

ANNUAL REPORT

2020/2021

MATJHABENG LOCAL MUNICIPALITY



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PREFACE

Section 121(1) of the Local Government: Municipal Finance Management Act, 56 of 2003, stipulates that:

“Every municipality and every municipal entity must for each year prepare an annual report” in accordance with its guidelines. The purpose of the annual report is to:

- (a) Provide a record of the activities of the Matjhabeng Local Municipal Council during the 2020/2021 financial year;
- (b) Provide a report on performance against the budget of Matjhabeng Municipal Council for the 2020/2021 financial year; and
- (c) Promote good governance, transparency, and accountability to the local community for the decisions made throughout the year by the municipality.

According to section 121(3) of the Local Government: Municipal Finance Management Act, 56 of 2003, the annual report must include:

- (a) The annual financial statements of the municipality, and the consolidated annual financial statements as submitted to the Auditor-General in terms of section 126(1) of the Local Government: Municipal Finance Management Act, 56 of 2003;
- (b) The Auditor-General’s audit report in terms of section 126(3) of the Local Government: Municipal Finance Management Act, 56 of 2003 on the annual financial statements in (a) above;
- (c) The annual performance report of the municipality as prepared by the Matjhabeng Local Municipality in terms of section 46 of the Local Government: Municipal Systems Act, 46 of 2000;
- (d) The Auditor-General’s audit report in terms of section 45 of the Local Government: Municipal Systems Act, 32 of 2000;
- (e) An assessment of the arrears on the municipal taxes and service charges;
- (f) An assessment of the municipality’s performance against measurable performance objectives referred to in section 17(3)(b) of the Local Government: Municipal Finance Management Act, 56 of 2003, for revenue source and for each vote in the municipality’s approved budget for the 2020/2021 financial year;
- (g) Corrective action taken or to be taken in response to issues in the audit reports referred to in paragraphs (b) and (d) above. And
- (h) Recommendations of the municipality’s Audit and Performance Audit Committee.

COMPONENT A: EXECUTIVE MAYOR'S FOREWORD

COMPONENT A: EXECUTIVE MAYOR'S FOREWORD

It is with great pleasure to present the annual report of the municipality for the year under review. The Local Government: Municipal Finance Management Act, 56 of 2003 requires that the municipality must within seven months after the end of the financial year, table to council an annual report giving account on how it has performed in implementing the budget and the integrated development plan for the year past. The past year has been very difficult due to Covid-19 pandemic.

As a country we have been faced with many challenges brought about by this virus, and municipalities as the government nearest to the people felt the brunt more. We had to adjust on how we deliver services to our communities, and on how we ensure that the quality of those services delivered is not compromised. Our last audit opinion was not good, and we had to put measures in place to ensure that those audit findings in the audit report are addressed. Amongst the measures put in place are:

- Engage with other municipalities within the province to learn from their best practices;
- Ensure that there is consistency between the planning documents and the reported performance information documents;
- Proper document management;
- Regular reporting and evaluation;
- Enhancement of internal controls; and
- Reconfiguration of the organogram to align with the current challenges.

Through these measures, we were able to capacitate the Office of the Municipal Manager by creating a unit responsible for Performance Management Systems within the Directorate Strategic Support Services. Officials were identified and transferred to this unit in order to execute functions required by the unit. The transition was not as easy as we have envisaged as some of the directorates still operated the old way, but we are steadily moving into the right directions.

We need also to capacitate our Internal Audit Unit for it to be able to do quality assurance before portfolio of evidence and reports can be submitted to the Office of the Auditor General. Going forward, the municipality will ensure that its most valuable resource, i.e., staff, is highly valued and supported. Training, personal development, career-pathing, talent management, coaching, mentoring and employment assistance programmes are some of the specific interventions that will need to be enhanced, specifically on how to work within the Covid-19 protocols.

Given the current challenges, we need to invest more in technological initiatives, a fully automated performance management systems need to be acquired to ensure proper document management system is in place. Planning needs to happen online in real-time and reporting need to be done online and in real-time as well. Finally, I would like to convey my gratitude to the administrative leadership, for the commitment they have shown in trying to address the challenges identified in the previous audit report. My fellow councilors for embracing the chances that we have proposed and their continuous support.

CLLR KHALIPHA TD
EXECUTIVE MAYOR

CHAPTER 1: EXECUTIVE SUMMARY

COMPONENT B: EXECUTIVE SUMMARY

1. MUNICIPAL MANAGER'S OVERVIEW

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

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

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

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

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

In the event of communications going directly to officials or departments, the municipality would have to establish clear communication between those and the municipal manager to the level of detail required for the municipal manager to answer to his or her accountability towards the council. A delegation that has the effect of enabling the executive mayor or committee to issue instructions directly to officials, other than the municipal manager, would effectively disable the accountability of the municipal manager towards the council (s 51) and therefore run contrary to the scheme envisaged by the legislation.

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

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

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

CHAPTER 1: EXECUTIVE SUMMARY

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

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

1.2.1 POPULATION DETAILS

Age	Population								
	2018/2019			2019/2020			2020/2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0 - 14	57 367	59 707	117 074	57 367	59 707	117 074	57 367	59 707	117 074
15 - 34	76 908	80 048	156 956	76 908	80 048	156 956	76 908	80 048	156 956
35 - 64	65 598	69 059	134 657	65 598	69 059	134 657	65 598	69 059	134 657
65+	9 876	10 280	20 156	9 876	10 280	20 156	9 876	10 280	20 156

Source: Statistics SA

1.2.2 OVERVIEW OF NEIGHBOURHOODS WITHIN THE MUNICIPALITY

Settlement Type	Households	Population
Towns		
Allinridge	663	3 315
Hennenman	958	4 311
Odendaalsrus	2 213	9 959
Riebeeckstad	3 092	15 460
Ventersburg	359	1 616
Virginia	4 454	22 270
Welkom	9 708	48 540
Sub-Total	21 447	105 471
Townships		
Bronville	2 159	12 306
Kutlwanong	11 966	70 599
Meloding	10 482	60 796
Mmamahabane	2 345	14 070
Nyakallong	4 010	24 060
Phomolong	4 871	29 226

CHAPTER 1: EXECUTIVE SUMMARY

Thabong	29 064	165 665
Whites	55	314
Sub-Total	64 952	377 036
Informal Settlements		
Nyakallong	177	974
Kutlwanong	1 505	8 278
Thabong/Bronville	2 262	12 441
Meloding	821	4 516
Phomolong	539	2 965
Mmamahabane	379	2 085
Sub-Total	5683	31 259
Total	92 082	513 766

1.2.3 NATURAL RESOURCES

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

Whilst population size of the Municipality showed increases during the community survey results, this trend has brought in tremendous pressure for the Municipality to deliver more services at increased costs due to affordability levels of beneficiaries. As a result, more of services due to communities become difficult to provide. With increased population size, there is also pressuring to create employment and hence the figure for economically inactive population stood at 42% during the 2011 population census in the Municipality. In other words, we have people who are looking for work but cannot find such work opportunities.

This is further made complex by the reality that people are not educated enough to seize opportunities made available by businesses locating in the area. It should therefore become a priority for the Municipality to create menial job opportunities for possible job creation in order to boost the economy which should effectively absorb some unemployed people in especially badly affected towns in the Municipality.

Given the current employment trends, the Municipality has created an opportunity for investors to locate businesses in lesser attractive areas to boost the economic situations there. Areas such as Virginia and Odendaalsrus are receiving special attention as they once played an economic role in the economy of the region when mining activities were at their pick.

1.3 SERVICE DELIVERY OVERVIEW

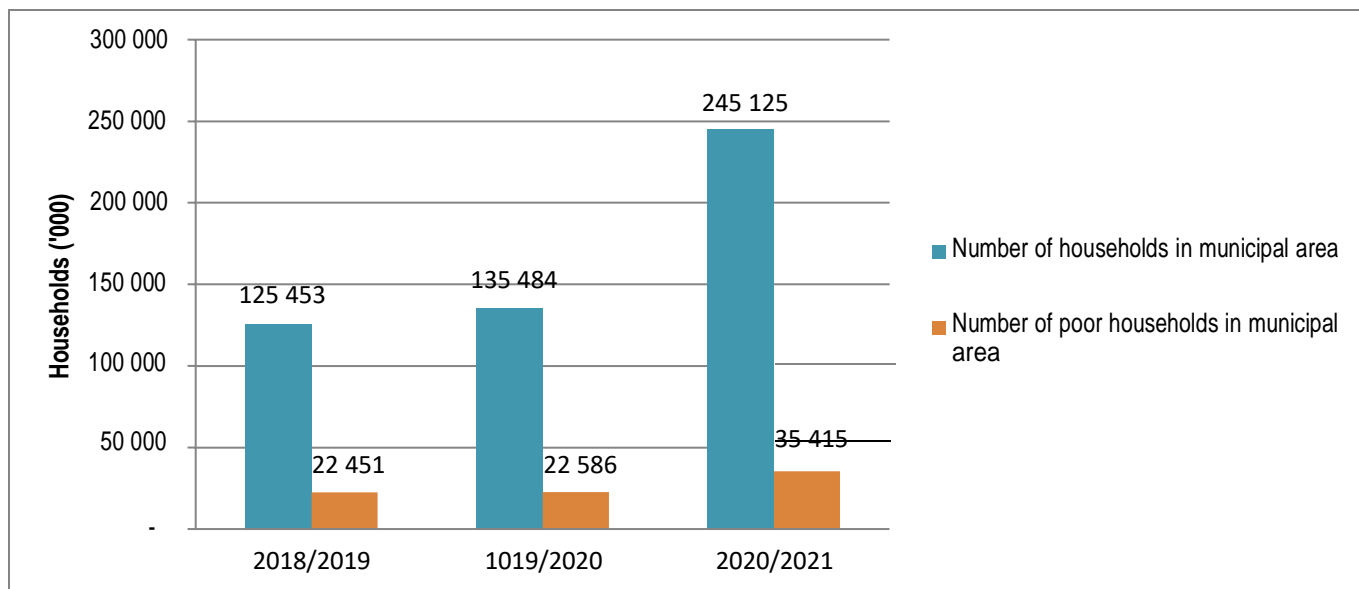
In terms of legislation, the municipality's mandate is to provide the following basic services to the communities it serves:

CHAPTER 1: EXECUTIVE SUMMARY

- Water
- Sanitation
- Electricity
- Refuse Removal

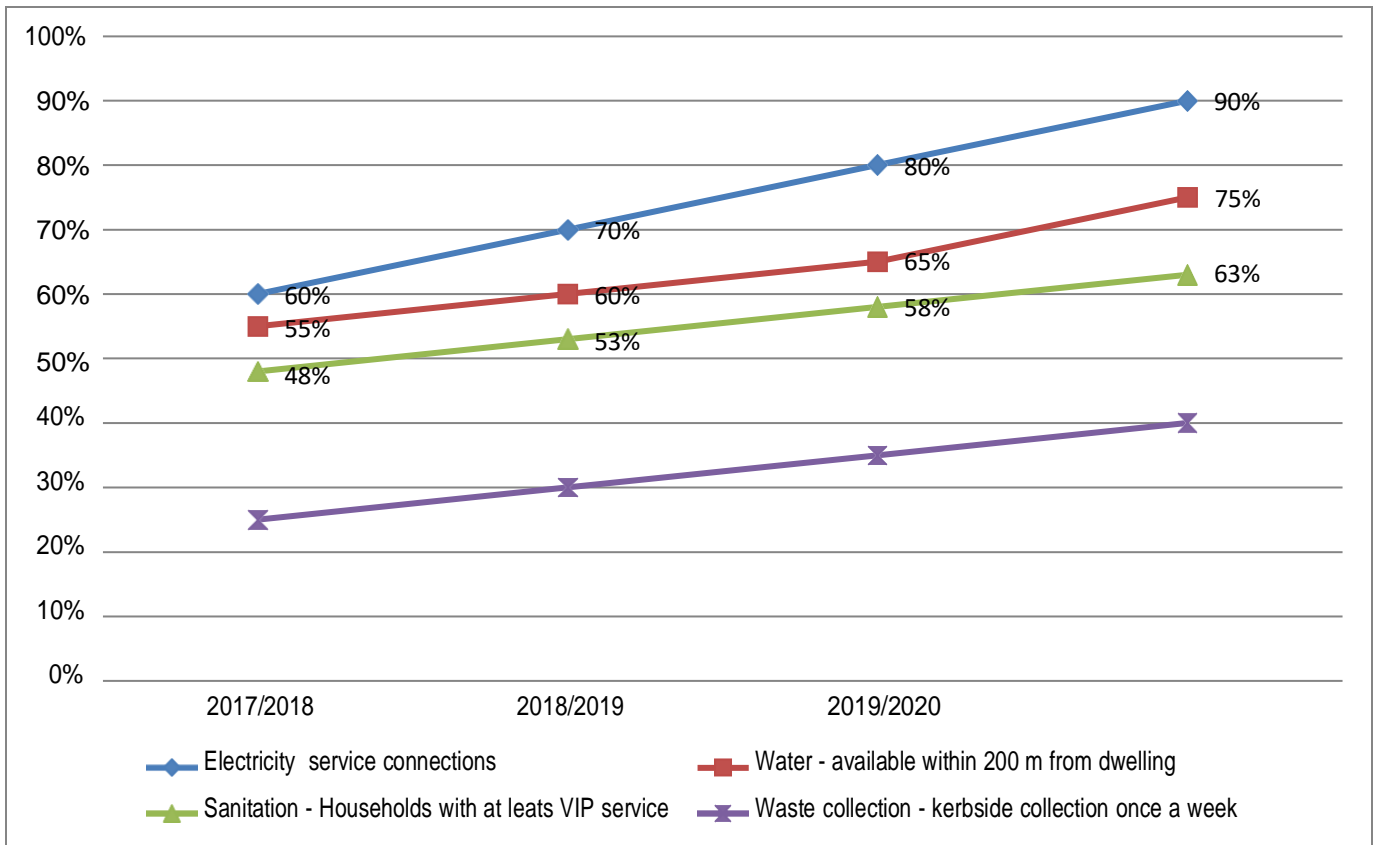
In addition to these basic services, the Member of the Executive Council in the Province responsible for Corporative Governance and Traditional Affairs can promulgate powers and function to a municipality as envisaged by section 84 of the Local Government: Municipal Structures Act, 117 of 1999.

1.3.1 HOUSEHOLDS WITHIN THE MUNICIPALITY

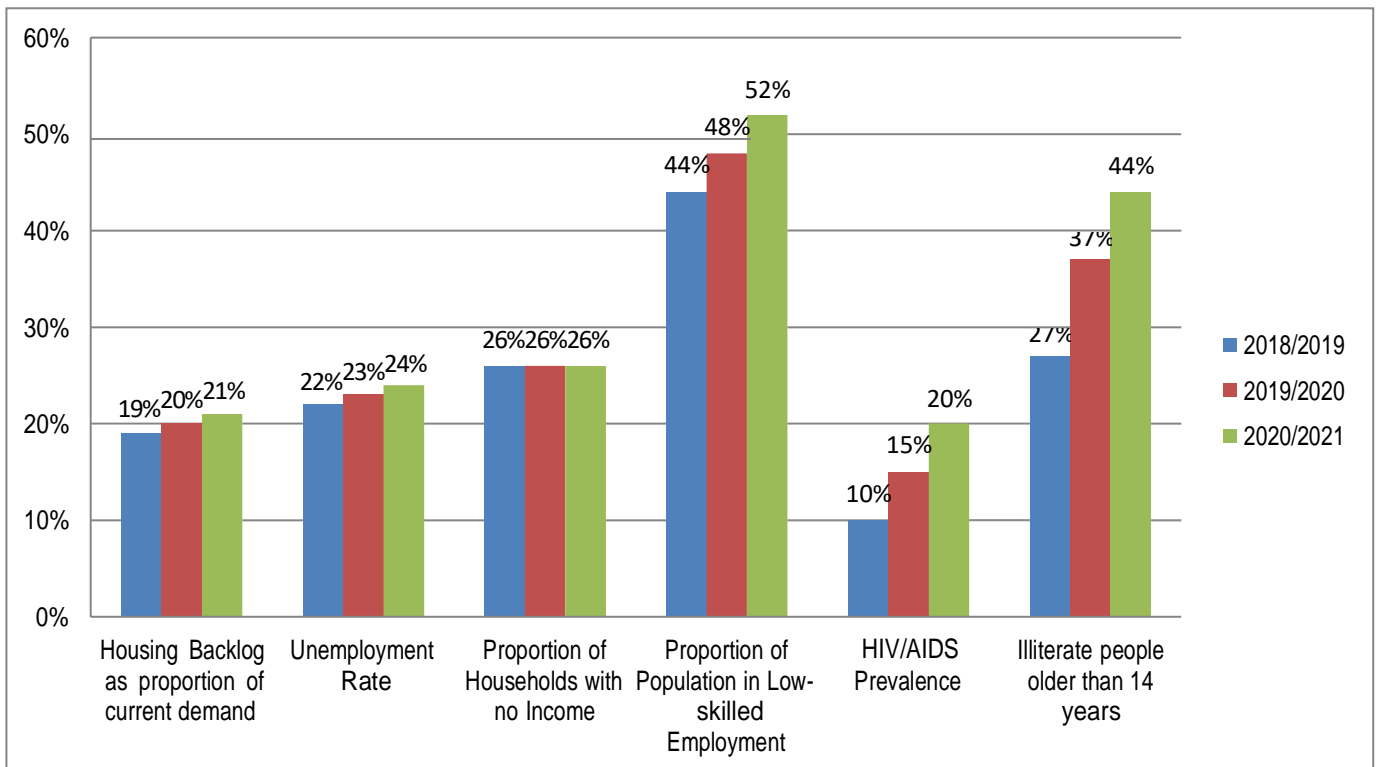


CHAPTER 1: EXECUTIVE SUMMARY

1.3.2 PROPORTION OF HOUSEHOLDS WITH ACCESS TO BASIC SERVICES



1.3.3 SOCIO ECONOMIC STATUS



CHAPTER 1: EXECUTIVE SUMMARY

1.3.4 COMMENT ON ACCESS TO BASIC SERVICES

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

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

Service delivery is hampered by the following challenges:

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

1.4 FINANCIAL HEALTH OVERVIEW

The municipality total revenue for the period under review was projected at R 3 252 336 093, and the actual was R 4 724 220 446, which translate to a total of 145% actual revenue received. This amount of R 4 724 220 446 includes the grand funding of R 842 576 000, taxes, levies and tariffs of R 3 596 227 960 and other revenue of R 285 416 486.

The expenditure was budgeted at R 2 956 712 716 and the actual expenditure was R 5 089 020 607, which is an overspending of 172%. The total capital grant allocation was R 220 615 001, and a total of R 207 147 000 was spent.

1.4.1 FINANCIAL OVERVIEW: 2020/2021

Financial Overview: 2020/2021			
	R' 000		
Details	Original budget	Adjustment Budget	Actual
Income			
Grants	701 949 000	842 576 000	791 095 523
Taxes, Levies, and tariffs	1 833 041 504	1 833 041 504	457 271 995
Other	576 718 589	576 718 589	1 536 403 446
Sub Total	3 111 709 094	3 252 336 093	2 784 770 964
Less: Expenditure	2 958 363 956	2 956 712 716	4 129 322 058
Net Total	153 345 138	295 623 377	-1 344 551 094

CHAPTER 1: EXECUTIVE SUMMARY

1.4.2 OPERATING RATIOS

Operating Ratios	
Detail	%
Employee Cost	19%
Repairs & Maintenance	2%
Finance Charges & Impairment	28%

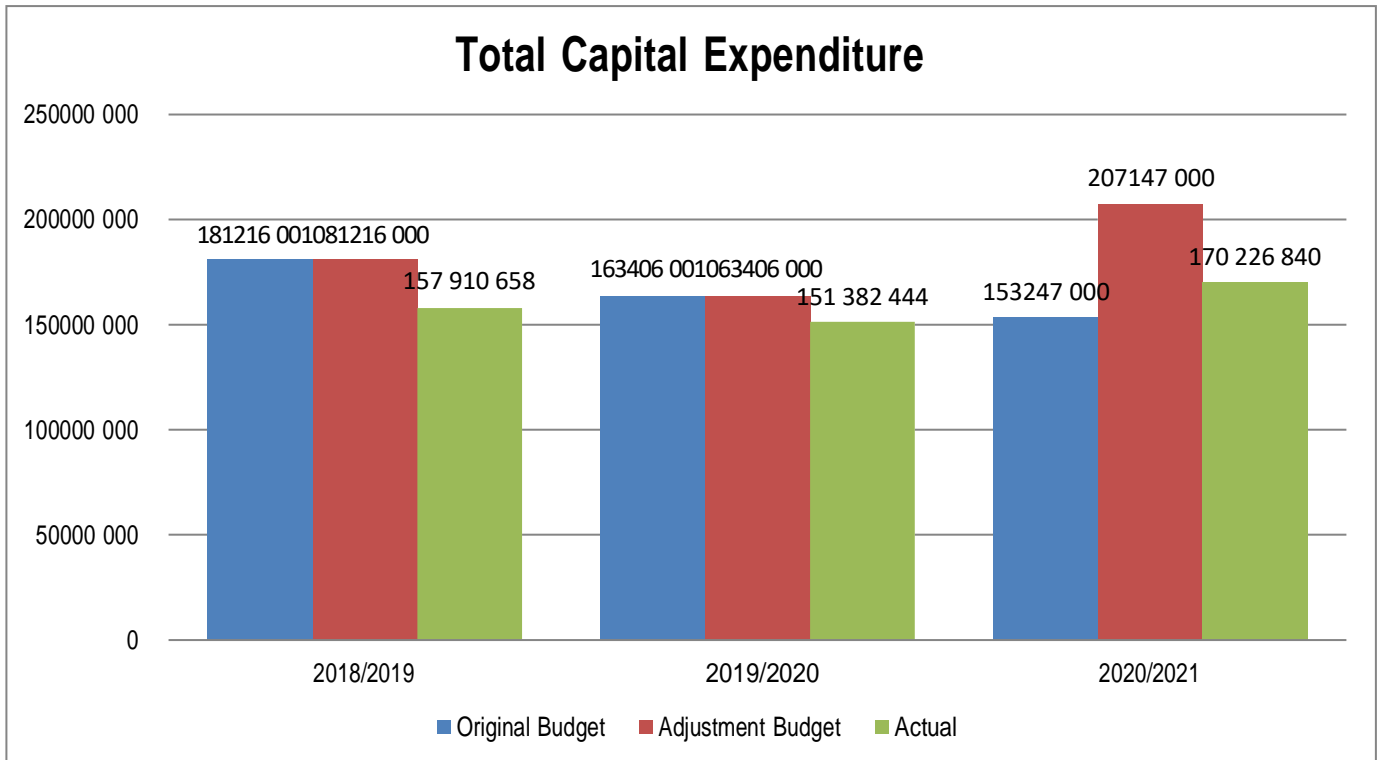
1.4.2.1 COMMENT ON OPERATING RATIOS

The employee cost ratio is below the norm of 30% as it is standing at 19%, repairs and maintenance is critically below the norm of 20% as it is at 2%, and this need to be rectified in the new financial year if the municipality want to upkeep its current assets and the finance charges ratio is way above the norm of 10% at 28%, this also needs attention, as it will result in fruitless or wasteful expenditure if it is not addressed.

1.4.3 TOTAL CAPITAL EXPENDITURE: 2018/2019 TO 2020/2021

Total Capital Expenditure: 2018 to 2021			
Detail	2018/2019	2019/2020	2020/2021
Original Budget	181 216 000	163 406 000	153 247 000
Adjustment Budget	181 216 000	163 406 000	207 147 000
Actual	157 910 658	151 382 444	170 226 840

1.4.3.1 TOTAL CAPITAL EXPENDITUREGRAPH: 2018/2019 TO 2020/2021



CHAPTER 1: EXECUTIVE SUMMARY

1.4.4 COMMENT ON CAPITAL EXPENDITURE

Capital expenditure at year-end was at 82% and no rollovers applications will need to made.

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

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

- Performance planning
- Performance appraisal
- Performance improvement

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

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

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

1.6 AUDITOR GENERAL REPORT

The Municipality received a qualified audit report on the financial performance information and a disclaimer on the non-financial performance information.

CHAPTER 1: EXECUTIVE SUMMARY

1.7 STATUTORY ANNUAL REPORT PROCESS

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

1.7.1 COMMENT ON ANNUAL REPORT PROCESS

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

CHAPTER 2: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE

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

Party	Votes				Seats		
	Ward	List	Total	%	Ward	List	Total
African National Congress	68 925	69 781	138 706	62	29	17	46
Democratic Alliance	24 106	24 623	48 729	22	6	10	16
Economic Freedom Fighters	9 138	9 738	18 876	9	0	6	6
Independent	5 947	0	5 947	3	1	0	1
Freedom Front Plus	1 858	1 858	3 686	2	0	1	1
Congress of the People	1 510	1 198	2 708	1	0	1	1
United Front of Civics	0	2 708	2 708	1	0	1	1
Total	111 484	108 048	219 532	100	36	36	72

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

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

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

In business and outsourcing relationships, Governance Frameworks are built into relational contracts that foster long-term collaboration and innovation. Governance is the way rules, norms and actions are structured, sustained, regulated, and held accountable. The degree of formality depends on the internal rules of a given organization and, externally, with its business partners.

As such, governance may take many forms, driven by many different motivations and with many different results. For instance, a government may operate as a democracy where citizens vote on who should

CHAPTER 2: GOVERNANCE

govern and the public good is the goal, while a non-profit organization or a corporation may be governed by a small board of directors and pursue more specific aims.

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

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

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

Political Structure		
Position	Name	Function
Speaker	H Stofile	Council Chairperson
Executive Mayor	N Speelman	Political Head
Chief Whip	J Sephiri	Political Direction
Chairperson	M Radebe	Human Settlement
Chairperson	M Radebe	IDP and PMS
Chairperson	M Tsopo	Infrastructure
Chairperson	T Lushaba	Community Services
Chairperson	V Morris	Public Safety and Transport
Chairperson	X Masina	Special Programmes
Chairperson	S Manese	Finance
Chairperson	V Mawela	Corporate Services
Chairperson	V Van Rooyen	Sport, Arts and Culture
Chairperson	S Liphoko	LED, Small Business, Spatial Planning and Land Use Management
Dispute Resolution Committee		
H. Mokhomo-Chairperson		African National Congress
R. Tlake		African National Congress
N. Manzana		African National Congress
T. Xaba -Monjovo		African National Congress
T. Senoge		African National Congress
K. Moipatle		African National Congress
G. Mafaisa		African National Congress
M. van Rooyen		Democratic Alliance

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C. Malherbe	Democratic Alliance
B. Jama	Economic Freedom Fighters
A. Sithole	Economic Freedom Fighters
A. Sithole	Economic Freedom Fighters
M. Mthebere	Economic Freedom Fighters
S. Tshabangu	Independent
Rules Committee	
B. Mahlumba-Chairperson	African National Congress
S. Pholo	African National Congress
B. Ntuli	African National Congress
B. Nkonka	African National Congress
T. Xaba-Monjovo	African National Congress
Cllr. N. Thelingoane	African National Congress
T. Senoge	African National Congress
S. Badenhorst	Democratic Alliance
P. Botha	Democratic Alliance
T. Macingwane	Economic Freedom Fighters
M. Nqeobo	Congress of the People
S. Tshabangu	Independent
Finance Committee	
S Manese-Chairperson	African National Congress
M. Moipatle	African National Congress
P. Danster	African National Congress
I. Poo	African National Congress
T. Thedingoane	African National Congress
. M. Ntsebeng	African National Congress
A. Styger	Democratic Alliance
M. Badenhorst	Democratic Alliance
S. Tshabangu	Independent
Macingwane	Economic Freedom Fighters
Infrastructure and Technical Services Committee	
M. Tshopo-Chairperson	African National Congress
R. Tlake	African National Congress
P. Danster	African National Congress
Ramalefane	African National Congress
Tsatsa	African National Congress
T. Xaba-Monjovo	African National Congress
C. Malherbe	Democratic Alliance
HCT. Van Schalkwyk	Democratic Alliance
S. Taljaard	Vryheids Front Plus
T. Macingwane	Economic Freedom Fighters
Community Services Committee	
T. Lushaba-Chairperson	African National Congress
S. Tsatsa	African National Congress
Ramalefane	African National Congress

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P. Ramatisa	African National Congress
S. Taljaard	Vryheids Front Plus
A. Manenye	Democratic Alliance
N. Phofeli	Democratic Alliance
A. Sithole	Economic Freedom Fighters
Public Safety and Transport Committee	
V. Morris	African National Congress
T Xaba-Monjovo	African National Congress
N. Thelingoane	African National Congress
B. Nkonka	African National Congress
P. Ramatisa	African National Congress
T. Letlhake	Democratic Alliance
L. Presente	Democratic Alliance
S. Taljaard	Vryheids Front Plus
A. Dyantyi	Economic Freedom Fighters
Social Services -Special Programs Committee	
X. Masina-Chairperson	African National Congress
J. Ramalefane	African National Congress
NJ Tshokotshela	African National Congress
A. Manenye	Democratic Alliance
B. Jama	Economic Freedom Fighters
BM Ramabodu	United Front of Civics
LED, Tourism, Agriculture and Environmental Affairs Committee	
S. J. Liphoko-Chairperson	African National Congress
T. Thedingoane	African National Congress
B. Ntuli	African National Congress
N. Manzana	African National Congress
N.J. Tshokotshela	African National Congress
M. Khothule	African National Congress
S. Badenhorst	Democratic Alliance
S. van Schalkwyk	Democratic Alliance
B. Jama	Economic Freedom Fighters
Sport, Arts and Culture Committee	
V. Van Rooyen -Chairperson	African National Congress
H Mokhomo	African National Congress
M Sebotsa	African National Congress
B. Nkonka	African National Congress
T Senoge	African National Congress
T. Letlhake	Democratic Alliance
A. Schoeman	Democratic Alliance
Dyantyi	Economic Freedom Fighters
Corporate Services Committee	
V.E. Mawela-Chairperson	African National Congress
M. Mphikeleli	African National Congress
B. Mahlumba	African National Congress

M. Molelekoa	African National Congress
M. van Rooyen	Democratic Alliance
M. Rakaki	Democratic Alliance
T. Macingwane	Economic Freedom Fighters
Human Settlement, Spatial Planning and Land Use Management Committee	
Matinte Radebe-Chairperson	African National Congress
N. Moloja	African National Congress
N.J. Tshokotshela	African National Congress
S. Meli	African National Congress
P. Ramatisa	African National Congress
M. Khothule	African National Congress
. R. Tlake	African National Congress
C. Malherbe	Democratic Alliance
A. Maneye	Democratic Alliance
A. Jacobs	Democratic Alliance
B. Jama	Economic Freedom Fighters
A. Dyantyi	Economic Freedom Fighters
B M Ramabodu	United Front Of Civics
IDP, Policy, Monitoring and Evaluation	
M Radebe - Chairperson	African National Congress
P. Ramatisa	African National Congress
S. Pholo	African National Congress
T. Nthako	African National Congress
S. Moshoeu	African National Congress
S. Meli	African National Congress
A. Mthebere	Economic Freedom Fighters
N. Phofeli	Democratic Alliance
Municipal Public Accounts Committee	
MD Masienyane-Chairperson	African National Congress
J. Mosia	African National Congress
D. Mafa	African National Congress
M. Molefi	African National Congress
M. Chaka	African National Congress
J. Marais	Democratic Alliance
P. Botha	Democratic Alliance
M. Nqeobo	Congress of the People
L. Khetsi	Economic Freedom Fighters
For the period under review, the council has been functional and met all its legislative mandate in playing oversight on administration and executing its legislative authority on matters of governance.	

2.2 ADMINISTRATIVE GOVERNANCE

South Africa has made great strides in creating mechanisms for citizens to participate on an ongoing basis and not just during elections. This is evident in the policy and legislative framework and the establishment of numerous statutory bodies, structures, and programmes.

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The 1997 White Paper on Transforming Public Service Delivery (Batho Pele White Paper) focused on ensuring that government is responsive to the needs of its citizens. Legislation such as the Promotion of Access to Information Act of 2000 and the Promotion of Administrative Justice Act of 2000 are designed to enable citizens to access state information and administrative justice.

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

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

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

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

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

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

The link between councillors and citizens via the ward committee system needs to be improved. This could be addressed through the translation of IDPs into ward-level service improvement plans that respond to the specific needs of each ward. Additionally, greater emphasis needs to be placed on ensuring two-way

CHAPTER 2: GOVERNANCE

communication and interaction that enables citizens to express their needs and concerns as well as for citizens to be kept informed by councillors of key issues and developments that are underway in the ward

Administrative Structure	
Name	Position
Z. Tindleni	Municipal Manager
M. Vanga	Acting: Executive Director Corporate Services
T. Panyani	Chief Financial Officer
LS. Williams	Executive Director Community Services
G. Mogatle	Acting: Executive Director LED, Spatial Planning and Human Settlement
N. Thobela	Executive Director Infrastructure
DP. Olyn	Acting: Executive Director Strategic Support Services

COMPONENT B: INTERGOVERNMENTAL RELATIONS

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

For the 2019/2020 financial year, the Municipality participated in a number of meetings convened as planned within our service delivery and budget implementation plan for purposes aimed at advancing cooperative governance and intergovernmental relations especially at the levels of both the District Municipality and Provincial Government (see T2.3.4 below for some specific references and details).

2.3 INTERGOVERNMENTAL RELATIONS

2.3.1 NATIONAL INTERGOVERNMENTAL

STRUCTURES

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

Extended Cabinet

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

The President's Coordinating Council

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

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Budget Council and Budget Forum

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

MinMec

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

2.3.2 PROVINCIAL INTEGGOVERNMENTAL STRUCTURES

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

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

RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipality does not have a municipal entity

2.3.3 DISTRICT INTEGGOVERNMENTAL STRUCTURES

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

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

CHAPTER 2: GOVERNANCE

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

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

COMPONENT C: PUBLIC AND ACCOUNTABILITY AND PARTICIPATION

2.4 OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

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

IDP/budget representative forum Ward Constituency meetings Ward Committee meetings

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

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

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

CHAPTER 2: GOVERNANCE

2.5 PUBLIC MEETINGS

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

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

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

2.5.1 WARD COMMITTEES

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

2.5.2 COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

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

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

CHAPTER 2: GOVERNANCE

2.6 INTEGRATED DEVELOPMENT PLANNING PARTICIPATION AND ALIGNMENT CRITERIA

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

COMPONENT C: CORPORATE GOVERNANCE

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

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

2.7 RISK MANAGEMENT

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

The following are the responsibilities of a Risk Management Unit, but it must be acknowledged that the Municipality did not have the Risk Management Unit for the period 2017/2018, 2018/2019 and 2019/2020 financial years. The Acting Senior Risk Accountant fulfilled these responsibilities.

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

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The role of the Acting Senior Accountant improved the situation much better than it was the case a year before. Her role is envisaged to improve upon approval of the structure which identified the lack of such a unit as a serious risk to Municipal service performance.

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

2.8 ANTI-CORRUPTION AND FRAUD

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

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

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

2.9 SUPPLY CHAIN MANAGEMENT

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

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

CHAPTER 2: GOVERNANCE

2.10 BY-LAWS

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

2.11 WEBSITES

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

2.11.1 COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS

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

2.12 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

2.12.1 PUBLIC SASISFACTION LEVELS

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

CHAPTER 3: PERFORMANCE REPORT PART I

3. INTRODUCTION TO BASIC SERVICES

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

The Community Survey 2016 found that 89,8% of households used piped water, that 63,4% used flush toilets connected to either the public sewerage or to a local septic system, that 63,9% of households receive refuse removal services, and finally, that 87,6% of households had access to electricity. These headline figures, however, hide a lot of variation across provinces, district councils and between local municipalities. Households living in rural municipalities usually have access to far less, and usually also more inferior services to those living in wealthier, particularly more urban municipalities.

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

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

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

3.1 INTRODUCTION TO BASIC SERVICE

3.1.1 INTRODUCTION TO WATER SERVICES

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

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

The last time the Municipality obtained Blue Drop status for 3 of the 6 towns in its jurisdiction area was during 2014 with an average score of 93, 6%. Blue Drop Status were received for Virginia, Hennenman and Ventersburg supply systems. Matjhabeng Local Municipality performs second best in the Free State. The Municipality renders basic assistance to poor communities within its resource constraints.

3.1.2 WATER SERVICE DELIVERY LEVELS

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

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

CHAPTER 3: PERFORMANCE REPORT PART I

3.2 SANITATION SERVICES

3.2.1 INTRODUCTION TO SANITATION SERVICES

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

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

3.2.2 SANITATION SERVICE DELIVERY LEVELS

Water Service Delivery Levels		
Description	Households	
	2016	Percentage
Flush toilet	126 494	84.8%
Chemical toilet	1 492	0.1%
Pit latrine/toilet with ventilation pipe	298	0.3%
Pit latrine/toilet without ventilation pipe	10 591	7.2%
Ecological toilet (e.g., urine diversion; enviroloo, etc.)	0	0%
Bucket toilet collected by municipality	2 238	1.6%
Bucket toilet emptied by household	2 536	1.8%
Other	4 028	2.8%
None	1 790	1.3%
Total households	149165	100%

3.3 ELECTRICITY SERVICES

3.3.1 INTRODUCTION TO ELECTRICITY SERVICES

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

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

CHAPTER 3: PERFORMANCE REPORT PART I

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

3.4 WASTE MANAGEMENT

3.4.1 INTRODUCTION TO WASTE MANAGEMENT SERVICES

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

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

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

CHAPTER 3: PERFORMANCE REPORT PART I

COMPONENT A: COMMUNITY AND SOCIAL SERVICES

DIRECTORATE COMMUNITY SERVICES

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide adequate burial space for the community	Percentage of graves provided	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
To provide adequate burial space for the community	Percentage on progress of provision of Water, Sanitation, and high mast lights at Allanridge	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
To provide adequate burial space for the community	Percentages progress on the development of cemetery in Mmamahabane and Ventersburg	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
To ensure that basic sport & recreation facilities are available to all communities	Percentage of progress on the building of the Indoor Sports Complex: Meloding	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To ensure that basic sport & recreation facilities are available to all communities	Number of Swimming Pools	4	0	4	2	4	4	4	Target not Achieved	Critical position advertised.
To ensure efficient Waste Management Programme	Number of Upgraded landfill site	2	0	2	0	2	2	2	Target not Achieved	The project is planned for outer years
To ensure efficient Waste Management Programme	Number of Compactor Trucks purchased	12	0	12	7	12	12	12	Target not Achieved due to financial constraints	The municipality has sourced funding for the procurement of the remainder of the trucks
Ensure proper waste management through promotion of recycling schemes and adequate landfill management.	Number of Recyclable waste storage facility in Odendaalsrus Landfill site	1	0	1	0	1	1	1	Target not Achieved due to financial constraints	Project planned for outer years

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To ensure that the Municipality has an effective and efficient waste management system	Number of reports sent to the National Waste Information System for Welkom & Odendaalsrus landfill sites regarding quantities of waste handled at the sites	12	0	12	0	12	12	12	Target not Achieved due to shortage of staff	Critical position advertised.
To ensure that the Municipality has an effective and efficient waste management system	Number of Integrated Waste Management Plan reviewed and approved	1	0	1	0	1	1	1	Target not Achieved	IWMP was approved for the 2021/22 financial year. Please find under separate cover BS40
To ensure a sustainable and efficient Traffic Control Management	Number of Reports on Cleaning and maintenance of municipal recreational parks	12	3	12	3	12	12	12	Target not Achieved due to the Covid-19 pandemic and shortage of staff	Critical positions in Community Services are been advertised.

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To support the district municipality in Improving disaster preparedness for extreme climate events.	Litres of paint procured per year.	500000L	1000L	500000L	1000L	0	0	0	Target not Achieved	Procurement of paint will happen as and when required.
To support the district municipality in Improving disaster preparedness for extreme climate events.	Number of Disaster management awareness campaigns conducted	24	0	24	0	24	24	24	Target Achieved	Continue monitoring
To support the district municipality in Improving disaster preparedness for extreme climate events.	Number of meetings conducted for Local Disaster Advisory Forum	12	0	12	0	12	12	12	Target not Achieved	It is the prerogative of the District Municipality to invite Local for disaster advisory committees. Therefore, this KPI was removed for the 2021/22 financial year

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To support the district municipality in Improving disaster preparedness for extreme climate events.	Number of Disaster Risk profile generated	12	0	12	0	12	12	12	Target not Achieved	Critical positions in community services department were advertised. Attached see adverts as separate cover under BS46
To ensure a sustainable and efficient Traffic Control Management	Number of Premises protected by Electronic Security System	40	0	40	0	40	40	40	Target not Achieved due to Covid-19 pandemic. Suppliers could not deliver goods to the service providers	The service provider is back on site and installing the outstanding electronic security system

CHAPTER 3: PERFORMANCE REPORT PART I

COMPONENT B: PLANNING AND DEVELOPMENT

DIRECTORATE LOCAL ECONOMIC DEVELOPMENT AND HUMAN SETTLEMENT

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To create a suitable environment for sustainable agricultural production	Number of farmers production support unit established	1	0	1	0	1	1	1	Target Not Met	Ensure that targets are met within required timeframe
To create a suitable environment for sustainable agricultural production	Number of farms maintained/Improved	3	0	3	0	3	3	3	Target Not Met	Ensure that targets are met within required timeframe
To create a suitable environment for sustainable agricultural production	Number of agricultural shows organised	1	0	1	0	1	1	1	Target Not Met	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To create a suitable environment for sustainable agricultural production	Number of workshops and capacity building conducted	6	0	6	0	6	6	6	Target Not Met	Ensure that targets are met within required timeframe
Stimulate and promote small scale mining within Matjhabeng Local Municipality	Number of small-scale miners assisted	4	0	4	0	4	4	4	Target Not Met	Ensure that targets are met within required timeframe
To facilitate the planning and the implementation of the Mining Social Plans in Matjhabeng Local Municipality	Number of tourism awareness and education programs materialised	2	0	2	0	2	2	2	Target Not Met	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To facilitate the planning and the implementation of the Mining Social Plans in Matjhabeng Local Municipality	Number of approved Local Economic Development Strategy	1	0	1	0	1	1	1	Target Not Met	Ensure that targets are met within required timeframe
To develop and implement the Matjhabeng Land Use Management Plan	Number of Approved Land Use Management Schemes	1	0	1	0	1	1	1	Target Not Met	Ensure that targets are met within required timeframe
To develop and implement the Matjhabeng Land Use Management Plan	Number of approved Land Use Management Plan	1	2	1	2	1	1	1	Target Extremely Met	Continue monitoring
To develop and implement the Matjhabeng Land Use Management Plan	Number of Municipal Planning Tribunal sittings	4	1	4	1	4	4	4	Target Not Met	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To position Matjhabeng as a competitive investment attraction	Percentage of Land Use Applications processed	100%	50%	100%	50%	100%	100%	100%	Target Not Met	Ensure that targets are met within required timeframe
To create a conducive environment for SMMEs	Number of Youth Business Corners established	3	2	3	2	3	3	3	Target Not Met	Ensure that targets are met within required timeframe
To promote the security of tenure	Number of sites advertised for sale	350	0	350	0	350	350	350	Target Not Met	Ensure that targets are met within required timeframe
To promote the security of tenure	Percentage of meetings attended	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring
To promote the security of tenure	Percentage of applications submitted to Provincial Human Settlement	100%	0%	100%	0%	100%	100%	100%	Target Not Met	Ensure that targets are met within required timeframe
To promote the security of tenure	Percentage of applications submitted	100%	100%	100%	100%	100%	100%	100%	Target Met	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To promote the security of tenure	Number of Housing sector plan developed and approved	1	0	1	0	1	1	1	Target Not Met	Ensure that targets are met within required timeframe
To promote the security of tenure	Number of updated Lease Register updated	4	1	4	1	4	4	4	Target Not Met	Ensure that targets are met within required timeframe
To promote the security of tenure	Number of reports on credit control measures taken.	4	1	4	1	4	4	4	Target Not Met	Ensure that targets are met within required timeframe
To promote the security of tenure	Number of erven identified for social housing development	1	9	1	9	1	1	1	Target Extremely Met	Continue monitoring
To promote the security of tenure	Number of occupants verified	1 299	610	1 299	610	1 299	1 299	1 299	Target Not Met	Ensure that targets are met within required timeframe
To promote the security of tenure	Number of sites allocated	3 425	258	3 425	258	3 425	3 425	3 425	Target Not Met	Ensure that targets are met within required timeframe
To promote the security of tenure	Number of beneficiaries captured	400	702	400	702	400	400	400	Target Extremely Met	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To promote the security of tenure	Percentage of client registered	100%	0	100%	0	100%	100%	100%	Target Not Met	Ensure that targets are met within required timeframe
To promote the security of tenure	number of title deed issued	150	7	150	7	150	150	150	Target Not Met	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

COMPONENT C: BASIC SERVICES

DIRECTORATE ENGINEERING SERVICES

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Sewer infrastructure networks and ancillary infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA).	Percentage progress on the Septic Tanks system in Whites	8%	0%	8%	8%	8%	8%	8%	Target Achieved NB: as per PPIM Preliminary Design is attached	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Sewer infrastructure networks and ancillary infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA).	Percentage progress on the refurbishment of Kutlwanong Wastewater Treatment Works	8%	0%	30%	23%	30%	30%	30%	Target almost Achieved due to bad weather conditions. NB: 20-30% Work done in terms of PPIM constitute 53%. The 23% is as per the work completed as per the attached progress report.	The contractor is back on site and project is anticipated to be completed in May 2022. See attached report from contractor under separate cover BS2

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Sewer infrastructure networks and ancillary infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA).	Percentage of completed refurbishment of Theronia Wastewater Treatment Works	8%	0%	100%	91%	100%	100%	100%	Target almost Achieved NB: As per PPIM project is at Retention stage which constitute 95%. The 91% is as the attached progress report	The contractor is back on site to finalise outstanding work

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Sewer infrastructure networks and ancillary infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA).	Percentage of completed upgrade and refurbishment of Thabong T8 pump station to address new developments	8%	0%	100%	99%	100%	100%	100%	Target almost Achieved NB: As per PPIM project is at Retention stage which constitute 99%	The contractor is back on site to finalise outstanding work

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Sewer infrastructure networks and ancillary infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA).	Number of sumps cleaned.	8%	0%	8	4	8	8	8	Target not Achieved Due to COVID-19 Pandemic and shortage of staff	Vacancies has been advertised to address shortage of staff in infrastructure and SCM Department. Advert attached as separate cover

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Sewer infrastructure networks and ancillary infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA).	Percentage completed of upgrade and refurbishment Kutlwanong outfall sewer	8%	0%	100%	72%	100%	100%	100%	Target not Achieved, because the contractor abandoned site NB: As per PPIM the work done on project is at 76%	The municipality wrote a letter to contractor JT Promotions to resume instruction. See attached letter under separate cover BS6

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Sewer infrastructure networks and ancillary infrastructure to ensure a healthy environment as required by National Environmental Management Act (MEMA).	Percentage of manhole covers replaced	8%	0%	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue	Kilometres of worn-out water pipelines replaced.	8%	0%	5km	0.388km	5km	5km	5km	Target not Achieved Due to Shortage of staff and material.	Speed up procurement processes. Municipality has recently appointed the SCM Manager and advertised critical positions in infrastructure department. See attached advert under separate cover BS8

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue	Percentage progress of Old galvanized steel pipes replaced	8%	0%	100%	98%	100%	100%	100%	Target almost Achieved NB: As per PPIM project is at Retention stage which constitute 98%	The contractor is back on site to finalise outstanding work

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue	Number of water meters replaced	8%	0%	1 000	1463	1 000	1 000	1 000	Target Achieved NB: Due to high volume of request from consumers. number of replaced water meters were recalculated according to the POE support in file	The municipality has introduced and emphasise that supervisors must sign job card to verify job done

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue	Percentage progress on water meter connection of water meter connections made	8%	0%	20%	0%	20%	20%	20%	Target not Achieved NB: MIG Fund did not approve the business plans for the Project	The project is been shifted to the outer years.

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue	Percentage of house connections and meters installed	8%	0%	100%	0%	100%	100%	100%	Target not Achieved	Critical positions in infrastructure department were advertised.

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue	Percentage progress on pipes Replaced	8%	0%	32%	40%	32%	32%	32%	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue	Number of investigated and registered water meters	2 000	0	2 000	99	2 000	2 000	2 000	Target not Achieved due to shortage of staff	Critical positions in infrastructure department were advertised. Attached see adverts as separate cover under BS14.

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain Water networks and ancillary works as well to ensure constant water supply and Water Demand Management System to enhance revenue	Percentage progress on the zonal meters and valves installed	8%	0%	100%	0%	100%	100%	100%	Target not Achieved	The contractor is back on site
To develop and maintain roads and storm water infrastructure and develop transportations systems and maintenance thereof.	Percentage of construction of road upgraded in Thabong Ext 22 Tandanani	8%	0%	32%	45%	32%	32%	32%	Target Achieved NB: 30-40% Work done in terms of PPIM constitute 58%	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain roads and storm water infrastructure and develop transportations systems and maintenance thereof.	Kilometre of streets resealed	8km	0km	8km	0km	10km	10km	10km	Target not Achieved	Ensure that targets are met within required timeframe
To develop and maintain roads and storm water infrastructure and develop transportations systems and maintenance thereof.	Square meters of streets patched	8%	0%	12000 m2	4143.829 m2	1200m2	12 000m2	12 000m2	Target Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain roads and storm water infrastructure and develop transportations systems and maintenance thereof.	Kilometres of construction of gravel roads constructed and refurbished by blading	60km	0	60km	43.119668km	60km	60km	60km	Target almost Achieved	Contractors were appointed to provide yellow fleet to address underperformance . See attached appointment letters
To develop and maintain roads and storm water infrastructure and develop transportations systems and maintenance thereof.	PERCENTAGE of construction of main storm water system in Nyakallong	8%	0%	100%	0%	0%	0%	0%	Target not Achieved. The project is registered but not yet approved	The project is budgeted for in the outer years

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain roads and storm water infrastructure and develop transportations systems and maintenance thereof.	Kilometre of cleaning of lined storm water canals according to maintenance plan	7.1km	0km	7.1km	10.059km	7.1km	7.1km	7.1km	Target Achieved NB: Due to heavy rains municipality prioritized cleaning of lined storm water canals . Lined storm water canal job cards were recalculated according to the POE support in file	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop and maintain roads and storm water infrastructure and develop transportations systems and maintenance thereof.	kilometre of cleaning of unlined storm water canals according to maintenance plan	8km	0km	8km	4.640km	8km	8km	8km	Target not Achieved: Shortage of staff	Critical positions in infrastructure department were advertised. See attached advert under separate cover BS22
Construction of new storm water networks and upgrade and maintenance of existing networks subject to availability of budget	Kilometres cleaning of closed storm water systems according to maintenance plan	2km	0km	2km	2.332km	2km	2km	2km	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Construction of new storm water networks and upgrade and maintenance of existing networks subject to availability of budget	Percentage of stolen catch pit and manhole lids repaired or replaced	100%	0%	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To construct and maintain 132kV Distribution network, MV networks, LV network, Street light and high mast lighting and ancillary works to adhere to road ordinances as well SANS regulations and ensure an effective and safe environment	Percentage progress on substations Reinstated	85%	0%	85%	85%	100%	100%	100%	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To construct and maintain 132kV Distribution network, MV networks, LV network, Street light and high mast lighting and ancillary works to adhere to road ordinances as well SANS regulations and ensure an effective and safe environment	Percentage progress on electrification of 900 stands	8%	0%	100%	95%	100%	100%	100%	Target Almost Achieved because electric meters were not matching the one the municipality uses, therefore they had to be returned	Contractor has received correct material and is back on site

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To construct and maintain 132kV Distribution network, MV networks, LV network, Street light and high mast lighting and ancillary works to adhere to road ordinances as well SANS regulations and ensure an effective and safe environment	Kilometre of low and medium voltage network	4km	0km	4km	0km	4km	4km	4km	Target not Achieved due to vandalism happening when project is about to be completed.	Municipality will be installing electronic security systems in all substations

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To construct and maintain 132kV Distribution network, MV networks, LV network, Street light and high mast lighting and ancillary works to adhere to road ordinances as well SANS regulations and ensure an effective and safe environment	Kilometre of streetlight reinstated in Koppie Alleen, Welkom	6.5	0	6.5	4.1km	6.5	6.5	6.5	Target not Achieved due contractor abandoning site	A letter was written to contractor to resume with work and complete the project
To ensure an effective service and adhere to road ordinances as well SANS regulations	Number of streetlights maintained and repaired	5km	0	4 069	598	4000	4000	4000	Target not Achieved due to shortage of staff	Critical positions in electrical department were advertised. See attached advert under separate cover BS29

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To ensure an effective service and adhere to road ordinances as well SANS regulations	Number of high mast lights maintained and repaired	110	0	110	18	110	110	110	Target not Achieved due to shortage of staff	Critical positions in electrical department were advertised. See attached advert under separate cover BS30

CHAPTER 3: PERFORMANCE REPORT PART I

COMPONENT D: CORPORATE POLICY OFFICES AND OTHER OFFICES

OFFICE OF THE SPEAKER

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To improve the optimal functionality of the Ward Committees	Number of ward plans produced	36	0	36	0	36	36	36	Target Not Achieved	Ensure that performance is reported within required timeframe
Manage performance of all 36 wards in the municipality	Number of monthly reports from ward committees produced and submitted	432	0	432	0	432	432	432	Target Not Achieved	Ensure that performance is reported within required timeframe
Manage performance of all 36 wards in the municipality	Number of quarterly performance management reports submitted to office of the Speaker.	144	0	144	0	144	144	144	Target Not Achieved	Ensure that performance is reported within required timeframe
Manage performance of all 36 wards in the municipality	Number of skills audit program conducted	1	0	1	0	1	1	1	Target Not Achieved	Ensure that performance is reported within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Manage performance of all 36 wards in the municipality	Number of reports on Council resolutions communicated to ward committee	4	0	4	0	4	4	4	Target Not Achieved	Ensure that performance is reported within required timeframe
Manage performance of all 36 wards in the municipality	Number of community meetings held by a ward councillor to address community programmes/developmental matters.	144	0	144	0	144	144	144	Target Not Achieved	Ensure that performance is reported within required timeframe
To ensure Council functions optimally, effectively, and efficiently	Number of approved Council meetings convened			4	0				Target Not Met	Ensure that performance is reported within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To monitor and evaluate the implementation of the Integrated Development Plan and Budget in line with municipal goals and five-year Local Government Strategic Agenda Implementation Plan	Number of oversight report submitted to Council	1	0	1	0	1	1	1	Target Not Achieved	Ensure that performance is reported within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

OFFICE OF THE EXECUTIVE MAYOR

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To promote social cohesion and nation building through Sport, Art And Culture	Number of Annual O R Tambo Games held	1	1	1	1	1	1	1	Target Achieved	Continue monitoring
To promote social cohesion and nation building through Sport, Art And Culture	Number of recreational games for senior citizens held	1	1	1	1	1	1	1	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To promote social cohesion and nation building through Sport, Art And Culture	Number of recreational games for people with disabilities held	1	1	1	1	1	1	1	Target Achieved	Continue monitoring
To promote social cohesion and nation building through Sport, Art And Culture	Number of MLM Arts and Culture Festival hosted	1	1	1	1	1	1	1	Target Achieved	Continue monitoring
To promote social cohesion and nation building through Sport, Art And Culture	Number of candlelight switch commemorated	1	1	1	1	1	1	1	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To promote social cohesion and nation building through Sport, Art And Culture	Number of choral competitions held	1	1	1	1	1	1	1	Target Achieved	Continue monitoring
To deepen democracy through promotion of gender related activities and awareness campaigns within government	Number of Mandela day/month activities hosted	1	1	1	1	1	1	1	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To deepen democracy through promotion of gender related activities and awareness campaigns within government	Number of Women days celebrated	1	1	1	1	1	1	1	Target Achieved	Continue monitoring
To deepen democracy through promotion of gender related activities and awareness campaigns within government	Number of awareness Drugs and substance abuse	4	4	4	4	4	4	4	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To deepen democracy through promotion of gender related activities and awareness campaigns within government	Number of awareness HIV/Aids Campaigns	4	4	4	4	4	4	4	Target Achieved	Continue monitoring
To deepen democracy through promotion of gender related activities and awareness campaigns within government	Number of 16 Days of activism held	1	1	1	1	1	1	1	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To deepen democracy through promotion of gender related activities and awareness campaigns within government	Number of Executive Mayor's Imbizos	4	4	4	4	4	4	4	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

OFFICE OF THE MUNICIPAL MANAGER

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To strengthen communication with internal and external stakeholders	Number of Communication Policy approved by Council	0	1	0	1	1	1	1	Target Achieved	Continue monitoring
To develop effective and adequate risk management system	Number of risk assessments conducted per year	4	1	4	1	4	4	4	Target Achieved	Continue monitoring
To develop effective and adequate risk management system	Number of Risk Management Policies approved	7	7	7	7	7	7	7	Target Achieved	Continue monitoring
To develop effective and adequate risk management system	Number of Risk Management Committee held	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To develop effective and adequate risk management system	Number of Risk Management Charter approved	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe
To develop effective and adequate risk management system	Number of Awareness campaigns on fraud prevention	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe
To develop effective and adequate risk management system	Number of Risk Registers updated	4	1	4	1	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe
To develop effective and adequate risk management system	Number of forum meetings convened and attended.	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of Risk Based Internal Audit plan approved	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of internal audit reports compiled	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of approved audit committee charter	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of Audit Committee meetings held	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of Internal Audit Unit Charter approved	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of Internal Audit strategic plan	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of coverage plan approved	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of progress reports on implementation of the coverage plan	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of internal audit procedural manual approved	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of reviewed quality assurance and improvement program	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of quarterly audit reports compiled and submitted	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of follow up audit reports	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of quality assurance reports compiled and submitted to audit committee	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of quality assurance reports submitted on action plan	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of resolution registers compiled and submitted to audit committee	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of Audit committee reports submitted to council	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of Audit Steering meetings coordinated	18	0	18	0	18	18	18	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of Operational Risk registers updated	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide advice and opinions on the organization's efficiency and effectiveness in risk management, internal control, governance processes and performance management.	Number of internal audit findings control registers compiled	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe
Improve alignment of programmes at both District, Provincial and National levels to ensure synergy in planning	Number of Back-to-Basics Intervention Team meetings participated	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Improve alignment of programmes at both District, Provincial and National levels to ensure synergy in planning	Number of Information Communication Technologies Steering Committee meetings held	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe
To monitor and evaluate the implementation of the Integrated Development Plan and Budget, in line with the municipal goals and five-year Local Strategic Agenda Implementation Plan	Number of SDBIP developed and approved by the Executive Mayor	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To monitor and evaluate the implementation of the Integrated Development Plan and Budget, in line with the municipal goals and five year Local Strategic Agenda Implementation Plan	Number of adjusted SDBIP developed and approved by Council	1	1	1	1	1	1	1	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To monitor and evaluate the implementation of the Integrated Development Plan and Budget, in line with the municipal goals and five year Local Strategic Agenda Implementation Plan	Number of performance agreements coordinated and signed	7	0	7	0	7	7	7	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To monitor and evaluate the implementation of the Integrated Development Plan and Budget, in line with the municipal goals and five year Local Strategic Agenda Implementation Plan	Number of assessment appraisals held	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To monitor and evaluate the implementation of the Integrated Development Plan and Budget, in line with the municipal goals and five-year Local Strategic Agenda Implementation Plan	Number annual reports developed, submitted to AGSA, Tabled to council for approval	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To monitor and evaluate the implementation of the Integrated Development Plan and Budget, in line with the municipal goals and five-year Local Strategic Agenda Implementation Plan	Number of performance management system developed and approved	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To monitor and evaluate the implementation of the Integrated Development Plan and Budget, in line with the municipal goals and five-year Local Strategic Agenda Implementation Plan	Number of Risk registers updated and submitted	4	0	4	0	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To monitor and evaluate the implementation of the Integrated Development Plan and Budget, in line with the municipal goals and five-year Local Strategic Agenda Implementation Plan	Percentage of external audit queries responded to and addressed within the required time frame	100%	0	100%	0	100%	100%	100%	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To monitor and evaluate the implementation of the Integrated Development Plan and Budget, in line with the municipal goals and five-year Local Strategic Agenda Implementation Plan	Percentage of internal audit queries responded to and addressed within the required time frame	100%	0	100%	0	100%	100%	100%	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

DIRECTORATE CORPORATE SERVICES

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To ensure that the Matjhabeng Local Municipality is sufficiently capacitated with skilled and competent workforce across all levels in order to meet Service Delivery.	Number of approved Organizational structure	1	1	1	1	1	1	1	Target Achieved	Continue monitoring
To develop an efficient and effective Human Resources Management Plan aligned with IDP	Number of Human Resources Plan approved	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe
To review Job descriptions	Number of Job Descriptions reviewed	118	38	118	38	118	118	118		

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To ensure health and Wellness of Local Municipality	Number of Employees trained	80	0	80	0	80	80	80	Target Not Achieved	Ensure that targets are met within required timeframe
To ensure health and Wellness of Local Municipality	Number of approved Health and Wellness Plan	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe
To ensure health and Wellness of Local Municipality	Number of Awareness sessions/ campaigns conducted	40	8	40	8	40	40	40	Target Not Achieved	Ensure that targets are met within required timeframe
To ensure health and Wellness of Local Municipality	Percentage of counselling sessions conducted	100%	100%	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring
To ensure health and Wellness of Local Municipality	Percentage of beneficiaries assisted	100%	100%	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To provide Legal services that ensures that all Legal matters of the Municipality are handled and disposed in an efficient manner	Percentage of cases disposed of	100%	2	100%	2	100%	100%	100%	Target Not Achieved	Ensure that targets are met within required timeframe
To facilitate a sound employer employee relationship.	Percentage of Contracts developed	100%	0	100%	0	100%	100%	100%	Target Not Achieved	Ensure that targets are met within required timeframe
To enhance the understanding of labour related Collective Agreements	A number of Local Labour Forum meetings held per financial year	3	0	3	0	3	3	3	Target Not Achieved	Ensure that targets are met within required timeframe
Attendance of Arbitrations	Number of briefing sessions conducted	4	1	4	1	4	4	4	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To ensure compliance with the Occupational Health and Safety Act	Percentage of Arbitrations attended set down by South African Local Government Bargaining Council	100%	100%	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring
To ensure compliance with the Occupational Health and Safety Act	Number of Health and Safety awareness programs conducted	16	4	16	4	16	16	16	Target Not Achieved	Ensure that targets are met within required timeframe
To ensure compliance with the Occupational Health and Safety Act	Number of Health and Safety Inspections conducted	20	5	20	5	20	20	20	Target Not Achieved	Ensure that targets are met within required timeframe
To ensure compliance with the Occupational Health and Safety Act	Percentage of Health and Safety Medical Tests conducted	100%	0	100%	0	100%	100%	100%	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To ensure compliance with the Occupational Health and Safety Act	Number of Employment Equity Plan approved	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe
To provide efficient administrative support to the Council and its related Committees	Number of meetings held	138	15	138	15	138	138	138	Target Not Achieved	Ensure that targets are met within required timeframe
To ensure sound Record Keeping and Record Management Practices	Percentage of Signage's mounted in all Municipal Buildings	100%	100%	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring
To ensure sound Record Keeping and Record Management Practices	Number of Electronic Document Management System approved Document Policy Manual	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To ensure sound Record Keeping and Record Management Practices	Existence of an Electronic Document Management System	1	1	1	1	1	1	1	Target Achieved	Continue monitoring
To ensure sound Record Keeping and Record Management Practices	Number of Municipal Officials trained	100	0	100	0	100	100	100	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

DIRECTORATE FINANCIAL SERVICES

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To practice sound and sustainable financial management personnel	Number of GRAP compliant Draft Annual Financial Statements submitted to Auditor General for audit	0	0	0	0	1	1	1	Target Achieved	Ensure that targets are set for each indicator
To practice sound and sustainable financial management personnel	Number of budget related policies reviewed and approved	7	0	7	0	7	7	7	Target Not Achieved	Ensure that targets are met within required timeframe
To practice sound and sustainable financial management personnel	Percentage of Municipality's capital budget spent on capital projects identified for 2020/2021	0%	0	0%	0%	0%	0%	0%	Target Achieved	Ensure that targets are set for each indicator
To practice sound and sustainable financial management personnel	Number of Integrated Development Plan and Budget timetable adopted by Council	0	0	0	0	0	0	0	Target Achieved	Ensure that targets are set for each indicator

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Contribute budget information from the Directorate towards a credible budget before end May 2021	Number of Section 72 reports compiled and submitted to Council	0	0	0	0	0	0	0	Target Achieved	Ensure that targets are set for each indicator
Contribute budget information from the Directorate towards a credible budget before end May 2021	Number of Section 71 reports compiled and submitted to the Executive Mayor	12	3	12	3	12	12	12	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Contribute budget information from the Directorate towards a credible budget before end May 2021	Percentage of legislative compliance	100%	100%	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring
Contribute budget information from the Directorate towards a credible budget before end May 2021	Percentage debt coverage ratio	80%	80%	80%	80%	80%	80%	80%	Target Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
Contribute budget information from the Directorate towards a credible budget before end May 2021	Percentage outstanding service debtors ratio	103%	0	103%	0	103%	103%	103%	Target Not Achieved	Ensure that targets are met within required timeframe
Contribute budget information from the Directorate towards a credible budget before end May 2021	Percentage cost coverage ratio	1%	0	1%	0	1%	1%	1%	Target Not Achieved	Ensure that targets are met within required timeframe

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Target Achieved/Not Achieved	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To practice sound and sustainable financial management	Number of Draft Budget adopted	1	0	1	0	1	1	1	Target Not Achieved	Ensure that targets are met within required timeframe
To practice sound and sustainable financial management	Percentage of External Audit queries attended and addressed to within a required timeframe	100%	0	100%	0	100%	100%	100%	Target Not Achieved	Ensure that targets are met within required timeframe
To practice sound and sustainable financial management	Percentage of Internal Audit queries attended and addressed to within a required timeframe	100%	0	100%	0	100%	100%	100%	Target Not Achieved	Ensure that targets are met within required timeframe
To practice sound and sustainable financial management	Percentage of audit opinion received on clean audit	100%	0	100%	0	100%	100%	100%	Target Not Achieved	Ensure that targets are met within required timeframe
To practice sound and sustainable financial management	Percentage collection rate	85%	88%	85%	88%	85%	85%	85%	Target Well Achieved	Continue monitoring

CHAPTER 3: PERFORMANCE REPORT PART I

Objective	Key Performance Indicator	2019/2020		2020/2021		2021/2022	2022/2023	2023/2024	Reason for Variance	Measure to address underperformance
		Target	Actual	Target	Actual	Target	Target	Target		
To practice sound and sustainable financial management	Number of monthly billing conducted	12	3	12	3	12	12	12	Target Not Achieved	Ensure that targets are met within required timeframe
To practice sound and sustainable financial management	Percentage of indigent households registered	100%	100%	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring
To practice sound and sustainable financial management	Percentage of daily cash banked	100%	100%	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring
To practice sound and sustainable financial management	Percentage Implementation of valuation roll	100%	97%	100%	97%	100%	100%	100%	Target Almost Achieved	Ensure that targets are met within required time frame
To increase our revenue earning capacity and collection	Number of revenue management related policies approved	3	3	3	3	3	3	3	Target Achieved	Continue monitoring

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

4. INTRODUCTION

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

Employees					
Description	2019/2020	2020/2021			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water Demand, Water and Effluent Water Purification Services	108	246	87	159	65%
Electricity Services	63	158	63	95	60%
Waste Management, Waste Disposal and Other Services	80	178	77	101	57%
Housing	405	495	403	92	19%
Roads Stormwater and Buildings	21	33	21	12	36%
Fleet Management	125	321	117	204	64%
Planning	19	43	19	24	56%
Local Economic Development	13	18	12	6	33%
Legal; Risk Management	13	16	13	3	19%
Fire Services	9	14	11	3	21%
Sports and Recreation	91	101	86	15	15%
The Political Office	508	739	462	277	37%
Financial Services	117	118	114	4	3%
Human Resources Services	165	224	161	63	28%
Information Communication Technology	22	41	21	20	49%
Municipal Manager's Office	10	10	10	0	0%
Strategic Support Services	14	24	13	11	46%
Corporate Services	25	46	25	21	46%
Community Services	118	86	98	-12	-14%
Infrastructure	291	325	250	75	23%
Totals	59	477	50	427	90%
Totals	2 276	3 713	2 113	1 600	43%

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Vacancy Rate: 2020/2021			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	1	100.00
Chief Financial Officer	1	0	0.00
Other S57 Managers (excluding Finance Posts)	5	2	40.00
Other S57 Managers (Finance posts)			#DIV/0!
Police Officers	0	0	#DIV/0!
Fire Fighters	65	7	10.77
Senior Management: Levels 2-5/4 (excluding Finance Posts)	152	69	45.39
Senior Management: Levels 2-5/4 (Finance posts)	21	8	38.10
Highly skilled supervision: levels 6-18/17 (excluding Finance posts)	3264	1438	44.06
Highly skilled supervision: levels 6-18/17 (Finance Posts)	204	75	36.76
Total	3713	1600	43.09

CHAPTER 5-FINANCIAL PERFORMANCE

5. INTRODUCTION

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

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

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

5.1 INTRODUCTION TO FINANCIAL STATEMENTS

The Annual financial Statements are done with the assistance of an external service provider and review by external service providers before submission to the Office of the Auditor General of South Africa.

CHAPTER 5-FINANCIAL PERFORMANCE

5.2 STATEMENT OF FINANCIAL PERFORMANCE

Description R thousands	Year 2020-2021										Year 2019-2020				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Performance															
Property rates	399 297		399 297			399 297	422 818			106%	1.0589048				
Service charges	1 433 744		1 433 744			1 433 744	1 274 441			89%	89%				
Investment revenue	4 089		4 089			4 089	207 616			5077%	5077%				
Transfers recognised - operational	548 702	86 727	635 429			635 429	633 353			100%	115%				
Other own revenue	572 629		572 629			572 629	62 601			11%	11%				
Total Revenue (excluding capital transfers and contributions)	2 958 462	86 727	3 045 189			3 045 189	2 600 831			85%	88%				
Employee costs	836 063		836 063			836 063	800 616			96%	96%				
Remuneration of councillors	35 948		35 948			35 948	33 885			94%	94%				
Depreciation & asset impairment	123 276		123 276			123 276	193 088			157%	157%				
Finance charges	202 275	(95 000)	107 275			107 275	157 849			147%	78%				
Materials and bulk purchases	1 213 516	(335 041)	878 475			878 475	1 262 422			144%	104%				
Transfers and grants	750	1 023	1 773			1 773	-			0%	0%				
Other expenditure	546 535	427 367	973 903			973 903	867 244			89%	159%				
Total Expenditure	2 958 364	(1 651)	2 956 713			2 956 713	3 315 105			112%	112%				
Total Expenditure	2 958 364	(1 651)	2 956 713			2 956 713	3 315 105			72%	72%				
Surplus/(Deficit)	98 138	88 378	88 476			88 476	(714 275)			-807%	90155%				
Transfers recognised - capital	153 247	53 900	207 147			207 147	157 742			76%	103%				
Contributions recognised - capital & contributed assets			-			-									
Surplus/(Deficit) after capital transfers & contributions	153 345	142 278	295 623			295 623	(556 533)			-188%	-363%				
Share of surplus/ (deficit) of associate			-			-									
Surplus/(Deficit) for the year	153 345	142 278	295 623			295 623	740 361			250%	483%				
Capital expenditure & funds sources															
Capital expenditure	153 247	53 900	207 147			207 147	157 742			76%	103%				
Transfers recognised - capital	153 247	53 900	207 147			207 147	157 742			94%	103%				
Borrowing	-														
Internally generated funds	-														
Total sources of capital funds	153 247	53 900	207 147			207 147	157 742			94%	103%				
Financial position															
Total current assets	4 118 690	236 086	4 354 776			4 354 776	2 036 564			47%	49%				

CHAPTER 5-FINANCIAL PERFORMANCE

Total non-current assets	5 693 962	66 300	5 760 262		5 760 262	5 153 325		89%	91%				
Total current liabilities	(4 234 415)		(4 234 415)		(4 234 415)	(9 374 183)		221%	221%				
Total non-current liabilities	-												
Community wealth/Equity	14 047 067	302 386	14 349 453		14 349 453	534 393		4%	4%				
Cash flows													
Net cash from (used) operating	(2 792 083)	231 997	(2 560 086)		(2 560 086)	182 603		-7%	-7%				
Net cash from (used) investing	116 960		116 960		116 960	(184 274)		-158%	-158%				
Net cash from (used) financing	(40 000)		(40 000)		(40 000)	-		0%	0%				
Cash/cash equivalents at the year end	(2 715 123)	231 997	(2 483 126)		(2 483 126)	56 801		-2%	-2%				
Cash backing/surplus reconciliation													
Cash and investments available	1 638 715	236 086	1 874 801		1 874 801	1 874 801		100%	114%				
Application of cash and investments	(5 726 061)	(215 714)	(5 941 775)		(5 941 775)	(5 941 775)		100%	104%				
Balance - surplus (shortfall)	7 364 776	451 800	7 816 576		7 816 576	7 816 576		100%	106%				
Community wealth/Equity	14 047	302	14 349		14 349	14 349		100%	102%				

CHAPTER 5-FINANCIAL PERFORMANCE

Financial Performance of Operational Services						
R '000						
Description	2019-2020	2020-2021		2020-2021		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	1 067 409	816 718	462 299	972 460	16%	52.46%
Wastewater (Sanitation)	376 716	148 138	348 095	431 166	66%	19.27%
Electricity	775 095	642 705	642 995	1 102 237	42%	41.66%
Waste Management	355 986	143 537	183 428	236 115	39%	22.31%
Housing	18 780	17 718	17 768	23 589	25%	24.67%
Component A: sub-total	2 593 986	1 768 817	1 654 585	2 765 566	24.89%	40.17%
Wastewater (Stormwater Drainage)	24 158	50 030	43 344	26 713	-87%	-62.26%
Roads	101 674	38 974	71 818	143 869	73%	50.08%
Transport						
Component B: sub-total	125 833	89 005	115 162	170 582	47.82%	47.82%
Planning	6 064	32 031	32 031	2 564	-1149%	-1149.42%
Local Economic Development	8 978	6 439	6 439	17 280	63%	62.74%
Component B: sub-total	15 042	38 470	38 470	19 844	-93.86%	-93.86%
Planning (Strategic & Regulatory)	-	-	-	-		
Local Economic Development	-	-	-	-		
Component C: sub-total	-	-	-	-		
Community & Social Services	8 961	144 773	154 028	121 970	-19%	-26.28%
Environmental Protection	521					
Health	-					
Security and Safety	147 878	97 967	97 967	219 469	55%	55.36%
Sport and Recreation	127 796	65 373	69 771	80 387	19%	13.21%
Corporate Policy Offices and Other	66 470	753 960	826 730	902 960	17%	8.44%
Component D: sub-total	351 625	1 062 073	1 148 495	792 017	-34.10%	-45.01%
Total Expenditure	3 086 486	2 958 364	2 956 713	4 169 834	29.05%	29.09%

5.2.1 COMMENT ON FINANCIAL PERFORMANCE

In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

CHAPTER 5-FINANCIAL PERFORMANCE

5.3 GRANTS

Grant Performance						
						R' 000
Description	2019/2020	2020/2021			2020/2021 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:						
Equitable share						
Finance Management						
Department of Water Affairs						
Municipal Infrastructure Grant						
Integrated National Electrification						
Extended Public Works Programme						
Other grant providers:						
Municipal Disaster Grant						
Total Operating Transfers and Grants						

5.3.1 COMMENT ON OPERATING TRANSFERS AND GRANTS

5.3.2 REPAIRS AND MAINTENANCE

Repair and Maintenance Expenditure: 2020/2021				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	175 622 753	237 275 215	75 798 442	-68%

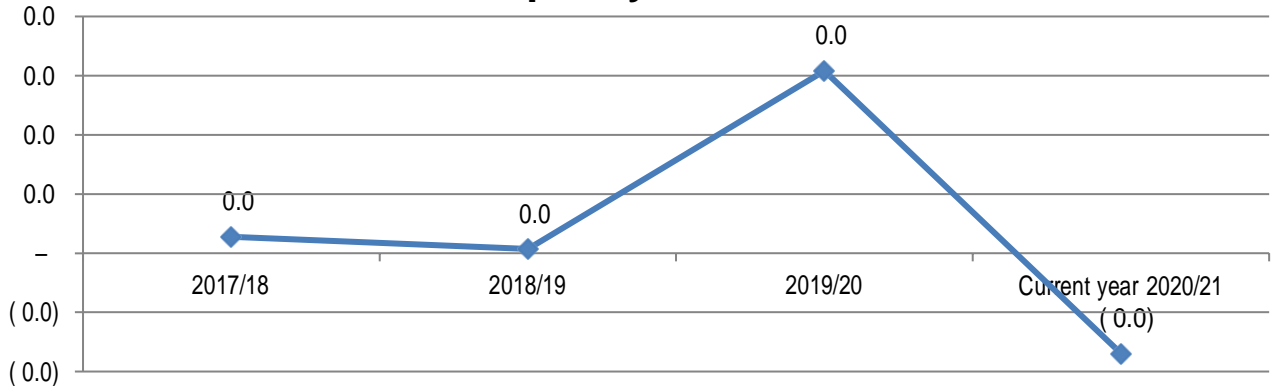
5.3.2.1 COMMENT ON REPAIRS AND MAINTENANCE

The variance on repairs and maintenance is -68% against the annual adjustment budget. This is a result that the municipality has financial difficulties whereby repairs were only performed on item that needed urgent attention

CHAPTER 5-FINANCIAL PERFORMANCE

5.4 FINANCIAL RATIOS

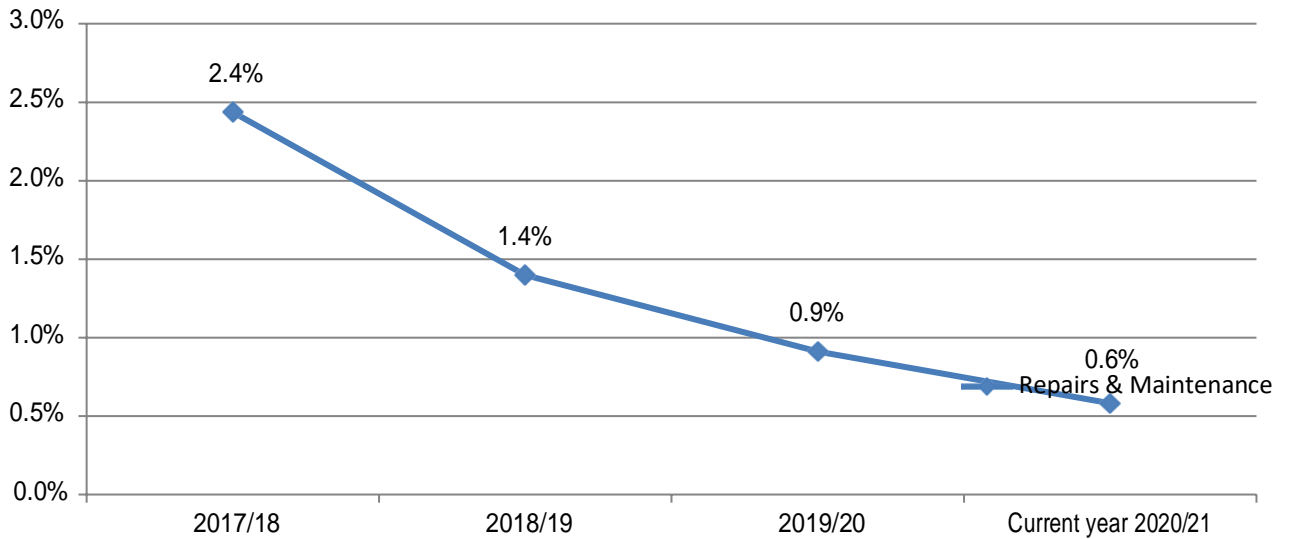
Liquidity Ratio



Liquidity Ratio – Measures the municipality’s ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality’s current liabilities. A higher ratio is better.

Data used from MBRR SA8

Cost Coverage

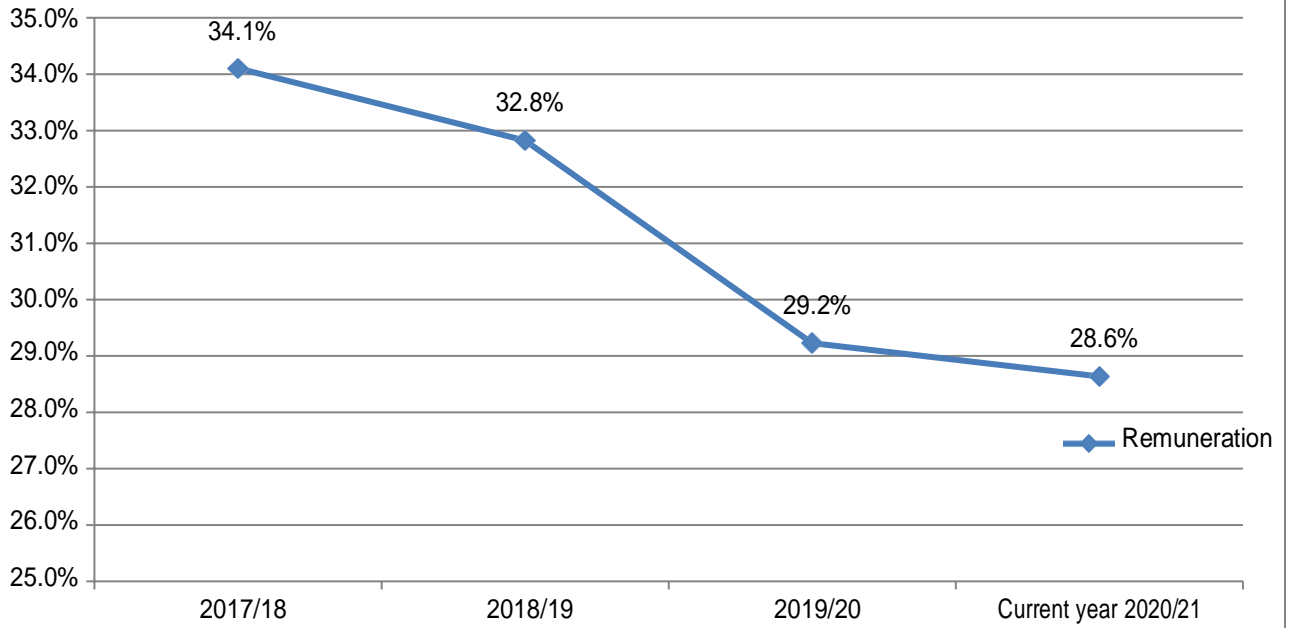


Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

CHAPTER 5-FINANCIAL PERFORMANCE

Total Outstanding Service Debtors

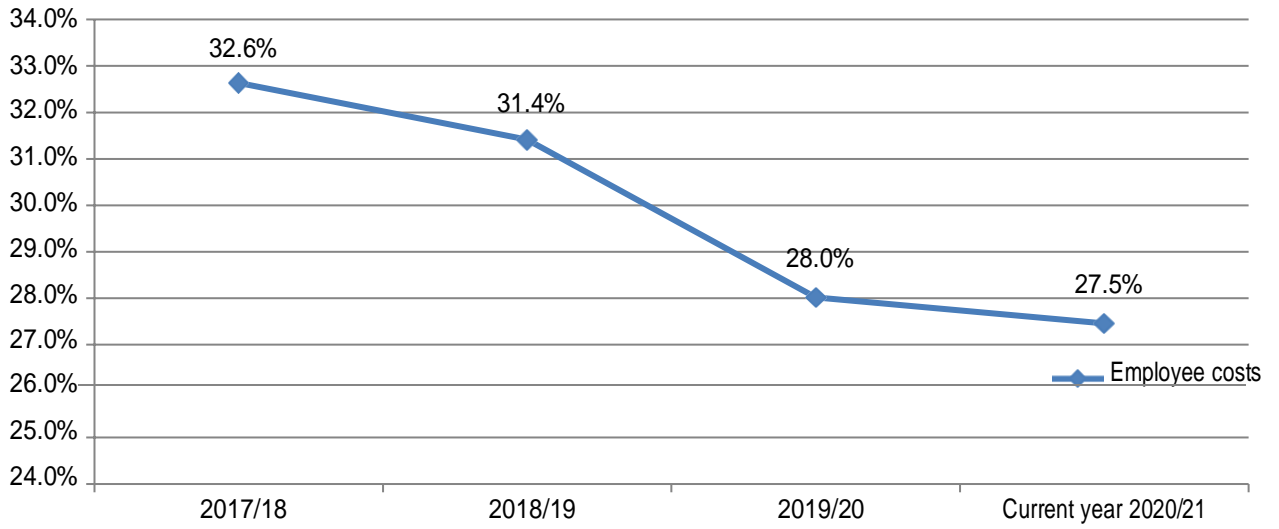


Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower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

Data used from MBRR SA8

CHAPTER 5-FINANCIAL PERFORMANCE

Debt Coverage

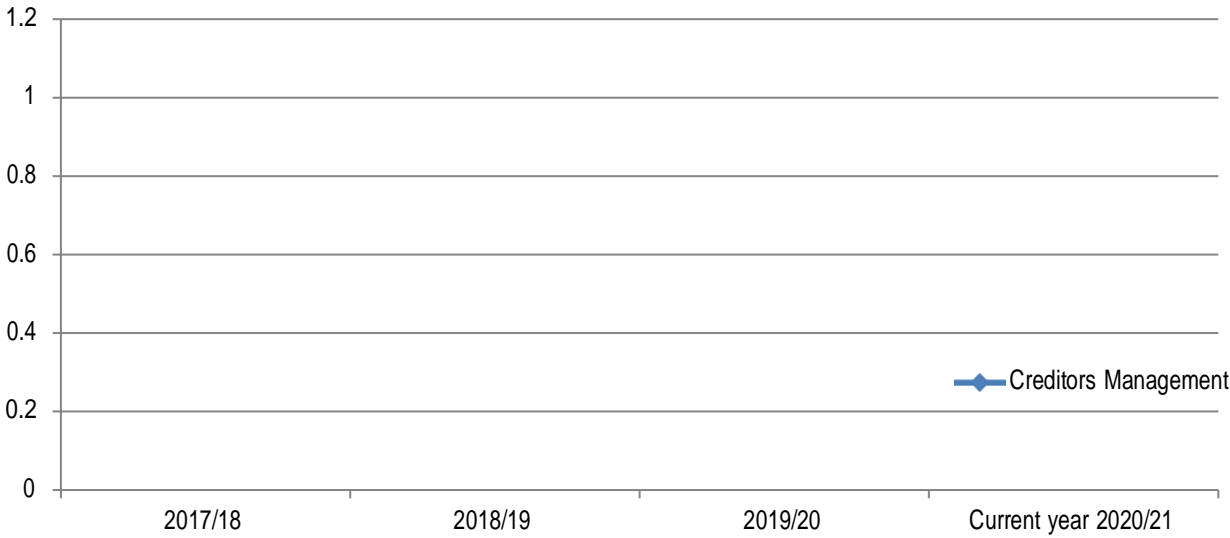


Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality

Data used from MBRR SA8

CHAPTER 5-FINANCIAL PERFORMANCE

Creditors System Efficiency

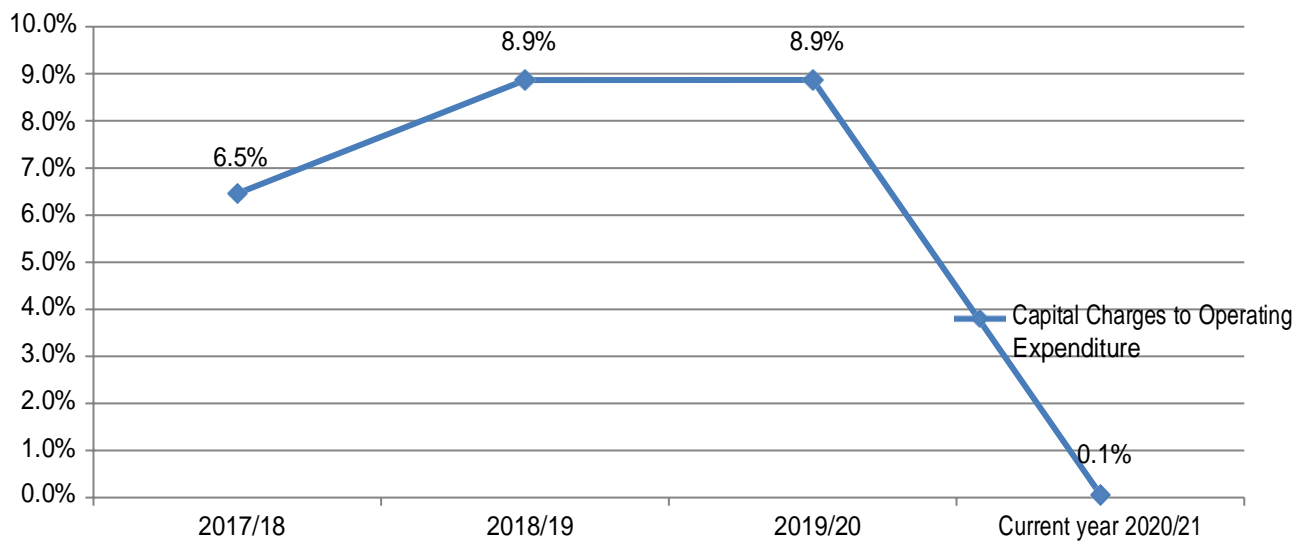


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

CHAPTER 5-FINANCIAL PERFORMANCE

Capital Charges to Operating Expenditure



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

Data used from MBRR SA8

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.5 INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

The total Capital Budget for 2020/2021 Financial Year was R 153 247 000. R122 270 298 was spent on Municipal Infrastructure Grant Projects, R 837 283 was spent on Integrated National Electrification Grant and R 34 634 460 was spent on Water Services Infrastructure Grant

- **Municipal Infrastructure Grant (MIG)**

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

- **Integrated National Electrification Program**

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

- **Water Services Infrastructure Grant**

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

CHAPTER 5-FINANCIAL PERFORMANCE

5.6 SOURCES OF FINANCE

Details	Year 2019-2020		Year 2020-2021			
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance						
External loans	0	0	0	0	0.00%	0.00%
Public contributions and donations	0					
Grants and subsidies	135 945 778	153 247 000	208 755 052	157 742 041	3%	-32.34%
Other	0		10 792 220	10 792 220	100%	0.00%
Total	135945778	153247000	219547272	168534261	9.07%	-30.27%
Percentage of finance						
External loans						
Public contributions and donations						
Grants and subsidies	135 945 778	153 247 000	208 755 052	157 742 041	3%	-32.34%
Other	0		10792220	10792220	100%	0.00%
Capital expenditure						
Water and sanitation	34 998 479.31	107 943 981	124 541 697	13 061 930	-726%	-853.47%
Electricity	13 647 043.04	9 059 512	11 675 734	1 611 310.6	-462%	-624.61%
Housing						
Roads and storm water	14 026 895.94	2 847 023	21 191 530	37 824 173	92%	43.97%
Other	49 225 279	33 396 484	51 346 091	116 036 847	71%	55.75%
Total	111 897 697.5	15 3247 000	208 755 052	168 534 261	-1024.95%	-1378.36%

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.7 CASH FLOW

The cash flow and investment portfolio are highlighted below, and cognizance needs to be taken of the cash flow situation of the municipality.

Cash Flow Outcomes					R'000
Description	2019/20220		2020/2021		Actual
	Audited Outcome	Original Budget	Adjusted Budget		
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other	165,893	932,026	23,955		254,586
Government - operating	196,955	209,909	33,703		243,876
Government - capital	149,924	169,915	6,758		158,588
Interest	4,115	(5,206)	(334)		30,760
Dividends	45	88	129		47
Payments					
Suppliers and employees	(374,876)	(624,706)	28,823		(394,412)
Finance charges	(6,998)	(7,663)	(7,178)		(10,092)
Transfers and Grants	(183)	(22,050)	(10,097)		(142)
NET CASH FROM/(USED) OPERATING ACTIVITIES	134,875	60,256	484,926		283,214
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	371	0	0		563
Decrease (Increase) in non-current debtors	0	0	0		0
Decrease (increase) other non-current receivables	0	0	0		0
Decrease (increase) in non-current investments	0	0	0		0
Payments					
Capital assets	(126,777)	(181,915)	174		(157,757)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(126,407)	(181,915)	174		(157,194)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Short term loans	0	0	0		0
Borrowing long term/refinancing	0	0	0		0
Increase (decrease) in consumer deposits	0	0	0		0
Payments					

CHAPTER 5-FINANCIAL PERFORMANCE

Repayment of borrowing	(7,637)	0	0	8,101
NET CASH FROM/(USED) FINANCING ACTIVITIES	(7,637)	0	0	8,101
NET INCREASE/ (DECREASE) IN CASH HELD	831	(121,659)	485,100	134,121
Cash/cash equivalents at the year begin:	29,386			30,171
Cash/cash equivalents at the yearend:	30,171			45,526
				T 5.9.1

5.7.1 COMMENT ON CASH FLOW OUTCOMES

The actual cash flows outcome for the 2020/21 financial year is positive. The actual cash and investment available are positive.

5.8 BORROWING AND INVESTMENTS

Cash Flow Outcomes				
R'000				
Description	Year 2019-2020	Current: Year 2020-2021		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts	1 816 965	2 746 886	2 746 886	2 746 886
Ratepayers and other	1 147 843	1 835 574	1 835 574	1 102 654
Government - operating	666 994	548 702	548 702	633 353
Government - capital		153 247	153 247	157 742
Interest	2 107	209 341	209 341	815
Dividends	21	23	23	23
Payments	(1 523 576)	(2 373 564)	(2 373 564)	(2 373 564)
Suppliers and employees	(1 628 550)	(2 200 880)	(2 200 880)	(1 807 875)
Finance charges	104 974	(171 934)	(171 934)	(157 849)
Transfers and Grants		(750)	(750)	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	293 389	373 323	373 323	373 323
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE		10 000	10 000	(184 274)
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
Payments				
Capital assets	(110 113)	(153 247)	(153 247)	(157 742)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(110 113)	(143 247)	(143 247)	(143 247)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
Employee benefit obligation payments	(20 570)			
Payments				
Repayment of borrowing				
NET CASH FROM/(USED) FINANCING ACTIVITIES	(20 570)			
NET INCREASE/ (DECREASE) IN CASH HELD	162 706	230 076	230 076	230 076
Cash/cash equivalents at the year begin:	763	763	763	763
Cash/cash equivalents at the year-end:	163 470	230 839	230 839	230 839

CHAPTER 5-FINANCIAL PERFORMANCE

Actual Borrowings: 2018/2019 to Year 2020/2021

				R' 000
Instrument	2018/2019	2019/2020	2020/2021	
Municipality				
Long-Term Loans (annuity/reducing balance)	0	0	0	
Long-Term Loans (non-annuity)	0	0	0	
Local registered stock	0	0	0	
Instalment Credit	0	0	0	
Financial Leases	0	0	0	
PPP liabilities	0	0	0	
Finance Granted By Cap Equipment Supplier	0	0	0	
Marketable Bonds	0	0	0	
Non-Marketable Bonds	0	0	0	
Bankers Acceptances	0	0	0	
Financial derivatives	0	0	0	
Other Securities	0	0	0	
Municipality Total	0	0	0	

Municipal and Entity Investments

				R' 000
Investment* type	2018-2019	2019-2020	2020-2021	
	Actual	Actual	Actual	
Municipality				
Securities - National Government			0	
Listed Corporate Bonds				
Deposits - Bank	7 292	64 257 226	102 528 532	
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Municipal Bonds				
Other				
Municipality sub-total	7 292	64 257 226	102 528 532	
Consolidated total:	7 292	64 257 226	102 528 532	

5.8.1 COMMENT ON BORROWING AND INVESTMENTS

The balance on Investment (Call Accounts) at the end of financial year amounted to R102 528 532.

COMPONENT D: SUPPLY CHAIN MANAGEMENT

5.9 GRAP COMPLIANCE

The financial statement are Generally Recognised Accounting Practices compliance in all material aspect.

CHAPTER 6: AUDITOR-GENERAL REPORT

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Matjhabeng Local Municipality set out on pages 130 to 146 which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
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 Matjhabeng Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 16 of 2019 (Dora).

Basis for qualified opinion

Service charges

3. I was unable to obtain sufficient appropriate audit evidence for service charges as the municipality did not implement adequate processes and controls to ensure that consumers were correctly billed for services rendered. The municipality did not read meters regularly, which resulted in estimates being used for extended periods. I identified active meters that were not billed, and meters that were billed on estimates despite not being in use as they were disconnected for non-payment of services. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges, stated at R1 283 071 845 (2019: R1 115 263 946) in note 20 to the financial statements.

Payables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for trade payables included in payables from exchange transactions in note 18 to the financial statements, due to the status of the accounting records. I was unable to confirm trade payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade payables stated at R381 485 876 (2019: R 448 977 554) in note 18 to the financial statements.
5. During 2019, the municipality did not recognise payments received in advance, included in payables from exchange transactions in note 18 to the financial statements, in accordance with GRAP 1, *Presentation of financial statements*. Payments received in advance did not meet the definition of a liability, as payments received in advance included debit balances. Consequently, receivables from exchange transactions were

CHAPTER 6: AUDITOR-GENERAL REPORT

understated by R36 546 991 and payments received in advance in note 18 were overstated by R36 546 991. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the payments received in advance for the current period.

Investment property

6. I was unable to obtain sufficient appropriate audit evidence for investment property as the municipality did not have adequate controls in place to ensure that all investment properties were recognised. I was unable to confirm investment properties by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to investment properties stated at R1 045 584 956 in note 3 to the financial statements.

Contracted services

7. I was unable to obtain sufficient appropriate audit evidence that contracted services had been properly accounted for, due to the status of the accounting records. I was unable to confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contracted services stated at R292 556 112 (2019: R253 733 941), as disclosed in note 34 to the financial statements.
8. The municipality did not recognise and classify all expenditure in accordance with GRAP 1, *Presentation of financial statements*. The municipality did not correctly classify contracted services and general expenses, resulting in contracted service being overstated by R64 656 245 and general expenses being understated by R64 656 245. Furthermore, some transactions were recorded in the incorrect accounting period. Consequently, contracted services were overstated and payables from exchange transactions understated by R92 401 663. Additionally, there is a resultant impact on deficit for the period and on the accumulated deficit.

Receivables from exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for rentals included in receivables from exchange transaction in note 14 to the financial statements, due to the status of the accounting records. I was unable to confirm rentals by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to rentals stated at R98 305 445 (2019: R85 542 721) in note 14 to the financial statements. Additionally, the municipality did not separately present material classes of similar receivables in accordance with GRAP 1 *Presentation of financial statements* as consumer debtors for sewerage, refuse, water, electricity and rentals were included as sundries. Consequently, sundries was overstated by R98 305 445. I was unable to determine the impact on the receivables for sewerage, refuse, water, electricity and rentals as it was impractical to do so.

Property rates

10. I was unable to obtain sufficient appropriate audit evidence for property rates as the valuation roll used as the basis for charging property rates was not appropriate. No reliance could be placed on the valuation roll values, as multiple valuations performed during the current year could not be substantiated. I could not confirm property rates by alternative means. Consequently, I was unable to determine whether an

CHAPTER 6: AUDITOR-GENERAL REPORT

adjustment was necessary to property rates, stated at R401 915 359 (2019: R376 083 038) in note 25 to the financial statements.

Employee related costs

11. I was unable to obtain sufficient appropriate audit evidence for overtime payments included in employee-related costs in note 27 to the financial statements, due to the state of the accounting records. I was unable to confirm overtime payments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to overtime payments stated at R70 965 083 (2019: R67 800 843) in the financial statements.

Context for the opinion

12. 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.
13. 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.
14. 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

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.
16. Note 48 to the financial statements indicates that the municipality had a deficit of R1 300 719 611 for the year ended 30 June 2020 and, as of that date, the municipality's current liabilities exceeded its current assets by R5 993 466 152. The municipality's total liabilities exceeded its total assets by R1 384 421 500. In addition, as disclosed in note 18, the municipality owed Eskom R3 339 427 253 and Sedibeng Water R3 683 781 220 as at 30 June 2020, which were long overdue. These events and conditions, along with the other matters set forth in note 48, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matter

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

Unauthorised expenditure

18. As disclosed in note 49 to the financial statements, the municipality incurred unauthorised expenditure of R1 499 069 612 (2019: R1 497 647 555) due to overspending the approved budget.

CHAPTER 6: AUDITOR-GENERAL REPORT

Fruitless and wasteful expenditure

19. As disclosed in note 50 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R281 932 415 (2019: R281 423 740) mainly due to interest and penalties charged for late payments.

Irregular expenditure

20. As disclosed in note 51 to the financial statements, the municipality incurred irregular expenditure of R339 793 590 (2019: R307 018 306) due to non-compliance with the MFMA, supply chain management (SCM) requirements and Dora. In addition, the total extent of the irregular expenditure for the year ended 30 June 2020 is still under investigation.

Material losses

21. As disclosed in note 33 to the financial statements, material electricity losses of R116 350 948 (2019: R 122 116 273) were incurred, which represented 22% (2019: 28%) of the total electricity purchased, mainly due to tampering and theft.
22. As disclosed in note 33 to the financial statements, material water of R497 835 691 (2019: R462 844 267) were incurred, which represents 76% (2019: 77%) of the total water purchased, mainly due to leakages, burst water pipes, line losses, tampering and theft.

Other matters

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

25. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
26. 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.

CHAPTER 6: AUDITOR-GENERAL REPORT

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

27. 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.
28. 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

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

1. KPA	2. Pages in the annual performance report
3. KPA 2 – basic services and infrastructure Investment	4. x – x

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

KPA2 – basic services and infrastructure investment

Various strategic objectives

32. The strategic objectives and targets per the service delivery and budget implementation plan were changed without the necessary approval.

CHAPTER 6: AUDITOR-GENERAL REPORT

Strategic objectives description

To develop and maintain water networks and ancillary works as well to ensure constant water supply and water demand management system to enhance revenue

To develop infrastructure roads, water, sewerage, electricity, storm water master-plans in order to facilitate proper planning and budgeting in a cost effective manner

Ensure proper waste management through promotion of recycling schemes and adequate landfill management

Various indicators

33. The indicators listed below were approved in the strategic delivery and budget implementation plan but were not included and reported on in annual performance report.

Indicators as per the strategic delivery and budget implementation plan

Phomolong WWTW

Completed tendering process (Thabong ext. 22 Tandanani: road and storm water (2,3 km))

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

Indicator descriptions	Planned targets (SDBIP)	Reported targets
% of completed refurbishment works of Nyakallong WWTW	100% completed refurbishment	Project retention stage
% of completed refurbishment works of Virginia WWTP sludge management	100% completed refurbishment works in Virginia WWTP sludge management	Project completed
% of completed refurbishment works of WWTW, pump station and outfall sewer pipeline in Mmamahabane	100% completed refurbishment works of WWTW, pump station and outfall sewer pipeline in Mmamahabane	100% completion of the works
Construction of the septic tank system whites started	100% construction completed	Refurbishment of works in the next year
Completed works of Virginia: upgrading of waste water treatment works - phase 2	Completed works of Virginia: upgrading of wastewater treatment works - phase 2	Upgrading of works in the next year
Commenced upgrade and refurbishment of Kutlwanong WWTW and inlet pump station to address new developments to total of 9 MI/d	60% upgrade commenced	Refurbishment of works in the next year

CHAPTER 6: AUDITOR-GENERAL REPORT

Indicator descriptions	Planned targets (SDBIP)	Reported targets
Completed upgrade and refurbishment of Thabong T8 pump station to address new developments.	Completed upgrade and refurbishment of Thabong T8 pump station	Construction stage
Completed upgrade and refurbishment of Phomolong pump station	1 functional pump station	1 Functional pump station
8 sumps cleaned in the next financial year	8 sumps/a	8 sumps/a
Commence upgrade and refurbishment Kutwanong outfall sewer	Commenced upgrade and refurbishment of Kutlwanong outfall sewer	Construction stage
Number of manhole covers replaced	200 MH covers replaced/a	200 MH covers replaced/a
Replace 5 km of worn out water pipelines replaced	5 km of worn out water pipe lines replaced	10 Km/ a worn out water pipelines replaced.
1000 dysfunctional water meters replaced	1000 dysfunctional water meters replaced	1000 new meters
Completed tendering process (finalise procurement process for water meters in Kutlwanong X9, K2 block 5 to 200 stands)	Completed tendering process	Appointment letter
180 house connections and meters installed	180 house connections and meters installed	180
Completed tendering process (Kutwanong: replacement of old asbestos water pipes with pvc pipes)	Completed tendering process	650 M
Completed tendering process (replacement of water asbestos pipes in Thabong)	Completed tendering process	650 M
Continued construction of Thabong gravel road to concrete paving blocks in ward 28	Continued construction of Thabong gravel road to concrete paving blocks in ward 28	2,1 km over 2 financial years
8 km of streets resealed per year	8 km	8 km
2 kilometres of road upgraded per year	2 km of road upgraded	2 km of road upgraded in Meloding
2 km of main storm water system in Nyakallong upgraded	2 km of main storm water system in Nyakallong upgraded	2 km
7,1 kilometres of lined storm water canals cleaned according to maintenance plan	7,1 kilometres of water lined storm water canals cleaned	7,1 km
8 km of unlined storm water canals cleaned	8 km of unlined storm water canals cleaned	8 km

CHAPTER 6: AUDITOR-GENERAL REPORT

Indicator descriptions	Planned targets (SDBIP)	Reported targets
2 km of existing drainage pipes cleaned and maintained	2 km of existing drainage pipes cleaned and maintained	2 km

35. I was unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions for the indicators listed below. This was due to insufficient measurement definitions and processes. As a result, I was also unable to obtain sufficient appropriate audit evidence for the achievements reported in the annual performance report as well as the reasons for the variances between the planned targets and these reported achievements of the listed indicators. I was unable to validate the existence of the systems or to confirm the reasons for the variances and the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and reasons for the variances.

Performance indicator descriptions	Planned targets	Reported achievements
Commenced upgrade and refurbishment of Kutlwanong WWTW and inlet pump station to address new developments to total of 9 MI/d	60% upgrade commenced	60%
8 sumps cleaned in the next financial year	8 sumps/a	6
Number of manhole covers replaced	200 MH covers replaced	122
Replace 5 km of worn-out water pipelines replaced	5 km of worn-out water pipelines replaced	1,013
1000 dysfunctional water meters replaced	1 000 dysfunctional water meters replaced	963
180 house connections and meters installed	180 house connections and meters installed	180
2000 water meters investigated and registered	2 000 meters investigated and registered.	1 244
40 zonal meters and valves installed	40 zonal meters and valves installed	63%
Continued construction of Thabong gravel road to concrete paving blocks in ward 28	Continued construction of Thabong gravel road to concrete paving blocks in ward 28	100%
8 km of streets released per year	8 km	24,975
1 kilometre of road upgraded	1 km upgraded	0%
2 kilometres of road upgraded per year	2 km of road upgraded	2
12 000 square meters of streets patched	12 000 m ²	10672,24
60 kilometres of gravel roads refurbished by blading	60 km	40,764
2 km of main storm water system in Nyakallong upgraded	2 km of main storm water system in Nyakallong upgraded	2

CHAPTER 6: AUDITOR-GENERAL REPORT

Performance indicator descriptions	Planned targets	Reported achievements
7,1 kilometres of lined storm water canals cleaned according to maintenance plan	7,1 kilometres of lined storm water canals cleaned	8,689
8 km of unlined storm water canals cleaned	8 km of unlined storm water canals cleaned.	5,075
2 km of existing drainage pipes cleaned and maintained	2 km of existing drainage pipes cleaned and maintained	3,335

36. The reported achievements for the indicators below were not consistent with the planned indicators and targets:

Indicator description	Planned target	Reported achievement
% of completed refurbishment works of Nyakallong WWTW	Project retention stage	Achieved
% of completed refurbishment works of Virginia WWTW sludge management	Project completed	Achieved
Construction of the septic tank system whites started	Refurbishment of works in the next year	Not achieved
Completed works of Virginia: upgrading of waste water treatment works - phase 2	Upgrading of works in the next year	Not achieved
Commenced upgrade and refurbishment of Kutlwanong WWTW and inlet pump station to address new developments to total of 9 MI/d	Refurbishment of works in the next year	Not achieved
% commenced refurbishment of Theronia WWTW	Annual target is not included in the annual performance report	Not achieved
Completed upgrade and refurbishment of Thabong T8 pump station to address new developments.	Construction stage	Not achieved
Commence upgrade and refurbishment Kutlwanong outfall sewer	Construction stage	Only 50% of construction was achieved
Completed tendering process(Finalise procurement process for water meters in Kutlwanong X9, K2 Block 5 to 200 stands)	Appointment letter	Not achieved
180 house connections and meters installed	180	Not applicable
Completed tendering process (Kutlwanong: replacement of old asbestos water pipes with pvc pipes)	650 M	Not achieved
Completed tendering process (replacement of water asbestos pipes in Thabong)	650 M	Not achieved
Continued construction of Thabong gravel road to concrete paving blocks in ward 28	2.1 km over 2 financial years	Not applicable

CHAPTER 6: AUDITOR-GENERAL REPORT

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

Indicator descriptions	Reported achievements
Commenced upgrade and refurbishment of Kutlwanong WWTW and inlet pump station to address new developments to total of 9 MI/d	Not achieved
Number of manhole covers replaced	155
180 house connections and meters installed	180
40 zonal meters and valves installed	20
Continued construction of Thabong gravel road to concrete paving blocks in ward 28	100%
8 km of streets released per year	24,975
1 kilometre of road upgraded	Not achieved
1 000 dysfunctional water meters replaced	1 219
Old galvanized steel pipes replaced	95%
12 000 square meters of streets patched	10 672,24
2 km of main stormwater system in Nyakallong upgraded	2 km
8 sumps cleaned in the next financial year	6
7,1 kilometres of lined storm water canals cleaned according to maintenance plan.	8,689
2 km of existing drainage pipes cleaned and maintained	3,335
2 000 water meters investigated and registered	744
2 kilometres of road upgraded per year	2km
60 kilometres of gravel roads refurbished by blading	40,764
8 km of unlined stormwater canals cleaned	5,075
% of completed refurbishment works of WWTW, pump station and outfall sewer pipe line in Mmamahabane	100%
Construction of septic tank system whites started	25%
Completed works of Virginia: upgrading of waste water treatment works - phase 2	75%

38. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against the target for the following indicators as reported in the annual performance report. 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 measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported measures taken to improve performance.

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Indicator	Reported achievement
% of completed refurbishment works of Nyakallong WWTW	Practical completion
% of completed refurbishment works of Virginia WWTP sludge management	Completion and commissioning
% of completed refurbishment works of WWTW, pump station and outfall sewer pipeline in Mmamahabane	Final completion
Construction of septic tank system whites started	25% completion construction
Completed works of Virginia: upgrading of wastewater treatment works - phase 2	50% construction
Commenced upgrade and refurbishment of Kutlwanong WWTW and inlet pump station to address new developments to total of 9 MI/d	Not achieved
% commenced Refurbishment of Theronia WWTW	64%
Completed upgrade and refurbishment of Thabong T8 pump station to address new developments.	95% construction completed
Completed upgrade and refurbishment of Phomolong pump station	100%
8 sumps cleaned in the next financial year	6
Commence upgrade and refurbishment Kutlwanong outfall sewer	50%
Number of manhole covers replaced	122
Replace 5km of worn-out water pipelines replaced	1,013
Old, galvanized steel pipes replaced	95%
1000 dysfunctional water meters replaced	963
Completed tendering process (finalise procurement process for water meters in Kutlwanong X9, K2 Block 5 to 200 stands)	Not achieved
180 house connections and meters installed	180
Completed tendering process (Kutlwanong: replacement of old asbestos water pipes with pvc pipes)	Not achieved
Completed tendering process (replacement of water asbestos pipes in Thabong)	Not achieved
2000 water meters investigated and registered	1 244
40 zonal meters and valves installed	63%
Continued construction of Thabong gravel road to concrete paving blocks in ward 28	100%
Completed tendering process (Thabong Ext. 22 Tandanani road and storm water (2,3 km))	Not achieved
8 km of streets released per year	24,975
1 kilometre of road upgraded	Not achieved
2 kilometres of road upgraded per year	Not achieved
12 000 square meters of streets patched	10 672,24

CHAPTER 6: AUDITOR-GENERAL REPORT

Indicator	Reported achievement
60 kilometres of gravel roads refurbished by blading.	40,764
2 km of main storm water system in Nyakallong upgraded	2 km
7.1 kilometres of lined storm water canals cleaned according to maintenance plan.	8,689
8 km of unlined storm water canals cleaned	5,075
2 km of existing drainage pipes cleaned and maintained	3,335
Commenced upgrade and refurbishment of Kutlwanong outfall sewer	50% completion completed

Other matters

39. I draw attention to the matters below.

Achievement of planned targets

40. Refer to the annual performance report on pages 134 to 141 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 32 to 38 of this report.

Adjustment of material misstatements

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

Report on the audit of compliance with legislation

Introduction and scope

42. 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.

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

Annual financial statements and annual reports

44. 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 identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion

CHAPTER 6: AUDITOR-GENERAL REPORT

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

Expenditure management

46. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
47. An adequate management, accounting and information system was not in place which recognised expenditure and accounted for creditors, as required by section 65(2)(b) of the MFMA.
48. Reasonable steps were not taken to prevent irregular expenditure as required by section 62(1)(d) of the MFMA. The value of R339 793 590 as disclosed in note 51 to the annual financial statements is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM processes.
49. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R281 932 415, as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on late payments to suppliers.
50. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 499 069 612, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the approved budget.

Revenue management

51. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.
52. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Consequence management

53. Some of the unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
54. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
55. Cases of irregular expenditure that constituted a criminal offence were not reported to the South African Police Service (SAPS), as required by section 32(6) of the MFMA.

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Asset management

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

Strategic planning and performance management

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

Procurement and contract management

58. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
59. Some of the invitations for competitive bidding were not advertised for the required minimum period of days, in contravention of SCM regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year.
60. The preference point system was not applied to some of the goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA).
61. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of the PPPFA and the 2017 Preferential Procurement Regulations (PPR).
62. Some of the contracts were awarded to bidders based on functionality criteria that differed from those stipulated in the original invitation for bidding, in contravention of the PPR.
63. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by 2017 PPR 8(2).
64. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 PPR 8(5).
65. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 PPR 8(5).
66. Some of the contracts were not awarded in an economical manner and the prices of the goods or services were not reasonable as required by MFMA sec 62(1)(a).

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67. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year
68. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA. Similar non-compliance was also reported in the prior year.

Other information

69. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected KPA presented in the annual performance report that have been specifically reported in this auditor's report.
70. 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.
71. 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.
72. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and 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

73. 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.
74. Leadership did not effectively oversee financial and performance reporting compliance and related internal controls, as they were slow in responding to the outcome of the previous year's audit. This resulted in previously reported internal control weaknesses not being adequately addressed.

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75. Management did not ensure that effective internal control processes were implemented to manage the daily and monthly processing and reconciling of transactions, and did not implement proper record keeping to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting. In addition, management did not ensure that sufficient consequence management was applied against those responsible for not implementing the municipality's internal controls and monitoring functions. This resulted in material misstatements being identified in the financial statements and the annual performance report as well as, non-compliance with legislation.
76. The municipality's governance structures did not adequately discharge their responsibilities. The Internal audit unit was not adequately resourced and functioning, and the audit committee did not adequately review and verify the information reported in the financial statements and annual performance report submitted for auditing.

Material irregularities

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

Material irregularities identified during the audit

78. The material irregularity identified is as follows:

Payment for attenuation dam not constructed on Nyakallong stormwater system phase 1

79. A contract of R13 744 408 for the construction of the Nyakallong stormwater system was awarded to a contractor on 12 April 2017. Two variation orders amounting to R3 268 705 were approved in 2017 and 2019. During a site visit, it was confirmed that the project was incomplete, the contractor abandoned the project site and the work performed was not of the required quality. Payments, estimated at R7 214 719, were made for an attenuation dam after the consulting engineer certified it had been completed. However, my site visit confirmed that the attenuation dam was not constructed. Therefore, section 65(2)(a) of the MFMA was contravened, as an effective system of expenditure control for the approval and payment of funds was not maintained. The overpayments made on the project are likely to result in a material financial loss for the municipality, if not recovered.
80. The accounting officer was notified of the material irregularity on 5 May 2020 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer could not provide sufficient and appropriate evidence of the actions that had been taken in response to being notified of the material irregularity. I am in the process of referring the material irregularity to a public body for investigation as provided for in section 5(1A) of the PAA.

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Material irregularities in progress

81. I identified other material irregularities during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, the responses of the accounting officer were not yet due for some material irregularities and for the remainder, I had not yet completed the process of evaluating the responses from the accounting officer. These material irregularities will be included in the next year's auditor's report.

Other reports

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

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

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

Bloemfontein

16 April 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

CHAPTER 6: AUDITOR-GENERAL REPORT

AUDIT REPORT 2020/2021

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

Report on the audit of the financial statements

Qualified opinion

5. I have audited the financial statements of the Matjhabeng Local Municipality set out on pages 178 to 265, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
6. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Matjhabeng Local Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 10 of 2020 (Dora).

Basis for qualified opinion

Service charges

7. I was unable to obtain sufficient appropriate audit evidence for service charges as the municipality did not have adequate processes and controls to accurately account for the billing of water and electricity consumption. The municipality did not read meters regularly, which resulted in water and electricity consumption being estimated for extended periods. I was unable to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges, stated at R1 274 441 276 (2020: R1 250 283 501) in note 20 to the financial statements.

Payables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for trade payables and salary control account included in payables from exchange transactions due to a lack of proper record keeping and inadequate reconciliation of control accounts by the municipality. I was unable to confirm trade payables and the salary control account by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade payables and salary control account, stated at R567 531 028 (2020: R435 699 497) and R123 003 091 respectively in note 18 to the financial statements. In addition, the municipality did not account for all trade payables in terms of GRAP 1, *Presentation of financial statements*. I identified differences between the accounting records and supplier statements, resulting in the overstatement of trade payables by R106 409 776. There was a resultant impact on contracted services, deficit for the period and the accumulated deficit.

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Investment property

9. The municipality did not recognise investment property in accordance with GRAP 16, *Investment property*. The fair value of the municipality's investment properties did not reflect market conditions at the reporting date. In addition, properties not registered in the name of the municipality were incorrectly recognised as investment properties. I was unable to quantify the misstatement of investment property, stated at R1 094 907 529 in note 3 to the financial statements, as it was impracticable to do so.

Contracted services

10. The municipality did not correctly recognise expenditure for contracted services in accordance with GRAP1, *Presentation of financial statements*. Expenditure transactions were not classified in terms of their nature, and some transactions were recorded in the incorrect financial year, which resulted in contracted services being overstated by R131 578 216, general expenses being understated by R96 900 935 and repairs and maintenance being understated by R34 677 281.

General expenses

11. The general expenses was materially misstated by R44 402 570 due to the cumulative effects of individual immaterial uncorrected misstatement in the following items:
- Consumables stated at R93 146 343 was misstated by R26 439 476
 - Motor vehicle expenses stated at R157 608 544 was overstated by R17 963 094

Context for the opinion

12. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
13. 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.
14. 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

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.
16. Note 49 to the financial statements indicates that the municipality incurred a net loss of R1 321 405 650 during the year ended 30 June 2021 and, as of that date, the municipality's current liabilities exceeded its current assets by R7 337 619 450. The municipality has been deducting pension, medical aid and pay as you earn from employee's salaries but did not pay over R72 483 562 (2020: R75 475 868) of these amounts deducted to the relevant third parties, as disclosed in note 53. In addition, the municipality owed Eskom R3 964 044 474 (2020: R3 339 427 253) and the water board R4 307 438 655 (2020: R3 683 781 220) as at

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30 June 2021, which was long overdue. These events or conditions, along with other matters as set forth in note 49, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

18. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Unauthorised expenditure

19. As disclosed in note 50 to the financial statements, the municipality incurred unauthorised expenditure of R1 274 087 422 (2020: R1 499 069 612) due to overspending of the budget.

Irregular expenditure

20. As disclosed in note 52 to the financial statements, the municipality incurred irregular expenditure of R447 392 722 (2020: R345 951 659) due to non-compliance with supply chain management (SCM) requirements. In addition, the total extent of the irregular expenditure for the year ended 30 June 2021 is still under investigation.

Fruitless and wasteful expenditure

21. As disclosed in note 51 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R105 472 288 (2020: R281 932 415) mainly due to interest and penalties charged for late payments.

Material losses

22. As disclosed in note 34 to the financial statements, material electricity losses of R127 890 866 (2020: R116 350 948) was incurred, which represents 24% (2020: 22%) of total electricity purchased, mainly due to tampering and theft.

23. As disclosed in note 34 to the financial statements, material water losses of R363 540 187 (2020: R497 835 691) was incurred, which represents 56% (2020: 76%) of total water purchased, mainly due to leakages, burst water pipes, line losses, tampering and theft.

Material uncertainty relating to claims against the municipality

24. With reference to note 44 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

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Other matter

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

Unaudited disclosure notes

26. 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

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

28. 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

29. 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.

30. 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

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

32. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance areas presented in the municipality's annual performance report for the year ended 30 June 2021:

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KPA	Pages in the annual performance report
KPA 2 – basic services and infrastructure investment	x – x

33. 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.
34. The material findings on the usefulness and reliability of the performance information of the selected development priorities are as follows: KPA 2 – basic services and infrastructure investment

Various indicators

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

Indicator description	1. Planned target	2. Reported achievement
• Percentage of manhole covers replaced	• 100%	• 100%
• Number of investigated and registered water meters	• 2 000	• 99
• Kilometres cleaning of lined storm canals according to maintenance plan	• 7,1km	• 10,059km
• Percentage of stolen catch pit and manhole lids repaired or replaced	• 100%	• 100%

Various Indicators

36. I was unable to obtain sufficient appropriate audit evidence for the reported achievement and the related measures taken to improve performance as reported in the annual performance report for the indicators listed below. I was unable to confirm the reported achievement and the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and the reported measures taken to improve performance.

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Indicator description	Planned target	Reported achievement
Percentage progress on the refurbishment of Kutlwanong Wastewater Treatment Works	30%	23%
Percentage completed refurbishment of Theronia Wastewater Treatment Works	100%	91%
Percentage completed upgrade and refurbishment of Thabong T8 pump station to address new developments	100%	99%
Percentage progress of old galvanised steel pipes replaced	100%	98%
Percentage progress on water meter connection of water meter connections made	20%	0%
Percentage progress on the zonal meters and valves installed	100%	0%
Percentage construction of main storm water system in Nyakallong	100%	0%

37. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. In addition, I was unable to obtain sufficient appropriate audit evidence for the achievement and the related measures taken to improve performance as reported in the annual performance report for the indicators listed below. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below.

Indicator description	Planned target	Reported achievement
Percentage completed upgrade and refurbishment of Kutlwanong outfall sewer	100%	72%
Number of water meters replaced	1000	1463
Kilometers of worn-out water pipelines replaced	5km	0,388km

38. I was unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions for the indicator listed below. This was due to insufficient measurement definitions and processes. As a result, I was also unable to obtain sufficient appropriate audit evidence for the achievement reported in the annual performance report as well as the reasons for the variances between the planned targets and the reported achievements of the listed indicators. I was unable to validate the existence of the systems or to confirm the reasons for the variances and the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below.

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3. Indicator description	4. Planned target	5. Reported achievement
<ul style="list-style-type: none"> Percentage cleaning of unlined storm water canals according to maintenance plan 	<ul style="list-style-type: none"> 8km 	<ul style="list-style-type: none"> 4,640km
Percentage cleaning of closed storm water canals according to maintenance plan	<ul style="list-style-type: none"> 2km 	<ul style="list-style-type: none"> 2,332km

Other matters

39. I draw attention to the matters below.

Achievement of planned targets

40. 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.

Adjustment of material misstatements

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

Report on the audit of compliance with legislation

Introduction and scope

42. 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.

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

Annual financial statements

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

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Expenditure management

45. Reasonable steps were not taken to prevent irregular expenditure of R447 392 722 disclosed in note 52 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM requirements.
46. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R105 472 288, as disclosed in note 51 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 charged on late payments to suppliers.
47. Reasonable steps were not taken to prevent unauthorized expenditure of R1 274 087 422w as disclosed in note 50 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorized expenditure was caused by overspending the approved budget.

Strategic planning and performance

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

Revenue management

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

Asset management

50. An adequate management, accounting and information system that accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

Utilization of conditional grants

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

Consequence management

52. Some unauthorized 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.
53. Some 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.
54. Some 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.

CHAPTER 6: AUDITOR-GENERAL REPORT

Procurement and contract management

55. Sufficient appropriate audit evidence could not be obtained that some contracts and quotations were awarded in accordance with the legislative requirements as bid documents were not submitted for audit.
56. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
57. Some contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.
58. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) Preferential Procurement Policy Framework Act 5 of 2000 and its regulations.
59. Some invitations to tender for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation (PPR) 8(2). Similar non-compliance was also reported in the prior year.
60. Sufficient appropriate audit evidence could not be obtained that some of the commodities designated for local content and production were procured from suppliers who submitted a declaration on local production and content, as required by the 2017 PPR 8(5).
61. Sufficient appropriate audit evidence could not be obtained that commodities designated for local content and production were procured from suppliers who met the prescribed minimum threshold for local production and content, as required by the 2017 PPR 8(5).
62. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM regulation 5.
63. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA.
64. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA.

Other information

65. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the KPAs presented in the annual performance report that have been specifically reported in this auditor's report.

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66. 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.
67. 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.
68. 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

69. 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.
70. Leadership did not effectively oversee financial and performance reporting, compliance and related internal controls, as they were slow in responding to the outcome of the previous year's audit. This resulted in previously reported internal control weaknesses not being adequately addressed
71. Management did not adequately prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information as material misstatements were identified on the submitted financial statements and the annual performance report.
72. Management did not adequately review and monitor compliance with applicable laws and regulations, as instances of material non-compliance with laws and regulations were identified.
73. The municipality's governance structures did not adequately discharge their responsibilities. The Internal audit unit was not adequately resourced and functioning.

Material irregularities

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

Material irregularities identified during the audit

75. The material irregularities identified are as follow

Eskom not paid within 30 days

76. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchase of electricity were paid within 30 days of receiving the relevant invoice or statement, as required by section 65(2)(e) of the MFMA. The late payment resulted in interest of R255 516 913 being incurred for financial year ended 30 June 2019. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay the interest to Eskom.
77. The accounting officer was notified of the material irregularity on 4 May 2020 and was invited to make a written submission on the actions taken and that will be taken to address this matter. The following actions have been taken or is in progress to resolve the material irregularity:
- The outstanding balance due to Eskom is currently subject to legal proceedings between Eskom and the municipality. Therefore, an agreement could not yet be reached on a payment plan.
 - The municipal public accounts committee (MPAC) investigated the fruitless and wasteful expenditure relating to the interest incurred and concluded that no person can be held responsible for the loss as it was due to the financial position of the municipality and cash flow constraints. The MPAC investigation report was tabled in council on 29 October 2020.
78. I will follow up on the outcome of the legal proceedings and progress regarding a payment arrangement with Eskom during my next audit.

Late payment of employee's taxes

79. The municipality did not pay over money deducted from employees within seven days after the end of the month during which the amounts were deducted or withheld from employees in respect of their liability for normal tax, as required by section 2(1) of the fourth schedule of the Income Tax Act 58 of 1962. The late payment resulted in a material financial loss for the municipality due to interest of R650 640 and penalties of R1 881 783 incurred for the period 1 April 2019 to 30 June 2020.
80. The accounting officer was notified of this material irregularity on 15 April 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The following actions have been taken or is planned to resolve the material irregularity:
- The municipality engaged with the South African Revenue Service (Sars) to offset the VAT refund against the paye liability, resulting in the settlement of the overdue account.
 - The investigation of the fruitless and wasteful expenditure relating to the interest and penalties incurred will be performed by the MPAC to determine if any official should be held liable for the loss.

81. I will follow up on the implementation of the investigation and planned actions during my next audit.

Status of previously reported material irregularities

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

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

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

Other reports

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

85. There was an ongoing investigation by the South African Police Service (SAPS) into allegations of unauthorized amendments to the supplier banking details on the municipality's accounting system. The investigation covers the specific incident that occurred on 13 May 2016. The outcome was unknown as the investigation was in progress at the date of this auditor's report.

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

87. There was an ongoing investigation by the DPCI into allegation of payroll fraud as the IP-address of the official was compromised and unauthorized access was obtained, which resulted in alteration of banking details of various employees. The investigation covers the specific incident that occurred on 22 January 2020. The outcome was unknown as the investigation was in progress at the date of this auditor's report.

Bloemfontein

20 December 2021



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence



Matjhabeng Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
The following is included in the scope of operation	Area FS184, as a high capacity local municipality, as demarcated by the Demarcation Board and indicated on the demarcated map published for FS184.
Executive Mayor	Speelman NW
Members of the Mayoral Committee	Speelman NW - Executive Major Direko DR - Spatial planning and land use management Kabi M - Policy and planning Khalipha TD - Human Settlement Lushaba TB - Community Services Manese SD - Finance Mawela VE - Corporate Services Morris VR - Public Safety Radebe MC - Local Economic Development Radebe ML - Integrated Development Planning Tshopo ME - Technical Services / Infrastructure Van Rooyen KV - Sports, Arts and Culture Refer to councillors' note for detail
Councillors	
Grading of local authority	Local High Capacity Municipality (Grade 5)
Chief Finance Officer (CFO)	Panyani T
Accounting Officer (MM)	Tindleni Z
Registered office	Civic Centre 319 Stateway Welkom Free State 9460
Postal address	P O Box 708 Welkom Free State 9460
Bankers	ABSA Bank Limited
Attorneys	Full list available at the municipal offices in Welkom
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)
Website	www.matjhabeng.co.za

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Index

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

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

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Accounting officer's Responsibilities and Approval

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

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent 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 is applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 181 to 265, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021.

Tindleni Z
Accounting Officer

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	10	5,128,172	7,394,601
Other receivables	11	33,986,003	33,554,875
Receivables from non-exchange transactions	12	198,609,252	193,004,436
VAT receivable	13	823,993,617	636,872,787
Receivables from exchange transactions	14	918,045,601	910,582,443
Cash and cash equivalents	15	56,801,207	58,495,420
		2,036,563,852	1,839,904,562
Non-Current Assets			
Investment property	3	1,094,907,529	1,042,655,013
Property, plant and equipment	4	4,041,208,366	4,023,849,785
Heritage assets	5	7,104,349	7,104,349
Other financial assets	6	367,363	304,555
Receivables from non-exchange transactions (non-current)	8	6,324,305	6,937,953
Receivables from exchange transactions (non-current)	9	3,412,966	389,458
		5,153,324,878	5,081,241,113
Total Assets		7,189,888,730	6,921,145,675
Liabilities			
Current Liabilities			
Employee benefit obligation	7	13,668,065	19,104,033
Unspent conditional grants and receipts	16	102,362,818	66,530,859
Payables from exchange transactions	18	9,221,744,268	7,788,439,897
Consumer deposits	19	36,408,151	34,658,882
		9,374,183,302	7,908,733,671
Non-Current Liabilities			
Employee benefit obligation	7	415,795,780	371,361,016
Provisions	17	118,596,762	38,332,450
		534,392,542	409,693,466
Total Liabilities		9,908,575,844	8,318,427,137
Net Assets		(2,718,687,114)	(1,397,281,462)
Accumulated deficit		(2,718,687,113)	(1,397,281,463)

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	1,274,441,276	1,250,283,501
Rental of facilities and equipment	21	10,866,849	13,748,446
Commissions received	23	15,308,621	13,548,143
Other income	24	22,508,227	12,491,186
Interest received	25	207,616,479	235,122,798
Dividends received	25	22,848	21,446
Total revenue from exchange transactions		1,530,764,300	1,525,215,520
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	422,817,944	401,915,359
Availability charges	22	34,454,051	32,788,346
Transfer revenue			
Government grants & subsidies	27	791,095,523	612,487,030
Fines, Penalties and Forfeits	39	5,639,146	4,265,607
Total revenue from non-exchange transactions		1,254,006,664	1,051,456,342
Total revenue		2,784,770,964	2,576,671,862
Expenditure			
Employee related costs	28	(800,616,279)	(767,387,397)
Remuneration of councillors	29	(33,885,379)	(33,697,331)
Depreciation and amortisation	30	(193,088,340)	(200,598,654)
Finance costs	32	(157,848,815)	(324,892,751)
Debt Impairment	33	(814,216,642)	(684,012,154)
Bulk purchases	34	(1,186,624,040)	(1,206,492,326)
Contracted services	35	(399,163,679)	(289,119,737)
General expenses	36	(468,080,442)	(398,119,803)
Repairs and maintenance	40	(75,798,442)	(105,713,377)
Total expenditure		(4,129,322,058)	(4,010,033,530)
Operating deficit		(1,344,551,094)	(1,433,361,668)
Actuarial gains	7	11,342,388	106,523,027
Impairment loss	31	(40,512,267)	(47,912,144)
Fair value adjustments	37	52,315,323	49,890,088
		23,145,444	108,500,971
Deficit for the year		(1,321,405,650)	(1,324,860,697)

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand

	Accumulated deficit	Total net assets
Opening balance as previously reported	(83,701,889)	(83,701,889)
Adjustments		
Correction of errors - Note 46	11,281,123	11,281,123
Balance at 01 July 2019 as restated*	(72,420,766)	(72,420,766)
Changes in net assets		
Deficit for the year as previously reported	(1,300,719,611)	(1,300,719,611)
Correction of errors - Note 45	(24,141,086)	(24,141,086)
Total changes	(1,324,860,697)	(1,324,860,697)
Restated* Balance at 01 July 2020	(1,397,281,463)	(1,397,281,463)
Changes in net assets		
Deficit for the year	(1,321,405,650)	(1,321,405,650)
Total changes	(1,321,405,650)	(1,321,405,650)
Balance at 30 June 2021	(2,718,687,113)	(2,718,687,113)

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		1,108,820,469	1,102,653,961
Grants		826,927,483	666,994,333
Interest income		814,805	2,106,916
Other receipts		53,891,715	50,818,437
		<u>1,990,454,472</u>	<u>1,822,573,647</u>
Payments			
Employee costs		(787,940,276)	(751,833,772)
Suppliers		(1,019,934,469)	(822,079,039)
		<u>(1,807,874,745)</u>	<u>(1,573,912,811)</u>
Net cash flows from operating activities	41	<u>182,579,727</u>	<u>248,660,836</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(184,296,788)	(190,949,944)
Dividends received		22,848	21,446
		<u>(184,251,092)</u>	<u>(190,928,498)</u>
Net increase/(decrease) in cash and cash equivalents		(1,671,365)	57,732,338
Cash and cash equivalents at the beginning of the year		58,495,420	763,086
Cash and cash equivalents at the end of the year	15	<u>56,824,055</u>	<u>58,495,424</u>

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1,433,744,076	-	1,433,744,076	1,274,441,276	(159,302,800)	Note 0
Rental of facilities and equipment	23,663,016	-	23,663,016	10,866,849	(12,796,167)	Note 1
Commission received	-	-	-	15,308,621	15,308,621	Note 2
Other income	252,961,356	-	252,961,356	22,508,227	(230,453,129)	Note 3
Interest received - trading	220,143,576	-	220,143,576	207,616,479	(12,527,097)	
Dividends received	24,960	-	24,960	22,848	(2,112)	
Total revenue from exchange transactions	1,930,536,984	-	1,930,536,984	1,530,764,300	(399,772,684)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	399,297,428	-	399,297,428	422,817,944	23,520,516	
Availability charges	-	-	-	34,454,051	34,454,051	

Transfer revenue

Government grants & subsidies	842,576,000	-	842,576,000	791,095,523	(51,480,477)	
Fines	23,747,828	-	23,747,828	5,639,146	(18,108,682)	Note 4

Total revenue from non-exchange transactions	1,265,621,256	-	1,265,621,256	1,254,006,664	(11,614,592)	
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Total revenue	3,196,158,240	-	3,196,158,240	2,784,770,964	(411,387,276)	
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Expenditure

Employee related cost	(836,063,363)	-	(836,063,363)	(800,616,279)	35,447,084	Note 5
Remuneration of councillors	(35,947,660)	-	(35,947,660)	(33,885,379)	2,062,281	
Depreciation and amortisation	(123,276,014)	-	(123,276,014)	(193,088,340)	(69,812,326)	Note 6
Impairment loss	-	-	-	(40,512,267)	(40,512,267)	Note 6
Finance costs	(107,275,318)	-	(107,275,318)	(157,848,815)	(50,573,497)	Note 7
Debt impairment	(200,000,000)	-	(200,000,000)	(814,216,642)	(614,216,642)	Note 8
Bulk purchases	(697,921,467)	-	(697,921,467)	(1,186,624,040)	(488,702,573)	Note 9
Contracted services	(407,129,278)	-	(407,129,278)	(399,163,679)	7,965,599	Note 10
Transfers and Subsidies	(1,772,599)	-	(1,772,599)	-	1,772,599	Note 11
General expenses	(534,666,997)	-	(534,666,997)	(468,080,442)	66,586,555	Note 12
Repairs and maintenance	(12,660,020)	-	(12,660,020)	(75,798,442)	(63,138,422)	Note 13

Total expenditure	(2,956,712,716)	-	(2,956,712,716)	(4,169,834,325)	(1,213,121,609)	
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Operating deficit	239,445,524	-	239,445,524	(1,385,063,361)	(1,624,508,885)	
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Fair value adjustments	-	-	-	52,315,323	52,315,323	Note 14
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Actuarial gains/losses	56,180,000	-	56,180,000	11,342,388	(44,837,612)	Note 15
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	56,180,000	-	56,180,000	63,657,711	7,477,711	
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Deficit before taxation	295,625,524	-	295,625,524	(1,321,405,650)	(1,617,031,174)	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	295,625,524	-	295,625,524	(1,321,405,650)	(1,617,031,174)	
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Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	300,000,000	-	300,000,000	5,128,172	(294,871,828)	Note 16
Other receivables	-	-	-	33,986,003	33,986,003	Note 16
Receivables from non-exchange transactions	600,000,000	-	600,000,000	198,609,252	(401,390,748)	Note 16
VAT receivable	-	-	-	823,993,617	823,993,617	Note 16
Receivables from exchange transactions	1,583,975,518	-	1,583,975,518	918,045,601	(665,929,917)	Note 16
Cash and cash equivalents	1,870,800,543	-	1,870,800,543	56,801,207	(1,813,999,336)	Note 16
	4,354,776,061	-	4,354,776,061	2,036,563,852	(2,318,212,209)	

Non-Current Assets

Investment property	1,055,422,003	-	1,055,422,003	1,094,907,529	39,485,526	Note 16
Property, plant and equipment	4,700,240,075	-	4,700,240,075	4,041,208,366	(659,031,709)	Note 16
Heritage assets	-	-	-	7,104,349	7,104,349	Note 16
Investments	4,000,000	-	4,000,000	-	(4,000,000)	Note 16
Other financial assets	-	-	-	367,363	367,363	Note 16
Receivables from non-exchange transactions (non-current)	-	-	-	6,324,305	6,324,305	Note 16
Receivables from exchange transactions (non-current)	600,000	-	600,000	3,412,966	2,812,966	Note 16
	5,760,262,078	-	5,760,262,078	5,153,324,878	(606,937,200)	
Total Assets	10,115,038,139	-	10,115,038,139	7,189,888,730	(2,925,149,409)	

Liabilities

Current Liabilities

Payables from exchange transactions	(4,314,415,105)	-	(4,314,415,105)	9,221,744,268	13,536,159,373	Note 16
Consumer deposits	40,000,000	-	40,000,000	36,408,151	(3,591,849)	Note 16
Employee benefit obligation	-	-	-	13,668,065	13,668,065	Note 16
Unspent conditional grants and receipts	-	-	-	102,362,818	102,362,818	Note 16
	(4,274,415,105)	-	(4,274,415,105)	9,374,183,302	13,648,598,407	

Non-Current Liabilities

Employee benefit obligation	-	-	-	415,795,780	415,795,780	Note 16
Provisions	40,000,000	-	40,000,000	118,596,762	78,596,762	Note 16
	40,000,000	-	40,000,000	534,392,542	494,392,542	

Total Liabilities

	(4,234,415,105)	-	(4,234,415,105)	9,908,575,844	14,142,990,949	
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Net Assets

	14,349,453,244	-	14,349,453,244	(2,718,687,114)	(17,068,140,358)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated deficit	14,349,453,244	-	14,349,453,244	(2,718,687,114)	(17,068,140,358)	Note 16
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Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	3,463,735,672	-	3,463,735,672	1,108,820,469	(2,354,915,203)	Note 16
Grants	-	-	-	826,927,482	826,927,482	Note 16
Interest income	4,089,092	-	4,089,092	814,805	(3,274,287)	Note 16
Dividends received	45,626	-	45,626	22,848	(22,778)	Note 16
Other receipts	(1,713,541,752)	-	(1,713,541,752)	53,891,715	1,767,433,467	Note 17
	1,754,328,638	-	1,754,328,638	1,990,477,319	236,148,681	

Payments

Suppliers and employee costs	(4,314,415,105)	-	(4,314,415,105)	(1,807,874,745)	2,506,540,360	Note 17
Net cash flows from operating activities	(2,560,086,467)	-	(2,560,086,467)	182,602,574	2,742,689,041	

Cash flows from investing activities

Proceeds from sale of property, plant and equipment	112,360,000	-	112,360,000	(184,273,940)	(296,633,940)	Note 17
Net increase/(decrease) in cash and cash equivalents	(2,447,726,467)	-	(2,447,726,467)	(1,694,214)	2,446,055,101	Note 17
Cash and cash equivalents at the beginning of the year	-	-	-	58,495,420	58,495,420	Note 17
Cash and cash equivalents at the end of the year	(2,447,726,467)	-	(2,447,726,467)	56,801,206	2,504,550,521	

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

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

Note 0 - Less service charges were received during the year due to the negative impact Covid had on the economy. Consumers used less services due to financial constraints.

Note 1 - Less rental income was received than budgeted for due to the Covid regulations imposed during the financial year.

Note 2 - No budget was provided for commission received as a stand alone but was included in the budget of other income.

Note 3 - Less other income received than budgeted for.

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

Note 5 - More overtime paid than budgeted for due to high vacancy rate.

Note 6 - Not sufficient budget provided for depreciation.

Note 7 - Not sufficient budget provided for finance cost charged by Eskom.

Note 8 - The debt impairment ratio was higher than anticipated.

Note 9 - More bulk water and electricity purchased than budgeted for, very high water and electricity loss incurred during the year.

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

Note 11 - No actual transfers and subsidies were paid during the year.

Note 12 - Less spend on general expenses than budgeted for due to cashflow constraints.

Note 13 - More spend on repairs and maintenance due to old infrastructure.

Note 14 - No budget provided for fair value adjustments.

Note 15 - Less actuarial gains realised then budgeted for due to changes in the economy due to Covid.

Note 16 - Improper budgeting disclosure on budget template.

Note 17 - Improper budgeting disclosure on budget template.

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Significant judgements include:

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 17 - Provisions.

Useful lives of Property Plant and Equipment

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

Employee benefit obligation

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Provision for impairment of receivables

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

1.4 Investment property

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

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

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

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

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1.4 Investment property (continued)

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

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

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

Fair value

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

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

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

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

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

Subsequent measurement:

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

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

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

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

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

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

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

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

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

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

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

1.6 Site restoration and dismantling cost

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

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1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

1.7 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset, such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

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

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

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Accounting Policies

1.8 Financial instruments (continued)

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.8 Financial instruments (continued)

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

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

Classification

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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Accounting Policies

1.8 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

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Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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Accounting Policies

1.8 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.9 Tax

Value added Tax (VAT)

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

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

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Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets

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

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

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

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1.12 Impairment of cash-generating assets (continued)

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

Identification

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.14 Employee benefits

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

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

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

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

- an entity's decision to terminate an employee's employment before the normal retirement date; or

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1.14 Employee benefits (continued)

- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

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1.14 Employee benefits (continued)

Other long term employee benefit

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

A contingent liability is:

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

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

Decommissioning, restoration and similar liability

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

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

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

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1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

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

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1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

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1.18 Revenue from non-exchange transactions (continued)

Measurement

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

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

Taxes

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

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

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

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

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

Fines

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

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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1.22 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.

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

Irregular expenditure that was incurred and identified during the current financial year and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which approval for write off is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

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

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

1.25 Segment information

A segment is an activity of an entity:

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

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1.25 Segment information (continued)

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

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

Measurement

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

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

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2020 to 30/06/2021.

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

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

1.27 Related parties

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

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

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

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

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

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Accounting Policies

1.27 Related parties (continued)

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.

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

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

1.28 Consumer deposits

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

1.29 Unspent conditional grants and receipts

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The following GRAP standards or interpretations become effective for the first time for the 30 June 2021 year-end:

IGRAP 20: Accounting for Adjustments to Revenue

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

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

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

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

The municipality has adopted the interpretation for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

GRAP 34: Separate Financial Statements

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

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

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

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:

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

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2. New standards and interpretations (continued)

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

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

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

GRAP 36: Investments in Associates and Joint Ventures

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

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

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

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

GRAP 37: Joint Arrangements

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

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

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

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

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

GRAP 38: Disclosure of Interests in Other Entities

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

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

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

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

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

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2. New standards and interpretations (continued)

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

The objective of this Standard is to prescribe the:

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

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

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

The most significant changes to the Standard are:

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

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

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

GRAP 18 (as amended 2016): Segment Reporting

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

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

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

The most significant changes to the Standard are:

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

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

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

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

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2. New standards and interpretations (continued)

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods.

GRAP 104 (amended): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

The impact of the standard is not material.

Guideline: Guideline on Accounting for Landfill Sites

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

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

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

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

The impact of the standard is not material.

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3. Investment property

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,094,907,529	-	1,094,907,529	1,042,655,013	-	1,042,655,013

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	1,042,655,013	52,252,516	1,094,907,529

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	992,751,192	49,903,821	1,042,655,013

Investment property was restated, refer to note 46

Pledged as security

There are no contractual obligations on investment property.

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

Maintenance of investment property

The following maintenance costs were incurred:

Maintenance	195,490	200,680
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Amounts recognised in surplus or deficit

Rental revenue from Investment property	10,638,775	13,748,446
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4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Transport assets	156,704,326	(93,384,232)	63,320,094	149,805,121	(83,934,979)	65,870,142
Infrastructure	8,946,873,867	5,144,788,942)	3,802,084,925	8,776,858,113	4,936,680,990)	3,840,177,123
Other moveable assets	40,174,606	(26,669,198)	13,505,408	32,792,777	(21,889,101)	10,903,676
Landfill rehabilitation assets	146,335,669	(57,070,720)	89,264,949	79,673,269	(49,118,587)	30,554,682
Land and buildings	134,399,627	(61,366,637)	73,032,990	134,399,627	(58,055,465)	76,344,162
Total	9,424,488,095	(5,383,279,729)	4,041,208,366	9,173,528,907	(5,149,679,122)	4,023,849,785

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Impairment loss	Total
Transport assets	65,870,142	6,899,205	(9,449,253)	-	63,320,094
Infrastructure	3,840,177,123	170,015,754	(167,595,685)	(40,512,267)	3,802,084,925
Other movable assets	10,903,676	7,381,829	(4,780,097)	-	13,505,408
Landfill rehabilitation assets	30,554,682	66,662,400	(7,952,133)	-	89,264,949
Land and buildings	76,344,162	-	(3,311,172)	-	73,032,990
	4,023,849,785	250,959,188	(193,088,340)	(40,512,267)	4,041,208,366

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Transport assets	54,758,426	20,207,252	-	(9,095,536)	-	65,870,142
Infrastructure	3,893,769,157	172,143,285	-	(177,823,175)	(47,912,144)	3,840,177,123
Other movable assets	9,807,189	6,817,590	(2,546,662)	(3,174,441)	-	10,903,676
Landfill rehabilitation assets	37,547,302	201,710	-	(7,194,330)	-	30,554,682
Land and buildings	79,655,334	-	-	(3,311,172)	-	76,344,162
	4,075,537,408	199,369,837	(2,546,662)	(200,598,654)	(47,912,144)	4,023,849,785

Pledged as security

None of these assets were pledged as security.

Property, plant and equipment in the process of being constructed halted during the year

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Thabong Taxi Rank	2,588,469	2,588,469
Nyakolong Taxi Rank	377,781	377,781
White Septic Tank Welkom	200,008	200,008
Thabong Community Centre parking upgrade	220,493	220,493
Mmamahabane Taxi Rank	477,699	477,699
Upgrading of seven electrical panels	167,058	167,058
Welkom Regional Taxi Rank	6,741,313	6,741,313
	10,772,821	10,772,821

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

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Other PPE	Total
Work in progress	686,388,429	2,938,708	689,327,137

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Other PPE	Total
Work in progress	541,207,376	2,938,708	544,146,084

Expenditure incurred to repair and maintain property, plant and equipment.

Repairs and maintenance per class of asset:

Buildings	6,620,458	9,979,660
Infrastructure	57,490,973	83,583,139
Vehicles	3,060,636	5,702,523
Other movables assets	627,196	4,504,866
Community assets	1,048,755	2,202,000
Total	68,848,018	105,972,188

Property plant and equipment was restated, refer to note 46

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

5. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	4,747,835	-	4,747,835	4,747,835	-	4,747,835
Mayoral chains	2,356,514	-	2,356,514	2,356,514	-	2,356,514
Total	7,104,349	-	7,104,349	7,104,349	-	7,104,349

Reconciliation of heritage assets 2021

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

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514

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	2021	2020
5. Heritage assets (continued)		
	7,104,349	7,104,349
Pledged as security		
None of these assets were pledged as security.		
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.		
6. Other financial assets		
Designated at fair value		
Unlisted shares	367,363	304,555
The unlisted shares consist of 17,238 (2020: 17,238) equity shares in Senwes Limited and 26,435 (2020: 26,435) equity shares in Senwesbel Limited.		
Non-current assets		
Designated at fair value	367,363	304,555
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 2		
Class 1 (Unlisted shares)	367,363	304,555
Renegotiated terms		
None of the financial assets that are fully performing have been renegotiated in the last year.		
Financial assets pledged as collateral		
Collateral		
Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities	-	-

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7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the post-employment medical aid benefit	(381,155,187)	(342,373,880)
Present value of the long service award benefit	(48,308,658)	(48,091,169)
	(429,463,845)	(390,465,049)
Non-current liabilities	(415,795,780)	(371,361,016)
Current liabilities	(13,668,065)	(19,104,033)
	(429,463,845)	(390,465,049)

These obligations are not funded arrangements and no separate assets have been set aside currently to meet these obligations.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	390,465,049	448,090,553
Net expense recognised in the statement of financial performance	38,998,796	(57,625,504)
	429,463,845	390,465,049

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7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	20,408,508	24,530,176
Interest cost	49,036,709	44,936,922
Actuarial gains	(11,342,388)	(106,523,027)
Expected benefits paid	(19,104,033)	(20,569,575)
	38,998,796	(57,625,504)

Post-retirement medical aid plan

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

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement; or
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement.

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

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

Long Service benefits

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

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

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

Calculation of actuarial gains and losses

Actuarial (gains)/losses - Long service	1,714,828	(2,969,117)
Actuarial (gains)/losses - Medical aid	(13,057,216)	(103,553,910)
	(11,342,388)	(106,523,027)

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7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

CPI (Medical aid)	6.54 %	7.74 %
CPI (Long service award)	4.64 %	2.86 %
Discount rate (Medical aid)	11.63 %	13.53 %
Discount rate (Long service award)	8.71 %	7.82 %
Medical aid inflation rate (Medical aid)	8.04 %	9.24 %
Net discount rate (Long service award)	2.39 %	3.81 %
Net discount rate (Medical aid)	3.32 %	3.93 %
Salary increase rate (Long service award)	5.64 %	3.86 %
Continuation percentage	100.00 %	100.00 %

Other assumptions

The effect of one percentage increase/decrease in the net discount rate is as follows for the 2021 financial year:

	One percentage point increase	One percentage point decrease
Employer's accrued liability (Long service awards)	(51,777,557)	(45,173,112)
Current service cost (Long service awards)	3,957,518	3,407,786
Interest cost (Long service awards)	4,087,292	3,547,709
Employer's accrued liability (Medical aid)	(334,326,836)	(438,823,847)
Current service cost (Medical aid)	15,991,345	22,234,525
Interest cost (Medical aid)	41,583,303	46,106,489

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

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	(429,463,845)	(390,465,049)	(448,090,553)	(445,464,543)	(449,849,626)

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7. Employee benefit obligations (continued)

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

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

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

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

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds are not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

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

The amount recognised as an expense for defined contribution plans is:

38,998,796	57,625,504
38,998,796	57,625,504

8. Receivables from non-exchange transactions (non-current)

Consumer receivables - Rates	3,143,218	930,491
Availability Charges - Electricity	13,717,823	12,688,230
Availability Charges - Water	5,017,227	4,704,228
Allowance for impairment - Rates	(3,963,704)	(882,048)
Allowance for impairment - Availability charges - Electricity	(7,787,778)	(6,946,738)
Allowance for impairment - Availability charges - Water	(3,802,481)	(3,556,208)
	6,324,305	6,937,955

Receivables from non-exchange transactions pledged as security:

None of the consumer receivables were pledged as security.

Renegotiated terms:

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

Fair value of receivables:

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions impaired:

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8. Receivables from non-exchange transactions (non-current) (continued)

As of 30 June 2021, receivables from non-exchange transactions of R 20,193,598 (2020: R 18,322,948) were impaired and provided for.

The following factors were considered in determining the impairment:

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

9. Receivables from exchange transactions (non-current)

Receivables from exchange transactions	24,567,889	7,709,007
Allowance for impairment	(21,154,923)	(7,319,549)
	3,412,966	389,458

Receivables from exchange transactions pledged as security:

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

Renegotiated terms:

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

Fair value of receivables

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from exchange transactions impaired:

As of 30 June 2021, receivables from exchange transactions of R 24,567,889 (2020: R 7,709,007) were impaired and provided for.

The following factors were considered in determining the impairment:

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

10. Inventories

Consumable stores	3,094,250	5,138,955
Water for distribution	2,033,922	2,255,646
	5,128,172	7,394,601

Inventories recognised as an expense during the year

5,743,694

6,662,395

Inventory pledged as security

None of the inventory was pledged as security for any financial liability of the municipality.

Inventories were restated, refer to note 46

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11. Other receivables		
Accrued interest	64,194	190,774
Deposits	9,850	9,850
Erf sales - Sanral	1,078,796	1,078,796
Maritz Attorneys	16,513,652	16,513,652
Market sales	3,024,741	2,613,105
Market sales - sundries	27,254	26,929
Trade payables - double payments	2,690,480	2,690,480
Traffic fines receivable	5,927,593	8,404,249
Welkom market	4,591,916	1,969,513
Sundry receivables	57,527	57,527
	33,986,003	33,554,875

Other receivables pledged as security

None of the other receivables were pledged as security during the year.

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

Fair value of other receivables

The carrying value of other receivables approximate their fair values.

Other receivables past due but not impaired

The carrying value of other receivables approximate their fair values.

Other receivables impaired

As of 30 June 2021, none of the other receivables were impaired and provided for.

The following factors were considered in determining the impairment:

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

12. Receivables from non-exchange transactions

Consumer receivables - Rates	573,002,030	495,236,294
Availability charges - Electricity	36,650,844	29,586,428
Availability charges - Water	25,040,673	21,037,989
Allowance for impairment - Rates	(390,418,267)	(316,426,740)
Allowance for impairment - Availability charges - Electricity	(26,485,442)	(20,423,848)
Allowance for impairment - Availability charges - Water	(19,180,586)	(16,005,687)
	198,609,252	193,004,436

Receivables from non-exchange transactions pledged as security

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

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

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12. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

At 30 June 2021, R21,744,067 (2020: R35,045,412) were past due but not impaired.

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

1 month past due	1,020,769	2,909,914
2 months past due	780,001	1,189,151
3 months past due	19,943,298	30,946,347

Rates aging (Current and non-current)

Current (0 -30 days)	27,527,697	27,020,593
31 - 60 days	14,278,629	14,020,005
61 - 90 days	12,673,736	12,238,765
91 days +	598,638,649	510,960,178
Less: Allowance for impairment	(451,638,258)	(364,241,270)
	201,480,453	199,998,271

Fair value of receivables from non-exchange transactions

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

Receivables from non-exchange transactions impaired:

As of 30 June 2021, receivables from non-exchange transactions of R 528,305,540 (2020: R 455,774,368) were impaired and provided for.

The following factors were considered in determining the impairment:

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

13. VAT receivable

VAT	823,993,617	636,872,787
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VAT was restated in the prior year, refer to prior period error note 46.

14. Receivables from exchange transactions

Gross balances

Electricity	405,578,278	330,570,839
Water	1,998,980,604	1,659,472,810
Sewerage	823,306,704	677,630,045
Refuse	524,313,238	437,119,207
Other receivables	5,705,826	5,726,733
Rentals	113,863,611	98,305,445
Sundries	142,776,565	133,369,266
Unmetered consumption - Water	48,436,551	55,450,805
Unmetered consumption - Electricity	90,533,139	89,833,799
Less: Non-current consumer receivables (arrangements)	(24,567,889)	(7,709,007)
	4,128,926,627	3,479,769,942

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14. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(257,102,803)	(201,288,313)
Water	(1,679,192,796)	(1,305,851,122)
Sewerage	(648,145,230)	(524,518,051)
Refuse	(422,608,195)	(345,550,879)
Rentals	(100,862,951)	(87,385,845)
Sundries	(119,468,429)	(107,305,262)
Other receivables	(4,655,545)	(4,607,576)
Less: Non-current consumer receivables (arrangements)	21,154,923	7,319,549
	(3,210,881,026)	(2,569,187,499)
Net balance		
Electricity	148,475,475	129,282,526
Water	319,787,808	353,621,688
Sewerage	175,161,474	153,111,994
Refuse	101,705,043	91,568,328
Rentals	13,000,660	10,919,600
Sundries	23,308,136	26,064,004
Other receivables	1,050,281	1,119,157
Unmetered consumption - Water	48,436,551	55,450,805
Unmetered consumption - Electricity	90,533,139	89,833,799
Less: Non-current consumer receivables (arrangements)	(3,412,966)	(389,458)
	918,045,601	910,582,443
Electricity		
Current (0 -30 days)	48,580,727	47,242,377
31 - 60 days	20,115,598	18,517,547
61 - 90 days	15,160,184	13,010,568
91 + days	321,721,770	251,800,348
Less: Impairment	(257,102,804)	(201,288,314)
	148,475,475	129,282,526
Water		
Current (0 -30 days)	45,891,310	46,295,618
31 - 60 days	52,122,537	34,941,190
61 - 90 days	36,386,418	32,043,079
91 + days	1,864,580,339	1,546,192,923
Less: Impairment	(1,679,192,796)	(1,305,851,122)
	319,787,808	353,621,688
Sewerage		
Current (0 -30 days)	17,159,828	16,010,280
31 - 60 days	14,502,749	13,018,740
61 - 90 days	14,115,135	12,911,804
91 + days	777,528,992	635,689,221
Less: Impairment	(648,145,230)	(524,518,051)
	175,161,474	153,111,994

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14. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	10,405,594	9,744,566
31 - 60 days	8,659,549	8,072,622
61 - 90 days	8,393,530	7,989,590
91 + days	496,854,565	411,312,429
Less: Impairment	(422,608,195)	(345,550,879)
	101,705,043	91,568,328
Rentals		
Current (0 -30 days)	1,384,189	1,354,613
31 - 60 days	1,375,566	1,344,671
61 - 90 days	1,369,694	1,339,704
91 + days	109,734,162	94,266,457
Less: Impairment	(100,862,951)	(87,385,845)
	13,000,660	10,919,600
Sundries		
Current (0 -30 days)	1,156,705	1,006,015
31 - 60 days	2,316,673	1,014,943
61 - 90 days	1,278,252	1,100,365
91 + days	138,024,934	130,247,942
Less: Impairment	(119,468,429)	(107,305,261)
	23,308,135	26,064,004
Other		
Current (0 -30 days)	37,770	40,507
31 - 60 days	16,827	18,061
61 - 90 days	14,406	10,524
91 + days	5,636,823	5,657,641
Less: Impairment	(4,655,545)	(4,607,576)
	1,050,281	1,119,157
Unmetered consumption - Water		
Current (0 -30 days)	48,436,551	55,450,805
Unmetered consumption - Electricity		
Current (0 -30 days)	90,533,139	89,833,799

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14. Receivables from exchange transactions (continued)		
Summary of receivables by customer classification		
Consumers		
Current (0 -30 days)	87,298,683	87,362,027
31 - 60 days	83,128,274	67,130,517
61 - 90 days	64,968,396	60,170,922
91 + days	3,450,135,026	2,887,838,373
	<u>3,685,530,379</u>	<u>3,102,501,839</u>
Less: Allowance for impairment	(3,096,417,168)	(2,489,030,781)
	<u>589,113,211</u>	<u>613,471,058</u>
Business, Industrial and Commercial		
Current (0 -30 days)	50,459,947	48,684,802
31 - 60 days	20,691,317	19,817,121
61 - 90 days	18,398,474	17,133,677
91 + days	705,004,107	578,546,308
	<u>794,553,845</u>	<u>664,181,908</u>
Less: Allowance for impairment	(498,213,239)	(378,828,470)
	<u>296,340,606</u>	<u>285,353,438</u>
Farms and agriculture		
Current (0 -30 days)	4,593,578	4,245,511
31 - 60 days	3,552,446	2,249,692
61 - 90 days	2,564,384	2,197,252
91 + days	101,089,079	82,523,643
	<u>111,799,487</u>	<u>91,216,098</u>
Less: Allowance for impairment	(86,637,612)	(70,893,837)
	<u>25,161,875</u>	<u>20,322,261</u>
Indigents		
Current (0 -30 days)	247,156	76,066
31 - 60 days	125,684	60,384
61 - 90 days	132,037	60,665
91 + days	1,901,310	1,798,117
Less: Allowance for impairment	(2,406,187)	(1,995,232)
	<u>-</u>	<u>-</u>
National and Provincial Government		
Current (0 -30 days)	9,544,458	8,346,162
31 - 60 days	5,890,409	1,690,064
61 - 90 days	3,328,065	1,081,883
91 + days	49,187,822	29,962,727
	<u>67,950,754</u>	<u>41,080,836</u>

Receivables from exchange transactions pledged as security

No consumer receivables were pledged as security for any financial liability.

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14. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Renegotiated terms:

None of the receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Fair value of receivables from exchange transactions:

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

Receivables from exchange transactions past due but not impaired

As at 30 June 2021 consumer receivables of R 41,024,536 (2020: R 69,097,155) were past due but not impaired.

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

1 month past due	9,062,074	7,728,427
2 months past due	2,717,895	2,219,099
3 months past due	29,244,567	59,149,629
	41,024,536	69,097,155

Receivables from exchange transactions impaired

As of 30 June 2021, receivables from exchange transactions of R3,990,199,719 (2020: R3,341,058,980) were impaired and provided for.

The following factors were considered in determining the impairment:

- The aging of the outstanding debt.
- Whether or not any payments were received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand and advances	9,474	9,474
Bank balances - cashbook	17,383,757	(10,771,282)
Short-term deposits	39,407,976	69,257,228
	56,801,207	58,495,420

No restrictions have been imposed on the municipality in terms of the availability of its cash and cash equivalents for use.

The total amount of undrawn facilities available for future operating activities and commitments are as follows:

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

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15. Cash and cash equivalents (continued)

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

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

Cash and cash equivalents pledged as collateral

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Primary cheque account Acc no (40-5370-5465)	4,233,609	3,399,671	4,601,404	19,154,571	(9,412,429)	1,899,250
ABSA Market cheque account Acc no (40-5644-3399)	5,800,206	3,000,306	371,607	(1,770,814)	(1,358,853)	(1,212,958)
ABSA Savings account Acc no (90-9461-7107)	39,401,000	69,250,276	1,000	39,401,000	69,250,276	61,036
ABSA Savings account Acc no (91-0668-4115)	2,506	2,497	1,908	2,506	2,497	1,908
ABSA Savings account Acc no (91-1114-1338)	1,113	1,109	1,101	1,112	1,109	1,100
ABSA Savings account Acc no (91-0668-4238)	1,251	1,247	1,201	1,254	1,250	1,196
ABSA Savings account Acc no (91-0668-4157)	1,052	1,048	1,041	1,052	1,048	1,040
ABSA Savings account Acc no (91-2351-5666)	1,052	1,048	1,041	1,052	1,048	1,040
Total	49,441,789	75,657,202	4,980,303	56,791,733	58,485,946	753,612

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16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	83,392,606	44,388,904
Integrated National Electrification Program Grant (INEP)	-	837,283
Energy Efficiency and Demand side Management Grant (EEDG)	2,300,000	5,000,000
Municipal Water Services Infrastructure Grant (MWSIG)	16,670,212	16,304,672
	102,362,818	66,530,859
Movement during the year		
Balance at the beginning of the year	66,530,859	12,023,556
Additions during the year	198,574,000	172,006,333
Income recognition during the year	(162,742,041)	(105,475,472)
Amount withheld from Equitable share (Unfulfilled conditional grants)	-	(12,023,558)
	102,362,818	66,530,859

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

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17. Provisions

Reconciliation of provisions - 2021

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

Reconciliation of provisions - 2020

	Opening Balance	Discounting	Movement due to change in the net discount rate	Total
Rehabilitation of landfill sites	45,810,444	(7,679,704)	201,710	38,332,450

Rehabilitation of landfill sites

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

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

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

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

Landfill	Estimated remaining useful lives
Allanridge	4 years (2020: 5 years)
Henneman (Phomolong)	7 years (2020: 8 years)
Odendaalsrus	19 years (2020: 20 years)
Virginia (Transfer station)	7 years (2020: 8 years)
Bronville (Welkom)	1 years (2020: 2 years)

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

Discount rate assumptions

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

	30 June 2021	30 June 2020	30 June 2019
Discount rate (D)	9.94 %	9.68 %	8.29 %
Consumer price inflation (CPI)	6.03 %	2.20 %	4.47 %

The discount rate used was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2021 was 9.94% p.a.

The consumer price inflation was obtained from the differential between the averages of the Nominal Bond and the Real Bond (Zero Yield Curves). The consumer price inflation at 30 June 2021 was 6.03% p.a.

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2021.

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17. Provisions (continued)

Movement in the closing balance of the provision

Reconciliation of landfill sites - 30 June 2020

	Opening Balance 1 July 2019	Discounting	Movement due to change in the net discount rate	Closing Balance 30 June 2020
Odendaalsrus	8,044,582	(2,669,092)	80,852	5,456,342
Bronville (Welkom)	14,491,283	(785,167)	21,851	13,727,967
Allanridge	8,875,304	(1,315,826)	28,945	7,588,423
Henneman (Phomolong)	11,954,214	(2,381,877)	58,026	9,630,363
Virginia (Transfer station)	2,445,062	(527,742)	12,035	1,929,355
	45,810,445	(7,679,704)	201,709	38,332,450

Reconciliation of landfill sites - 30 June 2021

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

18. Payables from exchange transactions

Accrued bonus	9,932,020	9,842,936
Accrued leave pay	105,169,834	97,353,390
Deferred income - pre paid electricity	1,800,000	2,900,000
Deposits received - hall and facilities	15,175	15,175
Eskom	3,964,044,474	3,339,427,253
Payments received in advanced from consumer receivables	102,869,513	77,489,466
Rental - Hostels and flats	9,094,673	2,858,273
Retentions	21,810,201	25,398,117
Salary control account (3rd parties)	123,003,091	104,755,745
Sedibeng Water	4,307,438,655	3,683,781,220
Trade payables	567,531,028	435,699,497
SALGA	9,035,604	8,918,825
	9,221,744,268	7,788,439,897

Comparatives figures on trade payables were restated refer to note 46

19. Consumer deposits

Electricity and water	35,472,541	33,790,167
Key deposits	935,610	868,715
	36,408,151	34,658,882

Guarantees held in lieu of electricity and water deposits amounted to R 6,067,965 (2020: R 6,047,965).

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

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

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19. Consumer deposits (continued)		
No interest is paid to consumers on deposits held.		
The carrying value of consumer deposits approximates their fair values.		
20. Service charges		
Sale of electricity	622,832,833	611,381,982
Sale of water	422,553,223	413,967,355
Sewerage and sanitation charges	178,340,074	168,587,546
Refuse removal	116,830,059	110,393,966
Less: Income forgone - indigents	(66,114,913)	(54,047,348)
	1,274,441,276	1,250,283,501
21. Rental of facilities and equipment		
Premises		
Rental of living quarters	10,638,775	12,990,388
Facilities and equipment		
Rental of facilities	228,074	758,058
	10,866,849	13,748,446
22. Availability charges		
Electricity	29,513,518	28,128,829
Water	4,940,533	4,659,517
	34,454,051	32,788,346
23. Commission received		
Market agents	13,354,545	11,569,219
Policy administration fees	1,954,076	1,978,924
	15,308,621	13,548,143
24. Other income		
Application fees - land usage	851,733	3,531
Movable assets sold	4,515,696	-
Cemetery and burial	3,488,654	1,492,620
Clearance certificates	904,535	370,091
Connection fees	291,220	299,971
Disconnection fees	2,045,994	5,968,241
Fire services	5,610,501	972,623
Tender documents	469,512	684,043
Sundry income	2,926,372	2,700,066
Payroll theft recovered	1,404,010	-
	22,508,227	12,491,186

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

Matjhabeng Local Municipality

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	2021	2020
25. Investment revenue		
Dividend revenue		
Unlisted shares - Local	22,848	21,446
Interest revenue		
Bank and investments	814,805	2,106,916
Interest charged on consumer receivables	206,801,674	225,336,178
Provisions	-	7,679,704
	207,616,479	235,122,798
	207,639,327	235,144,244

26. Property rates

Rates received

Commercial	169,105,706	155,232,062
Residential	110,827,621	104,512,847
Small holdings and farms	7,823,616	7,395,712
State	135,061,001	134,774,738
	422,817,944	401,915,359

Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations

Commercial	3,740,587,140	3,725,066,340
Residential	12,192,398,421	12,040,471,921
Small holdings and farms	3,320,907,110	3,457,136,410
State	1,513,204,500	1,499,833,500
	20,767,097,171	20,722,508,171

Valuations on land and buildings are performed every four years. The last general valuation roll came into effect on 1 July 2015, and is based on market-related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.

Extension for the current financial year was requested, a firm was appointed and the new valuation roll will be implemented on 1 July 2021 for the financial period 2022 to 2027.

The first R 75,000 of the valuation of residential property is exempted from property rates.

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27. Government grants and subsidies		
Operating grants		
Equitable share	622,853,000	497,499,557
Finance Management Grant (FMG)	3,000,000	2,680,000
Expanded Public Works Program (EPWP)	1,748,000	1,236,000
Sector Education and Training Authority (SETA)	752,482	1,391,333
Energy Efficiency and Demand side Management Grant (EEDG)	5,000,000	-
Municipal Disaster Relief Grant	-	596,000
	633,353,482	503,402,890
Capital grants		
Municipal Infrastructure Grant (MIG)	122,270,298	74,681,096
Water Services Infrastructure Grant (WSIG)	34,634,460	19,695,327
Integrated National Electrification Program Grant (INEP)	837,283	14,707,717
	157,742,041	109,084,140
	791,095,523	612,487,030
Conditional and unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	168,242,523	114,987,473
Unconditional grants received	622,853,000	497,499,557
	791,095,523	612,487,030
Equitable share		
Current-year receipts as per Government Gazette	630,681,000	504,417,000
Transferred to revenue	(622,853,000)	(485,476,000)
Amount withheld from Equitable share	-	(12,023,557)
Amount short paid by Treasury	(7,828,000)	(6,917,443)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	44,388,904	-
Current-year receipts as per Government Gazette	116,796,000	119,070,000
Current-year receipts - Additional to Government Gazette	44,478,000	-
Conditions met - transferred to revenue	(122,270,298)	(74,681,096)
	83,392,606	44,388,904

Conditions still to be met - remain liabilities (see note 16).

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

* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove that to the satisfaction that of the National Treasury that the unspent allocation is committed with identifiable project.

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27. Government grants and subsidies (continued)

Finance Management Grant (FMG)

Current-year receipts	3,000,000	2,680,000
Conditions met - transferred to revenue	(3,000,000)	(2,680,000)
	-	-

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

Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	837,283	440,044
Current-year receipts	-	15,545,000
Conditions met - transferred to revenue	(837,283)	(14,707,717)
Amount withheld from Equitable share	-	(440,044)
	-	837,283

Conditions still to be met - remain liabilities (see note 16).

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

* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end is not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to an identifiable project.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,748,000	1,236,000
Conditions met - transferred to revenue	(1,748,000)	(1,236,000)
	-	-

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

Energy Efficiency and Demand Side Management Program (EEDG)

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

Conditions still to be met - remain liabilities (see note 16).

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

* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end is not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to an identifiable project

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	2021	2020
27. Government grants and subsidies (continued)		
Water Services Infrastructure Grant (WSIG)		
Balance unspent at beginning of year	16,304,672	11,583,512
Current-year receipts	35,000,000	36,000,000
Conditions met - transferred to revenue	(34,634,460)	(19,695,328)
Amount withheld from Equitable share	-	(11,583,512)
	16,670,212	16,304,672

Conditions still to be met - remain liabilities (see note 16).

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

* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end is not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to an identifiable project.

Municipal Disaster Relief Grant

Current-year receipts	-	596,000
Conditions met - transferred to revenue	-	(596,000)
	-	-

The purpose of this grant is to address the Covid 19 global pandemic, mostly to source personal protective equipment.

Sector Education and Training Authority (SETA)

Current-year receipts	752,482	1,391,333
Conditions met - transferred to revenue	(752,482)	(1,391,333)
	-	-

The purpose of this grant is to do skills development among employees and improve the auditing skills of the municipality.

Changes in level of government grants

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

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28. Employee related costs		
Salaries	398,151,372	391,466,312
13th Cheque	31,562,363	30,060,388
Pension	67,910,703	64,291,077
Other long term employee benefits	(4,638,703)	(6,185,469)
Employee benefit (medical aid)	30,577,450	34,586,068
Group life insurance	2,208,117	2,087,749
Housing allowances	4,095,665	4,102,625
Leave pay provision charge	18,200,959	24,420,208
Medical aid	46,852,445	44,533,057
Other allowances	28,390,109	24,336,353
Overtime payments	85,472,071	70,965,083
Transport allowance	44,826,441	40,709,224
UIF	3,563,551	3,614,715
SDL	5,507,448	5,164,794
Shift allowance	19,757,800	17,247,586
Standby allowance	18,178,488	15,987,627
	800,616,279	767,387,397
Remuneration of Municipal Manager - Tsoaeli ET		
Annual Remuneration	-	835,454
Car and other allowances	-	195,904
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	-	153,437
Leave payout	-	636,798
	-	1,821,593
The Municipal Manager passed away during November 2019.		
Remuneration of Municipal Manager - Tindleni ZK		
Annual Remuneration	1,282,305	1,109,121
Car and other allowances	132,000	132,000
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	299,910	239,364
Leave payout	62,687	-
	1,776,902	1,480,485
Remuneration of Chief Financial Officer - Panyani CT		
Annual Remuneration	946,390	946,390
Car and other allowances	379,272	383,600
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	201,033	200,998
Leave payout	72,717	-
	1,599,412	1,530,988
Remuneration of Acting Director LED & Planning - Mothekhe MMG		
Annual Remuneration	606,754	290,239
Car and other allowances	187,857	91,013
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	132,849	62,600
	927,460	443,852

Mothekhe MMG has been acting as Director from 1 February 2020 until 31 March 2020 and from 1 May 2020 until 30 February 2021.

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28. Employee related costs (continued)		
Remuneration of Director Strategic and Support Services - Makofane TB		
Annual Remuneration	1,184,200	1,185,791
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	40,386	38,760
	1,224,586	1,224,551
Remuneration of Director Corporate Services - Wetes FF		
Annual Remuneration	-	929,205
Car and other allowances	-	256
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	-	45,993
Leave payout	-	102,824
	-	1,078,278
Wetes FF left the services of the municipality on 31 March 2020.		
Remuneration of Acting Director Local Economic Development & Planning - Golele KBA		
Annual Remuneration	-	183,334
Car and other allowances	-	37,184
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	-	2,437
	-	222,955
Golele KBA passed away during June 2020.		
Remuneration of Acting Director LED & Planning - Mokgatle G		
Annual Remuneration	280,188	-
Car and other allowances	87,195	-
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	59,173	-
	426,556	-
Mokgatle G acted as Director from 1 March 2021 to 30 June 2021.		
Remuneration of Director Community Services - Williams Van Wyk LS		
Annual Remuneration	916,239	-
Car and other allowances	196,161	-
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	211,992	-
Leave payout	207,401	-
	1,531,793	-
Remuneration of Director Infrastructure - Thobela MB		
Annual Remuneration	941,063	397,816
Car and other allowances	638,699	267,430
Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds	31,158	5,675
	1,610,920	670,921
Remuneration of Acting Director Strategic Support Services - Olyn DP		
Annual Remuneration	181,882	-
Car and other allowances	60,820	-

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28. Employee related costs (continued)

Contributions to UIF, SDL, Bargaining council, Medical and Pension Funds

	2021	2020
	38,736	-
	281,438	-

Olyn DP acted as Director from 1 April 2021 to 30 June 2021.

29. Remuneration of councillors

Executive Mayor and Councillors

	33,885,379	33,697,331
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29. Remuneration of councillors (continued)

In-kind benefits

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

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

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

Details of remuneration for the year ended 30 June 2020 Name of councillor	Annual remuneration	Car allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	289,301	82,834	2,726	374,861
Badenhorst HS	289,301	82,834	2,726	374,861
Botha PF	256,445	82,834	35,324	374,603
Chaka MS	273,076	82,834	19,230	375,140
Claasen Malherbe C	289,301	82,834	2,726	374,861
Daly A	289,301	82,834	2,726	374,861
Danster MP	34,508	9,853	-	44,361
Direko DR	(21,616)	(5,688)	(256)	(27,560)
Dyantyi A	272,520	82,834	19,230	374,584
Jacobs EJ	272,520	82,834	19,230	374,584
Jama BL	272,520	82,834	19,230	374,584
Kabi M	367,667	125,821	41,462	534,950
Khalipha TD	(11,885)	(2,585)	(137)	(14,607)
Khetsi LE	272,520	82,834	19,130	374,484
Khothule MJ	272,520	82,834	19,230	374,584
Kopela MP	116,560	33,187	2,726	152,473
Letlhake TW	283,443	82,834	19,230	385,507
Liphoko SJ	620,576	206,597	45,645	872,818
Lushaba TB	612,455	196,312	23,461	832,228
Macingwane MT	272,520	82,834	19,230	374,584
Mafa DM	256,445	82,834	35,324	374,603
Mafaisa MG	256,445	82,834	35,324	374,603
Mahlumba BH	328,244	106,304	40,715	475,263
Manenye AJ	272,520	82,834	19,230	374,584
Manese SD	612,455	196,312	23,461	832,228
Manzana NR	256,445	82,834	35,324	374,603
Marais JS	289,301	82,834	2,726	374,861
Masienyane MD	673,970	89,335	66,749	830,054
Masina XN	616,765	206,597	60,398	883,760
Mawela VE	580,787	196,312	61,389	838,488
Meli TS	256,445	82,834	35,324	374,603
Moipatle KSV	257,524	82,834	35,324	375,682
Mokhomo HA	354,350	106,304	40,715	501,369
Molefi M	333,685	-	40,959	374,644
Molelekoa PMI	278,664	82,834	19,230	380,728
Moloja NJ	256,445	82,834	35,324	374,603
Monjovo NE	256,445	82,834	35,324	374,603
Morris VR	638,570	196,312	23,461	858,343
Moshoeu ZS	262,832	82,834	31,300	376,966
Mosia TJ	272,520	82,834	19,230	374,584
Mphikeleli MA	338,174	106,304	24,621	469,099
Mthebere NA	272,021	82,834	20,006	374,861
Nkonka BB	256,445	82,834	35,324	374,603

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29. Remuneration of councillors (continued)				
Nqeobe ME	272,520	82,834	19,230	374,584
Nthako TD	272,520	82,834	19,230	374,584
Ntsebeng MH	262,589	82,834	35,324	380,747
Ntuli BN	302,562	82,834	19,230	404,626
Phofeli NM	272,021	82,834	20,006	374,861
Pholo SJ	256,445	82,834	35,324	374,603
Poo IP	256,445	82,834	35,324	374,603
Presente LN	289,301	82,834	2,726	374,861
Radebe MC	573,889	196,312	61,389	831,590
Radebe ML	582,398	196,312	61,389	840,099
Rakaki MM	272,520	82,834	19,230	374,584
Ramabodu BM	289,301	82,834	2,726	374,861
Ramalefane SJ	258,813	82,834	35,324	376,971
Ramatisa PT	333,685	-	40,959	374,644
Sebotsa MM	256,445	82,834	35,324	374,603
Senoge MM	286,742	85,671	15,271	387,684
Sephiri MJ	580,826	196,312	61,389	838,527
Sithole AM	256,445	82,834	35,324	374,603
Speelman NW	826,048	261,749	8,174	1,095,971
Stofile B	610,500	209,399	64,395	884,294
Styger A	289,301	82,834	2,726	374,861
Taljaard SDM	272,021	82,834	20,006	374,861
Thelingoane TJ	288,223	82,834	19,230	390,287
Thelingoane NE	257,085	82,834	35,324	375,243
Tlake KR	269,984	68,423	36,814	375,221
Tsatsa SJ	256,445	82,834	35,324	374,603
Thabangu SE	289,301	82,834	2,726	374,861
Tshokotshela NJ	247,814	74,669	14,813	337,296
Tsopo ME	612,455	196,312	23,461	832,228
Van Rooyen MS	289,301	82,834	2,726	374,861
Van Rooyen KR	296,469	82,834	2,726	382,029
Van Schalkwyk HCT	272,520	82,834	19,230	374,584
	24,453,984	7,311,302	1,932,045	33,697,331

Details of remuneration for the year ended 30 June 2021

Name of councillor	Annual remuneration	Car allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	288,538	82,966	2,786	374,290
Badenhorst HS	289,301	82,834	2,793	374,928
Botha PF	255,890	82,834	35,936	374,660
Chaka MS	271,964	82,834	19,841	374,639
Claasen Malherbe C	289,301	82,834	2,793	374,928
Daly A	289,301	82,834	2,793	374,928
Danster MP	289,301	82,834	2,793	374,928
Du Plessis JM	133,377	38,372	1,546	173,295
Dyantyi A	271,964	82,834	19,841	374,639
Jacobs EJ	271,964	82,834	19,841	374,639
Jama BL	271,964	82,834	19,841	374,639
Khetsi LE	271,964	82,834	19,741	374,539
Khothule MJ	271,964	82,834	19,841	374,639
Kopela MP	-	-	2,667	2,667
Letlhake TW	277,817	82,834	19,841	380,492
Liphoko SJ	588,646	196,312	46,790	831,748
Lushaba TB	612,455	196,312	23,667	832,434
Macingwane TM	271,964	82,834	19,841	374,639
Mafa DM	255,890	82,834	35,936	374,660

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29. Remuneration of councillors (continued)				
Mafaisa MG	255,890	82,834	35,936	374,660
Mahlumba BH	321,943	106,304	41,510	469,757
Manenye AJ	271,964	82,834	19,841	374,639
Manese SD	681,819	219,558	24,132	925,509
Manzana NR	149,269	48,320	23,789	221,378
Marais JS	289,301	82,834	2,793	374,928
Masienyane MD	650,660	89,335	68,630	808,625
Masina XN	578,398	196,312	62,885	837,595
Mawela VE	572,572	196,312	62,885	831,769
Meli TS	255,890	82,834	35,936	374,660
Moipatle KV	255,890	82,834	35,936	374,660
Mokhomo HA	327,212	106,304	41,510	475,026
Molefi M	332,944	-	41,757	374,701
Molelekoa PMI	272,520	82,834	19,841	375,195
Moloja NJ	255,890	82,834	35,936	374,660
Monjovo NE	255,890	82,834	35,936	374,660
Morris VR	618,281	196,312	23,667	838,260
Moshoeu ZS	255,890	82,834	35,936	374,660
Mosia TJ	271,964	82,833	19,841	374,638
Mphikeleli MA	337,461	106,304	25,415	469,180
Mthebere NA	272,021	82,833	20,073	374,927
Nkonka BB	255,890	82,833	35,936	374,659
Nqeobo ME	271,964	82,833	19,841	374,638
Nthako TD	271,964	82,833	19,841	374,638
Ntsebeng MH	256,446	82,833	35,936	375,215
Nthuli BN	277,790	82,833	19,841	380,464
Phofeli NM	272,021	82,833	20,073	374,927
Pholo SJ	255,890	82,833	35,936	374,659
Poo IP	255,890	82,833	35,936	374,659
Presente LN	289,301	82,833	2,793	374,927
Radebe MC	572,572	196,312	62,885	831,769
Radebe ML	578,464	196,312	62,885	837,661
Rakaki MM	271,964	82,834	19,841	374,639
Ramabodu BM	289,301	82,834	2,793	374,928
Ramalefane SJ	255,890	82,834	35,936	374,660
Ramatisa PT	332,944	-	41,757	374,701
Riet MI	32,296	11,479	392	44,167
Sebotsa MM	255,890	82,834	35,936	374,660
Senoge MM	271,964	82,834	19,841	374,639
Sephiri MJ	572,572	196,312	62,885	831,769
Sithole MA	258,569	82,834	33,253	374,656
Speelman NW	839,387	261,749	8,459	1,109,595
Stofile B	609,096	209,399	65,993	884,488
Styger A	289,301	82,834	2,793	374,928
Taljaard SDM	272,021	82,834	20,073	374,928
Thelingoane TJ	282,238	82,834	19,841	384,913
Thelingoane NE	255,890	82,834	35,936	374,660
Tlake KR	296,107	39,600	38,974	374,681
Tsatsa SJ	255,890	82,833	35,936	374,659
Tshabangu SE	289,301	82,833	2,793	374,927
Tshokotshela NJ	271,964	82,833	19,841	374,638
Tshopo ME	612,455	196,311	23,667	832,433
Van Rooyen MS	289,300	82,833	2,793	374,926
Van Rooyen KV	691,232	214,473	7,807	913,512
Van Schalkwyk HCT	271,963	82,833	19,842	374,638
	24,582,961	7,359,820	1,942,598	33,885,379

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	2021	2020
30. Depreciation and amortisation		
Property, plant and equipment	193,088,340	200,598,654
31. Impairment of assets		
Impairments		
Property, plant and equipment	40,512,267	47,912,144
The condition of some assets deteriorated faster than expected.		
The main classes of assets affected by impairment losses are as follows:		
Infrastructure	40,512,267	46,975,390
Land and buildings	-	936,754
	40,512,267	47,912,144
32. Finance costs		
Bank	19	-
Employee benefits	49,036,709	44,936,922
Provisions	13,601,912	-
Trade and other payables	95,210,175	279,955,829
	157,848,815	324,892,751
Finance cost were restated for the prior financial year, refer to note 46		
33. Debt impairment		
Contributions to bad debt provision	814,216,642	684,012,154
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(2,940,748,319)	(2,468,042,917)
Contributions to allowance	(814,216,642)	(684,012,154)
VAT provision on impairment	(62,830,499)	(31,840,552)
Adjustments during the year (settlement discounts etc.)	-	4,900,615
Debt impairment written off against the allowance	134,121,253	238,246,689
	(3,683,674,207)	(2,940,748,319)
34. Bulk purchases		
Electricity	544,880,225	528,574,945
Water	641,743,815	677,917,381
	1,186,624,040	1,206,492,326

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34. Bulk purchases (continued)		
Electricity losses		
Units purchased (Kw/H)	437,362,652	450,004,414
Units sold (Kw/H)	(331,171,702)	(350,582,934)
Total loss (Kw/H)	106,190,950	99,421,480
Rand value of loss:		
Non-technical losses	127,890,866	116,350,948
Percentage Loss:		
Non-technical losses	24 %	22 %
Water losses		
Units purchased (Kl)	54,581,876	111,227,886
Units sold (Kl)	(23,773,385)	(26,633,886)
Total loss (Kl)	30,808,491	84,594,000
Rand value of loss:		
Non-technical losses	363,540,187	497,835,691
Percentage Loss:		
Non-technical losses	56 %	76 %
35. Contracted services		
Legal services	42,369,549	27,607,139
Meter reading services	18,843,359	14,508,171
Outsourced services	175,652,047	154,498,648
Professional services	98,778,646	70,238,817
Security services	63,520,078	22,266,962
	399,163,679	289,119,737

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

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36. General expenses		
Advertising	16,216,665	13,762,233
Audit fees	10,158,682	9,269,861
Assets expensed	205,788	3,106,157
Bank charges	8,858,586	10,538,072
Cleaning	19,466,380	6,283,241
Community development and training	2,352,383	5,646,714
Consumables	93,146,343	56,560,003
Entertainment	299,333	323,226
Expired traffic fines	6,076,100	10,157,212
Fuel and oil	15,753,686	18,097,693
Insurance	40,900,165	53,299,390
Sundry expenses	-	142,644
Medical expenses	-	477,470
Motor vehicle expenses	157,608,544	106,494,104
Other expenses	20,730,774	15,489,755
Postage and courier	1,998,724	1,568,556
Poverty Relief	115,000	-
Royalties and license fees	246,777	1,171,339
Payroll theft	-	3,508,269
Staff welfare	1,114,330	793,617
Subscriptions and membership fees	14,629,056	14,515,127
Subsistence and travel	811,447	3,588,824
Telephone and fax	38,371,060	39,991,995
Training	2,529,991	1,797,947
Uniforms	16,490,628	21,536,354
	468,080,442	398,119,803
Refer to prior period error note 46 for more details on the error.		
37. Fair value adjustments		
Investment property (Fair value model)	52,252,515	49,903,821
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	62,808	(13,733)
	52,315,323	49,890,088
38. Auditors' remuneration		
Fees	10,158,682	9,269,861
39. Fines, Penalties and Forfeits		
Traffic fines	5,639,146	4,265,607
40. Repairs and maintenance		
Repairs and maintenance	75,798,442	105,713,377

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41. Cash generated from operations		
Deficit	(1,321,405,650)	(1,324,860,697)
Adjustments for:		
Depreciation and amortisation	193,088,340	200,598,654
Fair value adjustments	(52,315,323)	(49,890,088)
Finance costs - Trade and other payable	95,210,175	279,955,829
Impairment loss	40,512,267	47,912,144
Debt impairment	814,216,642	684,012,154
Employee benefit obligations - current service cost	20,408,508	24,530,176
Provision raises/increased - finance cost	13,601,912	(7,679,704)
Actuarial loss	(11,342,388)	(106,523,027)
Interest received - Receivables	(206,801,674)	(225,336,178)
Finance cost - Employee benefit obligation	49,036,709	44,936,922
Dividends received	(22,849)	(21,442)
Changes in working capital:		
Inventories	2,266,429	5,303,639
Other receivables	(431,128)	6,765,054
Receivables from exchange transactions	(530,504,645)	(427,927,564)
Other receivables from non-exchange transactions	(92,388,157)	(154,405,681)
Payables from exchange transactions	1,338,094,190	1,344,883,165
VAT	(187,120,830)	(127,625,248)
Unspent conditional grants and receipts	35,831,959	54,507,303
Consumer deposits	1,749,269	95,000
Employee benefits obligation - expected payments	(19,104,029)	(20,569,575)
	182,579,727	248,660,836

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42. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At cost	Total
Other receivables	-	33,986,003	33,986,003
Receivables from non-exchange transactions	-	198,609,252	198,609,252
Receivables from exchange transactions	-	918,045,601	918,045,601
Cash and cash equivalents	-	56,801,207	56,801,207
Other financial assets	367,363	-	367,363
Receivables from non-exchange transactions (non-current)	-	6,324,305	6,324,305
Receivables from exchange transactions (non-current)	-	3,412,966	3,412,966
	367,363	1,217,179,334	1,217,546,697

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	9,221,744,268	9,221,744,268
Consumer deposits	36,408,151	36,408,151
Unspent conditional grants and receipts	102,362,818	102,362,818
	9,360,515,237	9,360,515,237

2020

Financial assets

	At fair value	At cost	Total
Other receivables	-	33,554,875	33,554,875
Receivables from non-exchange transactions	-	193,004,436	193,004,436
Receivables from exchange transactions	-	910,582,443	910,582,443
Cash and cash equivalents	-	58,495,420	58,495,420
Other financial assets	304,555	-	304,555
Receivables from non-exchange transactions (non-current)	-	6,937,953	6,937,953
Receivables from exchange transactions (non-current)	-	389,458	389,458
	304,555	1,202,964,585	1,203,269,140

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	7,788,439,897	7,788,439,897
Consumer deposits	34,658,882	34,658,882
Unspent conditional grants and receipts	66,530,859	66,530,859
	7,889,629,638	7,889,629,638

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	2021	2020
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	170,226,840	290,000,856
Total capital commitments		
Already contracted for but not provided for	170,226,840	290,000,856

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

44. Contingencies

Contingent liabilities

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

Nature of litigation	Possible rand	Possible rand	Number of	Number of
	value of claim 2020	value of claim 2021	litigations 2020	litigations 2021
Application to compel	-	-	1	2
Civil litigations	110,280,328	97,131,833	13	7
Claims for services rendered	57,991,038	3,600,055,976	18	23
Conveyancing	-	350,000	-	3
Interdict application	4,695,610	-	4	2
Labour related matter	569,860	-	2	-
Legal opinion	-	-	1	-
Motion proceedings	-	-	1	-
Public liability claim	1,567,190	872,500	7	3
	175,104,026	3,698,410,309	47	40

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44. Contingencies (continued)

Application to Compel - Maxiprof filed an Application to compel the Municipality inter alia, to provide financial and related documents to enable them to do a "Vat Audit" on behalf of the Municipality i.t.o the agreement between the parties and Royal Haskoningdhv (Pty) Ltd sought for a notice to compel the Municipality to provide evidence for findings.

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

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

Interdict Application - Matjhabeng Local Municipality has been included as a respondent in matters where privately owned property was illegally occupied, plaintiffs obtained prevention interdicts to stop Matjhabeng from disconnecting water and electricity as well as interdict applications against Union Strikes.

Labour Related Matter - Eighty-three (83) different employees from the Municipality issued summons for alleged over time worked and not yet been remunerated for.

Legal Opinion - SALGBC, unfair dismissal dispute, recommendations for appointments in executive offices were made by the municipality for both plaintiffs and they claimed they have not yet been awarded with such.

Motion proceedings - The applicant sought an order demanding the Respondent to amongst others to maintain the Witpan sewer and proceedings in Welkom Magistrate's Court for alleged storage of a motor vehicle which had capsized and was sent to the plaintiff for repairs.

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

Contingent assets

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

Nature of litigations	Possible rand	Possible rand	Number of	Number of
	value of claim	value of claim	litigations	litigations
	2020	2021	2020	2021
Claims for services rendered	-	2,000,000	-	3
Conveyancing	-	-	3	3
Interdict application	-	-	1	1
Eviction notice	2,146,089	999,792	11	6
Legal opinion	-	-	2	-
Setting aside of unlawful appointments	-	-	-	1
	2,146,089	2,999,792	17	14

Claims for Services Rendered - Relating to various claims from third parties for services rendered, such as providing water and electricity, property rates etc.

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

Interdict Application - Interdict Applications was sought against illegal occupants occupying municipal property.

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

Legal Opinion - Legal advice obtained regarding the municipal councillor's pension fund and the way forward.

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44. Contingencies (continued)

Setting aside of unlawful appointments - Setting aside of appointments made irregularly.

45. Related parties

Relationships

Members of key management

Refer to note 28

Members of council

Refer to note 29

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

46. Prior period errors

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

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

The prior period errors were due to expenditure not recorded in the correct financial year, input VAT errors, misclassification and incorrect recognition of creditors.

Investment property was restated due to an incorrect opening balance in the asset register from 2018 financial year.

Property, plant and equipment was restated due to incorrect classification of prior year additions.

Inventories were restated due to spare parts incorrectly disclosed as part of the inventory balance.

Other receivables were restated due to a classification error between other receivables and payables.

VAT was restated due to classification and cut-of error in expenditure and assets.

Payables were restated due to error in expenditure vouchers recorded.

Other income was restated due to professional service expenditure incorrectly recorded in the income vote.

Finance cost were restated due to errors on expenditure vouchers recorded.

Contracted services were restated due to errors on expenditure vouchers recorded.

General expenditure were restated due to errors on expenditure vouchers recorded.

Repairs and maintenance were restated due to errors on expenditure vouchers recorded.

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46. Prior period errors (continued)

Statement of Financial Position

2020

	Note	As previously reported	Correction of error	2020 Deficit	Re-classification	Restated
Investment property	3	1,045,584,956	(2,929,942)	-	-	1,042,655,014
Property, plant and equipment	4	3,965,306,359	58,543,426	-	-	4,023,849,785
Receivables from non-exchange transactions (non-current)	8	48,443	6,889,511	-	-	6,937,954
Inventories	10	11,243,871	(3,849,270)	-	-	7,394,601
Other receivables	11	37,936,236	(3,954,072)	-	(427,289)	33,554,875
Receivables from non-exchange transactions	12	173,406,667	19,597,769	-	-	193,004,436
VAT receivable	13	627,234,606	9,638,181	-	-	636,872,787
Receivables from exchange transactions	14	931,666,834	(21,084,392)	-	-	910,582,442
Payables from exchange transactions	18	(7,713,156,012)	(75,711,174)	-	427,289	(7,788,439,897)
Accumulated surplus		(1,384,421,498)	11,281,123	(24,141,086)	-	(1,397,281,462)
		(2,305,149,538)	(1,578,840)	(24,141,086)		- (2,330,869,465)

Statement of Financial Performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	20	(1,283,071,845)	-	32,788,346	(1,250,283,499)
Availability charges	22	-	-	(32,788,346)	(32,788,346)
Other income	24	(8,185,839)	(4,305,346)	-	(12,491,185)
Interest received	25	(231,248,336)	(3,874,461)	-	(235,122,797)
Depreciation and amortisation	30	205,110,776	(4,512,122)	-	200,598,654
Finance costs	32	326,869,337	(1,976,586)	-	324,892,751
Contracted services	35	292,556,112	(3,436,376)	-	289,119,736
General expenses	36	372,832,171	25,287,629	-	398,119,800
Repairs and maintenance	40	88,755,028	16,958,349	-	105,713,377
		(236,382,596)	24,141,087		- (212,241,509)

47. Comparative figures

Prior year figures were restated due to prior period errors and reclassifications. Refer to note 46 prior period errors.

48. Risk management

Financial risk management

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

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48. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and credit facilities.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	9,221,744,268	-	-	-
Consumer deposits	36,408,151	-	-	-
Unspent conditional grant and receipts	102,362,818	-	-	-
	9,360,515,237	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	7,788,439,897	-	-	-
Consumer deposits	34,658,882	-	-	-
Unspent conditional grant and receipts	66,530,859	-	-	-
	7,889,629,638	-	-	-

Credit risk

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

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

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

Financial instrument	2021	2020
Other financial assets	367,363	304,555
Other receivables	33,986,003	33,554,875
Receivables from non-exchange transactions	198,609,252	193,004,436
Receivables from exchange transactions	918,045,601	910,582,443
Cash and cash equivalents	56,801,207	58,495,420
Receivables from non-exchange transactions (non-current)	6,324,305	6,937,953
Receivables from exchange transactions (non-current)	3,412,966	389,458

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

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49. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated deficit of R(2,718,687,113) (2020: R(1,397,281,463)) and that the municipality's total liabilities exceed its assets by R(2,718,687,113) and (2020: R(1,397,281,463)).

The municipality had a deficit of R(1,321,405,650) (2020: R(1,324,860,697)) for the year. The current liabilities exceeds the current assets by R7,337,619,450 (2020: R6,068,829,109).

In addition, as disclosed in note 18, the municipality owed Eskom R3,964,044,474 (2020: R3,339,427,253) and Sedibeng Water R4,307,438,655 (2020: R3,683,781,220) as at 30 June 2021, which were long overdue.

The provision for bad debt increased from R2,940,748,319 (73% of total receivables) at 30 June 2020 to R3,683,674,207 (77% of total receivables) at 30 June 2021.

These events and conditions, along with the other matters set forth in note 49, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

50. Unauthorised expenditure

Opening balance as previously reported	2,090,446,152	2,412,090,481
Opening balance as restated	2,090,446,152	2,412,090,481
Add: Unauthorised expenditure (opex)	1,234,175,598	1,499,069,612
Add: Unspent grants (Non cash backed)	39,911,824	-
Less: Amount written off - current		(1,820,713,941)
Closing balance	3,364,533,574	2,090,446,152

51. Fruitless and wasteful expenditure

Opening balance	414,494,221	388,308,961
Fruitless and wasteful expenditure	105,472,288	281,932,415
Subtotal	519,966,509	670,241,376
Less: Amount written off - current		(255,747,155)
Closing balance	519,966,509	414,494,221

Details of fruitless and wasteful expenditure

Eskom	97,028,336	273,753,232
Payables from exchange transactions	1,745,828	1,201,655
Late contribution to pension fund	527,670	938,609
Interest and penalties - SARS (VAT)	207,041	1,447,387
Interest and penalties - Compensation Commission	1,148,998	1,138,563
Interest and penalties - SARS (PAYE)	4,814,415	3,452,969
	105,472,288	281,932,415

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

The recommendations of the MPAC on fruitless and wasteful expenditure are yet to be tabled to the council, and therefore no fruitless and wasteful expenditure was certified by Council to be irrecoverable and to be written-off.

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52. Irregular expenditure		
Opening balance as previously reported	945,941,736	599,990,077
Add: Irregular Expenditure	410,191,976	339,793,590
Add: Irregular Expenditure identified during the audit	37,200,746	6,158,069
Closing Balance	1,393,334,458	945,941,736

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

	Disciplinary steps taken/criminal proceedings		
Non-compliance with the MFMA & Supply Chain Policy	None	447,392,722	345,951,659

Details of investigations performed

Irregular expenditure includes instances of non-compliance with the requirements of MFMA, MSA, Supply Chain Management regulations, DORA and non-compliance with Remuneration of Office Bearers' Act.

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

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

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

The amounts disclosed above are excluding VAT.

The total extent of the 2021 financial year's irregular expenditure is under investigation.

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53. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to Organised Local Government (SALGA)		
Opening balance	8,918,825	7,493,473
Current year subscription / fee	9,022,189	8,918,825
Amount paid - previous years	(8,905,410)	(7,493,473)
	9,035,604	8,918,825

Being the subscription fee to the South African Local Government Association (SALGA).

Fraud investigations

The municipality conducted the following fraud investigations for the prior financial year:

- Case number: 527/05/2016
- Case number: 451/02/2016
- Case number: 116/08/2017
- Case number: 406/01/2020

As at 30 June 2021 the following cases were still under investigation:

Case number: 451/02/2016 - Fraud by service provider

The service provider Tiro Ya Nnete Trading and projects was given official orders no. 0001047515 and 0001047593 on the 9th and 19th November 2015 for the supply and delivery of tar for an amount of R154,080.58 respectively, however the services were never rendered to the municipality despite having received payment on the 11th of November 2015 for order no. 0001047515. After a thorough investigation it was found that the service provider forged the signature of Mr. Ewan Eloff on the invoice he submitted at Supply Chain in order to receive payment fraudulently. He later came clear with his actions admitting to the fraud he had committed. The case was reported to Mr. Bokvel Pieterse to investigate and open a criminal case where necessary. It was recommended that all orders issued to this service provider be cancelled and any fraudulent payment done to be recovered from him. The Department of Public Safety and Transport would investigate the matter and open possible criminal cases. It was also recommended that the supplier be permanently removed from the Service Providers database of Matjhabeng.

Case number: 527/05/2016 - Banking details amendments

On the 13th of May 2016 payments were made to suppliers - Circle Tooling, Free State Sun and Ricmisa Trading for a total of R787,779.91. Contrary to the normal payment process, the final payment report pulls through different banking details although the payments were captured correctly on the system (Solar). After a thorough investigation it was found that there is no audit trail on cash focus to indicate that the banking details were changed or amended on ABSA cash focus. Correct banking details also appear on the IF80 report derived from Solar. It was therefore concluded that the changes could have occurred on the Z drive. Therefore it seems the payments were directed to the incorrect payees. The IT department was contacted for investigation but no information could be obtained. This case is still under investigation with the Thabong SAPS branch.

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53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Case number: 116/08/2017 - Illegal sale of erven

During the 2017/18 financial year the Municipal Housing Department discovered that there was a growing number of individuals alleging to have purchased sites from the municipality without council having approved sale of such erven. The municipality launched an investigation to discover that the matter was prevalent and may be intentionally perpetuated by municipal staff. Upon discovery a case was opened with South African Police Services. The case is still under investigation.

Case number: 406/01/2020 - Payroll fraud

On 22 January 2020, 69 bank account numbers of various Matjhabeng Local Municipality employees had been changed to 16 different bank account numbers without consent. Although the bank accounts on the payslips had been verified as correct, the account numbers on the payroll system were altered. After a thorough investigation it appeared that the IP-address of the Senior Clerk: Salaries was compromised and unauthorised access had been obtained, which resulted in the alteration of the banking details of various employees. The issue was immediately escalated to the Chief Financial Officer and in turn to the Acting Municipal Manager at that time. A total of R3,508,268.52 had been fraudulently diverted to other individuals. A case has been opened and is still under investigation by the Hawks.

An amount of R1 404 010 was recovered during the year.

Audit fees

Opening balance	5,720,944	7,084,419
Current year audit fees	11,682,484	10,660,340
Interest charged	98,993	311,980
Amount paid - current year	(9,563,046)	(5,251,375)
Amount paid - previous years	(5,720,945)	(7,084,420)
	2,218,430	5,720,944

PAYE, UIF and SDL

Opening balance	34,919,854	40,285,408
Current year payroll deductions and council contributions	130,530,196	121,076,320
Penalties and interest	4,814,415	3,012,294
Adjustments made by SARS	(4,814,415)	(6,027,805)
Amount paid - current year	(116,569,964)	(88,779,851)
Amount paid - previous years	(18,148,860)	(34,646,512)
	30,731,226	34,919,854

Pension and Medical Aid deductions

Opening balance	40,556,014	35,744,147
Current year payroll deductions and council contributions	197,344,075	189,188,537
Amount paid - current year	(155,591,739)	(148,632,504)
Amount paid - previous years	(40,556,014)	(35,744,166)
	41,752,336	40,556,014

VAT

VAT receivable	823,993,617	636,872,787
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53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021

	Outstanding more than 90 days R
Chaka MS	3,875
Khothule MJ	474,921
Mafaisa MG	26,215
Mahlumba BH	18,874
Manenye AJ	63
Manese SD	1,647
Manzana NR	182
Molelekoa PMI	16,284
Monjovo NE	9,081
Mthebere NA	515
Nthako TD	13,310
Ntsebeng MH	68,661
Pholo SJ	47,711
Ramabodu BM	46,062
Ramatisa PT	10,957
Speelman NW	648
Tshabangu SE	1,016
	740,022

30 June 2020

	Outstanding more than 90 days R
Direko DR	9,036
Khothule MJ	37,088
Liphoko SJ	54,396
Mahlumba BH	15,624
Meli TS	255
Monjovo NE	16,592
Nthako TD	8,771
Pholo SJ	687
Ramabodu BM	38,523
Ramatisa PT	10,239
Sithole MA	183,186
Tshabangu SE	1,016
Tshokotshela NJ	9,034
Tshopo ME	38,182
Van Rooyen KV	239,134
	661,763

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54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and report them to the next meeting of the and includes a note to the annual financial statements.

30 June 2020

	Strip and quote	Sole suppliers	Emergency	Impractical
July 2019	58,000	195,651	450,000	58,000
August 2019	-	135,931	-	-
September 2019	-	41,480	-	-
October 2019	-	60,893	-	-
November 2019	-	158,810	-	-
March 2020	-	580,000	-	-
April 2020	-	634,497	1,821,000	-
May 2020	-	192,859	780,842	-
June 2020	-	-	2,160,272	-
Subtotal	-	-	-	-
	58,000	2,000,121	5,212,114	58,000

30 June 2021

	Strip and quote	Sole suppliers	Emergency	Impractical
October 2018	-	-	1,180,612	1,792,688
January 2019	-	18,734	2,322,236	786,600
March 2019	133,460	-	85,760	-
	133,460	18,734	3,588,608	2,579,288

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of functional classification. The segments were organised around the type of functions. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Free State Province in 13 towns. Segments were aggregated on the basis of services delivered.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Community and public safety	Community services
Trading services	Sales of goods and services
Economic and environmental services	Public services
Other (fresh produce market and airport services)	Sales of goods and services

Segment surplus or deficit

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55. Segment information (continued)

2021

	Community and public safety	Economic and environmental services	Trading services	Other (fresh produce market and airport services)	Total
Revenue					
Revenue from non-exchange transactions	5,639,146	-	34,454,051	-	40,093,197
Revenue from exchange transactions	9,238,585	19,711	1,277,919,053	246,242	1,287,423,591
Interest revenue	-	-	171,185,579	-	171,185,579
Total segmental revenue	14,877,731	19,711	1,483,558,683	246,242	1,498,702,367
Entity's revenue					1,498,702,367
Expenditure					
General expenditure	290,876,600	81,593,177	2,718,500,108	4,953,159	3,095,923,044
Depreciation and amortisation	(7,522,036)	92,636,348	104,489,630	-	189,603,942
Finance cost	-	-	13,601,912	-	13,601,912
Total segmental expenditure	283,354,564	174,229,525	2,836,591,650	4,953,159	3,299,128,898
Total segment surplus/(deficit)					(1,800,426,531)
Total segmental surplus/(deficit)					(1,800,426,531)
Non-segmental revenue - (Governance and administration)					1,349,726,307
Non-segmental expenditure - (Governance and administration)					(870,705,425)
Entity's surplus (deficit) for the period					(1,321,405,649)

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55. Segment information (continued) Measurement of segment surplus or deficit

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality's operations are in the Free State Province.

The municipality does not report on a geographical basis, therefore decision making is not based on geographical areas.