051) | Note 55.53 |
| Cash and cash equivalents at the end of the year | 618,626,660 | (12,093,004) | 606,533,656 | 1,202,958 | (418,114,743) | |

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

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

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

These accounting policies are consistent with the previous period, unless specifically stated.

- **Presentation currency**

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

- **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.

- **Significant judgements and sources of estimation uncertainty**

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

The 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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual values on an annual basis, considering the condition and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

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

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Allowance for doubtful debts

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

This accounting policy has been changed from the previous period and the effect has been disclosed in the notes to the annual financial statements.

1.3 Significant judgements and sources of estimation uncertainty (continued)

GRAP 24: Presentation of budget information

The comparison of budget and actual amounts were presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis.

1.4 Investment property

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

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

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

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

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

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

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

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.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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.

1.4 Investment property (continued)

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.

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

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

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

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

| Item | Depreciation method | Average useful life |
|---|---------------------|---------------------|
| Land | Straight line | Infinite |
| Buildings | Straight line | 25 - 50 years |
| - Improvements | Straight line | 25 - 50 years |
| Plant and machinery | Straight line | 3 - 10 years |
| Furniture and fixtures | Straight line | 3 - 10 years |
| Motor vehicles | Straight line | 3 - 7 years |
| Heavy machinery and vehicles | Straight line | 3 - 10 years |
| Office equipment | Straight line | 2 - 7 years |
| Infrastructure | Straight line | |
| - Electricity | Straight line | 7 - 50 years |
| - Roads | Straight line | 8 - 50 years |
| - Sewerage and solid waste | Straight line | 5 - 50 years |
| - Stormwater | Straight line | 30 - 50 years |
| - Water | Straight line | 5 - 50 years |
| Community assets | Straight line | |
| - Buildings | Straight line | 20 - 50 years |
| - Recreational facilities | Straight line | 7 - 50 years |
| - Security measures | Straight line | 3 - 5 years |
| Other property, plant and equipment | Straight line | |
| - Other equipment | Straight line | 2 - 10 years |
| - Fences and gates | Straight line | 15 - 25 years |
| - Paving | Straight line | 3 - 10 years |
| Other equipment | Straight line | 3 - 10 years |
| Leased assets (computer equipment, copies and cellphones) | Straight line | 2 - 3 years |

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

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

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial

statements (see note).

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

| Item | Depreciation method | Average useful life |
|-------------------|---------------------|---------------------|
| Computer software | Straight line | 2 - 6 years |

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is

derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Heritage assets

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

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

1.7 Heritage assets (continued)

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

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

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

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

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

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

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

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.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent 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.

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 uncollectibility.

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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 in 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 are potentially unfavourable to the entity.

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

1.8 Financial instruments (continued)

Classification

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

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

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

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

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.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

1.8 Financial instruments (continued)

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, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

The 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 uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the

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

1.8 Financial instruments (continued)

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the

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

1.8 Financial instruments (continued)

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

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

1.9 Leases

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

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

1.9 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for

specific projects is assigned using specific identification of the individual costs.

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

1.10 Inventories (continued)

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

continuing use of an asset and from its disposal at the end of its useful life.

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

1.11 Impairment of cash-generating assets (continued)

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.

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be

impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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.

1.13 Employee benefits

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

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.

Accounting Policies

1.13 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or

- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

- current service cost;
- interest cost;

- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

1.13 Employee benefits (continued)

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

1.13 Employee benefits (continued)

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

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

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

Other post retirement obligations

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

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

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

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

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

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

- the effect of any curtailments or settlements.

Termination benefits

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

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

1.13 Employee benefits (continued)

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

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

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

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

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

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

1.15 Commitments

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

1.16 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.

1.16 Revenue from exchange transactions (continued)Sale

of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.17 Revenue from non-exchange transactions (continued)

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.

Transfers

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

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

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

Fines

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

There are two types of fines and summonses. Municipalities will usually issue both types of fines. There is uncertainty regarding the probability regarding the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the revenue amount collected from the spot fines and summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

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.

Conditional grants and receipts

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

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

The municipality needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transactions will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Division of Revenue Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Assessment rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

Changes to property values during a reporting period, which are referred to as "interims, are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Gifts and donations, including goods in-kind

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

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 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.

Accounting Policies

1.21 Unauthorised expenditure (continued)

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.

1.22 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.

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

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

1.24 Use in estimate

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

1.25 Value added tax

The municipality is registered with the South African Revenue Services for VAT on the payment basis, in accordance with section 15(2) of the Value Added Tax Act, 1991 (Act No. 89 of 1991).

1.26 Budget information

Municipalities 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.

1.26 Budget information (continued)

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

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

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.

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

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.

1.28 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

| 2020 R | 2019 R |
|-----------|-----------|
|-----------|-----------|

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

| Standard/ Interpretation: | Effective date: | 2 | Expected impact: |
|---|-----------------------------|---|--|
| | Years beginning on or after | | |
| • GRAP 18 on Segment Reporting | 01 April 2020 | | Unlikely there will be a material impact |
| • GRAP 34: Separate financial statement | 01 April 2019 | | Not expected to impact results but may result in additional disclosure |
| • GRAP 35: Consolidated Financial statements | 01 April 2019 | | No impact |
| • GRAP 36: Investments in associates and joint ventures | 01 April 2020 | | No impact |
| • GRAP 37: Joint arrangements | 01 April 2020 | | No impact |
| • GRAP 38: Disclosure of interest in other entities | 01 April 2020 | | No impact |
| • GRAP 104: Financial instruments (revised) | To be determined | | No impact |
| • GRAP 110: Living and non-living resources | 01 April 2020 | | No impact |
| • GRAP 20: Accounting for adjustments to revenue | | | |
| • GRAP 20: Accounting for adjustments to revenue | 01 April 2020 | | Unlikely there will be a material impact |
| • Guideline Accounting for landfill sites | To be determined | | Unlikely there will be a material impact |
| • GRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land | | | |
| • IGRAP 19: Liabilities to Pay Levies | | | |
| • Guideline Application of materiality to financial statements | Voluntary | | Unlikely there will be a material impact |
| • Guideline Accounting for arrangements undertaken in terms of the national housing programme | | | |

3 Inventories

| | | |
|-----------------------|------------------|------------------|
| Maintenance materials | 2,713,374 | 3,501,692 |
| Spare parts | 23,999 | 376,536 |
| Water | 16,259 | 12,718 |
| | 2,753,632 | 3,890,946 |

Inventories are held for own use and measured at the lower of cost or current replacement value. Inventory amounting to R2 753 632 (2019: R3 890 946) was written off during the year.

The cost of water production for the year amounted to R0.67 (2019: R0.67) per kilolitre.

4 Inventory pledged as security

No inventories have been pledged as security for overdraft facilities of the municipality.

5 Other receivables from exchange transactions

| | | |
|---------------------|------------------|------------------|
| ESKOM Security Held | 1,844,234 | 1,761,230 |
| Sundry deposits | 957,434 | 1,021,855 |
| | 2,801,668 | 2,783,085 |

Electricity deposits relate to the deposits held for the bulk ESKOM accounts

| | 2020 R | 2019 R |
|--|----------------------|----------------------|
| 5. Receivables from exchange transactions | | |
| Gross balances | | |
| Electricity | 12,917,689 | 5,297,990 |
| Water | 45,795,031 | 36,688,607 |
| Sewerage | 40,048,823 | 29,781,675 |
| Refuse | 35,772,585 | 26,058,681 |
| Other | 120,787 | 124,899 |
| Housing rental | 2,179,878 | 1,948,253 |
| Interest | 60,194,841 | 49,055,425 |
| | 197,029,634 | 148,955,530 |
| Less: Allowance for impairment | | |
| Electricity | (3,767,499) | (2,689,444) |
| Water | (28,146,247) | (25,848,498) |
| Sewerage | (23,726,971) | (20,683,813) |
| Refuse | (21,207,439) | (18,128,509) |
| Other | (128,467) | (96,159) |
| Housing rental | (1,294,457) | (1,432,286) |
| Interest | (57,815,683) | (32,817,617) |
| | (136,086,763) | (101,696,326) |
| Net balance | | |
| Electricity | 9,150,190 | 2,608,546 |
| Water | 17,648,784 | 10,840,109 |
| Sewerage | 16,321,852 | 9,097,862 |
| Refuse | 14,565,146 | 7,930,172 |
| Other | (7,680) | 28,740 |
| Housing rental | 885,421 | 515,967 |
| Interest | 2,379,158 | 16,237,808 |
| | 60,942,871 | 47,259,204 |
| Electricity | | |
| Current (0 -30 days) | 202,688 | 341,991 |
| 31 - 60 days | 192,840 | 144,731 |
| 61 - 90 days | 154,499 | 99,754 |
| 91 - 120 days | 103,313 | 90,960 |
| 121 - 150 days | 160,657 | 100,737 |
| >150 days | 8,336,193 | 1,830,373 |
| | 9,150,190 | 2,608,546 |
| Water | | |
| Current (0 -30 days) | 422,045 | 321,659 |
| 31 - 60 days | 264,222 | 287,575 |
| 61 - 90 days | 240,665 | 234,505 |
| 91 - 120 days | 248,378 | 226,926 |
| 121 - 150 days | 244,029 | 190,630 |
| > 150 days | 16,229,445 | 9,578,814 |
| | 17,648,784 | 10,840,109 |

| | 2020 R | 2019 R |
|--|--------------------|--------------------|
| 5. Receivables from exchange transactions (continued) | | |
| Sewerage | | |
| Current (0 -30 days) | 385,298 | 321,029 |
| 31 - 60 days | 226,310 | 270,671 |
| 61 - 90 days | 216,608 | 259,323 |
| 91 - 120 days | 212,822 | 251,699 |
| 121 - 150 days | 221,039 | 246,860 |
| > 150 days | 15,059,775 | 7,748,280 |
| | 16,321,852 | 9,097,862 |
| Refuse | | |
| Current (0 -30 days) | 378,599 | 317,240 |
| 31 - 60 days | 220,039 | 255,746 |
| 61 - 90 days | 210,634 | 246,618 |
| 91 - 120 days | 207,253 | 239,711 |
| 121 - 150 days | 212,049 | 235,270 |
| > 150 days | 13,336,572 | 6,635,587 |
| | 14,565,146 | 7,930,172 |
| Other | | |
| Current (0 -30 days) | 3,232 | 5,656 |
| 31 - 60 days | 2,676 | 3,726 |
| 61 - 90 days | 1,884 | 2,220 |
| 91 - 120 days | 1,884 | 1,848 |
| 121 - 150 days | 1,884 | 870 |
| > 150 days | (19,240) | 14,420 |
| | (7,680) | 28,740 |
| Housing rental | | |
| Current (0 -30 days) | 2,302 | 5,360 |
| 31 - 60 days | 4,871 | 4,979 |
| 61 - 90 days | 3,209 | 4,175 |
| 91 - 120 days | 2,899 | 4,559 |
| 121 - 150 days | 2,427 | 4,127 |
| > 150 days | 869,713 | 492,767 |
| | 885,421 | 515,967 |
| Interest | | |
| Current (0 -30 days) | 382,635 | 943,189 |
| 31 - 60 days | 860,967 | 515,906 |
| 61 - 90 days | 847,587 | 492,878 |
| 91 - 120 days | 906,395 | 481,349 |
| 121 - 150 days | 976,504 | 469,754 |
| > 150 days | (1,594,930) | 13,334,732 |
| | 2,379,158 | 16,237,808 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | 101,696,326 | 149,007,651 |
| Contributions to allowance | 34,390,437 | (47,311,325) |
| | 136,086,763 | 101,696,326 |

| 2020 R | 2019 R |
|-----------|-----------|
|-----------|-----------|

5. Receivables from exchange transactions (continued)

Consumer debtors pledged as security

None of the receivable from exchange transaction debtors have been pledged as security for the municipality's financial liabilities.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R5 223 810 (2019: R5 078 929) were past due but not impaired.

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

| | | |
|-------------------|-----------|-----------|
| 1 month past due | 1,776,800 | 2,256,124 |
| 2 months past due | 1,771,925 | 1,483,333 |
| 3 months past due | 1,675,085 | 1,339,472 |

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of receivables from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the receivables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

6. Receivables from non-exchange transactions

| | | |
|--------------------------|-------------------|-------------------|
| Assessment rates | 42,332,920 | 38,568,858 |
| Provision for impairment | (24,108,576) | (25,112,201) |
| | 18,224,344 | 13,456,657 |

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.

Property rates

| | | |
|-----------------------|-------------------|-------------------|
| Current (0 - 30 Days) | 931,966 | 740,801 |
| 31 - 60 days | 806,192 | 527,051 |
| 61 - 90 days | 764,735 | 430,326 |
| 91 - 120 days | 746,268 | 459,160 |
| 121 - 150 days | 722,658 | 428,063 |
| > 150 days | 14,252,525 | 10,871,257 |
| | 18,224,344 | 13,456,657 |

6 Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R1 698 177 (2019: R2 502 839) were past due but not impaired.

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

| | | |
|-------------------|---------|---------|
| 1 month past due | 931,822 | 740,801 |
| 2 months past due | 806,337 | 527,051 |
| 3 months past due | 764,735 | 430,326 |

| 2020 R | 2019 R |
|-----------|-----------|
|-----------|-----------|

6. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables: exchange

| | | |
|--------------------------|-------------------|-------------------|
| Opening balance | 25,112,201 | 23,534,769 |
| Provision for impairment | (1,003,625) | 1,577,432 |
| | 24,108,576 | 25,112,201 |

The provision for impairment was calculated after grouping all the financial assets of similar nature, risk ratings and assessing the recoverability.

In determining the recoverability of the receivables from non-exchange transactions, the municipality considers any change in the credit quality of the assessment rate debtors from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the provision for impairment.

7. Cash & cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|------------------|------------------|
| Bank balances | 928,442 | 1,198,517 |
| Short-term deposits | 274,516 | 2,505,260 |
| | 1,202,958 | 3,703,777 |

The management of the municipality is of the opinion that the carrying value of the current investments and bank balances recorded at amortised cost in the financial statements approximate amortised cost.

Cash and cash equivalents pledged as collateral

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents

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 |
| First National Bank - Current account - 527115689918 | 926,962 | 900,236 | 1,785,287 | 926,962 | 900,236 | 1,785,287 |
| ABSA Bank - Current account - 4078034774 | 1,480 | 298,281 | 338,218 | 1,480 | 298,281 | 338,218 |
| First National Bank - Call account - 62711355132 | 66 | 66 | 83 | 66 | 66 | 83 |
| First National Bank - Call account - 6269415415 | - | - | 180 | - | - | 180 |
| ABSA Bank - Current account - 409262218 | 193,199 | 2,505,194 | - | 193,199 | 2,505,194 | - |
| Nedbank - Money Market - 03/7881110481/000003 | 15,763 | - | - | 15,763 | - | - |
| First National Bank - Money Market - 62847543528 | 65,488 | - | - | 65,488 | - | - |
| Total | 1,202,958 | 3,703,777 | 2,123,768 | 1,202,958 | 3,703,777 | 2,123,768 |

| 2020 R | | | | | 2019 R |
|------------------------|----------------------------|--|------------|--|--------------|
| 8. Investment property | | | | | |
| 2020 | | | | | 2019 |
| Cost / | Accumulated Carrying value | | Cost / 7 | Accumulated Carrying value | |
| | Valuation | 8 deprec iationand accumulated impairment | Valuation | 9 deprec iationand accumulated impairment | |
| Investment property | 77,704,540 | - | 77,704,540 | 77,704,540 | - 77,704,540 |

Reconciliation of investment property - 2020

| | | | |
|---------------------|----------------|----|------------|
| | Openingbalance | 10 | Total |
| Investment property | 77,704,540 | | 77,704,540 |

Reconciliation of investment property - 2019

| | | | | | |
|---------------------|-------------------|-------------|--------------------------|----|------------|
| | Openingbalance 11 | Transfers | Transfer to inventory | 12 | Total |
| Investment property | 78,852,243 | (1,128,495) | (19,208) | | 77,704,540 |

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

Adjustment to fair value

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality. Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP16.

The following criteria was used to determine whether a property should be classified as an investment property:A

building owned by the municipality and leased out to third parties under one or more operating leases.

Land held for a current undeterminable future use.

Property being constructed or developed for future use as investment property.

No restrictions exist unless the property is being leased out to third parties.

Under construction and Contractual commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

Repairs and maintenance

No repairs and maintenance was incurred in the running of these properties for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

| | 2020 | | | 2019 | | |
|-------------------------------------|-----------------|---|----------------|----------------|---|-------------|
| | Cost /Valuation | Accumulated depreciation and impairment | Carrying value | Cost/Valuation | depreciation and accumulated impairment | |
| Land | 13,417,919 | - | 13,417,919 | 13,417,919 | - | 13,417,919 |
| Buildings | 161,766,331 | (75,137,797) | 86,628,534 | 155,442,768 | (65,955,419) | 89,487,349 |
| Other property, plant and equipment | 12,498,490 | (7,537,101) | 4,961,389 | 11,567,163 | (6,754,662) | 4,812,501 |
| Infrastructure | 1,299,250,685 | (701,716,472) | 597,534,213 | 1,274,091,102 | (661,646,110) | 612,444,992 |
| Leased assets | 497,610 | (85,698) | 411,912 | 4,089,003 | (3,834,709) | 254,294 |

Total

| | | | | | |
|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
| 1,487,431,035 | (784,477,068) | 702,953,967 | 1,458,607,955 | (738,190,900) | 720,417,055 |
|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|

Reconciliation of property, plant and equipment - 2020

| | Opening balance | Additions | Disposals | Depreciation | Impairment loss | Total |
|-------------------------------------|----------------------------|-------------------|--------------------|---------------------|----------------------------|--------------------|
| Land | 13,417,919 | - | - | - | - | 13,417,919 |
| Buildings | 89,487,349 | 7,541,091 | (586,670) | (3,857,610) | (5,955,626) | 86,628,534 |
| Other property, plant and equipment | 4,812,501 | 1,015,314 | (99,817) | (766,609) | - | 4,961,389 |
| Infrastructure | 612,444,992 | 29,031,709 | (657,319) | (36,008,464) | (7,276,705) | 597,534,213 |
| Leased assets | 254,294 | 484,011 | (89,125) | (237,268) | - | 411,912 |
| | 720,417,055 | 38,072,125 | (1,432,931) | (40,869,951) | (13,232,331) | 702,953,967 |

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|-------------------------------------|--------------------|-------------------|--------------------|------------------|---------------------|--------------------|--------------------|
| Land | 13,387,218 | - | - | 30,701 | - | - | 13,417,919 |
| Buildings | 84,477,192 | 9,334,530 | (190,206) | 1,097,793 | (3,732,893) | (1,499,067) | 89,487,349 |
| Other property, plant and equipment | 5,325,433 | 450,145 | (101,835) | - | (860,266) | (976) | 4,812,501 |
| Infrastructure | 629,395,138 | 23,837,445 | (2,647,120) | - | (37,641,651) | (498,820) | 612,444,992 |
| Leased assets | 1,582,373 | 34,986 | - | - | (1,363,065) | - | 254,294 |
| | 734,167,354 | 33,657,106 | (2,939,161) | 1,128,494 | (43,597,875) | (1,998,863) | 720,417,055 |

Assets subject to finance lease (Net carrying amount)

| | | |
|--------------------|----------------|----------------|
| Motor vehicles | 411,912 | -254,294 |
| Computer equipment | - | - |
| | 411,912 | 254,294 |

Other information

Expenditure incurred on repairs and maintenance of property, plant and equipment

| | | |
|-------------------------------------|-----------|---------|
| Other property, plant and equipment | 4,671,849 | 994,960 |
|-------------------------------------|-----------|---------|

Notes to the Annual Financial Statements

| | 2020 | 2019 |
|---|---------------------------------------|----------------------------------|
| 9. Property, plant and equipment (continued) | | |
| Reconciliation of Work-in-Progress 2020 | | |
| | Included within infrastructure | Included within buildings |
| Opening balance | 65,523,387 | 12,772,208 |
| Additions/capital expenditure | 29,335,629 | 7,349,800 |
| Transferred to completed items | (7,480,574) | (3,918,977) |
| | 87,378,442 | 16,203,031 |
| | | 103,581,473 |

Reconciliation of Work-in-Progress 2019

| | | | |
|--------------------------------|---------------------------------------|----------------------------------|-------------------|
| | Included within infrastructure | Included within buildings | Total |
| Opening balance | 51,238,151 | 3,704,827 | 54,942,978 |
| Additions/capital expenditure | 24,413,710 | 9,067,381 | 33,481,091 |
| Transferred to completed items | (10,128,474) | - | (10,128,474) |
| | 65,523,387 | 12,772,208 | 78,295,595 |

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

Slow-moving projects

| | | |
|--|-----------|-----------|
| Koffiefontein: Upgrading of sports complex | 3,016,194 | 3,016,194 |
| Luckhoff: Construction of water treatment plan | 6,112,602 | 6,112,602 |
| Koffiefontein: Upgrading of sub-station | 263,989 | 263,989 |

The aforementioned projects represent the slow-moving projects which are included in work-in-progress balance. These projects are slow-moving due to the fact that the contractors were not performing and these projects were therefore placed onhold and/or terminated.

10. Intangible assets

| | 2020 | | | 2019 | | |
|-------------------|-----------|---|----------------|------------|---|----------------|
| | Cost / | Accumulated | Carrying value | Cost | Accumulated | Carrying value |
| | Valuation | amortisation and accumulated impairment | Valuation | /Valuation | amortisation and accumulated impairment | |
| Computer software | 1,006,977 | (628,463) | 378,514 | 1,006,977 | (427,068) | 579,909 |

Reconciliation of intangible assets - 2020

| | Openingbalance13 | Amortisation | Total |
|-------------------|------------------|--------------|---------|
| Computer software | 579,909 | (201,395) | 378,514 |

Notes to the Annual Financial Statements

| 2020 R | 2019 R |
|-----------|-----------|
|-----------|-----------|

10. Intangible assets (continued)

Reconciliation of intangible assets - 2019

| | Openingbalance | Amortisation | Total |
|-------------------|----------------|--------------|---------|
| Computer software | 781,304 | (201,395) | 579,909 |

Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

11. Heritage assets

| | 2020 | | | 2019 | | |
|---------------|--------|-------------------------------|----------------|--------|-------------------------------|----------------|
| | Cost | Accumulated impairment losses | Carrying value | Cost | Accumulated impairment losses | Carrying value |
| Mayoral chain | 15,000 | - | 15,000 | 15,000 | - | 15,000 |

Reconciliation of heritage assets - 2020

| | Openingbalance | Total |
|---------------|----------------|--------|
| Mayoral chain | 15,000 | 15,000 |

Reconciliation of heritage assets - 2019

| | Openingbalance | Total |
|---------------|----------------|--------|
| Mayoral chain | 15,000 | 15,000 |

Notes to the Annual Financial Statements

| | 2020 R | 2019 R |
|--|----------------------------|----------------|
| 12. Other financial assets | | |
| Designated at fair value | | |
| Unlisted shares | 179,750 | 180,871 |
| The municipality holds the following non-controlling interests: | | |
| Senwes Limited: | 3 600 (2019: 3 600) shares | |
| Senwesbel Limited: | 4 990 (2019: 4 990) shares | |
| OVK: Operational Shares | 4 000 (2019: 4 000) shares | |
| OVK: Holding Shares | 4 000 (2019: 4 000) shares | |
| Non-current assets | | |
| Designated at fair value | 179,750 | 180,871 |
| Financial assets at fair value | | |
| Fair values of financial assets measured or disclosed at fair value | | |
| Class 1: Senwes Limited | 36,000 | 39,420 |
| These shares are valued as per the valuation obtained from the Senwes Limited Transfer Secretaries and represents the fair value as at 30 June. | | |
| Class 2: Senwesbel Limited | 24,950 | 24,451 |
| These shares are valued as per the valuation obtained from the Senwesbel Limited Transfer Secretaries and represents the fair value as at 30 June. | | |
| Class 3: OVK Operational shares | 63,400 | 62,600 |
| These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June. | | |
| Class 4: OVK Holding shares | 55,400 | 54,400 |
| These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June. | | |
| | 179,750 | 180,871 |
| 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 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 2 applies inputs which are not based on observable market data. | | |
| Level 3 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets. | | |
| Level 1 | | |
| Class 1: Senwes Limited | 36,000 | 39,420 |
| Class 2: Senwesbel Limited | 24,950 | 24,451 |
| Class 3: OVK Operational shares | 63,400 | 62,600 |

Class 4: OVK Holding shares

| | |
|----------------|----------------|
| 55,400 | 54,400 |
| 179,750 | 180,871 |

| | 2020 R | 2019 R |
|--|----------------|----------------|
| 13. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 187,412 | 257,389 |
| - in second to fifth year inclusive | 187,412 | 110,691 |
| | 374,824 | 368,080 |
| less: future finance charges | (36,376) | (29,894) |
| Present value of minimum lease payments | 338,448 | 338,186 |
| Present value of minimum lease payments due | | |
| - within one year | 160,805 | 233,374 |
| - in second to fifth year inclusive | 177,643 | 104,812 |
| | 338,448 | 338,186 |
| Non-current liabilities | 177,643 | 104,812 |
| Current liabilities | 160,805 | 233,374 |
| | 338,448 | 338,186 |

It is municipality policy to lease certain other property, plant and equipment (motor vehicles) under finance leases.

The lease contract incurred in the current financial year, with a lease term of 36 months. The effective borrowing rate was 10%

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

14. Payables from exchange transactions

| | | |
|-------------------------------|--------------------|-------------------|
| Trade payables | 47,436,810 | 38,708,898 |
| Accrued bonus | 1,001,764 | 1,038,515 |
| Accrued leave pay | 4,685,898 | 4,705,547 |
| Retention monies | 8,558,905 | 5,935,299 |
| Employee related liabilities | 2,068,544 | 2,003,784 |
| Eskom | 54,512,777 | 24,808,385 |
| Sedibeng Water | 3,229,424 | 428,464 |
| Oranje-Riet | 208,791 | 384,516 |
| Kalkfontein | 7,881,758 | 3,551,590 |
| Payments received in advanced | 8,424,703 | 9,270,443 |
| | 138,009,374 | 90,835,441 |

15. Consumer deposits

| | | |
|-----------------------|---------|---------|
| Water and Electricity | 739,342 | 732,877 |
|-----------------------|---------|---------|

2020
R

2019
R

16. Employee benefit obligations

Defined benefit plan

Post-employment medical aid benefit liability

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health Medical Aid schemes.

The members of the Post-employment medical aid (health care) benefit plan are made up as follows:

- In-service members (employees): 0 (2019: 0)
- In-service non-members (employees): 0 (2019: 0)
- Continuation members (retirees, widowers and orphans): 8 (2019: 8)

Long service award liability

The municipality operates an unfunded defined benefit liability for all its employees. Under the plan, a long service award is every 5 years of continuous service, from 5 to 45 years of service, inclusive. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out at 30 June 2020. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

The current service cost for the year ending 30 June 2020 is estimated to be R362 000, whereas the cost for ensuing year is estimated to be R275 000 (R250 000 and R238 000 respective).

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

| | 2020 R | 2019 R |
|--|-----------|-----------|
|--|-----------|-----------|

16. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

| | | |
|--|--------------------|--------------------|
| Present value of the Post-employment medical aid benefit liability | (1,933,000) | (2,040,000) |
| Present value of the Long service award liability | (2,481,000) | (2,688,000) |
| | (4,414,000) | (4,728,000) |
| Non-current liabilities | (3,839,000) | (4,235,000) |
| Current liabilities | (575,000) | (493,000) |
| | (4,414,000) | (4,728,000) |

The municipality expects to make a contribution of R271 000 (2018: R250 000) and R222 000 (2018: R243 000) in the next financial year to the post-employment medical aid benefit and long service award liabilities, respectively.

Changes in the present value of the post-employment medical aid benefit obligation are as follows:

| | | |
|--|------------------|------------------|
| Opening balance | 2,040,000 | 1,996,000 |
| Net expense recognised in the statement of financial performance | (107,000) | 44,000 |
| | 1,933,000 | 2,040,000 |

Net expense recognised in the statement of financial performance: Post-employment medical aid benefit liability

| | | |
|--------------------------|------------------|---------------|
| Benefits paid | (285,000) | (265,000) |
| Interest cost | 189,000 | 180,000 |
| Actuarial (gains) losses | (11,000) | 129,000 |
| | (107,000) | 44,000 |

Changes in the present value of the long service award liability are as follows:

| | | |
|--|------------------|------------------|
| Opening balance | 2,688,000 | 2,459,000 |
| Net expense recognised in the statement of financial performance | (207,000) | 229,000 |
| | 2,481,000 | 2,688,000 |

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

| | | |
|--------------------------|------------------|----------------|
| Current service cost | 362,000 | 356,000 |
| Interest cost | 275,000 | 238,000 |
| Actuarial gains (losses) | (443,000) | (222,000) |
| Benefits paid | (401,000) | (143,000) |
| | (207,000) | 229,000 |

| | 2020 R | 2019 R |
|--|-----------|-----------|
|--|-----------|-----------|

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

| | | |
|--|--------|--------|
| Discount rate: Post-employment medical aid benefit liability | 8.67 % | 8.67 % |
| Discount rate: Long service award liability | 8.47 % | 8.47 % |
| Health care cost inflation rate | 6.98 % | 6.98 % |
| General salary inflation | 6.29 % | 6.29 % |
| Net discount rate: Post-employment medical aid benefit liability | 1.59 % | 1.59 % |
| Net discount rate: Long service award liability | 2.05 % | 2.05 % |
| Maximum subsidy inflation rate | 4.86 % | 4.86 % |
| Net discount rate: Maximum subsidy inflation rate | 3.64 % | 3.64 % |

Other assumptions

The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation is as follows:

Increase:

| | | |
|---|-----------|-----------|
| Effect on the aggregate of the current service cost and the interest cost | 226,000 | 196,000 |
| Effect on the defined benefit obligation | 1,994,000 | 2,113,000 |

Decrease:

| | | |
|---|-----------|-----------|
| Effect on the aggregate of the current service cost and the interest cost | 211,000 | 181,000 |
| Effect on the defined benefit obligation | 1,867,000 | 1,959,000 |

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

| | | |
|---|-----------|-----------|
| Effect on the aggregate of the current service cost and the interest cost | 627,000 | 681,000 |
| Effect on the defined benefit obligation | 2,639,000 | 2,864,000 |

Decrease:

| | | |
|---|-----------|-----------|
| Effect on the aggregate of the current service cost and the interest cost | 549,000 | 598,000 |
| Effect on the defined benefit obligation | 2,337,000 | 2,530,000 |

Other assumptions

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

| | 2020 R | 2019 R | 2018 R | 2017 R | 2016 R |
|---|-----------|-----------|-----------|-----------|-----------|
| Post-employment medical aid benefit liability | 1,933,000 | 2,040,000 | 1,996,000 | 4,293,667 | 4,136,780 |
| Long service award liability | 2,481,000 | 26,888 | 2,459,000 | 2,451,414 | 2,010,937 |

Actuarial gains

| | | |
|---|----------------|-----------------|
| Post-employment medical aid benefit liability | 11,000 | 129,000 |
| Long service award liability | 443,000 | (143,000) |
| | 454,000 | (14,000) |

| | 2020 R | 2019 R |
|--|-----------|-----------|
|--|-----------|-----------|

17. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|--|-------------------|-------------------|
| Municipal Infrastructure Grant (MIG) | 5,725,651 | 8,521,311 |
| Water Services Infrastructure Grant (WSIG) | 8,040,310 | 17,427,661 |
| | 13,765,961 | 25,948,972 |

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See

note 26 for reconciliation of grants from National/Provincial Government.

Due to the adverse economic environment, a significant portion of amounts due to the municipality in respect of services rendered, property rates and taxes are tied up in receivables. This resulted in amounts earmarked for conditional projects being utilised to ensure smooth running of the municipality. Management is actively following up on outstanding receivables to ensure that projects are completed.

18. VAT payable

| | | |
|------------------------------|------------------|------------------|
| VAT Payable | 14,355,869 | 16,980,469 |
| VAT invoice basis receivable | (10,178,771) | (9,170,114) |
| Plus: VAT payment basis | 33,770 | - |
| | 4,210,868 | 7,810,355 |

VAT is payable on a cash basis. Once payment is received or made, VAT is payable or receivable from SARS.

No interest is payable to SARS if VAT is paid in time. Interest on late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

The municipality was charged with interest due to late payment.

19. Provisions

Reconciliation of provisions - 2020

| | 14 Opening Balance | Unwinding of interest | 15 Total |
|------------------------------|--------------------|-----------------------|-----------|
| Environmental rehabilitation | 7,945,811 | (1,976,380) | 5,969,431 |

Reconciliation of provisions - 2019

| | Opening Balance | 16 Unwinding of interest | Total |
|------------------------------|-----------------|--------------------------|-----------|
| Environmental rehabilitation | 8,252,619 | (306,808) | 7,945,811 |

The provision was based on 100% of the landfill site areas effected as this area is used for dumping of waste. Dumping is limited

to a certain portion of landfill sites. The current area effected will have to be rehabilitated, therefore the provision wasbased on 100% of the current effected areas of the landfill sites.

| | | |
|-----------------|------------------|------------------|
| Jacobsdal | 1,778,644 | 2,474,988 |
| Koffiefontein | 2,213,230 | 2,904,606 |
| Luckhoff | 825,620 | 1,119,176 |
| Oppermansgronde | 417,413 | 512,265 |
| Petrusburg | 734,525 | 934,776 |
| | 5,969,432 | 7,945,811 |

| | 2020 R | 2019 R |
|---|-------------------|-------------------|
| 20. Service charges | | |
| Sale of electricity | 17,684,443 | 16,589,594 |
| Sale of water | 13,524,573 | 10,490,006 |
| Sewerage and sanitation charges | 9,120,836 | 11,731,738 |
| Refuse removal | 9,229,830 | 11,076,548 |
| Other service charges | 29,600 | 15,300 |
| | 49,589,282 | 49,903,186 |
| 21. Interest earned on outstanding debtors | | |
| Interest - non-exchange transactions | 3,957,976 | 4,803,463 |
| Interest - exchange transactions | 11,364,140 | 13,243,977 |
| | 15,322,116 | 18,047,440 |
| 22. Investment revenue | | |
| Interest revenue | | |
| Interest earned - external investments | 441,075 | 594,158 |
| 23. Rental of facilities and equipment | | |
| Premises | | |
| Premises | 348,657 | 262,364 |
| Venue hire | 255,791 | 244,039 |
| | 604,448 | 506,403 |
| 24. Other income | | |
| Administration fees | - | 75,650 |
| Building plan fees | 5,721 | 9,437 |
| Connection and re-connection fees | 115,441 | 122,247 |
| Grave sales | 39,668 | 44,638 |
| Insurance refund | 239,455 | 48,781 |
| Photocopies | 53,851 | 27,079 |
| Tax certificates | 11,595 | 5,834 |
| Tender documents | 110,044 | 17,150 |
| | 575,775 | 350,816 |

Notes to the Annual Financial Statements

| | 2020 R | 2019 R |
|---------------------------|----------------------|----------------------|
| 25. Property rates | | |
| Rates received | | |
| Property rates | 23,906,946 | 19,826,211 |
| Valuations | | |
| Residential | 836,845,000 | 836,845,000 |
| Commercial | 179,540,000 | 179,540,000 |
| State | 93,390,000 | 93,390,000 |
| Municipal | 22,330,000 | 22,330,000 |
| Small holdings and farms | 2,258,975,000 | 2,258,975,000 |
| Other | 219,348,000 | 219,348,000 |
| | 3,610,428,000 | 3,610,428,000 |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

26. Government grants and subsidies

Operating grants

| | | |
|----------------------------------|-------------------|-------------------|
| Equitable share | 63,668,000 | 58,082,000 |
| Financial Management Grant (FMG) | 2,435,000 | 1,970,000 |
| Municipal Disaster Relief Grant | 655,000 | - |
| Free State Provincial Treasury* | 2,363,711 | 2,228,621 |
| | 69,121,711 | 62,280,621 |

Capital grants

| | | |
|--|--------------------|-------------------|
| Water Services Infrastructure Grant (WSIG) | 16,156,403 | 12,771,181 |
| Municipal Infrastructure Grant (MIG) | 11,444,660 | 21,459,243 |
| Expanded Public Works Programme Grant (EPWP) | 1,000,000 | 1,000,000 |
| Integrated National Electrification Programme Grant (INEP) | 5,200,000 | - |
| | 33,801,063 | 35,230,424 |
| | 102,922,774 | 97,511,045 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|--------------------|-------------------|
| Conditional grants received | 36,891,063 | 37,200,424 |
| Unconditional grants received | 66,031,711 | 60,310,621 |
| | 102,922,774 | 97,511,045 |

*Free State Provincial Treasury was allocated from Conditional grants to Unconditional grants due to the grant that is directly paid to the Auditor General.

Equitable Share

In terms of the Constitution, this grant is used to subsidise the nation.

Notes to the Annual Financial Statements

| | 2020 R | 2019 R |
|--|------------------|------------------|
| 26. Government grants and subsidies (continued) | | |
| National: Municipal Infrastructure Grant (MIG) | | |
| Balance unspent at beginning of year | 8,521,311 | 6,031,554 |
| Current-year receipts | 17,149,000 | 29,949,000 |
| Conditions met - transferred to revenue | (11,444,660) | (21,459,243) |
| Unspent Grant to be surrendered to NRF | (8,500,000) | (6,000,000) |
| | 5,725,651 | 8,521,311 |

Conditions still to be met - remain liabilities (see note 17).

During the year National Treasury withheld R6 000 000 from the municipality's Equitable Share allocation as the repayment of the unspent portion of the previous financial years.

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, and to provide for new, rehabilitation and upgrading of municipal infrastructure.

National: Integrated National Electrification Programme (INEP)

| | | |
|---|-------------|-----------|
| Balance unspent at beginning of year | - | 400,000 |
| Current-year receipts | 5,200,000 | - |
| Conditions met - transferred to revenue | (5,200,000) | - |
| Unspent Grant to be surrendered to NRF | - | (400,000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 17).

During the year National Treasury withheld R400 000 from the municipality's Equitable Share allocation as the repayment of the unspent portion of the previous financial years.

The grant is allocated to municipalities to improve and upgrade the electricity infrastructure and enhance the electricity capacity within the municipality.

National: Water Services Infrastructure Grant (WSIG)

| | | |
|---|------------------|-------------------|
| Balance unspent at beginning of year | 17,427,661 | 32,998,842 |
| Current-year receipts | 24,000,000 | 30,000,000 |
| Conditions met - transferred to revenue | (16,187,351) | (12,771,181) |
| Repayment of funds (withheld from the Equitable share allocation) | - | (17,000,000) |
| Unspent Grant to be surrendered to NRF | (17,200,000) | (15,800,000) |
| | 8,040,310 | 17,427,661 |

Conditions still to be met - remain liabilities (see note 17).

The grant is allocated and used to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

During the year National Treasury withheld R17 000 000 from the municipality's Equitable Share allocation as the repayment of the unspent portion of the previous financial years.

This grant was previously known as the Municipal Water Infrastructure Grant (MWIG).

| | 2020 R | 2019 R |
|--|-----------|-----------|
|--|-----------|-----------|

26. Government grants and subsidies (continued)

National: Financial Management Grant (FMG)

| | | |
|---|-------------|-------------|
| Current-year receipts | 2,435,000 | 1,900,000 |
| Conditions met - transferred to revenue | (2,435,000) | (1,900,000) |
| | - | - |

The Financial Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). All conditions attached to the grant were met and no funds were withheld.

National: Expanded Public Works Programme (EPWP)

| | | |
|---|-------------|-------------|
| Current-year receipts | 1,000,000 | 1,000,000 |
| Conditions met - transferred to revenue | (1,000,000) | (1,000,000) |
| | - | - |

The Expanded Public Works Programme (EPWP) Grant is allocated to incentives municipalities to expand work creation efforts through the use of labour incentive delivery methods in the identified focus areas in compliance with the EPWP guidelines. All conditions attached to the grant were met and no funds were withheld.

Municipal Disaster Relief Grant

| | | |
|---|-----------|---|
| Current-year receipts | 655,000 | - |
| Conditions met - transferred to revenue | (655,000) | - |
| | - | - |

Funding allocation for response and intervention measures for COVID-19 pandemic from the municipal disaster relief grant. National Treasury provided COVID-19 pandemic relief grants to Letsemeng Local Municipality. This is in terms of the division of revenue Act (Act 16 of 2019) This grant may only be used to fund expenditure in the event that the responsible line function organ of state is unable to deal with the effects of the disaster utilising their own legislation, guidelines and resources.

Free State Provincial Treasury

| | | |
|--|-------------|-------------|
| Balance unspent at beginning of year | - | 2,228,621 |
| Current-year receipts | - | (744,348) |
| Conditions met - transferred to revenue | 2,363,711 | (255,652) |
| Paid to The Auditor General South Africa | (2,363,711) | (1,228,621) |
| | - | - |

This grant is paid on behalf of the Letsemeng Local Municipality to the Auditor General. There is no express or positive obligation in terms of the agreement to return the grant funding if the funds are not used for its intended purpose.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Bill, 2018 (Bill No. 2 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Public contributions and donations

| | | |
|--|---|---------|
| Public contributions and donations (moveables) | - | 134,144 |
|--|---|---------|

In the prior year approval has been granted by the Provincial Treasury to donate two vehicles to the municipality for service delivery interventions.

| | 2020 R | 2019 R |
|---|-------------------|-------------------|
| 28. Fines, Penalties and Forfeits | | |
| Law enforcement fines | 28,450 | 8,365 |
| 29. Employee related costs | | |
| Basic salaries and wages | 34,930,860 | 34,630,292 |
| Bonus | 2,366,834 | 2,445,423 |
| Overtime payments | 5,020,980 | 3,513,821 |
| Housing benefits and allowances | 110,703 | 105,192 |
| Other allowance | 7,219,632 | 5,582,052 |
| Telephone allowance | 686,709 | 840,881 |
| Pension funds - council contributions | 4,309,751 | 4,475,116 |
| Medical aid funds - council contributions | 1,756,995 | 1,718,273 |
| Industrial council | 19,153 | 19,609 |
| UIF | 301,395 | 312,586 |
| Short term benefit | 908,433 | 829,713 |
| Defined contribution plans | 140,000 | 287,000 |
| Leave pay provision charge | 1,698,945 | 756,903 |
| | 59,470,390 | 55,516,861 |
| Remuneration of Municipal Manager | | |
| Annual remuneration | 891,934 | 853,307 |
| Car allowance | 257,520 | 257,250 |
| Bonus | 73,764 | 71,109 |
| Contributions to UIF, medical aid and pension funds | 59,892 | 65,450 |
| Other allowances | 49,532 | 49,602 |
| | 1,332,642 | 1,296,718 |
| Remuneration of Chief Finance Officer | | |
| Annual remuneration | 729,890 | 672,162 |
| Car allowance | 202,380 | 183,576 |
| Bonus | 58,384 | 52,598 |
| Contributions to UIF, medical aid and pension funds | 61,045 | 62,176 |
| Other allowances | 40,669 | 37,921 |
| | 1,092,368 | 1,008,433 |
| Remuneration of the Director: Community Services | | |
| Annual remuneration | 773,472 | 909,991 |
| Car allowance | 155,092 | 102,000 |
| Bonus | 64,456 | - |
| Contributions to UIF, medical aid and pension funds | 58,219 | 12,534 |
| Other allowances | 54,089 | 52,480 |
| Acting allowance | 26,299 | - |
| | 1,131,627 | 1,077,005 |

| | 2020 R | 2019 R |
|--|-----------|-----------|
|--|-----------|-----------|

29. Employee related costs (continued)

Remuneration of the Director: Technical Services

| | | |
|---|------------------|----------------|
| Annual remuneration | 676,290 | 605,131 |
| Car allowance | 236,283 | 209,122 |
| Bonus | 52,598 | 46,812 |
| Contributions to UIF, medical aid and pension funds | 45,282 | 21,498 |
| Other allowances | 37,994 | 33,460 |
| | 1,048,447 | 916,023 |

Remuneration of the Director: Corporate Services

| | | |
|---|----------------|------------------|
| Annual remuneration | 503,531 | 891,991 |
| Car allowance | 45,760 | 120,000 |
| Contributions to UIF, medical aid and pension funds | 11,236 | 12,228 |
| Other allowances | 20,012 | 52,480 |
| | 580,539 | 1,076,699 |

The Director was terminated on 30 November 2019.

Remuneration of the Director: Corporate Services

| | | |
|------------------|---------|---|
| Acting allowance | 194,883 | - |
|------------------|---------|---|

The Director started acting on 01 December 2019.

30. Remuneration of councillors

| | | |
|-------------|------------------|------------------|
| Mayor | 521,732 | 525,338 |
| Councillors | 3,678,559 | 3,465,776 |
| | 4,200,291 | 3,991,114 |

In-kind benefits

The executive mayor is full-time. The mayor is provided with an office, secretarial support and a full time driver at the cost of the Council.

The salaries, allowances and benefits were paid within the upper limits of the framework envisaged in Section 219 of the Constitution.

31. Depreciation and amortisation

| | | |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | 40,869,952 | 43,597,875 |
| Intangible assets | 201,395 | 201,395 |
| | 41,071,347 | 43,799,270 |

32. Impairment of assets

Impairments

| | | |
|-------------------------------|------------|-----------|
| Property, plant and equipment | 13,232,331 | 2,309,157 |
|-------------------------------|------------|-----------|

Property, plant and equipment have been impaired due to the condition assessments that indicated a decrease in value in use since the last assessment.

| | 2020 R | 2019 R |
|---|-------------------|-------------------|
| 33. Finance charges | | |
| Trade and other payables | 4,453,700 | 2,046,204 |
| Finance leases | 36,003 | 76,305 |
| Rehabilitation of landfill site | (1,976,380) | (306,809) |
| | 2,513,323 | 1,815,700 |
| 34. Debt impairment | | |
| Contributions to debt impairment provision | 38,650,492 | 64,581,561 |
| 35. Repairs and maintenance | | |
| Repairs and maintenance | 4,043,070 | 869,114 |
| 36. Bulk purchases | | |
| Electricity | 32,025,098 | 28,453,387 |
| Water | 5,242,117 | 4,600,218 |
| | 37,267,215 | 33,053,605 |
| 37. Professional and consulting fees | | |
| Professional fees | | |
| Business and Financial management | 3,818,575 | 2,592,394 |
| Project management | 574,649 | 2,815,215 |
| Contractors | | |
| Electrical | 7,670 | 86,238 |
| Maintenance of building and facilities | 42,380 | 638,961 |
| Maintenance of equipment | 176,412 | 503,534 |
| Sewerage services | 210,946 | 737,867 |
| Town planner | - | 507,270 |
| | 4,830,632 | 7,881,479 |

| | 2020 R | 2019 R |
|---|-------------------|-------------------|
| 38. General expenses | | |
| Accommodation | 315,441 | 811,441 |
| Advertising | 3,150 | 68,920 |
| Auditors remuneration | 4,353,877 | 5,564,338 |
| Bank charges | 630,121 | 548,641 |
| Chemicals | 2,253,629 | 1,284,289 |
| Commission paid | 793,239 | 365,881 |
| Conferences and seminars | 46,438 | 60,797 |
| Delivery expenses | - | 3,328 |
| Entertainment | 202,889 | 391,818 |
| Fuel and oil | 572,327 | 455,443 |
| Funeral cost | 55,845 | 7,104 |
| Hire | 189,029 | 369,163 |
| Hostel charges | - | 16,200 |
| Insurance | 1,257,278 | 1,516,438 |
| License fees | 69,005 | 174,319 |
| Other expenses | 41,608 | 73,250 |
| Postage and courier | 6,569 | 439 |
| Security (Guarding of municipal property) | 3,198,800 | 5,069,592 |
| Software expenses | 231,805 | 95,931 |
| Subscriptions and membership fees | 549,382 | 607,033 |
| Telephone and fax | 2,285,052 | 1,001,423 |
| Title deed search fees | - | 52 |
| Training | 122,081 | 524,109 |
| Travel - local | 891,754 | 1,241,596 |
| Uniforms | 244,844 | 418,354 |
| Printing and stationery | - | 173,913 |
| Ward committee expense | 529,058 | 341,293 |
| Water tests | 679,340 | 322,190 |
| | 19,522,561 | 21,507,295 |

The amounts disclosed above for other expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

39. Landfill sites write-off

| | | |
|---|----------|------------------|
| Koffiefontein: Upgrading of existing solid waste disposal site | - | 842,352 |
| Luckhoff: Construction of a new solid waste landfill site (phase 1) | - | 431,450 |
| | - | 1,273,802 |

Through physical verification it was found that the municipality needed to write-off two of their landfill sites due to conditions not met for the definition of a landfill site.

40. Fair value adjustments

| | | |
|---|---------|-------|
| Other financial assets (Fair value model) | (1,121) | 6,616 |
|---|---------|-------|

41. Auditors' remuneration

| | | |
|------|-----------|-----------|
| Fees | 4,353,877 | 5,564,338 |
|------|-----------|-----------|

| | 2020 R | 2019 R |
|--|-------------------|-------------------|
| 42. Cash generated from operations | | |
| Deficit | (31,941,585) | (54,872,199) |
| Adjustments for: | | |
| Depreciation and amortisation | 41,071,347 | 43,799,270 |
| Gain on sale of assets and liabilities | 1,432,931 | 2,939,162 |
| Fair value adjustments | 1,121 | (6,616) |
| Finance costs - Finance leases | 36,003 | 76,305 |
| Impairment loss | 13,232,331 | 1,998,863 |
| Movements in provisions | (1,976,380) | (306,808) |
| Changes in working capital: | | |
| Inventories | 1,137,314 | (1,205,174) |
| Receivables from exchange transactions | (13,683,667) | (1,288,082) |
| Receivables from non-exchange transactions | (4,767,687) | 15,210,604 |
| Other receivables from exchange transactions | (18,583) | (121,996) |
| Employee benefit obligation | (314,000) | 273,000 |
| Payables from exchange transactions | 38,471,185 | 49,754,974 |
| VAT receivable | (3,599,487) | (11,461,113) |
| Unspent conditional grants | (12,183,011) | (8,833,476) |
| Consumer deposits | 6,465 | (48,819) |
| | 26,904,297 | 35,907,895 |

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for

| | | |
|---|------------|------------|
| • Property, plant and equipment | 15,072,236 | 31,705,510 |
| Total capital commitments | | |
| Already contracted for but not provided for | 15,072,236 | 31,705,510 |

This committed expenditure relates to property, plant and equipment and will be financed from government grants.

44. Related parties

These include the total remuneration per councillor and key management, in aggregate for the entire financial year. For remuneration of key management refer to note 29, employee related costs.

Remuneration of councillors

| | | |
|---|------------------|------------------|
| Mr SJ Bahumi (Appointment Acting Mayor: 4 March 2019) | 850,466 | 512,605 |
| Miss AN November | 365,512 | 289,680 |
| Mr JDJ Barnes | 299,491 | 289,680 |
| Mr MA Lebaka | 371,767 | 364,846 |
| Mr MC Ntemane | 305,537 | 359,176 |
| Mr MJ Phaliso | 365,512 | 289,680 |
| Miss PM Dibe | 299,491 | 72,420 |
| Mr PV Mlozana | 371,767 | 321,627 |
| Mrs TI Reachable (Resignation: 4 March 2019) | - | 552,864 |
| Mr TS Moqhoishi | 299,490 | 289,680 |
| Mr TV Nthapo | 299,491 | 289,680 |
| Mr XW Nqelani | 371,767 | 359,176 |
| | 4,200,291 | 3,991,114 |

| | 2020 | 2019 |
|--|------|------|
| | R | R |

44. Related parties (continued)

Related party transactions

Compensation of councillors

| | | |
|---|-----------|-----------|
| Basic remuneration | 2,990,216 | 3,171,366 |
| Telephone allowance | 448,800 | 485,055 |
| Car allowance | 156,000 | 93,600 |
| Acting allowance | 521,732 | 153,429 |
| Travel and subsistence (re-imbursement) | 83,543 | 87,664 |

No related party transactions were identified during the year.

45. Prior-year adjustments

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

Statement of financial position

2019

As previously Correction of

| | reported | error | Restated |
|---|------------------|--------------|------------------|
| Inventories | 2,681,149 | 1,209,797 | 3,890,946 |
| Receivables from Exchange Transactions | 47,385,666 | (126,462) | 47,259,204 |
| Receivables from Non-exchange Transactions | 22,472,396 | (9,015,742) | 13,456,654 |
| Other receivables from exchange transaction | 522,878 | 2,260,207 | 2,783,085 |
| Vat receivable | 11,014,379 | (18,824,734) | (7,810,355) |
| Other financial assets | 126,471 | 54,400 | 180,871 |
| Investment Property | 77,694,449 | 10,091 | 77,704,540 |
| Property, Plant and Equipment | 724,539,410 | (4,122,354) | 720,417,056 |
| Payables from Exchange Transactions | (63,927,181) | (26,908,260) | (90,835,441) |
| Unspent conditional grants | (55,010,777) | 29,061,805 | (25,948,972) |
| Accumulated Surplus / (Deficit) | (758,052,655) | 26,401,252 | (731,651,403) |
| | 9,446,185 | - | 9,446,185 |

| | 2020 R | | 2019 R |
|---|----------------------|--------------------|----------------------------------|
| 45. Prior-year adjustments (continued) | | | |
| Statement of financial performance | | | |
| 2019 | | | |
| As previously | Correction of | reported | error Restated |
| Government grants and subsidies | | (96,766,698) | (744,347) (97,511,045) |
| Service charges | | (50,259,851) | 356,664 (49,903,187) |
| Interest on outstanding debtors | | (13,932,141) | 688,164 (13,243,977) |
| Employee related costs | | 55,579,424 | (62,563) 55,516,861 |
| Depreciation and Amortisation | | 43,762,412 | 36,858 43,799,270 |
| Debt Impairment | | 82,442,992 | (17,861,431) 64,581,561 |
| Repairs and Maintenance | | 552,167 | 316,947 869,114 |
| Bulk Purchases | | 35,161,112 | (2,107,507) 33,053,605 |
| Professional and consulting fees | | 8,263,227 | (381,748) 7,881,479 |
| General Expenses | | 25,148,900 | (3,641,605) 21,507,295 |
| Landfill sites write-off | | - | 1,273,802 1,273,802 |
| Inventories losses/write-downs | | 2,194,425 | 42,038 2,236,463 |
| Surplus for the year | | 92,145,969 | (22,084,728) 70,061,241 |
| 2020 | | | |
| As previously | Correction of | reported | error Restated |
| Opening balance | | 972,354,500 | (137,344,917) 835,009,583 |
| Prior year adjustments | | (131,348,461) | 82,862,479 (48,485,982) |
| Restated Surplus for the year | | (5,996,456) | (48,875,743) (54,872,199) |
| Surplus for the year | | 835,009,583 | (103,358,181) 731,651,402 |
| Cash flow statement | | | |
| 2019 | | | |
| As previously | Correction of | reported | error Restated |
| Cash flow from operating activities | | | |
| Sale of goods and services | | 14,036,818 | 5,359,573 19,396,391 |
| Grants and subsidies | | 110,579,061 | (21,901,492) 88,677,569 |
| Other receipts | | - | 142,509 142,509 |
| Suppliers and other payments | | (34,344,699) | 20,128,700 (14,215,999) |
| Finance costs | | - | (2,046,204) (2,046,204) |
| | | 90,271,180 | 1,683,086 91,954,266 |
| Cash flow from investing activities | | | |
| Purchase of property, plant and equipment | | (31,783,382) | (1,725,086) (33,508,468) |
| Cash flow from financing activities | | | |
| Finance lease payments | | (861,418) | 42,000 (819,418) |

45. Prior-year adjustments (continued)

Errors

The following prior period error adjustments occurred:

Correction to Indigent write-off

Indigent write-off as per council resolution.

The effect of the correction is as follows:

| | | |
|---|---|--------------|
| Increase (decrease) in Receivables from Exchange transactions | - | (30,354,557) |
| Increase (decrease) in Receivables from Non-Exchange transactions | - | (3,256,174) |
| Increase (decrease) in VAT Receivables | - | 4,302,760 |
| Increase (decrease) in Debt Impairment | - | 29,307,971 |
| | - | - |

Correction to Accrued Leave Pay

During the 2019 financial year accrued leave was incorrectly calculated.

The effect of the correction is as follows:

| | | |
|--|---|----------|
| (Increase) decrease in Payables from Exchange Transactions | - | 62,563 |
| Increase (decrease) in Employee Related Costs | - | (62,563) |
| | - | - |

Reclassifying between Receivables from Exchange Transactions and Other Receivables from Exchange Transactions

During the 2019 financial year a journal was wrongfully processed.

The effect of the correction is as follows:

| | | |
|---|---|-----------|
| Increase (decrease) in Receivables from exchange transactions | - | (496,205) |
| Increase (decrease) in Other Receivables from exchange transactions | - | 496,20 |
| | - | - |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| 2020 | 2019 |
|------|------|
|------|------|

45. Prior-year adjustments (continued)

Correction in Property, Plant and Equipment

During the 2019 financial year a capital project invoice was wrongfully allocated to Professional and Consulting fees.

The effect of the correction is as follows:

| | | |
|---|---|-----------|
| Increase (decrease) in Property, plant and equipment | - | 386,857 |
| Increase (decrease) in Depreciation | - | 849 |
| Increase (decrease) in Repairs and Maintenance | - | (5,958) |
| Increase (decrease) in Professional and Consulting fees | - | (381,748) |
| | - | - |

Correction in Investment Properties

During the 2019 financial year Management became aware of Investment Property that should have been allocated to inventory.

The effect of the correction is as follows:

| | | |
|--|---|----------|
| Increase (decrease) in Inventories | - | 10,091 |
| Increase (decrease) in Investment Properties | - | 10,091 |
| Increase (decrease) in Property, Plant and Equipment | - | (29,299) |
| Increase (decrease) in Repairs and Maintenance | - | 9,117 |
| | - | - |

Correction in Inventories

In the prior year a few issues were raised against inventory. Management went and recalculated the inventory values as per weighted average method.

The effect of the correction is as follows:

| | | |
|---|---|-------------|
| Increase (decrease) in Inventories | - | 1,199,706 |
| Increase (decrease) in Repairs and Maintenance | - | (1,241,744) |
| Increase (decrease) in Inventories Losses/write-downs | - | 42,038 |
| | - | - |

Reclassifying between General expenses and Bulk Purchases

Management decided to map Eskom Bulk accounts together with the Eskom small accounts.

The effect of the correction is as follows:

| | | |
|---|---|-------------|
| Increase (decrease) in Bulk Purchases | - | 3,728,890 |
| Increase (decrease) in General Expenses | - | (3,728,890) |
| | - | - |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| 2020 | 2019 |
|------|------|
|------|------|

45. Prior-year adjustments (continued)

Correction of Other Receivables from Exchange Transactions

Management decided to show Eskom Security-held per line item.

The effect of the correction is as follows:

| | | |
|---|---|-------------|
| Increase (decrease) in Other Receivables from Exchange Transactions | - | 1,761,230 |
| (Increase) decrease in Accumulates Surplus | - | (1,761,230) |
| | - | - |

Receivables from Exchange and Non-exchange Transactions

Receivables adjustment due to Interest reversals and reposting. Correcting abnormal usage of customer accounts billed incorrectly. Correcting of Receivables overall. Correction between gross balance and impairment. Reclassifying between different services. Adjust the VAT accordingly on the Receivables.

The effect of the correction is as follows:

| | | |
|---|---|--------------|
| Increase (decrease) in Receivables from Exchange Transactions | - | (38,358,022) |
| Increase (decrease) in Receivables from Non-Exchange Transactions | - | (15,028,339) |
| Increase (decrease) in Other Receivables from Exchange Transactions | - | 2,772 |
| Increase (decrease) in VAT Receivables | - | 23,749,261 |
| (Increase) decrease in Service charges | - | 356,664 |
| (Increase) decrease in Interest Received on Outstanding Debtors | - | 688,164 |
| (Increase) decrease in Debt Impairment | - | 1,209,077 |
| (Increase) decrease in Accumulates Surplus | - | 27,380,423 |
| | - | - |

Correction in Payables from Exchange Transactions

Payables adjustment due to creditor's processing as per creditor's statements.

The effect of the correction is as follows:

| | | |
|--|---|-------------|
| (Increase) decrease in Payables from Exchange Transactions | - | (1,827,281) |
| Increase (decrease) in VAT Receivable | - | (634,751) |
| Increase (decrease) in Repairs and Maintenance | - | 1,555,532 |
| Increase (decrease) in Bulk Purchases | - | (5,836,397) |
| Increase (decrease) in General expenses | - | 87,285 |
| Increase (decrease) in Accumulated Surplus | - | 6,655,612 |
| | - | - |

Correction in Debt Impairment 2018

During 2018 Interest on debtors were reversed and recalculated.

The effect of the correction is as follows:

| | | |
|---|---|--------------|
| Increase (decrease) in Receivables from Exchange Transactions | - | 20,340,123 |
| Increase (decrease) in Receivables from Non-exchange Transactions | - | 5,085,641 |
| Increase (decrease) in VAT Receivables | - | (11,470,644) |
| (Increase) decrease in Accumulated Surplus | - | (12,576,611) |
| Increase (decrease) in Payables from Exchange Transactions | - | (1,378,509) |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020

2019

45. Prior-year adjustments (continued)

| | |
|---|---|
| - | - |
|---|---|

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | 2020 | 2019 |
|--|------|------|
|--|------|------|

45. Prior-year adjustments (continued)

Correction in Debt Impairment 2019

During 2019 Interest on debtors were reversed and recalculated.

The effect of the correction is as follows:

| | | |
|---|---|--------------|
| Increase (decrease) in Receivables from Exchange Transactions | - | 48,742,199 |
| Increase (decrease) in Receivables from Non-exchange Transactions | - | 4,183,133 |
| Increase (decrease) in VAT Receivables | - | (1,313,045) |
| Increase (decrease) in Debt Impairment | - | (48,378,480) |
| Increase (decrease) in Payables from Exchange Transactions | - | (3,233,807) |
| | - | - |

Correction in Other financial assets

Recognise the Holding shares as per share certificate

The effect of the correction is as follows:

| | | |
|---|---|----------|
| Increase (decrease) in Other Financial Assets | - | 54,400 |
| Increase (decrease) in Accumulated Surplus | - | (54,400) |
| | - | - |

Correction in VAT Receivables

Correction of opening balance for VAT

The effect of the correction is as follows:

| | | |
|--|---|--------------|
| (Increase) decrease in VAT Receivables | - | (25,647,961) |
| Increase (decrease) in VAT Payable | - | (7,810,355) |
| Increase (decrease) in Accumulated Surplus | - | 33,458,316 |
| | - | - |

Salary control account cleared

Correction of Salary control account

The effect of the correction is as follows:

| | | |
|--|---|-------------|
| (Increase) decrease in Payables from Exchange Transactions | - | 1,637,827 |
| Increase (decrease) in Accumulated Surplus | - | (1,637,827) |
| | - | - |

Landfill sites write-off

Landfill sites written off.

The effect of the correction is as follows:

| | | |
|--|---|-------------|
| (Increase) decrease in Property, Plant and Equipment | - | (1,273,802) |
|--|---|-------------|

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | 2020 | 2019 |
|--|------|------|
|--|------|------|

45. Prior-year adjustments (continued)

Increase (decrease) in Landfill sites write-off

| | |
|---|-----------|
| - | 1,273,802 |
| - | - |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020 2019

45. Prior-year adjustments (continued)

Unspent grants allocated to Payables

Reallocation of Unspent grants to Payables from Exchange transactions.

The effect of the correction is as follows:

| | | |
|--|---|--------------|
| (Increase) decrease in Payables from Exchange Transactions | - | (22,169,053) |
| Increase (decrease) in Unspent Conditional Grants and receipts | - | 22,169,053 |
| | - | - |

Correction of grants opening balances

Correction of the grants opening balances.

The effect of the correction is as follows:

| | | |
|---|---|-------------|
| (Increase) decrease in Unspent Conditional Grants and receipts | - | 6,892,752 |
| Increase (decrease) in Government Grants and Subsidies Received | - | 744,347 |
| Increase (decrease) in Accumulated Surplus | - | (7,637,099) |
| | - | - |

Work-in-progress project transferred to completed

Transfer work-in-progress project to completed projects

The effect of the correction is as follows:

| | | |
|--|---|-------------|
| (Increase) decrease in Property, Plant and Equipment | - | (5,933,963) |
| (Increase) decrease in Property, Plant and Equipment | - | 3,197,382 |
| Increase (decrease) in Accumulated Surplus | - | 2,736,581 |
| (Increase) decrease in Property, Plant and Equipment | - | 6,112,602 |
| (Increase) decrease in Property, Plant and Equipment | - | (231,173) |
| (Increase) decrease in Property, Plant and Equipment | - | (238,356) |
| Increase (decrease) in Depreciation and amortization | - | 238,356 |
| Increase (decrease) in Accumulated Surplus | - | (5,881,429) |
| (Increase) decrease in Property, Plant and Equipment | - | (6,112,602) |
| Increase (decrease) in Accumulated Surplus | - | 6,112,602 |
| Increase (decrease) in Depreciation and amortization | - | (202,348) |
| Increase (decrease) in Accumulated Surplus | - | 202,348 |
| Increase (decrease) in Accumulated Surplus | - | 2,054,159 |
| (Increase) decrease in Property, Plant and Equipment - WIP | - | (2,054,159) |
| | - | - |

Disclosures

Correction to commitments were as a result to amounts incorrectly calculated in prior years.

Correction to Unauthorised expenditure relates to amount paid from the incorrect municipal departmental vote.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | 2020 | 2019 | |
|---|-----------------------------------|--------------------------------|-----------------|
| 45. Prior-year adjustments (continued) | | | |
| | As previously reported | Correction of error | Restated |
| Commitments | 18,483,078 | 13,222,432 | 31,705,510 |
| Unauthorised expenditure | 425,288,617 | 536,280 | 425,824,897 |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020 2019

46. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

| | At fair value | At amortised cost | Total |
|--|----------------|-------------------|-------------------|
| Other financial assets | 179,750 | - | 179,750 |
| Receivables from exchange transactions | - | 60,942,871 | 60,942,871 |
| Receivables from non-exchange transactions | - | 18,224,344 | 18,224,344 |
| Other receivables from exchange transactions | - | 2,801,668 | 2,801,668 |
| | 179,750 | 81,968,883 | 82,148,633 |

Financial liabilities

| | At amortised cost | Total |
|---|--------------------|--------------------|
| Finance lease liability | 338,448 | 338,448 |
| Payables from exchange transactions | 138,009,374 | 138,009,374 |
| Consumer deposits | 739,342 | 739,342 |
| Unspent conditional grants and receipts | 13,765,961 | 13,765,961 |
| VAT Payable | 4,210,868 | 4,210,868 |
| | 157,063,993 | 157,063,993 |

2019

Financial assets

| | At fair value | At amortised cost | Total |
|--|----------------|-------------------|-------------------|
| Other financial assets | 180,871 | - | 180,871 |
| Receivables from exchange transactions | - | 47,259,204 | 47,259,204 |
| Receivables from non-exchange transactions | - | 13,456,657 | 13,456,657 |
| Other receivables from exchange transactions | - | 2,783,085 | 2,783,085 |
| | 180,871 | 63,498,946 | 63,679,817 |

Financial liabilities

| | At amortised cost | Total |
|---|--------------------|--------------------|
| Finance lease liability | 338,186 | 338,186 |
| Payables from exchange transactions | 90,835,441 | 90,835,441 |
| Consumer deposits | 732,877 | 732,877 |
| Unspent conditional grants and receipts | 25,948,972 | 25,948,972 |
| VAT Payable | 7,810,355 | 7,810,355 |
| | 125,665,831 | 125,665,831 |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020

2019

47. Risk management Financial

risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these annual financial statements.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020

2019

47. Risk management (continued)Credit

risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | 2020 | 2019 |
|--|------|------|
|--|------|------|

| | | |
|---|--|--|
| Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy. | | |
|---|--|--|

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | |
|------|------|
| 2020 | 2019 |
|------|------|

47. Risk management (continued)

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Market risk Interest

rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

Price risk

Although shares are held by the municipality, it is not exposed to equity price risks arising from equity investments as the municipality does not actively trade in these investments and the balance is immaterial to the municipality's operations.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | 2020 | 2019 |
|---|--------------------|--------------------|
| 48. Irregular expenditure | | |
| Opening balance | 310,442,449 | 282,849,977 |
| Add: Current year irregular expenditure | 17,421,956 | 27,592,472 |
| Add: Current year irregular expenditure (identified during the audit) | 12,876,848 | - |
| | 340,741,253 | 310,442,449 |

Irregular expenditure is largely due to unspent conditional grants that were not cash backed at year-end and Supply Chain Management non-compliance identified.

49. Fruitless and wasteful expenditure

| | | |
|--|-------------------|------------------|
| Opening balance | 5,798,185 | 3,751,981 |
| Add: current year fruitless and wasteful expenditure | 4,453,700 | 2,046,204 |
| Add: Fruitless and wasteful pertaining to prior years, identified in current years | 1,273,802 | - |
| | 11,525,687 | 5,798,185 |

The fruitless and wasteful expenditure for the current year is represented by interest levied on overdue payables due to cash flow constraints experienced by the municipality. Prior year identified amounts relates to landfill sites that were written-off due to payments made on projects where the required conditions were not met for the definition of a landfill site.

50. Unauthorised expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance | 425,824,897 | 306,197,325 |
| Add: Current year unauthorised operating expenditure | 91,986,310 | 119,627,572 |
| | 517,811,207 | 425,824,897 |

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-----------------|-----------------|
| Opening balance | (22,895) | (5,006) |
| Current year subscription / fee | 565,370 | 593,241 |
| Amount paid - current year | (544,960) | (571,030) |
| Credit note - current year | (17,055) | (40,100) |
| | (19,540) | (22,895) |

Distribution losses

| Electricity | Lost units | Tariff | Value |
|---|------------|--------|------------|
| Unaccounted Electricity Losses for 2020 | 8,742,564 | 1.34 | 11,718,554 |
| Unaccounted Electricity Losses for 2019 | 9,155,433 | 1.17 | 10,691,429 |

Electricity losses occur due to inter alia, technical and non-technical losses. Technical losses include inherent resistance of conductors, transformers and other electrical equipment, whilst Non-technical losses include the tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

Volumes in kWh per year

| | | |
|---------------------|------------------|------------------|
| System input volume | 20,936,262 | 21,172,427 |
| Billed consumption | (12,193,698) | (12,016,994) |
| | 8,742,564 | 9,155,433 |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | 2020 | 2019 |
|----------------------------------|---------|---------|
| Percentage distribution loss (%) | 42.00 % | 43.00 % |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | 2020 | 2019 |
|--|------|------|
|--|------|------|

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

| Water | Lost units | Tariff | Value |
|-----------------------------------|------------|--------|-----------|
| Unaccounted Water Losses for 2020 | 3,988,154 | 1.08 | 4,296,573 |
| Unaccounted Water Losses for 2019 | 3,679,069 | 1.15 | 4,223,691 |

Water losses occur due to inter alia, tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

| Volumes in kWh per year | - | - |
|-------------------------|------------------|------------------|
| System input volume | 4,865,825 | 4,583,377 |
| Billed consumption | (877,671) | (904,308) |
| | 3,988,154 | 3,679,069 |

| | | |
|----------------------------------|---------|---------|
| Percentage distribution loss (%) | 82.00 % | 80.00 % |
|----------------------------------|---------|---------|

Audit fees

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 1,838,839 | 313,288 |
| Current year subscription / fee | 4,353,877 | 5,564,338 |
| Amount paid - current year | (1,883,000) | (2,908,828) |
| Credit notes - current year | (2,363,714) | (1,228,621) |
| Interest charges | 199,316 | 98,662 |
| | 2,145,318 | 1,838,839 |

PAYE, UIF and SDL

| | | |
|---------------------------------|------------------|----------------|
| Opening balance | 485,111 | 648,332 |
| Current year subscription / fee | 9,240,899 | 8,386,127 |
| Amount paid - current year | (7,842,613) | (8,549,348) |
| | 1,883,397 | 485,111 |

Pension and medical aid fund contributions

| | | |
|---------------------------------|----------------|----------------|
| Opening balance | 460,046 | 269,862 |
| Current year subscription / fee | 6,066,747 | 9,398,635 |
| Amount paid - current year | (6,066,747) | (9,208,451) |
| | 460,046 | 460,046 |

The balance represents pension and medical aid fund contributions deducted from employees and councillors in June 2020 payroll, as well as the municipality's contribution to these funds.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020 2019

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

| 30 June 2020 | Outstanding less than 90 days R | Outstanding more than 90 days R | TotalR |
|------------------|--|--|----------------|
| Miss AN November | 2,272 | 6,826 | 9,098 |
| Mr JDJ Barnes | 3,784 | 4,847 | 8,631 |
| Mr MA Lebaka | 1,410 | 98 | 1,508 |
| Mr MC Ntemane | (2,178) | 944 | (1,234) |
| Mr MJ Phaliso | (935) | (72) | (1,007) |
| Miss PM Dibe | 124 | 1,470 | 1,594 |
| Mr PV Mlozana | 2,263 | 21,992 | 24,255 |
| Mr SJ Bahumi | 2,000 | 40,407 | 42,407 |
| Mr TS Moqhoisi | 65 | 400 | 465 |
| Mr TV Nthapo | 1,177 | 19,146 | 20,323 |
| Mr XW Nqelani | 2,313 | 23,376 | 25,689 |
| | 12,295 | 119,434 | 131,729 |

| 30 June 2019 | Outstanding less than 90 days R | Outstanding more than 90 days R | TotalR |
|------------------|--|--|----------------|
| Miss AN November | 1,464 | 5,825 | 7,289 |
| Mr JDJ Barnes | 1,302 | 771 | 2,073 |
| Mr MA Lebaka | 791 | 145 | 936 |
| Mr MC Ntemane | (2,100) | 93 | (2,007) |
| Mr MJ Phaliso | (363) | 45 | (318) |
| Miss PM Dibe | 3,358 | 59,439 | 62,797 |
| Mr PV Mlozana | 1,888 | 18,452 | 20,340 |
| Mr SJ Bahumi | 2,761 | 38,057 | 40,818 |
| Mrs TI Reachable | 527 | 34 | 561 |
| Mr TS Moqhoisi | 434 | 61 | 495 |
| Mr TV Nthapo | 1,674 | 16,526 | 18,200 |
| Mr XW Nqelani | 1,935 | 19,889 | 21,824 |
| | 13,671 | 159,337 | 173,008 |

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

The municipality maintains a detailed register at its offices.

Incident

| | | |
|-------------------------|---------|---------|
| Emergency procurement | - | 722,788 |
| Sole providers | 88,072 | 7,204 |
| Impracticable - Repairs | 367,715 | 205,864 |
| Impracticable - Other | 300,856 | 13,625 |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020

2019

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

756,643

949,481

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020 2019

52. Non-compliance with the MFMA

| Chapter | Section | Description |
|---------|---------|---|
| 8 | 62 | Not all general financial management function requirements were adhered to during the year, as not all controls operated effective and efficiently. |
| 8 | 64 | Not all revenue management requirements were met as not all controls operated effective and efficiently throughout the year. |
| 8 | 65 | Not all expenditure management requirements were met as not all controls operated effective and efficiently throughout the year. |
| 8 | 65 | Due to financial constraints, not all invoices were paid within the legislative 30-days deadline. |
| 14 | 166 | The MFMA requirements for the audit committees were not complied with throughout the financial year. |

53. Contingencies

Contingent liabilities

The municipality had the following contingent liabilities at 30 June 2020:

| | | |
|--|------------------|----------------|
| Telkom SA Limited: The claimant is suing the municipality for outstanding fees. The possibility of a present obligation does exist, but due to the fact that the municipality has not been provided with any form of supporting documentation to support the claim, the probability of the obligation is remote. The matter is still pending with an amount of R54 271.82. | 54,272 | 54,272 |
| Ducharme Consulting (Pty) Ltd: The claimant was appointed by the municipality to prepare the 2017 annual financial statements. The amount billed exceeded the project amount and it is claimed that the additional costs incurred were due to requests from management. The matter is still pending with an amount of R208 568.39 and no resolution has been taken to date. | 208,568 | 208,568 |
| Nomano, Makamohelo and MBB JV: The claimant is claiming funds for work performed on the Waste Water Treatment Works in Jacobsdal. The supporting information has been requested to support the claim, but to date no information has been provided. | - | - |
| Vula Trust and Lucas Ramohlaba: The municipality paid the disputed invoices of R143 340 for the rental of machinery, but due to fraud on the side of the claimant, invoices with the incorrect bank account details were submitted. The municipality is of the opinion that as the fraud occurred on the side of the claimant, the matter should be handled by them and the municipality fulfilled its obligation. | 143,340 | 143,340 |
| Net 15: During an investigation it was found that the website hosting costs exceeded the allowed and agreed-upon project cost. The contract was cancelled based on irregularities identified. Net 15 is claiming the outstanding fees of R404 637.29. | 404,637 | 404,637 |
| Electrocution of minor child on municipal property: PBS Mpatshela | 1,000,000 | - |
| | 1,810,817 | 810,817 |

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | 2020 | 2019 |
|--|------|------|
| 54. Events after the reporting date | | |

No events occurred after the reporting date.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020

2019

55. Budget differences

Material differences between budget and actual amounts

Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 10%. The following is reasons for the material differences identified:

Statement of financial performance:

55.1 **Service charges:** The difference is due to the tariff increases.

55.2 **Rental of facilities and equipment:** The municipality did not anticipate that rental income will be this high and needed to budget for more.

55.3 **Interest on outstanding receivables:** More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated.

55.4 **Other income:** Management anticipated that more income will be generated through direct income, which did not materialise.

55.5 **Dividends received:** no dividends was received during the year although it was budgeted for.

55.6 **Interest earned on external investments:** During the year management invested surplus fund on a regular basis in call deposit accounts. This resulted in more interest being generated on the external investments than was anticipated.

55.8 **Interest on outstanding receivables:** More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated (budgeted amount is for exchange and non-exchange transactions).

55.9. **Transfers and subsidies:** Management anticipated that more grants would be transferred to the municipality during the year, which did not materialise.

55.10 **Fines and penalties:** The municipality expected the fines and penalties to be more than the actual amount during the year and the amount is not material.

55.11 **Licences and permits:** No licences and permits was accounted for during the year and the amount is not material.

55.55 **Employee costs:** The actual costs were in line with the prior year, which means the municipality expected more wage workers.

55.16 **Impairment loss:** During the aforementioned verification, assets were identified which conditions deteriorated. These losses were unforeseen and therefore not budgeted for.

55.17 **Finance cost:** Although the municipality did not have overdraft facilities whereby interest were charged, the budget was

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020 2019

exceeded due to interest being charged on overdue accounts as well as the unwinding of the interest applicable to the provision for the rehabilitation of the landfill sites.

55.18 **Debt impairment:** The budgeted figure was based on the expectation that the same movement would be required as in the previous financial year. This was however not the case, resulting in the budget being overspent. Currently, due to the financial constraints within the community, the recoverability of debtors are not at the desired levels.

55.19 **Repairs and maintenance:** Management anticipated for more expenses relating to repairs and maintenance which did not materialise.

55.20 **Bulk purchases:** Normal increases in bulk purchases occurred during the year. The budgeted amount lower than this.

55.21 **Contracted services:** Management anticipated that more contracted services would be expensed during the year, which did not materialise.

55.22 **General expenses:** Management did not anticipate for general expenses to be this high during the year, which resulted

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020

2019

55. Budget differences (continued)

in the budgeted amount being material lower than the actual expenses.

55.23 **Loss on disposal of assets:** Due to assets written-off in the current year as a result of damage caused by the community.

55.25 **Actuarial gains:** This represents the gains in employee benefit obligations. As this represents a "non-cashflow" movement, management did not provide / budget for it.

55.26 **Inventory losses / write-downs:** Due to lack of internal controls over maintenance materials and stationary, items were written off during the year. As these represent controls within the municipality, management did not provide / budget for it.

Statement of financial position:

55.28 **Other receivables from exchange transactions:** Although not budgeted for, these debtor types are not within the municipality's normal business and therefore does not have control over it. ESKOM deposit Held can't be controlled by the municipality. Amounts was confirmed from external resources.

55.29 **Receivables from exchange transactions:** No amount was budgeted for although transactions incurred during theyear.

55.30 **Receivables from non-exchange transactions:** Management did not anticipate for the material movement during theyear, which resulted in a material difference between the budgeted and actual amounts.

55.31 **Cash and cash equivalents:** Management anticipated to have more money in the bank at year-end, but it did not materialise due higher expenses during the year.

55.32 **Long term receivables:** Although budgeted for, no movement/transactions materialised during the year.

55.33 **Investment property:** During the year, management embarked on a process whereby all assets were identified and physically verified to ensure the validity, accuracy and completeness of the municipality's asset register. This resulted in a material increase of the carrying amounts of the non-current asset, including Investment property.

55.34 **Property, Plant and Equipment:** The amount budgeted for was for the movement of property, plant and equipment.

55.35 **Intangible assets:** During the 2018 financial year, the municipality purchased SAGE software amounting to R1 006976. The expectation was that the system would have amortised quicker than it actually did.

55.36 **Heritage assets:** No balance was budgeted for, as it is immaterial to the municipality's operations.

55.37 **Other financial assets:** The municipality did not budgeted for the financial assets. The assets are valued at fair value, which means the municipality should've provided/budgeted for the 2019 disclosed amount with an fair value adjustment, to account for the movement.

55.38 **Finance lease obligations:** During the year the municipality entered into new finance lease agreements. Due to cashflow constraints and the need for the equipment, these were acquired although not budgeted for.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020

2019

- 55.39 **Payables from exchange transactions:** Due to the municipality's financial difficulties, it is not able to meet its short term commitments and therefore the desired budgeted results cannot be achieved.
- 55.40 **Consumer deposits:** The amount budgeted for was for the movement of consumer deposits. Management did not anticipate that the consumer deposits will be this high.
- 55.41 **Employee benefit obligations:** Due to the municipality's financial difficulties this was not provided / budgeted for.
- 55.42 **Unspent conditional grants and receipts:** The municipality anticipated that all grants received and paid will be utilised for the year, therefore no amount was budgeted for.
- 55.43 **Finance lease obligation:** Management did not budget for any finance lease obligations, although a new vehicle was leased during the year.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

2020

2019

55. Budget differences (continued)

55.44 **Employee benefit obligation:** Although management did not budget for it, they make use of experts to compile reports for the municipality.

55.45 **Provisions:** The landfill sites operated by the municipality were physically inspected and a professional valuation was performed to estimate the future liability.

55.46 **Accumulated surplus:** Due to the fact that all prior year adjustments needs to be processed against accumulated surplus, the difference between the budget amount and actual amount is more than expected.

55.54 **VAT payables:** The municipality did not budget for VAT payables, although VAT materialised.

Cash Flow Statement:

55.47 **Sales of goods and services:** Goods and services were not as much as expected and budgeted for.

55.48 **Grants:** Management anticipated that more grants would be transferred to the municipality during the year, which did not materialise.

55.49 **Interest income:** The income received on external investments' amounts were more than budgeted for.

55.49 **Dividends received:** Although budgeted for dividend, no dividends were received during the year.

55.49 **Other receipts:** Although budgeted for other receipts, nothing was received during the year.

55.50 **Employee costs:** The actual costs were in line with the prior year, which means the municipality expected more wage workers.

55.50 **Supplier payments:** The actual amount paid to suppliers were less than budgeted for.

55.51 **Finance charges:** The municipality should have budgeted for suppliers as the trade payables shows the municipality owes suppliers a material amount.

55.52 **Net increase/(decrease) in cash and cash equivalents:** The amount budgeted for is much higher than the actual transactions relating to cash and cash equivalents.

55.53 **Cash and cash equivalents at the beginning of the year:** Although an amount was budgeted for, the amount was confirmed by the actual bank statements on 30 June 2019.

55.56 **Capital assets:** Although the municipality did not budget for the line item, the expense incurred during the year.

55.57 **Finance lease payments:** Although the municipality did not budget for finance lease payments, the expense incurred during

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2020

| | 2020 | 2019 |
|-----------|------|------|
| the year. | | |

56. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 699,709,820 and that the municipality's total assets exceed its total liabilities by R 699,709,820.

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

Management considered the following matters relating to the going concern assumption, which indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

56. Going concern (continued)

- The 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 municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- Deficit of R31 941 585 (2019: R54 872 199) was realised, Government grants and subsidies contributed R102 922 744 (2019: R97 511 045).
- The municipality's unspent conditional grants for the current year amounted to R13 765 961 (2019: R25 948 972). This is an indication that monies received are not utilised for the specific projects under construction and should be paid back to the relevant parties.
- The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
- Debt collection period has not improved during the current financial year.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to

R38 650 492 (2019: R64 581 561) has been disclosed in the financial statements.

- As at 30 June 2020 the municipality's current liabilities amounted to R157 461 350 (2019: R126 054 019), whilst the current assets amounted to R85 925 473 (2019: R71 093 669).
- The current and acid test ratios are below the required ratio of 0.5:1 and 0.5:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The Letsemeng Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2020 financial year, the allocated Equitable Share allocation amounts to R63 668 000 and the Financial Management Improvement Grant to R2 435 000.
- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2018 furthermore disclosed government's proposed allocation of the 2020 and 2021 financial years. This is evidence of government's continued financial support

to be provided to the municipality for the following 36 months.

- The municipality has not been placed under administration for the 12 months ending 30 June 2020.