

Emthanjeni Municipality



Annual Report

2019/20



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MAYOR'S MESSAGE

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EXECUTIVE MAYOR

MUNICIPAL MANAGER OVERVIEW

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MUNICIPAL MANAGER

CHAPTER 1

EXECUTIVE SUMMARY

1.1 MUNICIPAL OVERVIEW

This report addresses the performance of the Emthanjeni Municipality in the Northern Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2019/20 Annual Report reflects on the performance of the Emthanjeni Municipality for the period 1 July 2018 to 30 June 2019. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

1.1.1 Vision and Mission

The Emthanjeni Municipality committed itself to the following vision and mission:

Vision:

“A centre for development and service excellence focused on economic development in pursuit of a better life for all”

Mission:

*“To provide a quality service at all times and:
Value our resources both human and financial;
Develop an active citizenry; and
Create a conducive environment for economic growth”*

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1 Population

a) Total Population

The Community Survey of 2007 indicates that Emthanjeni Municipality had a total population of 38 230. The 2011 Census (StatsSA) indicates that the total population has increased to 42 354. The population growth rate per annum is 1.69%. The Community Survey 2016 indicates a slight increase to 45 404.

The graph below indicates the total population within the municipal area:

Year	2001	2011	2016
Total Population	35 785	42 356	45 404

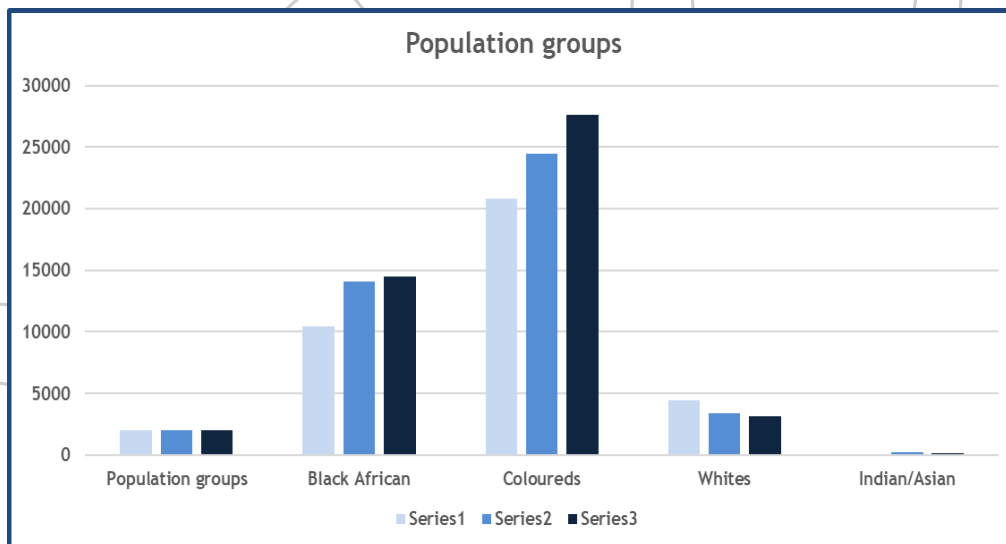
Source: IDP 2019/20

Table 1: Total Population

Year	African	Coloured	Indian	White
2001	10 435	20 848	40	4 463
2011	14 059	24 436	236	3 388
2016	14 515	27 644	116	3 129

Source: IDP 2019/20

Table 2: Population



Graph 1: Population by Race

The table below indicates that in 2011, females represent 21 634 (51%) and males 20 722 (49%) of the total population.

Population - Gender	2001	2011	2016
Females	18 679	21 634	22 962
Males	17 107	20 722	22 443
Total	35 785	42 356	45 405

Source: IDP 2019/20

Table 3: Gender Statistics

b) Population Profile

The table below indicates the population per age group.

Age	2001			2011			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0 - 9	3 520	3 742	7 262	4 654	4 522	9 176	4 055	3 722	7 777
10 - 14	1 985	2 064	4 049	2 144	2 103	4 248	1 953	2 219	4 172
15 - 19	2 043	1 963	4 007	2 046	1 988	4 034	2 584	2 972	5 556
20 - 24	1 444	1 427	2 871	1 763	1 760	3 523	2 735	1 845	4 581
25 - 29	1 272	1 211	2 483	1 688	1 688	3 376	1 913	2 266	4 179
30 - 34	1 234	1 310	2 544	1 492	1 412	2 904	1 834	2 048	3 882
35 - 39	1 108	1 241	2 349	1 324	1 242	2 565	1 323	1 399	2 722
40 - 44	1 010	1 112	2 122	1 169	1 326	2 495	1 478	1 124	2 602
45 - 49	872	1 115	1 987	1 070	1 248	2 317	1 108	987	2 095
50 - 54	791	884	1 675	984	1 086	2 070	1 010	1 107	2 116
55 - 59	557	682	1 239	787	979	1 766	857	882	1 739
60 - 64	463	604	1 067	613	798	1 411	548	812	1 360
65 - 69	320	486	806	446	566	1 012	509	579	1 088
70 - 74	215	340	555	273	404	678	223	490	713
75 - 79	143	206	348	150	258	409	158	200	358
80 - 84	72	161	233	66	132	198	108	173	281
85+	57	131	188	51	122	174	45	136	181

Source: IDP 2019/20

Table 4: Population Profile

1.2.2 Households

The total number of indigent households within the municipal area decreased from 3 838 households in the 2018/19 financial year to a total of 3 335 households in the 2019/20 financial year.

The table below indicates a decrease of 503 in the total number of indigent households within the municipal area between the two years.

Households	2018/19	2019/20
Number of households in municipal area	12 615	12 615
Number of indigent households in municipal area	3 838	3 335

Table 5: Total Number of Households

1.2.3 Demographic Information

Municipal Geographical Information

Emthanjeni Local Municipality is a category B municipality consisting of three towns: De Aar, Britstown and Hanover. Emthanjeni, and especially De Aar, is renowned for its central location on the main railway line between Johannesburg, Cape Town, Port Elizabeth and Namibia. It is situated in the Pixley ka Seme District Municipality and is the seat of this district.

Its location is approximately 300 km south-west of Kimberley, 440 km south-east of Upington, 300 km north-east of Beaufort-West and 300 km south-west of Bloemfontein. The land area comprises 11% of the district land area and 3% of the province. It represents approximately 23% of the district population.

Of the main towns that fall within the municipal area, Hanover lies approximately 65 km east of De Aar on N1 main north to south route and Britstown is situated about 55 km west of De Aar on the N12 route. Both these main routes link Johannesburg and Cape Town. These areas are extensive stock farming areas with the emphasis on sheep, mutton and wool farming, especially Merino's.

Emthanjeni Municipality, specifically De Aar, is the seat of Pixley ka Seme District Municipality and hosts all government departments. The Municipality covers an area of approximately 11 390km².

The maps of the Northern Cape indicate the location of the Emthanjeni Municipality in the Pixley Ka Seme District area.



Wards

The Municipality was structured into the following 7 Wards:

Ward	Areas
1	Montana, Kareeville, Sunrise and Klein Kareeville
2	Residensia, New bright, Happy Valley, Extension 20, Extension 7 and Macarena
3	Nonzwakazi, Portion of Waterdal
4	Barcelona, Malay camp, Leeuwenshof & Portion of Nonzwakazi and Mtwana
5	Portion of town Area and Louisville
6	Kwezi, Nompumelelo, Joe Slovo Park, Tornadoville, Hanover(town)
7	Jansenville, Mziwabantu, Britstown(town), Proteaville
8	Portion of Nonzwakazi, Waterdal and Portion of Town Area

Table 6: *Municipal Wards*

Towns

De Aar

De Aar means “the artery”, and in many senses this town is the lifeblood of the Karoo. It’s the head office of the Emthanjeni Municipality and Pixley Ka Seme District Municipality; home to many artists; there’s an important weather station that can be toured by visitors, and it’s the second most important railway junction in the country. The significance of its situation on the railway line is because it’s central to Gauteng, Cape Town, Port Elizabeth and Namibia.

There are about 110km of railway lines, including 29 rail-tracks in De Aar’s precincts. However, “De Aar” founded in 1904, was so named because of the many water-bearing arteries that occur underground. Unlike many other Karoo towns, it did not start around the Dutch Reformed Church, but in fact started around the railway line. De Aar boasts a weather station gathering climatic data which has literally put De Aar on the world map. De Aar has an average yearly rainfall of 300mm with the lowest minimum temperature of -10 °C, the highest maximum temperature of 40.7 °C, an average summer temperature of 24 °C and an average winter temperature of 14 °C. De Aar is situated at 1280 m above sea level and has an average humidity of 43%. As a declared industrial growth point, with ample, very reasonably priced industrial sites, affordable labour and the necessary infrastructure, De Aar is the ideal place to establish an industry in the Northern Cape.

Various major industries have already taken advantage of De Aar’s central location and excellent rail and road links to establish themselves here. De Aar is also a primary commercial distribution centre for a large area of the central Great Karoo. Major production activities of the area include wool production and livestock farming. The area is also popular for hunting, despite the fact that the region is rather arid. De Aar is increasingly becoming the center for supplying the whole country with the famous “Karoo” mutton, so highly prized for its unique flavour and quality. There are ancient Khoisan rock engravings on the Nooitgedacht and Brandfontein farms. There is also the “Garden of Remembrance”, which honours the British troops killed in the Anglo-Boer War.

All the water used in the town comes from boreholes - which is why the town is known for its large number of wind pumps. The town is easily accessible by tarred road, two airfields serve it - one is an all-weather runway that can accommodate any type of aircraft and it's only 52km away from the national bus route.

Hanover

This attractive and historic little town on the N1 lies more or less halfway between Cape Town, Gauteng and Kwazulu-Natal. It was established in 1854 at the base of some rocky hills on the farm Petrusvallei, which was bought from Gert Gous. Here he requested that the town be called Hanover, after his great grandfather's town in Germany.

When declared a magisterial district in 1876, the town was very fortunate to be appointed with a far-seeing magistrate, Richard Beere. He insisted that trees be planted so that residents' descendants would have shade. Due to the increase in water consumption caused by an increase in residents, the spring that Hanover was built around dried up, and the number of trees seen in the town today is far less than 100 years ago. Beere loved the Karoo and spent a lot of time on the summit of Trappieskop, where a stone pyramid honouring his contribution to the town was erected when he died.

The older houses were all built right on the road edge - as per authority's instructions at the time - and when, in later years, home owners built on verandas, they had to pay a one shilling tax for this privilege. Today, they are still paying this tax, which is now R17, 00. Hanover was home to Olive Schreiner - well known South African author - who lived here from 1900 to 1907, and referred to it as "the prettiest little village I have ever seen". Her husband, Cron, was an agent in town and today his offices are used as a small guest house. Like many small Karoo towns, most of the streets are not tarred and the residential areas are very quiet. However, behind garden walls and front doors there's plenty of activity going on as the industrious residents carry out their daily business.

The town is home to a variety of artists and crafts people, as well as having several restaurants, a delightful bookshop, coffee shop and a museum. Interesting Karoo architecture is to be seen and many gardens have a wind pump standing sentinel in one corner. Surrounding farms are principally Merino sheep farms, with many of the country's best breeders farming in the Hanover district. Lesser Kestrels, from Europe and Central Asia, come to nest in trees around town, and can be seen gliding in the dawn and dusk sky from late October to the end of summer.

Britstown

It was in the heady days of The Great Diamond Rush in the year of 1877 that Britstown came into being. Fortune hunters paused here in their frenzied dash to the fabulous diamond field, and a settlement mushroomed to provide fresh horses, fodder, refreshment and accommodation. Soon even a concertina virtuoso made music for happy dancers lubricated by the local brew. First the Fuller and Gibson coaches and then others stopped here. But by the time Britstown gained municipal status in January 1889, a railway line already snaked across the Karoo plains to carry would-be diamond diggers through to Kimberley.

Livingstone's friend

The small haven of Britstown, along the diamond route across the plains, was named after a man who loved the Karoo, Hans Brits. He once accompanied Dr David Livingstone, famous son-in-law of the great missionary Robert

Moffat, on a journey to the north. Livingstone originally came to South Africa to help the Moffat`s at their mission in Kuruman, and it was on a journey to the north that he met Brits. They took a liking to each other, and Brits decided to travel with him. But, Livingstone did not get on with the Moffat`s, so he soon announced his intentions of travelling deeper into Africa, a decision that led to him becoming probably the continent`s most famous explorer. Brits decided against a life of exploration and returned to the Karoo.

Diamonds provide the spark

Hans Brits then settled on a farm he named Gembokfontein, which is where Britstown now stands. Soon after the discovery of diamonds at Hopetown and Kimberley, Brits realised that he and his neighbours could earn good money serving the growing traffic along the Diamond Route. So Brits arranged for a town to be laid out on a portion of his farm. As a tribute to him it was named Britstown. The thinking was to establish a point between Victoria West and Kimberley that could provide travellers on the Diamond Route with accommodation and refreshment as well as fresh horses and fodder.

A link with the gold mines

Then, in 1877, a group of men, headed by TP Theron, purchased a section of Hans Brits`s farm to establish a community centre with a church. This accomplished, they handed over the management of the fledgling settlement to church wardens. Traffic through the town increased when gold was discovered in “The Ridge of White Waters” in the old Transvaal Republic. Many of the fabled mining magnates, such as Cecil John Rhodes, passed through Britstown. In time, the town became a major junction on the route to the then South West Africa (Namibia).

Key Economic Activities

Agriculture forms the backbone of Emthanjeni`s economy and accounts for the largest labour to date. Despite the harsh climate and poor carrying capacity of the veldt, it still offers opportunities for growth and employment creation. The Municipality is dependent upon the following economic activities:

Key Economic Activities	Description
Services Sector (Community)	The services sector consists of the various government institutions, Non-governmental organizations (NGO`s), Community based organizations (CBO's) and Non-Profit Organisations (NPOs) that resides within our area of jurisdiction. ABSA, FNB, Standard Bank and CAPITEC
Manufacturing	Stone crushers who specialize in the manufacturing of sand, bricks, cements and rocks
	Rocla, Green Akker, Vleis Sentraal for meat processing
	Solar Energy
Retail	Purchasing of goods and services
	Checkers, Shoprite, Mr Price, Ackermans, Sheet Street, Fashion Express etc
Agriculture	Game Farming
	Sheep, goat, pig and cattle farming
Transport	Rail infrastructure

Key Economic Activities	Description
	Road infrastructure
	Rail revitalisation
Tourism	To market Emthanjeni as a tourism destination
	To speed up the restoration of existing attractions and the development of new attractions

Table 7: Key Economic Activities

1.3 SERVICE DELIVERY OVERVIEW

1.3.1 Basic Services Delivery Highlights

The table below specifies the basic service delivery highlights for the year:

Highlights	Description
High mast lights in Montana and Nonzwakazi	Construction of high mast lights in Nonzwakazi and maintenance of other high mast lights
Waste reduction initiatives	Implemented two waste reduction initiatives to decrease waste to landfill site
Curb side collection	Implemented curb side collection system in all areas
Addressing illegal dumping	Collected illegal dumping in all identified areas
Community awareness programs	Conducted six community awareness programs on waste management
De Aar 600 serviced sites	The service of 600 sites in De Aar were completed
De Aar 353 top structures	The construction of 353 top structures in De Aar were completed
Britstown 848 town establishment	Eradication of housing backlog
Upgrade of Rev Swart Crescent	The Municipality tarred 0.25km of Rev Swart Crescent and constructed a double seal pavement

Table 8: Basic Services Delivery Highlights

1.3.2 Basic Services Delivery Challenges

The table below specifies the basic service delivery challenges for the year:

Challenges	Actions to address
Development of 12 additional boreholes in De Aar North	Obtain water use licence (WUL) from Department of Water and Sanitation (DWS) and secure co-funding for the project
Staff shortages within the water section	Fill vacancies with experienced and qualified personnel
Meter tampering and bypass (Loss in revenue and increased line losses)	Meter controller to do thorough inspections, the Municipality is in process of replacing the old seals with LG110 type and PT1 meters are being replaced with Con log or Landis & Gyr type meters
Copper theft (Customers are without power for a long time due to line repairs) in areas like Waterdal	Cases are reported to South African Police Department (SAPD) and copper conductors is to be replaced with aluminium conductors. Application for funding has been submitted to DOE
Line losses (Reflecting negatively against the Municipality if above a certain target percentage and impacts on revenue)	Through continuous monitoring the Municipality aim to reduce losses even further. The Municipality is currently

Challenges	Actions to address
	under the target of National Energy Regulator of South Africa (NERSA) (NERSA's target is 22%)
Funding required for the electrification of 4 114 houses as part of a housing project	Business plans and funding applications have been submitted to the DOE for the electrification of 4 114 houses
Lack of machinery to perform waste management and waste minimize efforts	Budget provision must be made to acquire additional machinery
Illegal dumping	Host awareness programs to educate the communities on keeping the environment clean
Eradication of housing backlog	Business plans completed to apply for funding to eradicate the backlog
Performance by contractors	Training provided to contractors by National Home Builders Registration Council (NHBRC) and the Cooperative Governance and Traditional Affairs (CoGTA)
Illegal informal structures	Illegal informal structures should be removed
Vandalism of houses	Provision of Housing Consumer Education Training

Table 9: Basic Services Delivery Challenges

1.3.3 Proportion of Households with Access to Basic Services

The table below indicates the proportion of households with access to basic services:

KPA & Indicator	Municipal Achievement	
	2018/19	2019/20
Electricity service connections	12 667	12 667
Water - available within 200 m from dwelling	8 198	8 198
Sanitation - Households with at least ventilated improved pit (VIP) service	8 104	8 104
Waste collection - kerbside collection once a week	13 141	13 141

Table 10: Households with Minimum Level of Basic Services

1.4 FINANCIAL HEALTH OVERVIEW

1.4.1 Financial Viability Highlights

The table below specifies the financial viability highlights for the year:

Highlights	Description
Sustainable service delivery with limited financial resources	The Municipality is committed to render sustainable services to all its residents with the limited cash reserves
Strive to achieve "Clean Audit Status"	Emthanjeni Municipality is committed to improve its audit opinion status that will lead to the achievement of clean audit status
Improved spending on conditional grants	The office of the Chief Financial Officer and Infrastructure will ensure that conditional grants have been spent optimally

Table 11: Financial Viability Highlights

1.4.2 Financial Viability Challenges

The table below specifies the financial viability challenges for the year:

Challenge	Action to address
Non-payment of municipal services by municipal consumers impacts negatively on service delivery	The payment percentage decreases month to month. Stricter implementation of the Credit Control Policy must be applied
Payment of Creditors	Enhancement of financial management principals should lead to greater efficiency of cash flow
Slow and Improper mSCOA Implementation	System developers are not fully mSCOA compliant which impacts negatively on the operations of the Municipality. Staff will attend informative training for the various financial management modules and systems
Negative cash flow position experienced by the Municipality	Proper cash flow management will be adhered to in combination with the credit control implementation

Table 12: Financial Viability Challenges

1.4.3 National Key Performance Indicators - Municipal Financial Viability and Management (Ratios)

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators (KPI's) required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area (KPA's) namely Municipal Financial Viability and Management.

KPA & Indicator	2018/19	2019/20
Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2020 ((Total operating revenue-operating grants received)/debt service payments due within the year))	4.39%	0.11%
Financial viability measured in terms of the outstanding service debtors as at 30 June 2020 (((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	21.77%	27.66%
Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2020 (Available cash+ investments)/ Monthly fixed operating expenditure)	-0.83%	-0.86%

Table 13: National KPI's for Financial Viability and Management

1.5 AUDITOR-GENERAL REPORT

1.5.1 Audited Outcomes

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence. In short, the Auditor-General checks the spending of public money by looking at whether it has been used ideally and for the purposes intended. This is done by annually checking all government spending. In turn, this can be described as an audit.

The Auditor-General's annual audit examines 3 areas:

- Fair presentation and absence of significant misstatements in financial statements

- Reliable and credible performance information for predetermined objectives
- Compliance with all laws and regulations governing financial matters

There can be 5 different outcomes to an audit, once the Municipality has submitted their financial statements to the Auditor-General, which can be simply defined as follow:

- **A clean audit:** The financial statements are free from material misstatements and there are no material findings on reporting on predetermined objectives or non-compliance with legislation.
- **Unqualified audit with findings:** The financial statements contain material misstatements. Unless they express a clean audit outcome, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.
- **Qualified audit opinion:** The financial statements contain material misstatements in specific amounts, or insufficient evidences for them to conclude that specific amounts included in the financial statements are not materially misstated.
- **Adverse Audit Opinion:** The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.
- **Disclaimer of Audit opinion:** The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.

The table below indicates the audit opinion received for the past four financial years:

Year	2016/17	2018/19	2019/20
Opinion received	Unqualified	Qualified	Qualified

Table 14: *Opinion Received*

1.6 2019/20 INTEGRATED DEVELOPMENT PLAN (IDP)/BUDGET PROCESS

The table below provides details of the 2019/20 IDP/Budget process:

No.	Activity	Responsible person	Date
Pre-budgeting processes/tasks			
	Planning & strategising		
A.	Submission of budget schedule & IDP review process to the Mayor	MM & CFO	16 August 2019
1.1	Appoint Budget Task Team for the compilation of 2019/20 capital & operating budget	MM	30 August 2019
1.2	Verifying income and expenditure sources	CFO	11 November 2019
1.3	Investigate DORA for allocations	CFO	15 October 2019
1.4	Evaluate possible roll over capital projects	MM	16 December 2019
1.5	Issuing of budget guidelines and other departmental budget submission guidelines	CFO	20 September 2019
1.6	Preparing of programme for IDP steering committee & community involvement meetings	Mayor & MM	16 October 2019

No.	Activity	Responsible person	Date
1.7	Negotiation of new contracts and renegotiation of expired contracts that will expire during the period to 30 September 2019 with supplies and other service providers	MM, CFO, HOD's	27 September 2019
1.8	Requesting budgetary input, suggestions, recommendations, possible sources of revenue from HOD's for respective departments.	MM & HOD's	27 September 2019
1.9	Calculate, investigate & identify over- and under spending on votes, departments	CFO & HOD's	13 December 2019
1.10	Finalization of IDP preliminary budget format	MM & HOD's	Continuous
1.11	Finalize outlay of budget on spreadsheets as prescribe according to National Treasury & MFMA	MM, HOD's	Continuous
1.12	Proper record keeping of all activities within the pre-budgeting processes	MM & HOD's	Continuous
Community participation process			
2.1	IDP Steering committee meeting <ul style="list-style-type: none"> - First IDP input meeting - Sector departments alignment meeting - Review IDP meeting - Final prioritizing and sector departments meeting 	Mayor, MM	27 September 2019 15 October 2019 25 November 2019 3 February 2020
2.2	Community IDP and budget input meetings 1. Combined ward committee meetings: All 8 wards	Mayor, WC, Councilors, MM	4 October 2019
2.3	Community IDP and budget meetings <ul style="list-style-type: none"> I. Input Meeting: Ward 1 II. Input Meeting: Ward 2 III. Input Meeting: Ward 3 IV. Input Meeting: Ward 4 V. Input Meeting: Ward 5 VI. Input Meeting: Ward 6 VII. Input Meeting: Ward 7 VIII. Input Meeting: Ward 8 VIII. Input Meeting: Business community, agricultural community, NGO's 	Mayor, WC, MM & CFO	Between 9 October 2019 to 12 October 2019
2.4	Performance Management Input Meetings	Mayor, MM	17 October 2019
2.5	IDP sectoral meeting with Pixley ka Seme District Municipality, regional government departments	Mayor, WC, Exco, Cllrs, MM & HOD's	10 February 2020
2.6	Community IDP & budget report back meetings <ul style="list-style-type: none"> IX. Report back Meeting: Ward 1 X. Report back Meeting: Ward 2 XI. Report back Meeting: Ward 3 XII. Report back Meeting: Ward 4 XIII. Report back Meeting: Ward 5 XIV. Report back Meeting: Ward 6 XV. Report back Meeting: Ward 7 XVI. Report back Meeting: Ward 8 XVII. Review Meetings XVIII. Final Prioritizing Meetings 	Mayor, WC, Exco, Cllrs, MM & HOD's	Between 3 April 2019 to 17 May 2019
2.7	Performance Audit Committee Meetings <ul style="list-style-type: none"> i. Report back meetings ii. Review meetings iii. Final prioritizing meetings 	Mayor, MM and PMS Steering Committee	10 October 2019
Budget preparatory process			
3.1	Draw up current staff budget according to NT	MM & HOD's	26 September 2019
3.2	Evaluate and record proposals and report back from HOD's	MM, CFO & HOD's	18 October 2019

No.	Activity	Responsible person	Date
3.3	Determine and calculate redemption and fiancé costs for 2019/2020 budget fin year	CFO	27 September 2019
3.4	Preparations of Budgeted Yearly Income and Expenditure levels, and Proposed Draft tariffs	CFO	4 November 2019
3.5	Record all inputs received from IDP forums, communities, ward committees and other stakeholders	Mayor, Cllrs, MM, CFO	18 October 2019
3.6	Compile first draft budgeted Inc & Exp	CFO	13 December 2019
3.7	Compile first draft with budgeted capital projects and financing source of projects that links with IDP projects, including Draft DSBIP	Mayor, MM & CFO	11 November 2019
3.8	Distribute first draft of budget to Mayor, Exco Members, Cllrs, MM, HOD's	Mayor, MM. HOD's	18 November 2019
3.9	Budget Monitoring Meeting with Technical Steering Committee	Mayor, MM & HOD's	20 November 2019
3.10	Setting of strategic objectives for the next MTEF period	Mayor, Council & MM	18 October 2019
Budgetary policies			
4.1	Finalization of tariff policies <ul style="list-style-type: none"> i. Personnel related policies ii. Rates Policy iii. Electricity Policy iv. Water & Sanitation Policy v. Credit Control Policy vi. Indigent Policy Other Services polices	Mayor, Exco, MM, CFO & HOD's	16 March 2020
4.2	Finalization IDP Review document	Mayor, MM	7 March 2020
4.3	Finalization of strategic policies documents such as <ul style="list-style-type: none"> - LED Policy - Spatial Development Policy(unlikely) - Tourism Policy - Transport Policy (do we need one?) Other strategies policies	MM	7 March 2020
4.4	Finalization of compilation of business plan for submission to government dept. and private institutions	MM	7 March 2019
4.5	Application of electricity tariffs increment with NERSA	MIS & CFO	29 November 2019
5.	Budget Approval Process	Mayor & MM	29 May 2020
Tabling of budget			
5.1	Submission of Revised Integrated Development Planning to Mayor	MM	13 March 2020
5.2	Submit first draft of 2019/20 Capital and Operating Budget to Mayor	MM, CFO	16 March 2020
5.3	Tabling of Draft 2019/20 Capital and Operating Budget to Council	Mayor	30 March 2020
5.4	Tabling of Budgetary Policies to Council	Mayor	30 March 2020
5.5	Tabling of Final 2019/20 Capital and Operating Budget	Mayor	29 May 2020
5.6	Submission of SDBIP to Mayor	MM	5 June 2020
Approval of budget and policies			
6.1	Approval of Revised Integrated Development Planning	Council	29 May 2020
6.2	Approval of Budgetary Policies <ul style="list-style-type: none"> i. Budget Policy ii. Personnel related policies iii. Rates Policy iv. Electricity Policy 	Council	29 May 2020

No.	Activity	Responsible person	Date
	v. Water & Sanitation Policy vi. Credit Control Policy vii. Indigent Policy Other Services policies		
6.3	Approval of Tariffs i. Rates Tariffs ii. Water Tariffs iii. Electricity Tariffs iv. Sewerage Tariffs v. Refuse Tariffs Secondary tariffs as indicated in the list of tariffs	Council	29 May 2020
6.4	Approval of Budgets i. Capital Budget for 2020/21 Operating Budget for 2020/21	Council	29 May 2020
6.5	Approval of SDBIP	Council	10 June 2020
Finalizing			
7.1	Approval of SDBIP	Mayor	10 June 2020
7.2	Submission of Approval Budget and SDBIP to - National Treasury, PT & RT - SALGA - COGTA - Pixley Ka Seme	MM	12 June 2020
7.3	Publication of high-level summary budget & SDBIP i. Website ii. Local newspaper iii. Hand copies	MM	12 June 2020

Table 15: 2019/20 IDP/Budget Process

CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

2.1 NATIONAL KEY PERFORMANCE INDICATORS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following table indicates the Municipality's performance in terms of the National KPI required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and Section 43 of the Municipal Systems Act (MSA) (Act 32 of 2000) . This key performance indicator is linked to the National KPA - Good Governance and Public Participation.

Indicator	Municipal achievement	Municipal achievement
	2018/19	2019/20
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan (After roll-over projects)	43.74%	80.00%

Table 16: National KPIs - Good Governance and Public Participation Performance

2.2 GOVERNANCE STRUCTURE

2.2.1 Political Governance Structure

The Council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Mayor and the Executive Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, councillors are actively involved in community work and the various social programmes in the municipal area.

a) Council

The Emthanjeni Local Municipal Council comprises of 15 elected councillors, made up out of 8 ward councillors and 7 proportional representation councillors. The portfolio committees are made up of councillors drawn from all political parties. Below is a table that categorised the councillors within their specific political parties and wards for the 2019/20 financial year:

Name of Councillor	Capacity	Political Party	Ward representing or proportional
S Sthonga	Mayor	ANC	Proportional Councillor
M Kivedo	Speaker	ANC	Proportional Councillor
R Faul	Chief Whip	ANC	Ward Councillor (Ward 1)
D Vanel	Councillor	ANC	Ward Councillor (Ward 2)
N Mkontwana	Councillor	ANC	Ward Councillor (Ward 3)
P Van Wyk	Councillor	ANC	Ward Councillor (Ward 4)
W du Plessis	Councillor	DA	Ward Councillor (Ward 5)
L Andrews	Councillor	ANC	Ward Councillor (Ward 6)
L Billie	Councillor	ANC	Ward Councillor (Ward 7)
P Mhlauli	Councillor	ANC	Ward Councillor (Ward 8)
K Rust	Councillor	DA	Proportional Councillor
J Hoffman	Councillor	DA	Proportional Councillor
C Louw	Councillor	DA	Proportional Councillor
M Maramba	Councillor	EFF	Proportional Councillor
P Bushula	Councillor	DA	Proportional Councillor
*Councillor A Jafta (Resigned 28 January 2019)			

Table 17: Council 2019/20

b) Executive Committee

The Mayor of the Municipality, Councillor ST Sthonga assisted by the Executive Committee, heads the executive arm of the Municipality. The Mayor is at the centre of the system of governance, since **executive powers are vested in him to manage the day-to-day affairs**. He has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Committee, delegated by the Council, and as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Mayor operates in concert with the Executive Committee.

The name and portfolio of each member of the Executive Committee is listed in the table below for the period 1 July 2017 to 30 June 2018:

Name of member	Capacity
S Sthonga	Chairperson
N Mkontwana	Member
C Louw	Member

Table 18: Executive Committee 2019/20

c) Portfolio Committees

Section 80 Committees are permanent committees that specialise in a specific functional area of the Municipality and may in some instances make decisions on specific functional issues. They advise the Executive Committee on policy matters and make recommendations to Council. Section 79 Committees are temporary and appointed by the

Executive Committee as needed. They are set up to investigate a particular issue and do not have any decision-making powers. Similar to Section 80 Committees, they can make recommendations to Council. Once their *ad hoc* task had been completed, Section 79 Committees are disbanded. External experts and councillors can be included on Section 79 Committees.

The portfolio committees for the 2016/22 mayoral term and their chairpersons are as follow:

Corporate and Human Resource Services Committee	
Chairperson	Other members
N Mkontwana	D Vanel
	M Maramba
Infrastructure Services Committee	
Chairperson	Other members
S Sthonga	P van Wyk
	K Rust
Municipal Public Accounts Committee	
Chairperson	Other members
L Billie	P Mhaulti
	P Bushula
Rules Committee	
Chairperson	Other members
M Kivedo	R Faul
	M Maramba
	W du Plessis

Table 19: Portfolio Committees

d) Political decision-taking

Section 53 of the MSA stipulates inter alia that the respective roles and areas of responsibility of each political structure and political once bearer of the Municipality and of the Municipal Manager must be defined. The section below is based on the Section 53 role clarification that was approved at the council meeting of May 2011.

Municipal Council

- governs by making and administrating laws, raising taxes and taking decisions that affect people's rights
- is a tax authority that may raise property taxes and service levies
- is the primary decision maker and takes all the decisions of the Municipality except those that are delegated to political structures, political once bearers, individual councillors or officials
- can delegate responsibilities and duties for the purposes of fast and effective decision making;
- must strive towards the constitutional objects of local government
- must consult the community with respect to local government matters
- is the only decision maker on non-delegated matters such as the approval of the IDP and budget

Mayor

- is the executive and political leader of the Municipality and is in this capacity supported by the Executive Committee
- is the social and ceremonial head of the Municipality
- must identify the needs of the Municipality and must evaluate progress against key performance indicators
- is the defender of the public's right to be heard
- has many responsibilities with respect to the annual budget, the budget process, budget control and various other financial matters
- Performs the duties and exercise the responsibilities that were delegated to him by the Council

Executive Committee

- its members are elected by the Mayor from the ranks of councillors
- its functional responsibility area is linked to that of the Mayor to the extent that he must operate together with the members of the Executive Committee
- its primary task is to assist the Mayor in the execution of his powers - it is in fact an "extension of the once of Mayor"
- the committee has no powers of its own - decision making remains that of the Mayor

2.2.2 Administrative Governance Structure

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the management team, whose structure is outlined in the table below:

Name of Official	Department
I Visser	Municipal Manager
MF Manuel	Financial Services
T Msengana	Corporate Services
H Joka	Community Services
MJV Owies	Infrastructure Services

Table 20: Administrative Governance Structure

COMPONENT B: INTERGOVERNMENTAL RELATIONS

In terms of the Constitution of South Africa, all spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another; inform and consult one another on matters of common interest; coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

2.3 INTERGOVERNMENTAL RELATIONS

2.3.1 Intergovernmental Structures

To adhere to the principles of the Constitution as mentioned above the Municipality participates in the following intergovernmental structures:

Name of structure	Members	Outcomes of engagements/topics discussed
Technical/Political IGR	Mayor	Political oversight
Safety Forum	Ward councillors and Special Program Coordinator	Abuse of women and children
Provincial Tourism Forum	Manager Development	Promotion of municipalities as tourism destinations
Local Economic Development Forum	Manager Development and Local Economic Development Officer	Promoting local economic development within municipalities
Integrated Development Plan Provincial Engagement	Manager Development and Local Economic and Integrated Development Plan Officer	Alignment of provincial planning
Municipal Managers Forum	Municipal Manager	Sharing of good practices
Communicators Forum	Manager Mayors Office	Telling of government good story
SALGA working groups	Councillors and officials	Capacitating of councillors and officials
Chief Financial Officer Forum	Chief Financial Office	Discussions on MFMA
Record Management Forum	Records Manager and Chief Registry Clerk	Sharing of information and capacitating of officials
Speakers Forum	Speaker	Functioning of political structure
Municipal Public Account Committee	MPAC Chairperson and Speaker	Check and balance of council operations, accountability of administrations
Infrastructure Forum	Director Infrastructure Service	Implementation of infrastructure programs
Expanded Public Works Program Forum	Director Infrastructure Service & Civil Technician	Implementation of Expanded Public Works Programme (EPWP) project
District and Local AIDS Forum	Councillors, Special Program Coordinator and Outreach Officer	HIV/AIDS awareness and educational programs
Renewable Energy Conference Working Group	Director Corporate Services and Manager Development	Renewable Energy Conferences focusing on the benefits for the province and municipality from these projects
Transport Logistic Hub Steering Committee	Director Corporate Services and Manager Development	Possibility of establishing a PPP for construction of logistic hub
SDF Forum	Skills Development Facilitator	Coordination of skills development programs

Name of structure	Members	Outcomes of engagements/topics discussed
HR Practitioner's Forum	Director Corporate Services	Sharing of best practices and case laws
Librarians Forum	Chief Librarian	Sharing of Best Practices

Table 21: *Intergovernmental Structures*

2.3.2 Joint projects and functions with Sector Departments

All the functions of government are divided between the different spheres namely national, provincial and local. The Municipality therefore share their area and community with other spheres of government and their various sector departments and has to work closely with national and provincial departments to ensure the effective implementation of various projects and functions. The table below provides detail of such projects and functions:

Name of project/ function	Expected outcome of the Project	Sector department involved	Contribution of sector department
District War Room	Poverty reduction	Social Development	Coordination of meeting and training of councillors
District Aids Council	HIV/AIDS prevention	District Municipality	Training and administrative support
Crime Prevention	Crime prevention	Department of Transport Safety and Liaison	Training and administration support

Table 22: *Joint Projects and Functions*

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- the preparation, implementation and review of the IDP
- establishment, implementation and review of the performance management system
- monitoring and review of the performance, including the outcomes and impact of such performance
- preparation of the municipal budget

2.4 PUBLIC MEETINGS

2.4.1 Ward Committees

The ward committees support the ward councillor who receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the Municipality constantly strives to ensure that all ward committees function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities.

a) Ward 1: Montana, Kareeville, Sunrise and Klein Kareeville

Name of representative	Capacity representing
A Minaar	Religious
B Sight	Women
C Ferris	Women
M Groep	Youth
J Fredericks	Business
J Hoogstander	Women
A Louw	Women

Table 23: Ward 1 Committee Members

b) Ward 2: Residencia, New Bright, Happy Valley, Extension 20, Extension 7 and Macarena

Name of representative	Capacity representing
L Mitchell	Women
M Kock	Women
M De Wee	Older persons
D Tiger	Youth
H Makae	Women
J Rooi	Women
M Mackay	Youth

Table 24: Ward 2 Committee Members

c) Ward 3: Nonzwakazi, Portion of Waterdal

Name of representative	Capacity representing
N Nonzapa	Women
N Kwindla	Youth
N Sijeku	Youth
C Mangoali	Women
T Dyushu	Man
N Dyushu	Youth
Z Jacobs	Older Person
V Monna	Youth

Name of representative	Capacity representing
P Sgonyela	Women

Table 25: Ward 3 Committee Members

d) Ward 4: Barcelona, Malay camp, Leeuwenshof & Portion of Nonzwakazi and Mtwana

Name of representative	Capacity representing
M Webb	Women
J Johnson	Youth
L Henge	Women
N Godlo	Older Persons (Disable)
N Brandt	Youth
N Ndzunga	Women
E Sigonyela	Men

Table 26: Ward 4 Committee Members

e) Ward 5: Portion of town Area and Louisville

Name of representative	Capacity representing
E Kammies	Older Person
W Hendricks	Women
L Burgue	Youth
P Holstruis	Youth
B Eiman	Youth
M Booysen	Women
J Hendricks	Youth
M Louw	Women

Table 27: Ward 5 Committee Members

f) Ward 6: Kwezi, Nompumelelo, Joe Slovo Park, Tornadoville, Hanover(town)

Name of representative	Capacity representing
P Siyoko	Religious
N Sthonga	Youth
D Holland	Agriculture
R Sestile	Older Person
B Nkumbi	NGO (Creche)
M Lotriet	Women
V Bathwali	Sector Departments
A Harmse	Farmer
B Mali	Youth
E Tys	Youth

Table 28: Ward 6 Committee Members

g) Ward 7: Jansenville, Mziwabantu, Britstown(town), Proteaville

Name of representative	Capacity representing
M Seekoei	Youth
C Eland	Women
S Mathews	Women
M Du Preez	Older Persons
L Baartman	Farmer
M Du Preez	Older Persons
L Baartman	Farmer
W Eland	Youth
L Dawids	Older Person
N Mdebuka	Women

Table 29: Ward 7 Committee Members

h) Ward 8: Portion of Nonzwakazi, Waterdal and Portion of Town Area

Name of representative	Capacity representing
T Louw	Youth
A Jonas	Youth
T Tokwana	Older Persons
M Paul	NGO
X Mafilika	Women
L Madyoli	Older Person
P Vywer	Women
E Lakay	Youth

Table 30: Ward 8 Committee Members

2.4.2 Representative Forums

a) Labour Forum

The table below specifies the members of the Labour Forum for the 2019/20 financial year:

Name of representative	Capacity
N Mkontwana	Chairperson (employer)
S Sthonga	Employer
W Du Plessis	Employer
L Andrews	Employer
B Kondile	Vice Chairperson (worker)
R Loliwe	Member (Samwu)
V Ngqolo	Member (Samwu)
L Oliphant	Member (Samwu)

Name of representative	Capacity
M Bezuidenhout	Member (Samwu)
C Maritz	Member (Imatu)
V Mkozana	Member (Imatu)

Table 31: Labour Forum

COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

2.5 RISK MANAGEMENT

In terms of Section 62(1)(c)(i) of the MFMA *“the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure- that the municipality has and maintains effective, efficient and transparent systems - of financial and risk management and internal control;”...*

The management of risk is the process by which the Accounting Officer, Chief Financial Officer and the other senior management of a Municipality will pro-actively, purposefully and regularly, but at least annually, identify and define current as well as emerging business, financial and operational risks and identify appropriate, business and cost-effective methods of managing these risks within the Municipality, as well as the risk to the stakeholders.

The Risk Policy addresses key elements of the implementation and maintenance of the Risk Management Framework for the management of risks within defined risk/return parameters, risk appetite and tolerances, as well as Risk Management Standards. It provides a framework for the effective identification, evaluation, management measurement and reporting of the Municipality's risks.

The objective of the Risk Policy is to ensure that a strategic plan is developed that should address the following:

- An effective risk management architecture
- A reporting system to facilitate risk reporting
- An effective culture of risk assessment

The role of the service departments is to identify, review and manage their risks on an ongoing basis, making risk management an integral or natural part of the organisational processes and procedures. Risk management should be embedded in the organisation, since it is an intrinsic part of business planning and decision making - there is no direction taken without looking at potential risks.

The table below include the top 10 risks of the Municipality:

Risk	Current Controls	Residual Risk Exposure	Risk Owner	Action Plans	Action Plan Date
Insufficient security measures at vehicle testing station	Install lockable doors, CCTV	High	Director Community Services	Alarm system, burglar doors, security light	2020/21
Unauthorised, irregular, and fruitless expenditure	Consequence management. Include UIF in the KPA's and MPAC Develop UIF register	Medium	MFS/CFO	Enforcement and monitoring of the Procurement Plan	Ongoing
Misuse of council vehicles	Fleet Policy reviewed			Consequence management, transport officer, standard logbook	Ongoing
Fraud and corruption	Delegations, Financial Misconduct Board, SCM checklist, Fraud Prevention Plan, Internal Auditors, Internal controls	Medium	Director Corporate Services	Review Fraud Prevention Plan	30 August 2019
Tampering of electricity meters by communities	No bypass of meters. Replacement of PT1 meters to the conlog type and meter seals are being replaced with LGM type. Penalties charged for bypassing and case is open to the affected employees	Medium	Director Infrastructure	Follow-up on all replaced meters and spot check the staff and community members	Ongoing
Loss of electrical supply to consumers	Maintenance programme reviewed weekly by manager	High	Director Infrastructure	<ul style="list-style-type: none"> Continuous awareness campaigns Use of newsletters and websites Standing item on Council meets people sessions 	2020/21
Illegal dumping	Purchased an extra front loader. Monitor illegal dumping sites using a list. Creating small landfill site. Peace officers and UHURU from Northern Cape Department of Environment and Nature	Medium	Director Community Services	<ul style="list-style-type: none"> Intensify awareness campaigns 	Ongoing

Risk	Current Controls	Residual Risk Exposure	Risk Owner	Action Plans	Action Plan Date
	Conservation (DE NC) Regular cleaning campaigns				
Asset register not timeously updated and maintained	Asset verification and assessment conducted bi-annually	Medium	Director Financial Services	<ul style="list-style-type: none"> Proper communication of the Asset Management Policy Officials to inform finance of movements of assets in order to update the register 	2020/21
Inadequate management on health and safety	Health and Safety Policy. Health and Safety Committee	High	Director Corporate Services	Ensure committee is functional. Perform Occupational Health and Safety (OHS) risk assessment. Designated health and safety responsibilities to an official	30 November 2019
Under recovery of budgeted revenue	Consumer accounts, cut-off of electricity. Debt collection	High	Director Financial Services	Intensify payment awareness campaigns. Continuous disconnection of electricity. Municipality to intensify debt collection	Ongoing

Table 32: Top Ten Risks

The role of the Risk Committee is to provide a timely and useful enterprise risk management report to the Audit Committee of the Municipality. The report contains the current top risks of the Municipality, which includes:

- The key strategic and financial risks facing the Municipality (all extreme and high-risk exposures)
- The key operational risks per strategic goal (top 5 risks per objective as per risk exposure from high to low)

Further details of the roles of the Risk Committee is included in the approved Risk Committee Charter.

The Risk Committee consists of the following members:

Name of Committee Member	Capacity	Meeting Date
M Ludwick	CFO	No meetings held during the year
T Msengana	Director Corporate Services	
Z Mtwana	Risk Officer	
M Joka	Acting Director Community Services	
M Owies	Director Technical Services	

Table 33: Risk Committee

2.6 ANTI-CORRUPTION AND ANTI-FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the MFMA, Section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favoritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

a) Developed Strategies

Name of strategy	Developed (Yes/No)	Date Adopted
Fraud and Corruption Policy	Yes	26 September 2019

Table 34: *Strategies*

b) Implementation of Strategies

Strategies to implement	Key Risk Areas	Key measures to curb corruption and fraud
Structural Strategies	Infrastructure Finance Human Resource Department Community Services	Risk Management Internal Audit An ethical culture Employee Awareness Assessment of fraud and Corruption Risk Management
Operational Strategies	Infrastructure Finance Human Resource Department Community Services	Internal Controls Prevention Strategies Detection Strategies Response Strategies
Maintenance Strategies	Infrastructure Finance Human Resource Department Community Services	Review the effectiveness of the Anti-Corruption and Fraud Prevention plan.

Table 35: *Implementation of the Strategies*

2.7 AUDIT COMMITTEE

Section 166(2) of the MFMA states that an Audit Committee (AC) is an independent advisory body which must -

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to -

- internal financial control
- risk management
- performance management
- effective governance

The AC have the following main functions as prescribed in Section 166 (2)(a-e) of the MFMA and the Local Government Municipal Planning and Performance Management Regulation (Reg 796):

a) Functions of the AC

- To advise the Council on all matters related to compliance and effective governance
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DoRA) and other applicable legislation
- Respond to the Council on any issues raised by the Auditor-General in the audit report
- To review the quarterly reports submitted to it by the internal audit
- To evaluate audit reports pertaining to financial, administrative and technical systems
- The compilation of reports to Council, at least twice during a financial year
- To review the performance management system and make recommendations in this regard to Council
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimised
- To review the annual report of the Municipality
- Review the plans of the internal audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available
- Provide support to the internal audit function
- Ensure that no restrictions or limitations are placed on the internal audit section
- Evaluate the activities of the internal audit function in terms of their role as prescribed by legislation

b) Members of the AC

The following table indicates the members of the AC:

Name of representative	Capacity
F. Fillies	Chairperson
NR Ngubo	Member
C Delaney	Member
NJS van der Merwe	Member

Table 36: *Members of the Audit Committee*

2.8 PERFORMANCE AUDIT COMMITTEE

The Municipal Planning and Performance Management Regulation require that the Performance Audit Committee (PAC) is comprised of a minimum of three members. Section 14(2) (b) of the Regulations further stipulates that the performance audit committee must include at least one person who has expertise in performance management. It is a requirement of the Regulations in Section 14(2)(d) that the Council of a municipality designate neither a member of the PAC who is neither a Councillor nor an employee of the Municipality as the chairperson of the committee.

In terms of Section 166(4)(a) of the MFMA, an AC must consist of at least three persons with appropriate experience, of who the majority may not be in the employ of the Municipality.

Section 166(5) of the MFMA, requires that the members of an AC must be appointed by the Council of the Municipality. One of the members, not in the employ of the Municipality, must be appointed as the chairperson of the committee. No Councillor may be a member of an AC.

Section 14(3)(a) of the Regulations requires that the PAC of a Municipality must meet at least twice during each financial year. However, additional special meetings of the PAC may be called for by any member of the committee, where sufficient justification exists in terms of Section 14(3)(b) of the Regulations.

a) Functions of the PAC

In terms of Section 14(4)(a) of the Regulations the PAC has amongst others the responsibility to -

- i) review the quarterly reports produced and submitted by the internal audit process
- ii) review the Municipality's performance management system and make recommendations in this regard to the Council of the Municipality
- iii) at least twice during each financial year submit a performance audit report to the Council of the Municipality

b) Members of the PAC

The following table indicates the members of the PAC:

Name of representative	Capacity
I Visser	Municipal Manager
F Fillies	Audit Committee Chairperson
ST Sthonga	Infrastructure Committee Chairperson
NP Mkontwana	Community and Corporate Service Committee Chairperson

Table 37: *Members of the Performance Audit Committee*

2.9 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, 1996 and other statutory enactments all impose an obligation on local government and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the municipality's programme for the year. Below is a communication checklist of the compliance to the communication requirements:

Communication activities	Yes/No
Functional complaints management system	Yes
Customer satisfaction survey	No

Table 38: *Communication Activities*

Newsletters

Type of Newsletter	Distributed
Internal	No
External	No

Table 39: *Newsletter*

Additional Communication Channels Utilised

Channel	Yes/No
SMS system	Yes
Call system and WhatsApp	Yes
Facebook	Yes
Flyers	Yes

Table 40: *Additional Communication Channels Utilised*

2.10 WEBSITE

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and Section 21(a-b) of the MSA as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality's communication strategy.

The table below gives an indication about the information and documents that are published on our website.

Description of information and/or document	Yes/No
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the MFMA)	
Draft Budget 2019/20	Yes
Adjusted Budget 2019/20	Yes
Asset Management Policy	Yes
Customer Care, Credit Control & Debt Collection Policy	Yes
Indigent Policy	Yes
Investment & Cash Management Policy	Yes
Rates Policy	Yes

Description of information and/or document	Yes/No
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes
Travel and Subsistence Policy	Yes
SDBIP 2019/20	Yes
Budget and Treasury Office Structure	Yes
Integrated Development Plan and Public Participation (Section 25(4)(b) of the MSA and Section 21(1)(b) of the MFMA)	
Reviewed IDP for 2019/20	Yes
IDP Process Plan for 2019/20	Yes
Supply Chain Management (Sections 14(2), 33, 37 & 75(1)(e)&(f) and 120(6)(b) of the MFMA and Section 18(a) of the National SCM Regulation)	
List of capital assets that have been disposed	Yes
Long term borrowing contracts	Yes
SCM contracts above R30 000	Yes
Section 37 of the MFMA; No 56 of 2003 (Unsolicited Bids/Contracts)	Yes
Public invitations for formal price quotations	Yes
Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the MFMA)	
Annual Report of 2018/19	Yes
Oversight reports	Yes
Mid-year budget and performance assessment	Yes
Quarterly Reports	Yes
Monthly Budget Statement	Yes
Local Economic Development (Section 26(c) of the MSA)	
Local Economic Development Strategy	Yes
LED Policy Framework	Yes
Economic Profile	Yes
LED Projects	Yes
Performance Management (Section 75(1)(d) of the MFMA)	
Performance Agreements for employees appointed as per S57 of the MSA	Yes

Table 41: Website Checklist

CHAPTER 3

This chapter provides an overview of the key service achievements of the Municipality that came to fruition during 2019/20 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP.

3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

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

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

3.1.1 Legislative Requirements

The Constitution of the RSA, Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195(1) are also linked with the concept of performance management, with reference to the principles of *inter alia*:

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

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

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities. This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

In terms of Section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with the performance of the previous financial year. The report must, furthermore, indicate the

development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

3.1.2 Organisational Performance

Strategic performance indicates how well the Municipality is meeting its objectives and whether policies and processes are working effectively. All government institutions must measure and report on their strategic performance to ensure that service delivery is done in an efficient, effective and economical manner. Municipalities must therefore develop strategic plans and allocate resources for the implementation. The implementation of the plans must be monitored on an on-going basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the Municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the strategic objectives and performance on the National Key Performance Indicators (KPI's) as prescribed in terms of Section 43 of the MSA.

3.1.3 Performance Management System

The Municipality continues to implement performance in terms of the performance management framework that was approved by Council in January 2011.

3.1.4 The IDP and the Budget

The IDP and the main budget for 2019/20 was approved by Council in May 2019. As the IDP and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

In terms of the performance management framework, the Mayor approved the Top Layer Service Delivery Budget Implementation Plan (SDBIP) in June 2019. The Top layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The indicators in the Top Layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.

The actual performance achieved in terms of the KPI's was reported on quarterly. The indicators and targets were adjusted after the finalisation of the previous year budget and mid-year budget assessment. The Top Layer SDBIP was revised with the adjustments budget in terms of Section 26(2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by Council. The performance agreements of the senior managers were compiled and revised in terms of the SDBIP indicators and the portfolio of evidence that support the actual targets reported.

3.1.5 Actual Performance

The Municipality utilizes an electronic web-based system on which KPI owners update actual performance monthly. KPI owners report on the results of the KPI by documenting the following information on the performance system:

- The actual result in terms of the target set

- A performance comment
- Actions to improve the performance against the target set, if the target was not achieved

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

3.1.6 Monitoring of the Service Delivery Budget Implementation Plan

Municipal performance is measured as follows:

- Quarterly reports were submitted to Council on the actual performance in terms of the Top Layer SDBIP
- Mid-year assessment and submission of the mid-year report to the Mayor in terms of Section 72(1)(a) and 52(d) of the Local Government MFMA to assess the performance of the Municipality during the first half of the financial year

3.1.7 Individual Performance Management

Performance management is prescribed in the MSA and the Municipal Planning and Performance Management Regulations, 796 of August 2001. Section 7(1) of the regulation states that “A Municipality’s Performance Management System entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the responsibilities of the different role players.” This framework, *inter alia*, reflects the linkage between the IDP, budget, SDBIP and individual and service provider performance.

a) Municipal Manager and Managers directly accountable to the Municipal Manager

The MSA prescribes that the municipality must enter into performance-based agreements with the all s57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2019/20 financial year was signed.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2018/19 financial year (1 January 2017 to 30 June 2018) took place on 30 September 2019 and the mid-year performance of 2019/20 (1 July 2017 to 31 December 2018) took place on 4 March 2019.

The appraisals were done by an evaluation panel as indicated in the signed performance agreements and in terms of Regulation 805 and consisted of the following people:

- Mayor
- Portfolio Councillor
- Municipal Manager
- Chairperson of the Audit Committee
- External Municipal Manager

3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2019/20

This section provides an overview of the key service achievements of the Municipality that came to fruition during 2019/20 in terms of the deliverables achieved against the strategic objectives of the IDP

3.2.1 Strategic Service Delivery Budget Implementation Plan (Top Layer)

This section provides an overview on the achievement of the Municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer SDBIP assists with documenting and monitoring of the Municipality's strategic plan and shows the strategic alignment between the IDP, budget and performance plans.

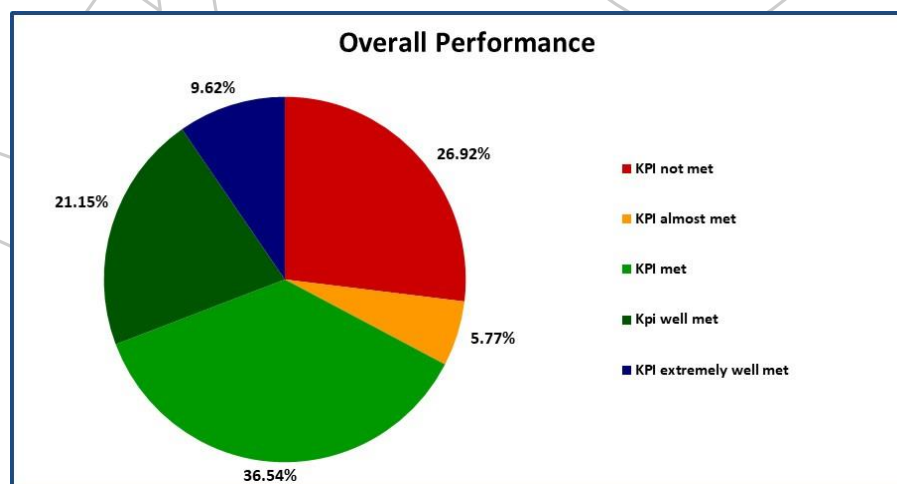
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI's applicable to 2019/20 in terms of the IDP strategic objectives.

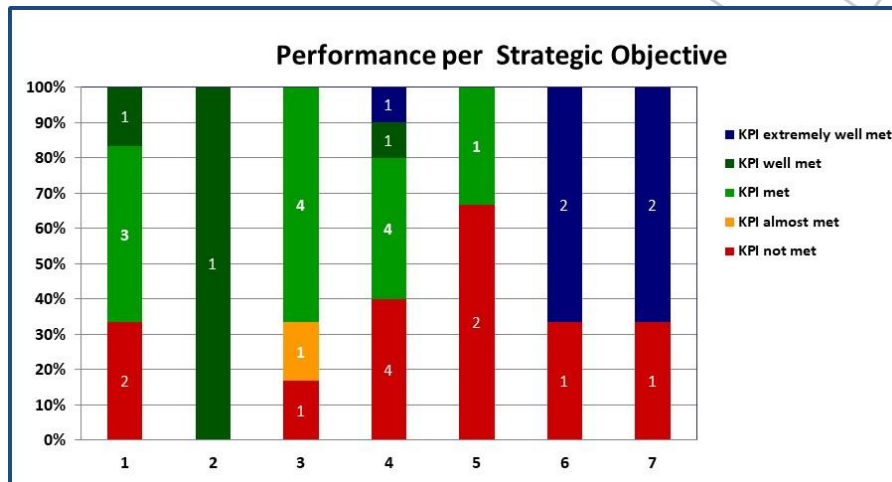
The following table explains the method by which the overall assessment of the actual performance against the targets set for the KPI's of the SDBIP are measured:

Category	Colour	Explanation
KPI Not Met	Red	0% > = Actual/Target < 75%
KPI Almost Met	Orange	75% > = Actual/Target < 100%
KPI Met	Green	Actual/Target = 100%
KPI Well Met	Dark Green	100% > Actual/Target < 150%
KPI Extremely Well Met	Blue	Actual/Target > = 150%

Figure 1: SDBIP Measurement Criteria

The overall performance results achieved by the Municipality in terms of the Top Layer SDBIP are indicated in the tables and graphs below:





Graph 2: Top Layer SDBIP per Strategic Objectives

Measure -ment Category	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7
	Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties	Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor	Development and transformation of the institution with the aim of capacitating the Municipality in meeting their objectives	Maintaining a financially sustainable and viable Municipality	Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality	Promote the equitable creation and distribution of wealth in Emthanjeni Municipal area	Provision of access to all basic services rendered to residents within the available resources
KPI Not Met	2	0	1	4	2	1	1
KPI Almost Met	0	0	1	0	0	0	0
KPI Met	3	0	4	4	1	0	0
KPI Well Met	1	1	0	1	0	0	0
KPI Extremely Well Met	0	0	0	1	0	2	2
Total	6	1	6	10	3	3	3

Table 42: Top Layer SDBIP per Strategic Objectives

a) Actual strategic performance for 2019/20 per strategic objective and corrective measures that will be implemented

i) *Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties*

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL11	70% of the maintenance budget for Community Halls spent by 30 June 2020 ((Actual expenditure divided by the approved budget)x100)	% of approved Community Halls maintenance budget spent	All	New KPI for 2019/20	5.00%	25.00%	60.00%	70.00%	70.00%	26.00%	R
Corrective action		Spending was affected by COVID-19 and also by the fact that District Municipality assisted with maintenance. Spending to be extended due to lockdown									
TL15	Sign a MOU with the Department of Defense by 30 June 2020 for support with fire brigade services	MOU signed by 30 June 2020	All	1	0	0	0	1	1	1	G
TL16	Review the disaster management plan that includes contingency plans and submit to Council by 30 June 2020	Disaster management plan reviewed and submitted to Council by 30 June 2020	All	1	0	0	0	1	1	1	G
TL21	Submit the draft By-law on Tuck Shops to Council by 30 June 2020	Draft By-law submitted Council	All	New KPI for 2019/20	0	0	0	1	1	1	G
TL22	70% of approved budget spent by 30 June 2020 for the upgrading of buildings and fencing in the Emthanjeni municipal area {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New KPI for 2019/20	0.00%	15.00%	0.00%	70.00%	70.00%	85.00%	G2
TL23	Submit a business plan to potential funders for the upgrading of the Fire Brigade by 30 June 2020	Business plan submitted by 30 June 2020	All	New KPI for 2019/20	0	0	0	1	1	0	R
Corrective action		Gather correct and relevant information that will assist to complete a proper business plan for the Fire Brigade Engine. Ensure that a proper business plan is formulated in 2020/21 financial year									

Table 43: *Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties*

ii) **Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL28	Provide free basic services to indigent households as at 30 June 2020	Number of indigent households receiving free basic services as at 30 June 2020	All	3 838	3 000	3 000	3 000	3 000	3 000	3 335	G2

Table 44: Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor

iii) **Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL2	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan by 30 June 2020	Number of people employed (newly appointed)	All	1	0	0	0	1	1	1	G
TL3	0.1% of the personnel budget spent on training as per the approved Skills Development Plan by 30 June 2020 [(Actual total training expenditure/total personnel budget)x100]	% of the personnel budget spent on training by 30 June 2020	All	0.08%	0.00%	0.00%	0.00%	0.10%	0.10%	0.09%	O
Corrective action		Training programs could not be implemented due to COVID-19 and the National Lockdown. Training will resume in 2020/21									
TL6	Review the EEP and submit to the Portfolio Committee by 30 June 2020	EEP reviewed and submitted to the Portfolio Committee by 30 June 2020	All	New KPI for 2019/20	0	0	0	1	1	1	G
TL7	Limit vacancy rate to 15% of budgeted posts by 30 June 2020 [(Number of funded posts vacant divided by budgeted funded posts)x100]	[(Number of funded posts vacant divided by budgeted funded posts)x100]	All	7.09%	0.00%	15.00%	0.00%	15.00%	15.00%	15.00%	G

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL8	Arrange a training sessions for all supervisors on general management by 30 June 2020	Number of training sessions held by 30 June 2020	All	2	0	0	0	1	1	1	G
TL14	Review the Delegation of Powers and submit to Council by 30 June 2020	Delegation of Powers reviewed and submitted to Council by 30 June 2020	All	1	0	0	0	1	1	0	R
Corrective action		Could not be completed due to COVID-19 and the National Lockdown. This will be completed in 2020/21									

Table 45: Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives

iv) Maintaining a financially sustainable and viable Municipality

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL30	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2020((Total operating revenue-operating grants received)/debt service payments due within the year))	Debt coverage	All	0.77	0	0	0	2.5	2.5	0.11	R
Corrective action		The non-payment of services needs to be tackled head-on in order to improve the ratio									
TL31	Financial viability measured in terms of the outstanding service debtors as at 30 June 2020 (((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% of outstanding service debtors	All	9%	0.00%	0.00%	0.00%	45.00%	45.00%	22.40%	B
TL32	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2020 (Available cash+ investments)/ Monthly fixed	Number of months it takes to cover fix operating expenditure with available cash	All	2	0	0	0	0.6	0.6	0.89	G2

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	operating expenditure)										
TL33	Submit the annual financial statements to the Auditor-General by 31 August 2019	Statements submitted to the AG by 31 August 2019	All	1	1	0	0	0	1	1	G
TL34	Achievement of a payment percentage of above 70% quarterly {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	Payment % achieved	All	97%	70.00%	70.00%	70.00%	70.00%	70.00%	22.40%	R
Corrective action		The payment percentage has declined over the past year. Credit control mechanisms need to be employed									
TL35	Prepare and submit the adjustments budget to Council by the 28 February 2020	Adjustment budget submitted by 28 February 2020	All	1	0	0	1	0	1	1	G
TL36	Prepare and submit the draft budget to Council by 31 March 2020	Draft budget submitted by 31 March 2020	All	1	0	0	1	0	1	1	G
TL37	Prepare and submit the final budget to Council by 31 May 2020	Final budget submitted by 31 May 2020	All	1	0	0	0	1	1	1	G
TL38	45% of approved budget spent by 30 June 2020 for MSCOA project compliance {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New KPI for 2019/20	0.00%	15.00%	0.00%	45.00%	45.00%	20.00%	R
Corrective action		The MSCOA budget was not spent due to the System Developer and the municipality not fully complying with an seamless integration system. The Municipality must investigate options to procure a System Developer that is MSCOA compliant									
TL39	30% of approved budget spent by 30 June 2020 for IT reform {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New KPI for 2019/20	0.00%	15.00%	0.00%	30.00%	30.00%	10.00%	R
Corrective action		The total budget was not spent due to cash flow position. Upon the improvement of cash position the IT procurement will be done									

Table 46: Maintaining a financially sustainable and viable Municipality

v) **Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni Municipality**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL1	Develop Risk based audit plan (RBAP) for 2020/21 and submit to the Audit Committee by 30 June 2020	RBAP for 2020/21 submitted to the Audit Committee by 30 June 2020	All	1	0	0	0	1	1	0	R
Corrective action		This process couldn't be finalise due to National Lockdown. To be concluded 2020/21									
TL12	Establish a risk committee by 31 March 2020	Risk Committee established by 31 March 2020	All	New KPI for 2019/20	0	0	0	1	1	1	G
TL13	Review the Risk Strategy and submit to the Risk Committee by 30 June 2020	Risk Strategy reviewed and submitted to the Risk Committee by 30 June 2020	All	New KPI for 2019/20	0	0	0	1	1	0	R
Corrective action		This process couldn't be finalise due to National Lockdown. To be concluded 2020/21									

Table 47: *Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni Municipality*

vi) **Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL4	Submit a business proposal to council for a key small regeneration programme by 30 June 2020	Business proposal submitted to council by 30 June 2020	All	2	0	0	0	1	1	3	B
TL10	Host a LED summit by June 2020	LED summit hosted by 30 June 2020	All	New KPI for 2019/20	0	0	0	1	1	0	R
Corrective action		LED Summit is cancelled due to COVID-19. This will be done in 2020/21									
TL40	Create temporary jobs - FTE's in terms of EPWP by 30 June 2020 (Person days / FTE (230 days))	Number of FTE's created	All	99	0	0	0	61	61	193	B

Table 48: *Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area*

vii) **Provision of access to all basic services rendered to residents within available resources**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL17	Conduct quarterly housing consumer education programs	Number of housing consumer education programs conducted	All	5	1	1	1	1	4	5	G2
TL18	Conduct a quarterly verification of the housing needs register	Number of verification of the housing needs register conducted	All	5	1	1	1	1	4	4	G
TL19	Review the Human Settlement Plan and submit to Council by 30 June 2020	Human Settlement Plan reviewed and submitted to Council by 30 June 2020	All	1	0	0	0	1	1	1	G
TL20	70% of the maintenance budget of waste management spent by 30 June 2020 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent ((Actual expenditure divided by the approved budget)x100)	All	100%	5.00%	25.00%	60.00%	70.00%	70.00%	90.00%	G2
TL24	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2020	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2020	All	8 081	8 000	8 000	8 000	8 000	8 000	8 000	G
TL25	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2020	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2020	All	8 945	7 000	7 000	7 000	7 000	7 000	7 000	G
TL26	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the	Number of residential properties which are billed for sewerage as at 30 June 2020	All	8 346	8 000	8 000	8 000	8 000	8 000	8 000	G

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	number of water closets (toilets) and billed for the service as at 30 June 2020											
TL27	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2020	Number of residential properties which are billed for refuse removal as at 30 June 2020	All	8 036	8 000	8 000	8 000	8 000	8 000	8 000	8 000	G
TL29	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2020 {(Actual amount spent on projects / Total amount budgeted for capital projects)X100}	% of capital budget spent by 30 June 2020	All	43.74%	0.00%	15.00%	0.00%	70.00%	70.00%	80.00%	80.00%	G2
TL41	70% of the water maintenance budget spent by 30 June 2020 ((Actual expenditure divided by the approved budget)x100)	% of approved water maintenance budget spent	All	33.15%	5.00%	25.00%	60.00%	70.00%	70.00%	64.41%	64.41%	O
Corrective action		Due to cashflow position, maintenance activities had to prioritised due to availability of cash										
TL42	Limit % water unaccounted for quarterly to 22% [(Number of Kilotres Water Purchased or Purified - Number of Kilotres Water Sold) / (Number of Kilotres Water Purchased or Purified) x 100]	% water unaccounted for	All	30.08%	0.00%	0.00%	0.00%	22.00%	22.00%	24.00%	24.00%	R
Corrective action		Water measurement in Hanover is challenging. The bulk water in Hanover must be re-examined										
TL43	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	% water quality level	All	100%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	G
TL44	70% of the waste water maintenance budget spent by 30 June 2020 ((Actual expenditure divided by the approved budget)x100)	% of approved waste water maintenance budget spent	All	19.85%	5.00%	25.00%	60.00%	70.00%	70.00%	94.22%	94.22%	G2
TL45	70% of the roads and stormwater maintenance budget spent by 30 June 2020 ((Actual	% of approved roads and stormwater maintenance budget spent	All	139.19%	5.00%	25.00%	60.00%	70.00%	70.00%	108.68%	108.68%	B

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	expenditure divided by the approved budget)X100)										
TL46	Limit % electricity unaccounted for to 18% by 30 June 2020 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) x 100]	% of electricity unaccounted for	All	17.64%	0.00%	0.00%	0.00%	18.00%	18.00%	14.82%	B
TL47	70% of the recreational and swimming pool maintenance budget spent by 30 June 2020 ((Actual expenditure divided by the approved budget)X100)	% of approved recreational areas and swimming pool maintenance budget spent	All	99.73%	5.00%	25.00%	60.00%	70.00%	70.00%	63.91%	O
Corrective action		Due to cashflow position, maintenance activities had to prioritised due to availability of cash									
TL48	70% of the electricity maintenance budget spent by 30 June 2020 ((Actual expenditure divided by the approved budget)x100)	% of approved electricity maintenance budget spent	All	63.93%	5.00%	25.00%	60.00%	70.00%	70.00%	86.67%	G2
TL49	70% of approved budget spent by 30 June 2020 for the upgrading of the Khwezi Sports Ground {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New KPI for 2019/20	0.00%	15.00%	0.00%	70.00%	70.00%	98.41%	G2
TL50	70% of approved budget spent by 30 June 2020 for the Stormwater Phase 3 {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	98%	0.00%	15.00%	0.00%	70.00%	70.00%	25.00%	R
Corrective action		The contractor ceased to continue with the execution of the contract. A new contractor must be appointed									
TL51	70% of approved budget spent by 30 June 2020 for the construction of Nonzwakazi and De Aar East High Mast - Ph1 {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	100%	0.00%	15.00%	0.00%	70.00%	70.00%	86.83%	G2

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2018/19	Overall Performance 2019/20						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL52	70% of approved budget spent by 30 June 2020 for the Waterdal refurbishment/upgrading of 6.6 KV to 11 KV Network {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New KPI for 2019/20	0.00%	15.00%	0.00%	70.00%	70.00%	16.58%	R
Corrective action		The conditional grant for the project was stop									
TL53	70% of approved budget spent by 30 June 2020 for the construction of Oxidation Ponds in Britstown {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New KPI for 2019/20	0.00%	15.00%	0.00%	70.00%	70.00%	100.00%	G2
TL54	70% of approved budget spent by 30 June 2020 for new vehicles {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New KPI for 2019/20	0.00%	15.00%	0.00%	70.00%	70.00%	0.00%	R
Corrective action		Acquisition of fleet did not happen during the financial year. The fleet has been rolled over to the 2020/21 financial year									

Table 49: Provision of access to all basic services rendered to residents within available resources

3.2.2 Service Providers Strategic Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- means a person or institution or any combination of persons and institutions which provide a municipal service to or for the benefit of the local community
- means an external mechanism referred to in Section 76(b) which provides a municipal service for a municipality
- service delivery agreement means an agreement between a municipality and an institution or person mentioned in Section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

During the year under review the Municipality did not appoint any service providers who provided a municipal service to or for the benefit of the local community on behalf of the Municipality and therefore this report contains no such details. All other contract appointments are regularly monitored and ensured, that the requirements of the contract are complied with.

3.2.3 Municipal Functions

a) Analysis of Functions

The table below indicates the functional areas that the Municipality are responsible for in terms of the Constitution:

Municipal Function	Municipal Function (Yes/ No)
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	Yes
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	No
Pontoons, ferries, jetties, piers and harbors, excluding the regulation of international and national shipping and matters related thereto	No
Stormwater management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes

Municipal Function	Municipal Function (Yes/ No)
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 50: *Functional Areas*

COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, includes details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

3.3 WATER PROVISION

3.3.1 Introduction to Water Services

Emthanjeni is totally dependent on groundwater (boreholes) and the effective and sustainable management thereof in order to provide a cost effective water supply is of the greatest importance to the Municipality. Received Water Services Infrastructure Grant (WSIG) funding for refurbishment of De Aar boreholes. The Water Conservation/Water Demand Management (WCWDM) strategies are aimed at limiting water losses in order to keep the cost of water at affordable levels. The water losses in the 2019/20 financial year were 26.1% compared to the 24% in the 2018/19 financial year. There are 2 main reservoirs in De Aar West and East with a capacity of 13.6ML and 12ML respectively. Hanover have a collecting reservoir and a Trappieskop reservoir with a capacity of 1.659ML and 0.42ML respectively. Britstown have 4 small dams and 2 pressure towers. The 4 small dams have a capacity ranging from 0.207ML to 1.189ML. The capacity of the 2 pressure towers are 0.087ML each.

3.3.2 Challenges: Water Services

The table below specifies the challenges for the year:

Description	Actions to address
Development of 12 additional boreholes in De Aar North	Obtain water use licence (WUL) from Department of Water and Sanitation (DWS) and secure co-funding for the project
Staff shortages within the water section	Fill vacancies with experienced and qualified personnel

Table 51: Water Services Challenges

3.3.3 Service Delivery Levels: Water Services

The table below specifies the service delivery levels for the year:

Description	Households	
	2018/19	2019/20
	Actual	Actual
	No.	No.
Water: (above min level)		
Piped water inside dwelling	5 042	5 042
Piped water inside yard (but not in dwelling)	2 967	2 967
Using public tap (within 200m from dwelling)	189	189
Other water supply (within 200m)	0	0
Minimum Service Level and Above sub-total	8 198	8 198

Households		
Description	2018/19	2019/20
	Actual	Actual
	No.	No.
Minimum Service Level and Above Percentage	100	100
Water: (below min level)		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level Percentage	0	0
Total number of households	8 198	8 198
<i>Include informal settlements</i>		

Table 52: Water Service Delivery Levels: Households

Access to Water			
Financial year	Number/Proportion of households with access to water points*	Proportion of households with access to piped water	Number /Proportion of households receiving 6 kl free#
2018/19	189	8 009	8 192
2019/20	189	8 009	8 192
<p>* Means access to 25 litres of potable water per day supplied within 200m of a household and with a minimum flow of 10 litres per minute</p> <p># 6,000 litres of potable water supplied per formal connection per month</p>			

Table 53: Access to Water

3.3.4 Employees: Water Services

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	11	8	3	27
4 - 6	6	2	4	67
7 - 9	5	1	4	80
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	23	12	11	48

Table 54: Employees: Water Services

3.4 WASTE WATER (SANITATION) PROVISION

3.4.1 Introduction to Waste Water (Sanitation) Provision

De Aar Waste Water Treatment Works (WWTW) have been upgraded during the previous financial year just to make the plant operational. There is still the challenge of the Urine Diversion System (UDS) toilets in Hanover and converting it to full waterborne sewerage. We are currently doing it from own funding. However, it is not sufficient and alternative sources of funding will be explored.

The Britstown Oxidation Ponds Project have been approved by Department of Water and Sanitation's (DWS) for Regional Bulk Infrastructure Grant (RBIG) funding for bulk services. An additional R26 million was received for the upgrade of Britstown oxidation ponds and was completed during the 2019/20 financial year.

3.4.2 Highlights: Waste Water (Sanitation) Provision

The table below specify the highlight for the year:

Highlight	Description
Upgrade of Britstown oxidation ponds	The construction of 2 pump stations and oxidation ponds were completed

Table 55: Waste Water (Sanitation) Provision Highlights

3.4.3 Challenges: Waste Water (Sanitation) Provision

The table below specifies the challenges for the year:

Description	Actions to address
Co-funding for bulk services for Britstown Bucket Eradication Programme (BEP)	Co-funding will be paid over 2 financial years
Shortage of staff in the waste water section	Filling of vacancies with experienced and qualified personnel
Lack of funding for the connections of houses to Britstown oxidation ponds	Funding applications must be submitted to obtain additional funding

Table 56: Waste Water (Sanitation) Provision Challenges

3.4.4 Service Delivery Levels: Waste Water (Sanitation) Provision

The table below specifies the different sanitation service delivery levels per households for the financial years 2018/19 and 2019/20 in the areas in which the Municipality is responsible for the delivery of the service:

Description	Households	
	2018/19	2019/20
	Outcome No.	Actual No.
<u>Sanitation/sewerage:</u> (above minimum level)		
Flush toilet (connected to sewerage)	6 287	6 287
Flush toilet (with septic tank)	1 817	1 817
Chemical toilet	0	0

Households		
Description	2018/19	2019/20
	Outcome	Actual
	No.	No.
Pit toilet (ventilated)	0	0
Other toilet provisions (above min. service level)	0	0
Minimum Service Level and Above sub-total	8 104	8 104
Minimum Service Level and Above Percentage	98.33	98.33
Sanitation/sewerage: (below minimum level)		
Bucket toilet	138	138
Other toilet provisions (below min. service level)	0	0
No toilet provisions	0	0
Below Minimum Service Level sub-total	138	138
Below Minimum Service Level Percentage	1.67	1.67
Total households	8 242	8 242
<i>Including informal settlements</i>		

Table 57: Waste Water (Sanitation) Provision Service Delivery Levels

3.4.5 Employees: Waste Water (Sanitation) Provision

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	6	6	0	0
4 - 6	4	3	1	25
7 - 9	2	2	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	12	11	1	8

Table 58: Employees Waste Water (Sanitation) Provision

3.4.6 Capital: Waste Water (Sanitation) Provision

The following table indicates the capital expenditure for this division:

R'000					
Capital Projects	2019/20				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Construction of sewer reticulation and oxidation ponds in Britstown	25 400	21 610	21 610	3 790	21 610

Table 59: Capital Expenditure 2019/20: Waste Water (Sanitation) Provision

3.5 ELECTRICITY

3.5.1 Introduction to Electricity

Local Government plays a very important role in the provision of electricity. Section 153 of the Constitution places the responsibility on municipalities to ensure the provision of services to communities in a sustainable manner for economic and social support.

The energy losses for the 2018/19 financial year was 17.64% whilst the losses in the 2019/20 financial year were 17.75%. This outcome gives an end result of 0.11 % increase in energy losses for the Municipality.

At present there is no backlog in the provision of electricity to households. The biggest challenge currently is the portion of Hanover where Eskom is the supplier. Council has initiated a process to ascertain whether it would be possible to take over this area from Eskom in order to have a uniform system in place.

3.5.2 Highlights: Electricity

The table below specify the highlight for the year:

Highlight	Description
High mast lights in Montana and Nonzwakazi	Construction of high mast lights in Nonzwakazi and maintenance of other high mast lights

Table 60: Electricity Highlights

3.5.3 Challenges: Electricity

The table below specifies the challenges for the year:

Description	Actions to address
Meter tampering and bypass (Loss in revenue and increased line losses)	Meter controller to do thorough inspections, the Municipality is in process of replacing the old seals with LG110 type and PT1 meters are being replaced with Con log or Landis & Gyr type meters
Copper theft (Customers are without power for a long time due to line repairs) in areas like Waterdal	Cases are reported to South African Police Department (SAPD) and copper conductors is to be replaced with aluminium conductors. Application for funding has been submitted to DOE

Description	Actions to address
Line losses (Reflecting negatively against the Municipality if above a certain target percentage and impacts on revenue)	Through continuous monitoring the Municipality aim to reduce losses even further. The Municipality is currently under the target of National Energy Regulator of South Africa (NERSA) (NERSA's target is 22%)
Funding required for the electrification of 4 114 houses as part of a housing project	Business plans and funding applications have been submitted to the DOE for the electrification of 4 114 houses

Table 61: Electricity Challenges

3.5.4 Service Delivery Levels: Electricity

The table below specifies the service delivery levels for the year:

Households		
Description	2018/19	2019/20
	Actual	Actual
	No.	No.
Energy: (above minimum level)		
Electricity (at least min. service level)	6 149	6 149
Electricity - prepaid (min. service level)	6 518	6 518
Minimum Service Level and Above sub-total	12 667	12 667
Minimum Service Level and Above Percentage	100	100
Energy: (below minimum level)		
Electricity (< min. service level)	0	0
Electricity - prepaid (< min. service level)	0	0
Other energy sources	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level Percentage	0	0
Total number of households	12 667	12 667

Table 62: Electricity Service Delivery Levels

3.5.5 Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	10	5	5	50
4 - 6	11	6	5	45
7 - 9	4	3	1	25
10 - 12	8	7	1	13
13 - 15	0	0	0	0
16 - 18	1	1	0	0

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
19 - 20	0	0	0	0
Total	34	22	12	35

Table 63: Employees: Electricity Services

3.5.6 Capital: Electricity

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2019/20				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Installation of new streetlights	1 500	1 500	1 500	0	1 500
Refurbishment/upgrade of 6.6KV to 11KV Network - Waterdal	11 500	3 500	3 500	8 000	7 809

Table 64: Capital Expenditure 2019/20: Electricity

3.6 WASTE MANAGEMENT (REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

3.6.1 Introduction to Waste Management

Domestic refuse is currently removed on a weekly basis in all residential areas of Emthanjeni. Informal dumping (littering) remains a major challenge, but all areas are regularly cleaned up. Various areas have street cleaners who clear the littering daily. Additional programmes were introduced to improve waste management in the municipal area.

3.6.2 Highlights: Waste Management

The table below specifies the highlights for the year:

Highlights	Description
Waste reduction initiatives	Implemented two waste reduction initiatives to decrease waste to landfill site
Curb side collection	Implemented curb side collection system in all areas
Addressing illegal dumping	Collected illegal dumping in all identified areas
Community awareness programs	Conducted six community awareness programs on waste management
Appointment of Waste Management Officer	A Waste Management Officer was appointed

Table 65: Waste Management Highlights

3.6.3 Challenges: Waste Management

The table below specifies the challenges for the year:

Description	Actions to address
Lack of machinery to perform waste management and waste minimize efforts	Budget provision must be made to acquire additional machinery
Illegal dumping	Host awareness programs to educate the communities on keeping the environment clean
Implementation of curb side collection system	Engage affected communities to get use to the curb side collection system process
Unavailability of refuse bins	Budget provision must be made for the procurement of refuse bins and submit proposal for possible assistance in this regard

Table 66: Waste Management Challenges

3.6.4 Service Delivery Levels: Waste Management

The table below specifies the service delivery levels for the year:

Description	Households	
	2018/19	2019/20
	Actual	Actual
	No.	No.
<u>Solid Waste Removal: (Minimum level)</u>		
Removed at least once a week	13 141	13 141
Minimum Service Level and Above sub-total	13 141	13 141
Minimum Service Level and Above percentage	100	100
<u>Solid Waste Removal: (Below minimum level)</u>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level percentage	0	0
Total number of households	13 141	13 141

Table 67: Waste Management Service Delivery Levels

3.6.5 Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	69	56	13	19
4 - 6	17	10	7	41
7 - 9	4	2	2	50
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	90	68	22	24

Table 68: *Employees: Waste Management*

3.7 HOUSING

3.7.1 Introduction to Housing

The Municipality has a fully functional housing division that takes care of the day-to-day running of the housing function within the Municipality and is also ready to discharge additional functions as it is also in the process of preparing its level two Accreditation Business Plan, in its attempt to apply for level two accreditation. The housing division is comprised of four sub-divisions with a divisional head, as the responsible line manager, one senior administrative officer, one housing clerk in Britstown, one in Hanover, and two consumer education clerks in De Aar.

The organogram of the Municipality clearly shows Emthanjeni's readiness to handle level one and level two functionalities. Emthanjeni Municipality has shown and demonstrated capacity to administer different National Housing Programs in its municipal sphere. An extensive planning exercise was concluded to determine the total current housing backlog and estimation of the total current bulk services carrying capacity.

Amongst others, the housing unit of Emthanjeni is tasked to:

- Ensure that sustainable housing development takes place
- Integrate housing with other municipal services and sectors in order to establish sustainable human settlements
- Coordinate municipal departments to cooperate in planning and implementing housing projects
- Promote middle and high-income housing which will in turn generate resources to improve low-incomes areas

Housing need:

Given the strategic decision to focus on subsidy and gap housing, the needs can be summarized as follows:

Subsidy	4 109
Gap	250
Total	4 359

Table 69: *Housing Needs*

3.7.2 Highlights: Housing

The table below specifies the highlights for the year:

Highlights	Description
De Aar 600 serviced sites	The servicing of 600 sites in De Aar were completed
De Aar 353 top structures	The construction of 353 top structures in De Aar were completed
Britstown 848 town establishment	Eradication of housing backlog

Table 70: *Highlights: Housing*

3.7.3 Challenges: Housing

The table below specifies the challenges for the year:

Description	Actions to address
Eradication of housing backlog	Business plans completed to apply for funding to eradicate the backlog
Performance by contractors	Training provided to contractors by National Home Builders Registration Council (NHBRC) and the Cooperative Governance and Traditional Affairs (CoGTA)
Illegal informal structures	Illegal informal structures should be removed
Vandalism of houses	Provision of Housing Consumer Education Training

Table 71: *Housing Challenges*

3.7.4 Housing Statistics

The table below specifies the service delivery levels for the year:

Number of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2018/19	8 209	7 905	96%
2019/20	8 404	8 100	98%

Table 72: *Households with Access to Basic Housing*

The following table shows the number of people on the housing waiting list:

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2018/19	4 554	3.7
2019/20	4 359	(3)

Table 73: *Housing Waiting List*

Financial year	Number of houses built	Number of sites serviced
2018/19	Construction of 195 houses in Hanover, completion in November	400 sites in De Aar, completion in October
2019/20	Construction of De Aar 353	600 Sites in De Aar

Table 74: *Houses Built and Sites Services*

3.7.5 Employees: Housing

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	9	3	6	67
7 - 9	1	1	0	0
10 - 12	1	1	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	12	6	6	50

Table 75: *Employees: Housing*

3.8 FREE BASIC SERVICES AND INDIGENT SUPPORT

Indigent applications are processed annually but new applications are assessed and updated monthly. The indigent register was reconciled with the financial system (Abakus) and the pre-paid electricity system. Credit control officials are continuously updating indigent households on the pre-paid electricity system.

New indigent household applications were processed and approved, so that these households received their levied free basic services (FBS) during the month. Indigent households will receive their FBS on the first of the month following the approval of their applications.

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved Indigent Policy of the Municipality, all households earning less than R4 400 per month will receive the free basic services as prescribed by national policy.

The table below indicates that 30.42% of the total number of households received free basic services in the 2018/19 financial year whilst it decreased to 26.4 % in the 2019/20 financial year:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2018/19	12 615	3 838	30.42%	3 838	30.42%	3 838	30.42%	3 838	30.42%
2019/20	12 615	3 335	26.44%	3 335	26.44%	3 335	26.44%	3 335	26.44%

Table 76: Free Basic Services to Indigent Households

Electricity									
Financial year	Indigent Households			Non-indigent households			Households in Eskom areas		
	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value
			R'000			R'000			R'000
2018/19	3 838	50.025	2 304	8 777	50.02	5 269	576	50.025	346
2019/20	3 335	50.00	2 255	9 280	50.00	6 275	676	50.00	453

Table 77: Free Basic Electricity Services to Indigent Households

Water						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	R value per HH	Value
			R'000			R'000
2018/19	3 838	46.09	2 123	8 777	46.09	4 855
2019/20	3 335	115.10	4 606	9 280	115.10	12 818

Table 78: Free Basic Water Services to Indigent Households

Sanitation						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	R value per HH	Value
			R'000			R'000
2018/19	3 838	194.44	8 955	8 777	194.44	20 479
2019/20	3 335	206.11	8 249	9 280	206.11	22 952

Table 79: Free Basic Sanitation Services to Indigent Households

Refuse Removal						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	Service per HH per week	Value R'000	No. of HH	R value per HH	Value R'000
2018/19	3 838	1 (once)	8 955	8 777	194.44	20 479
2019/20	3 335	1 (once)	5 143	9 280	128.52	17 319

Table 80: Free Basic Refuse Removal Services to Indigent Households

COMPONENT B: ROAD TRANSPORT

3.9 ROADS

3.9.1 Introduction to Roads

During the past year the Municipality tarred 0.25km of Rev Swart Crescent with EPWP funding that brings the total of tar roads within the municipal area to 91.15km. At present about 56% of all municipal streets are still gravel roads which cause a great deal of inconvenience during rain and strong wind.

3.9.2 Highlights: Roads

The table below specify the highlight for the year:

Highlight	Description
Upgrading of Rev Swart Crescent	The Municipality tarred 0.25km of Rev Swart Crescent and constructed a double seal pavement

Table 81: Roads Highlights

3.9.3 Challenges: Roads

The table below specify the challenge for the year:

Description	Actions to address
Insufficient budget	Business plans were submitted to MIG for the approval of funding

Table 82: Roads Challenges

3.9.4 Statistics: Roads

The table below specifies the service delivery levels for the year:

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2018/19	114.72	0	0	114.72
2019/20	114.47	0	0	114.47

Table 83: Gravel Road Infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2018/19	90.90	3.644	0	0	90.90
2019/20	91.15	0.25	0	0	91.4

Table 84: Tarred Road Infrastructure

The table below shows the costs involved for the maintenance and construction of roads within the municipal area:

Financial year	New & Replacements	Resealed	Maintained
	R'000		
2018/19	244.45	0	9 750
2019/20	224.70	0	9 750

The cost for maintenance includes stormwater

Table 85: Cost of Construction/Maintenance of Roads

3.9.5 Employees: Roads

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	20	13	7	35
4 - 6	17	8	9	53
7 - 9	1	1	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	38	22	16	42

Table 86: Employees: Roads

3.10 WASTE WATER (STORMWATER)

3.10.1 Highlights: Waste Water (Stormwater)

The table below specify the highlight for the year:

Highlight	Description
Stormwater channel	Construction of 50m stormwater channel in Britstown

Table 87: Waste Water (Stormwater) Highlight

3.10.2 Challenges: Waste Water (Stormwater)

The table below specifies the challenges for the year:

Description	Actions to address
The contractor abandoned the stormwater channel project, only 50m of the channel was constructed	Appointment of another contractor to complete the project
Maintenance of stormwater drainage due to budget constraints	Budget provision must be made for equipment and personnel

Table 88: Waste Water (Stormwater) Challenges

3.10.3 Service Delivery Statistics

The table below shows the total kilometers of stormwater system maintained and upgraded as well as the kilometers of new stormwater pipes installed:

Stormwater Infrastructure: Kilometres			
Year	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2018/19	6.21	0	0.28
2019/20	0.05	0	0.28

Table 89: Waste Water (Stormwater) Services Delivery Statistics

3.10.4 Employees: Waste Water (Stormwater)

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	3	2	1	33
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	3	2	1	33

Table 90: Employees: Waste Water (Stormwater)

3.10.4 Capital: Waste Water (Stormwater)

Capital Projects	R'000				
	2019/20				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Emthanjeni Stormwater Phase 3	8 456	8 456	1 162	8 456	8 456

Table 91: Capital Expenditure 2019/20: Waste Water (Stormwater)

COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT (LED)

3.11 PLANNING

3.11.1 Introduction to Planning

Town Planning and Building Control falls under the Manager: Project Management Unit (PMU). The position of the PMU Manager and Building Control Officer was filled, however, the position of Town Planner is still vacant.

With the implementation of SPLUMA (Act No 16 of 2013), is now a great need of permanent qualified town planner who can also execute the function of land development officer (LDO).

The Manager: Project Management Unit currently deals with all issues related to land use and building control.

Spatial Development Framework (SDF) and Land Use Management Scheme (LUMS)

Both the SDF and LUMS are outdated and do not comply with the current legislation. During a recent evaluation of the current SDF, it was found that it could not be updated, and will have to be redrafted to bring it into line with SPLUMA legislation.

Implementation of SPLUMA

All municipalities falling under the Pixley ka Seme District Municipality accepted the option of a District Municipal Planning Tribunal (DMPT). Emthanjeni Municipality currently does not comply with SPLUMA. The Municipality needs to appoint a Town Planner and review SDF and LUMS in order to be SPLUMA compliant.

3.11.2 Highlights: Planning

The table below specifies the highlights for the year:

Highlights	Description
Approval of building plans	All building plans received are currently dealt with within the prescribed legal timeframes. The average time for the approval of building plans is 2 weeks
DMPT are fully functional	Several land use applications have been dealt with by the DMPT

Table 92: *Planning Highlights*

3.11.3 Challenges: Planning

The table below specifies the challenges for the year:

Description	Actions to address
Filling of a vacant post of professional town planner to comply with SPLUMA	The post of a professional town planner must be advertised, and the appointment made
Limited office space	New offices must be constructed

Table 93: *Planning Challenges*

3.11.4 Statistics: Planning

The table below specifies the service delivery levels for the year:

Applications for Land Use Development				
Detail	Formalisation of Townships		Rezoning	
	2018/19	2019/20	2018/19	2019/20
Planning application received	0	0	12	8
Determination made in year of receipt	0	0	11	7
Determination made in following year	0	0	1	2
Applications withdrawn	0	0	0	0
Applications closed	0	0	11	6
Applications outstanding at year end	0	0	1	2
Awaiting DEA&DP decision	0	0	0	0

Table 94: *Applications for Land Use Development*

Type of service	2018/19	2019/20
Building plans application processed	75	68
Total surface (m ²)	7 066.54	6 885.82
Approximate value	R22 253 119	R23 693 409
New residential dwellings	4	3
Residential extensions	61	56
New Business buildings	3	1
Business extensions	5	2

Type of service	2018/19	2019/20
Land use applications processed	12	8

Table 95: Additional Performance Town Planning and Building Control

3.11.5 Employees: Planning

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	1	0	1	100
7 - 9	0	0	0	0
10 - 12	1	1	0	0
13 - 15	2	2	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	4	3	1	25

Table 96: Employees: Planning

3.12 LOCAL ECONOMIC DEVELOPMENT(LED)-INCLUDING TOURISM AND MARKET PLACES

The Municipality has been operating without an informed LED Strategy that can outline clear LED challenges, opportunities and map the way forward. The Municipality's IDP reflects the Investment Plan and Economic Transformation Agenda that is also included in the LED Strategy to attract investors to invest in the Municipality.

The Municipality approved the 2018-2022 LED Strategy which will serve as guiding document for facilitation of Small, Medium & Micro Enterprises (SMME's) development and job creation. The LED Strategy must uncover a number of economic opportunities in agriculture, agro-processing, transportation and logistics. This process will assist in identifying possible projects and programs for improving municipal LED.

COVID-19 pandemic had a major impact with regards to LED initiatives and major LED projects had to be postponed or cancelled as results of the pandemic and many SMME's suffered setback.

3.12.1 Highlights: LED

The table below includes the highlights with the implementation of the LED Strategy:

Highlights	Description
Logistic warehouse hub	Council has started some work with the provincial government and the private sector to establish a logistic hub in line with the LED Strategy
Small Towns Regeneration Program	Municipality is part of the Karoo Small Towns Regeneration Program which seeks to revive the economy and image of the small towns such as those of Emthanjeni Municipality

Highlights	Description
SMME's COVID-19 relieve funds	Some of the SMME's benefited from the activities related COVID-19 by venturing to the new business area
Face Brick Project	The Municipality has availed land to local black women for the implementation of the Face Brick Project
Renewal of commonage lease agreements	The Municipality concluded new lease agreements with emerging farmers for the utilisation of municipal land for small scale farming
Support of SMME's	118 SMME beneficiaries received business equipment from the Department of Small Business Development (DMBD)

Table 97: LED Highlights

3.12.2 Challenges: LED

The table below includes the challenges with the implementation of the LED Strategy:

Description	Actions to address
Lack of skilled SMME's to venture in business opportunities	Continue SMME's training with the assistance of the private sector and government agencies such as Small Enterprise Development Agency (SEDA)
Lack of operation relations between renewable energy and Municipality	The Municipality must engage with relevant stakeholder on the planning and funding of sustainable projects
Limited budget for LED projects	Funding applications must be submitted to source additional funding
Local businesses that closed down as result of of COVID-19	Integrated approach with all stakeholders to re-active economic activities

Table 98: Challenges LED

3.12.3 Job Creation: EPWP

Details	Jobs created through EPWP projects
	No.
2018/19	160
2019/20	193
<i>This refer to the number of Full Time Equivalent (FTE's)</i>	

Table 99: Job Creation Through EPWP Projects

3.12.4 Tourism

a) Highlights: Tourism

The table below includes the highlights with the implementation of the Tourism Strategy:

Highlights	Description
Summer campaign	The Municipality joined the private sector and the Northern Cape Tourism Authority in promoting the Municipality
SMME data collection	Funding obtained for the data collection project for different SMME's e.g. guesthouses, crafters, restaurants and others to better support and regulate this sector within the Municipality

Highlights	Description
Tourism interns	The Department of Labour has deployed learners to assist with tourism activities
Upgrade of local stadium	Funding was obtained for the upgrade of a local stadium in line with FIFA standards. This will allow for the hosting of professional football games which will boost the tourism sector

Table 100: *Highlights: Tourism*

b) Challenges: Tourism

The table below includes the challenges with the implementation of the Tourism Strategy:

Description	Actions to address
Vacant position for tourism/ communication officer	Possible appointment of communication officer to undertake some of the responsibilities
Non-existence of Tourism Development Forum/Committee	Encourage with tourism stakeholders like guesthouse owners, crafters and others to work together
Branding of the Municipality	New communication officer will be responsible for this initiative
Tourism attraction maintenance	Lobby for funding to maintain tourism attractions
Budget constrains	Funding applications must be submitted and submitted to source additional funding

Table 101: *Challenges: Tourism*

3.12.5 Employees: LED

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	4	3	1	25
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	5	4	1	20

Table 102: *Employees: Local Economic Development*

COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.13 LIBRARIES

3.13.1 Introduction to Libraries

The Municipality has 5 libraries operational in the area. Library service is a provincial government function and is delivered as an agency service. The communities welcome the service rendered by library staff in all three towns. New books are introduced on a regular basis. The libraries are now also offering free internet services to communities. Library membership is increasing steadily.

3.13.2 Highlights: Libraries

The table below specifies the highlights for the year:

Highlights	Description
Registration of staff members at UKS	5 staff members were sent to UKS to study library and information certificate through the Leadership Development Programme (LDP) grant to capacitate them
Registration of a staff member with the University of South Africa (UNISA)	1 staff member sent to UNISA to study Archives and Records Management through the LDP grant for capacity building and skills development program
Renovations in our libraries	Installation of blinds in WN Scheefers -, Phandulwazi-, Libra- and H.L.J Library. Installation of air-conditioners in Hanover- and WN Scheefers Library. Painting of the interior and exterior of Hanover Library
Proper coordination of programmes	To ensure community participation on the planned programmes
Installation of internet access point in all libraries	Internet, the most useful technology of modern times which helps us not only in our daily lives but also professionally. For educational purposes, it is widely used to gather information and to do research or add to the knowledge of various subjects. Internet plays a vital role in education

Table 103: *Libraries Highlights*

3.13.3 Challenges: Libraries

The table below specifies the challenges for the year:

Description	Actions to address
Magazines, newspapers, journal suppliers	Make proper arrangements for a supplier(s) that will be consistent in supplying us with the need of reading materials
Library membership and lost books	Conduct libraries membership audit and verification for membership accuracy. Utilize our messengers more effective and efficiently and look at appointing more Librarian Aides to curb the issue of lost books and late books
Allocations for libraries	Engage with the Department of Cultural Affairs and Sport (DCAS) for possible increase in our budget allocation

Table 104: *Libraries Challenges*

3.13.4 Service Statistics for Libraries

The table below specifies the service statistics for the year:

Service statistic	2018/19	2019/20
Number of libraries	5	5
Library members	6 190	6 255
Books circulated	33 239	30 089
Exhibitions held	21	6
Internet users	5 183	4 901
New library service points or Wheelie Wagons	0	0
Children programs	38	8
Visits by school groups	123	90
Book group meetings for adults	8	4

Table 105: *Service Statistics for Libraries*

3.13.5 Employees: Library Services

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	5	5	0	0
4 - 6	9	8	1	11
7 - 9	5	4	1	20
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	19	17	2	11

Table 106: *Employees: Libraries*

3.14 CEMETERIES

Procedures and management measures for the operations of cemeteries is regulated in terms of the Cemeteries By-law (No 6 of 2008). The by-law describes a cemetery as “and or part thereof, including the buildings and works thereon, that is owned and controlled by the Municipality, duly set aside and reserved for burials and make available for public use from time to time for burials”.

Emthanjeni's cemeteries includes the following:

De Aar	Britstown	Hanover
Caroluspoort, Kareeville, Barcelona, Nonzwakazi, Old Philipstown Road	N12 Town, Mziwabantu, Proteaville Churches, New Cemetery (Proteaville)	N1 Town, Burgerville

Table 107: *Emthanjeni Cemeteries*

3.14.1 Highlights: Cemeteries

The table below specifies the highlights for the year:

Highlights	Description
Expansion of Barcelona and Nonzwakazi Cemeteries	Barcelona and Nonzwakazi Cemeteries were expanded to ensure enough space at these cemeteries
Bi-annual cleaning of cemeteries	Bi-annual cleaning of cemeteries were conducted to ensure that all cemeteries are kept clean
Fencing of Barcelona, Karoluspoort and Nonzwakazi Cemeteries	Fencing were constructed at Barcelona, Karoluspoort and Nonzwakazi Cemeteries to safeguard these cemeteries

Table 108: *Cemeteries Highlights*

3.14.2 Challenges: Cemeteries

The table below specifies the challenges for the year:

Description	Actions to address
Management system of cemeteries require improvement	Need to improve the administrative processes by introducing additional forms and regular meetings with affected parties
Continued vandalism, breaking of graves, fencing and invasion	Investigate possibilities of securing cemeteries
Maintenance work not as expected	Stricter control will be implemented
Level of service - Certain funeral undertakers deliver poor quality service	Monitor service delivery and consult with undertakers

Table 109: *Cemeteries Challenges*

3.14.3 Service Statistics for Cemeteries

The table below specifies the service delivery levels for the year:

Type of service	2018/19	2019/20
Burials	366	489

Table 110: *Service Statistics for Cemeteries*

3.14.4 Employees: Community Services

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	2	2	0	0
16 - 18	0	0	0	0
19 - 20	1	1	0	0
Total	3	3	0	0

Table 111: Employees: Community Services

COMPONENT E: SECURITY AND SAFETY

The aim of Council is to ensure the safety of all residents and visitors in this municipal area through law enforcement. Currently municipal law enforcement officers work closely with SAPS to combat crime, while the traffic law enforcement officers are assisting those agencies. Integrated operations are held to prevent crime increase in this municipal area through proper planning. The willingness of the community to report crime assists the different law enforcement agencies tremendously in the fight against crime.

3.15 TRAFFIC SERVICES

3.15.1 Introduction to Traffic Services

The Traffic Department is divided into four sections namely: Driver's License Test Centre, Motor Registrations and Licensing, Vehicle Test Station and Traffic Law Enforcement. These sections are responsible for traffic related matters and monitoring of compliance with by-laws related to the municipality.

3.15.2 Highlights: Traffic Services

The table below specifies the highlights for the year:

Highlights	Description
Conducted various roadblocks with various stakeholders	Conduct roadblocks to reduce unnecessary accidents and increase traffic safety
Sign MOU with Department of Defence for Fire Fighting Services	The Municipality Sign MOU with Department of Defence for Fire Fighting Services to assist with fire fighting machinery

Table 112: Traffic Services Highlights

3.15.3 Challenges: Traffic Services

The table below specify the challenge for the year:

Description	Actions to address
Non-payment of fines	Smart roadblock system to be implemented for tracing of outstanding fines
Shortage of vehicles	Procure sufficient vehicles for the section to increase visibility
Shortage of law enforcement personnel (Traffic Wardens)	Appoint sufficient personnel to conduct law enforcement

Table 113: Traffic Services Challenge

3.15.4 Service Statistics for Traffic Services

The table below specifies the service delivery levels for the year:

Details	2018/19	2019/20
Number of road traffic accidents during the year	286	207
Number of by-law infringements attended	30	24
Number of Traffic officers in the field on an average day	4	4
Number of Traffic officers on duty on an average day	9	9
Animals impounded	45	0
Motor vehicle licenses processed	6 216	4 963
Learner driver licenses processed	4 511	3 488
R-value of fines collected	918 375	661 775
Roadblocks held	13	35
Complaints attended to by Traffic Officers	12	20

Table 114: Service Statistics for Traffic Services

3.15.5 Employees: Traffic Services

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	5	4	1	20
4 - 6	3	2	1	33
7 - 9	9	8	1	11
10 - 12	3	3	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	21	18	3	14

Table 115: Employees: Traffic Services

3.15.6 Employees: Law Enforcement

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	5	5	0	0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	5	5	0	0

Table 116: Employees: Law Enforcement

3.16 FIRE SERVICES AND DISASTER MANAGEMENT

3.16.1 Introduction to Fire Services and Disaster Management

Fire services is a voluntary service with volunteers on standby to attend to incidents within the Municipality. The fire station is situated in De Aar and render services to all areas that are part of the Municipality. Britstown and Hanover do not have fire stations, but volunteers are situated in these towns.

3.16.2 Highlights: Fire Services and Disaster Management

The table below specify the highlight for the year:

Highlight	Description
Provided in-house training	An in-house refresher course was provided to all personnel responsible for the fire fighting

Table 117: Fire Services and Disaster Management Highlights

3.16.3 Challenges: Fire Services and Disaster Management

The table below specifies the challenges for the year:

Description	Actions to address
Fire services is still run on standby basis from the official's homes after hours	Fire Station needs to be upgraded so that it can be manned 24/7
Lack of proper fire station	Business plan to be submitted to various stakeholders of interest to obtain funding
Lack of Fire Services Policy	A Fire Services Policy must be drafted

Table 118: Fire Services and Disaster Management Challenges

3.16.4 Service Statistics for Fire Services and Disaster Management

The table below specifies the service delivery levels for the year:

Details	2018/19	2019/20
Total fires attended in the year	37	36
Average turnout time - urban areas	12 min	15 min
Average turnout time - rural areas	±30 min	±30 min
Reservists and volunteers trained	18	18

Table 119: Service Statistics for Fire Services

COMPONENT F: SPORT AND RECREATION

3.17 SPORT AND RECREATION

3.17.1 Highlights: Sport and Recreation

The table below specifies the highlights for the year:

Highlights	Description
Upgrade of Marino Sport Complex	The upgrade of Marino Sport Complex is underway, and the design has been finalised
Upgrade of Hanover (Kwezi) Sport Complex	The upgrade of the Kwezi Sport Complex was complete to the value of R11.4 million. The upgrade includes the installation of combi-court, tennis court, sprinkler system, clear view fence, change rooms, grass and upgrade of the grandstand

Table 120: Sport and Recreation Highlights

3.17.2 Challenges: Sport and Recreation

The table below specify the challenge for the year:

Description	Actions to address
Funding for the upgrade of the new tartan track in De Aar West	The Department of Cultural Affairs and Sport (DCAS) must provide additional funding for the project

Table 121: Sport and Recreation Challenge

3.17.3 Service Statistics for Sport and Recreation

The table below specifies the service delivery levels for the year:

Type of service	2018/19	2019/20
Community parks		
Number of parks with play park equipment	4	4
Number of wards with community parks	6	6
Swimming pools		
R-value collected from entrance fees	83 476	83 476
Sport fields		

Type of service	2018/19	2019/20
Community parks		
Number of wards with sport fields	6	6
R-value collected from utilization of sport fields	17 101	17 101
Sport halls		
Number of wards with sport halls	1	1
Number of sport associations utilizing sport halls	1	1
R-value collected from rental of sport halls	0	0

Table 122: *Service Statistics for Sport and Recreation*

3.17.4 Employees: Parks and Cemeteries

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	35	23	12	34
4 - 6	0	0	0	0
7 - 9	3	1	2	67
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	39	25	14	36

Table 123: *Employees: Parks and Cemeteries*

3.17.5 Employees: Sport and Recreation

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	14	12	2	14
4 - 6	1	0	1	100
7 - 9	1	1	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
Total	16	13	3	19

Table 124: *Employees: Sport and Recreation*

3.17.6 Capital: Sport and Recreation

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2019/20				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Upgrading of Kwezi Sports Ground	11 868	11 868	11 868	0	11 868

Table 125: *Capital Expenditure 2019/20: Sport and Recreation*

COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: executive and council; financial services; human resource services; ICT services; legal services; and procurement services.

3.18 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

3.18.1 Highlights: Executive and Council

The table below specifies the highlights for the year:

Highlights	Description
Handing over of houses in Hanover	The Council, led by the Mayor, handed over houses in Hanover to its rightful owners
Job creation	193 FTE's were created through EPWP projects
Improved spending on conditional grants	The office of the Chief Financial Officer and Infrastructure will ensure that conditional grants have been spent optimally
COVID-19 Employees Response Plan	The Municipality developed and implemented a COVID-19 Employees Response Plan

Table 126: *Executive and Council Highlights*

3.18.2 Challenges: Executive and Council

The table below specifies the challenges for the year:

Description	Actions to address
Community protests	Regular consultation with communities to address issues in time

Description	Actions to address
Illegal land grabbing by the community	Development of houses and available land
Vandalism of building and municipal assets	Intensify law enforcement
High crime rate in the area	Interaction with SAPS
Poor attendance and participation of sector departments in IDP and budget processes	Technical Inter-Governmental Relations (IGR) and engagement with sector departments
Functionality of Local Labour Forum (LLF)	Training of LLF members and monitoring meetings by the Speaker
Illegal dumping	Host awareness programs to educate the communities on keeping the environment clean

Table 127: Executive and Council Challenges

3.18.3 Employees Corporate Services

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	16	14	2	13
4 - 6	8	7	1	13
7 - 9	5	3	2	40
10 - 12	8	8	0	0
13 - 15	2	2	0	0
16 - 18	0	0	0	0
19 - 20	1	1	0	0
Total	40	35	5	13

Table 128: Employees: Corporate Services

3.18.4 Employees: Office of the Municipal Manager

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	1	1	0	0
10 - 12	1	0	1	100
13 - 15	1	0	1	100
16 - 18	0	0	0	0

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
19 - 20	0	0	0	0
21 - 25	1	1	0	0
Total	4	2	2	50

Table 129: *Employees: Office of the Municipal Manager*

3.18.5 Employees: Technical Services

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0
4 - 6	11	8	3	27
7 - 9	3	2	1	33
10 - 12	2	1	1	50
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	1	1	0	0
Total	19	14	5	26

Table 130: *Employees: Technical Services*

3.19 FINANCIAL SERVICES

3.19.1 Introduction: Financial Services

The Finance Directorate provide various services to the communities of Emthanjeni Municipality, Council and the staff. These services include revenue collection, expenditure management, budget and treasury reporting and supply chain management amongst others.

Financial viability and financial discipline are the pillars under which these services are rendered. The payment of services by consumers are the backbone of any municipality which underpins the financial ability of a municipality to honour its commitments. The mission is to ensure that the payment percentage and culture of the Municipality rises above the 95 % for all the main services throughout the financial year.

3.19.2 Highlights: Financial Services

The table below specifies the highlights for the year:

Highlights	Description
Sustainable service delivery with limited financial resources	The Municipality is committed to render sustainable services to all its residents with the limited cash reserves
Strive to achieve “Clean Audit Status”	Emthanjeni Municipality is committed to improve its audit opinion status that will lead to the achievement of clean audit status
Improved spending on conditional grants	The office of the Chief Financial Officer and Infrastructure will ensure that conditional grants have been spent optimally

Table 131: Financial Services Highlights

3.19.3 Challenges: Financial Services

The table below specifies the challenges for the year:

Description	Actions to address
Non-payment of municipal services by municipal consumers impacts negatively on service delivery	The payment percentage decreases month to month. Stricter implementation of the Credit Control Policy must be applied
Payment of Creditors	Enhancement of financial management principals should lead to greater efficiency of cash flow
Slow and Improper mSCOA Implementation	System developers are not fully mSCOA compliant which impacts negatively on the operations of the Municipality. Staff will attend informative training for the various financial management modules and systems
Negative cash flow position experienced by the Municipality	Proper cash flow management will be adhered to in combination with the credit control implementation

Table 132: Financial Services Challenges

3.19.4 Employees: Financial Services

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	3	1	25
4 - 6	30	28	2	7
7 - 9	6	5	1	17
10 - 12	5	4	1	20
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	1	1	0	0
Total	47	42	5	11

Table 133: Employees: Financial Services

3.20 HUMAN RESOURCE SERVICES

3.20.1 Introduction to Human Resources

Emthanjeni Municipality currently employs 328 (including non-permanent positions) officials, who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of the Human Resource Management is to render an innovative Human Resource service that address both skills development and administrative support functions.

3.20.2 Highlights: Human Resources

The table below specifies the highlights for the year:

Highlights	Description
Employment Equity Targets	80% of the appointments are in line with employment equity targets
Filling of vacancies	A total of 19 vacancies were filled of employee who resigned, passed on or retired during this financial year. All these positions have been filled within 3 months period
COVID-19 Employees Response Plan	The Municipality developed and implemented a COVID-19 Employees Response Plan
Skills Development Program	A total of 19 employees completed their skills program: 3 Municipal Governance, 7 Process Control, 9 Environmental Practice and 4 Municipal Finance Management Training

Table 134: Human Resources Highlights

3.20.3 Challenges: Human Resources

The table below specifies the challenges for the year:

Description	Actions to address
Management of leave	Create a system which track the leave application process
Absenteeism	Enforcing of disciplinary process
Rise on acting costs	Employer will monitor the fast tracking of disciplinary cases of officials who are on suspension and better manage number of leave days
Office space	Municipality will start with the review office planning process
Filing system	Council is considering electronic filing system

Table 135: Human Resources Challenges

3.20.4 Employees: Human Resources

The following table indicates the staff composition for this division:

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0

Job Level	2019/20			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
4 - 6	1	0	1	100
7 - 9	1	1	0	0
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	3	2	1	33

Table 136: Employees: Human Resources

3.21 PROCUREMENT SERVICES

3.21.1 Highlights: Procurement Services

The table below specifies the highlights for the year:

Highlights	Description
The Municipality has put mechanisms in place to ensure the reduction of irregular expenditure	A register of all deviations will be maintained and updated timeously
The adequate disclosure of irregular expenditure and Supply Chain Management (SCM) deviations in the annual financial statements to minimize any auditing findings	The municipality is committed to comply with the SCM regulations in full, as it is evident in our audit action plan
The Municipality is totally committed to comply with the SCM regulations	The improved productivity of staff's attitude is evidence of ensuring that irregular expenditure will be limited at all costs

Table 137: Procurement Services Highlights

3.21.2 Challenges: Procurement Services

The table below specifies the challenges for the year:

Description	Actions to address
Central Supplier Database (CSD) is not accurate, especially on the status of tax clearance certificates of suppliers	National Treasury must give proper training for the utilisation of the CSD to officials of SCM so that they know how to utilise the system when facing problems on supplier information
Suppliers not registered on CSD	Awareness must be done on the importance of registering on the CSD
Too many deviation	Deviations must be minimised by sourcing goods and services by means of quotations

Table 138: Procurement Services Challenges

3.21.3 Service Statistics for Procurement Services

The table below specifies the service delivery levels for the year:

Description	2018/19	2019/20
Requests processed	89	540
Orders processed	89	540
Requests cancelled or referred back	0	0
Extensions	0	1
Bids received (number of documents)	21	74
Bids awarded	2	10
Bids awarded ≤ R200 000	21	10
Appeals registered	0	0
Successful Appeals	0	0

Table 139: Service Statistics for Procurement Division

3.21.4 Details of Deviations for Procurement Services

Type of deviation	Number of deviations	Value of deviations R	Number of deviations	Value of deviations R
	2018/19		2019/20	
Clause 36(1)(a)(i)- Emergency	14	1 034 653	0	0
Clause 36(1)(a)(ii)- Sole Supplier	14	1 034 653	66	1 756 000
Clause 36(1)(a)(iii)- Unique arts	0	0	0	0
Clause 36(1)(a)(v)- Impractical/impossible	0	0	0	0

Table 140: Statistics of Deviations from the SCM Policy

COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2019/20

The main development and service delivery priorities for 2020/21 forms part of the Municipality's Top Layer SDBIP for 2020/21 and are indicated in the table below:

3.22 DEVELOPMENT AND SERVICE DELIVERY PRIORITIES FOR 2020/21

3.22.1 Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL63	70% of the maintenance budget for Community Halls spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	% of approved Community Halls maintenance budget spent by 30 June 2021	All	70.00%
TL69	Sign a MOU with the Department of Defense by 30 June 2021 for support with fire brigade services	MOU signed by 30 June 2021	All	1
TL70	Review the disaster management plan that includes contingency plans and submit to Council by 30 June 2021	Disaster management plan reviewed and submitted to Council by 30 June 2021	All	1
TL75	Submit the draft By-law on Tuck Shops to Council by 30 June 2021	Draft By-law submitted to Council by 30 June 2021	All	1
TL76	70% of approved budget spent by 30 June 2021 for the upgrading of buildings and fencing in the Emthanjeni municipal area {(Actual expenditure divided by the total approved budget) x 100}	% of the budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	All	70.00%
TL77	Submit a business plan to potential funders for the upgrading of the Fire Brigade by 30 June 2021	Business plan submitted by 30 June 2021	All	1

Table 141: Service Delivery Priorities- Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties

3.22.2 Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL83	Provide free basic services to indigent households as at 30 June 2021	Number of indigent households receiving free basic services as at 30 June 2021	All	3 000

Table 142: Services Delivery Priorities - Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor

3.22.3 Development and transformation of the institution with the aim of capacitating the Municipality in meeting their objectives

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL58	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan by 30 June 2021	Number of people employed (newly appointed)	All	1
TL59	0.1% of the personnel budget spent on training as per the approved Skills Development Plan by 30 June 2021 [(Actual total training expenditure/total personnel budget)x100]	% of the personnel budget spent on training by 30 June 2021	All	0.10%
TL60	Review the EEP and submit to the Portfolio Committee by 30 June 2021	EEP reviewed and submitted to the Portfolio Committee by 30 June 2021	All	1
TL61	Limit vacancy rate to 15% of budgeted posts by 30 June 2021 [(Number of funded posts vacant divided by budgeted funded posts)x100]	[(Number of funded posts vacant divided by budgeted funded posts)x100]	All	15.00%
TL66	Review the Delegation of Powers and submit to Council by 30 June 2021	Delegation of Powers reviewed and submitted to Council by 30 June 2021	All	1
TL67	Submit quarterly reports to the HR Portfolio Committee on the implementation of the COVID-19 response plan	Number of reports submitted	All	4

Table 143: *Services Delivery Priorities - Development and transformation of the institution with the aim of capacitating the Municipality in meeting their objective*

3.22.4 Maintaining a financially sustainable and viable Municipality

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL85	Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2021((Total operating revenue-operating grants received)/debt service payments due within the year))	Debt coverage	All	2.5
TL86	Financial viability measured in terms of the outstanding service debtors as at 30 June 2021 (((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% of outstanding service debtors	All	45.00%
TL87	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2021 (Available cash+ investments)/ Monthly fixed operating expenditure)	Number of months it takes to cover fix operating expenditure with available cash	All	0.6
TL88	Submit the annual financial statements to the Auditor-General by 31 August 2020	Statements submitted to the AG by 31 August 2020	All	1

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL89	Achievement of a payment percentage of above 70% by 30 June 2021 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	Payment % achieved	All	70.00%
TL90	Prepare and submit the adjustments budget to Council by the 28 February 2021	Adjustments budget submitted by 28 February 2021	All	1
TL91	Prepare and submit the draft budget to Council by 31 March 2021	Draft budget submitted by 31 March 2021	All	1
TL92	Prepare and submit the final budget to Council by 31 May 2021	Final budget submitted by 31 May 2021	All	1

Table 144: Services Delivery Priorities - Maintaining a financially sustainable and viable Municipality

3.22.5 Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL57	Develop Risk based audit plan (RBAP) for 2021/22 and submit to the Audit Committee by 30 June 2021	RBAP for 2021/22 submitted to the Audit Committee by 30 June 2021	All	1
TL64	Review the Risk Committee and send appointment letters to members by 31 March 2021	Risk Committee reviewed and appointment letters sent to members by 31 March 2021	All	1
TL65	Review the Risk Strategy and submit to the Risk Committee by 30 June 2021	Risk Strategy reviewed and submitted to the Risk Committee by 30 June 2021	All	1

Table 145: Services Delivery Priorities - Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality

3.22.6 Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL62	Host a LED summit by June 2021	LED summit hosted by 30 June 2021	All	1
TL94	Create temporary jobs - FTE's in terms of EPWP by 30 June 2021 (Person days / FTE (230 days))	Number of FTE's created	All	61

Table 146: Service Delivery Priorities - Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area

3.22.7 Provision of access to all basic services rendered to residents within the available resources

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL68	70% of approved budget spent by 30 June 2021 for the acquisition of Fleet {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70.00%
TL71	Conduct quarterly housing consumer education programs	Number of housing consumer education programs conducted	All	4

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL72	Conduct a quarterly verification of the housing needs register	Number of verification of the housing needs register conducted	All	4
TL73	Review the Human Settlement Plan and submit to Council by 30 June 2021	Human Settlement Plan reviewed and submitted to Council by 30 June 2021	All	1
TL74	70% of the maintenance budget of waste management spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	All	70.00%
TL78	70% of approved budget spent by 30 June 2021 for the acquisition of Fleet {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70.00%
TL79	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2021	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2021	All	8 000
TL80	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2021	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2021	All	7 000
TL81	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2021	Number of residential properties which are billed for sewerage as at 30 June 2021	All	8 000
TL82	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2021	Number of residential properties which are billed for refuse removal as at 30 June 2021	All	8 000
TL84	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2021 {(Actual amount spent on projects /Total amount budgeted for capital projects)X100}	% of capital budget spent by 30 June 2021	All	70.00%
TL93	70% of approved budget spent by 30 June 2021 for the acquisition of Fleet {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70.00%
TL95	70% of the water maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	% of approved water maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	All	70.00%
TL96	Limit % water unaccounted for quarterly to 22% [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) x 100]	% water unaccounted for	All	22.00%
TL97	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	% water quality level	All	90.00%

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL98	70% of the waste water maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	% of approved waste water maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	All	70.00%
TL99	70% of the roads and stormwater maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)X100)	% of approved roads and stormwater maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)X100)	All	70.00%
TL100	Limit % electricity unaccounted for to 18% by 30 June 2021 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) x 100]	% of electricity unaccounted for at 30 June 2021	All	18.00%
TL101	70% of the recreational and swimming pool maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)X100)	% of approved recreational areas and swimming pool maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)X100)	All	70.00%
TL102	70% of the electricity maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	% of approved electricity maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	All	70.00%
TL103	70% of approved budget spent by 30 June 2021 for the electrification of 39 houses {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	6	70.00%
TL104	70% of approved budget spent by 30 June 2021 to upgrade stormwater {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	1, 2	70.00%
TL105	70% of approved budget spent by 30 June 2021 to install energy saving Lights {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	5, 8	70.00%
TL106	70% of approved budget spent by 30 June 2021 for the acquisition of Fleet {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70.00%

Table 147: Service Delivery Priorities - Provision of access to all basic services rendered to residents within available resources

CHAPTER 4

4.1 NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area - Municipal Transformation and Organizational Development.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2018/19	2019/20
The percentage of a municipality's budget spent on implementing its workplace skills plan	0.06	0.09

Table 148: National KPIs- Municipal Transformation and Organisational Development

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs **328** (including non-permanent positions) and an approved organogram of **374** officials, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

4.2.1 Employment Equity

The Employment Equity Act (1998) Chapter 3, Section 15(1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan".

a) Employment Equity targets/actual

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
0	132	0	182	0	0	0	5

Table 149: 2019/20 EE Targets/Actual by Racial Classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
0	231	0	8	87	2	0	0	0

Table 150: 2019/20 EE Targets/Actual by Gender Classification

b) Employment Equity vs. Population

Description	African	Coloured	Indian	White	Total
Population numbers	14516	27 644	116	3 129	45 404
% Population	31.97	60.88	0.25	6.89	100
Number for positions filled	131	182	0	5	318
% for Positions filled	41.19	57.23	0	1.57	100

Table 151: EE Population 2019/20 (including non-permanent officials)

c) Specific Occupational Categories - Race

The table below indicates the number of employees by race within the specific occupational categories:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	2	3	0	0	0	0	0	0	5
Senior management	5	2	0	2	2	0	0	0	11
Professionally qualified and experienced specialists and mid- management	2	1	0	0	2	4	0	0	9
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	10	20	0	6	4	4	0	1	45
Semi-skilled and discretionary decision making	18	24	0	1	22	21	0	1	87
Unskilled and defined decision making	62	71	0	1	25	12	0	0	171
Total permanent	98	121	0	9	55	43	-	2	328
Non- permanent employees	5	1	0	1	5	4	0	1	17
Total	103	122	0	10	60	47	0	3	345

Table 152: Occupational Categories

4.2.2 Vacancy Rate

The approved organogram for the Municipality has 374 positions for the 2019/20 financial year. The actual positions filled are 328. Therefore, 46 positions were vacant at the end of 2019/20, resulting in a vacancy rate of 12.3%.

4.2.3 Employee Turnover Rate

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the employee turnover rate within the Municipality. The rate shows an increase from 5.16% in 2018/19 to 5.18% in 2019/20.

The table below indicates the employee turnover rate over the last two years:

Financial year	Total no appointments at the end of the financial year	New appointments	No Terminations during the year	Employee Turnover Rate
2018/19	329	17	18	5.16%
2019/20	328	17	19	5.18%

Table 153: *Employee Turnover Rate*

4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

4.3.1 Injuries

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The table below indicates the total number of injuries within the different directorates for 2018/19 and 2019/20:

Directorates	2018/19	2019/20
Office of the Municipal Manager	0	0
Corporate Services	0	0
Financial Services	1	0
Infrastructure Services	3	4
Community Services	2	5
Total	6	9

Table 154: *Injuries*

4.3.2 Sick Leave

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken.

The total number of employees that have taken sick leave during the 2019/20 financial year shows a decrease when compared with the 2018/19 financial year.

The table below indicates the total number sick leave days taken within the different directorates:

Department	2018/19	2019/20
Office of the Municipal Manager	152	92
Corporate Services	643	179
Financial Services	426	255

Department	2018/19	2019/20
Infrastructure Services	570	509
Community Services	1 706	816
Total	3 497	1 851

Table 155: Sick Leave

4.3.3 Human Resource Policies and Plans

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the Human Resource policies and plans that are approved and that still needs to be developed:

Approved policies	
Name of policy	Date approved/ revised
Bursary Policy (Study Aid Policy)	25 June 2015
Bereavement Policy	17 March 2014
Bursary Policy (Study Aid Policy)	25 June 2015
Cell Phone	21 January 2012
Education, Training and Development Policy	17 July 2014
Employee Health and Wellness Policy	11 November 2014
Employment Policy	31 August 2007
Essential Users Scheme policy	31 November 2012
Guidelines for Medical Surveillance	25 September 2015
Guidelines and Procedures on Injury on Duty	25 September 2015
Guidelines for Study Assistance Policy	10 May 2016
HIV/Aids	11 November 2014
Incapacity /Health	24 May 2004
Induction Training and Staff Orientation	14 March 2011
Internal Control: Salaries and Grants	6 January 2006
Language	9 August 2008
Overtime Policy	18 March 2016
Recruitment Policy	3 September 2015
Scarce Skills	31 November 2012
Sexual Harassment	31 August 2007
Skill Retention Policy	31 November 2012
Smoking Policy	31 December 2012
Study Assistance Policy	25 September 2014
Succession Planning and Career Pathing Policy	17 July 2014
Task Job Evaluation Policy	11 November 2014
Substance Abuse	11 November 2014

Approved policies	
Task Job Evaluation Policy	11 November 2014
Uniform Protective Clothing	27 September 2007
Whistle Blowing Policy	26 January 2016

Table 156: Human Resource Policies and Plans

4.4 CAPACITATING THE MUNICIPAL WORKFORCE

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

4.4.1 Skills Matrix

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2019/20)
MM and S57	Female	0	0
	Male	1	0
Legislators, senior officials and managers	Female	2	0
	Male	2	0
Associate professionals and Technicians	Female	1	0
	Male	2	0
Professionals	Female	2	0
	Male	8	0
Clerks	Female	4	4
	Male	0	0
Service and sales workers	Female	5	0
	Male	3	0
Craft and related trade workers	Female	3	0
	Male	7	7
Plant and machine operators and assemblers	Female	0	0
	Male	0	0
Elementary occupations	Female	17	4
	Male	15	5
Sub total	Female	34	8
	Male	38	12
Total		72	20

Table 157: Skills Matrix

4.4.2 Skills Development - Training Provided

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Occupational categories	Gender	Skills programmes & other short courses
		Total
		Actual
MM and S57	Female	0
	Male	0
Legislators, senior officials and managers	Female	4
	Male	0
Professionals	Female	0
	Male	0
Technicians and associate professionals	Female	0
	Male	0
Clerks	Female	4
	Male	0
Service and sales workers	Female	9
	Male	0
Craft and related trade workers	Female	0
	Male	0
Plant and machine operators and assemblers	Female	7
	Male	0
Elementary occupations	Female	0
	Male	9
Sub total	Female	24
	Male	9
Total		33

Table 158: Skills Development

4.4.3 MFMA Competencies

In terms of Section 83(1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the MFMA. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15

June 2007, “(1) No municipality or municipal entity may, with effect 1 January 2013, employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations.”

The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				
Accounting officer	1	1	1	1
Chief financial officer	1	1	1	1
Senior managers	3	3	3	3
Any other financial officials	6	6	0	5
Supply Chain Management Officials				
Heads of supply chain management units	1	1	0	1
Supply chain management senior managers	0	0	0	0
Total	12	12	5	11

Table 159: Budget Allocated and Spent for Skills Development

4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

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

4.5.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the municipality is well within the national norm of between 35% to 40%:

Financial year	Total Expenditure Salary and Allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2018/19	81 664	333 780	24.5%
2019/20	86 432	310 935	27.8%

Table 160: Personnel Expenditure

Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2018/19	2019/20		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
Councillors (Political Office Bearers plus Other)				
Salary	2 740	4 100	4 100	2 87739
Pension Contributions	44	0	0	45
Medical Aid Contributions	0	0	0	0
Motor vehicle allowance	913	1 316	1 316	959
Cell phone allowance	1 805	761	761	1 8
Housing allowance	0	0	0	0
Other benefits or allowances	0	0	0	0
In-kind benefits	0	0	0	0
Sub Total	5 502	6 177	6 177	5 719
Senior Managers of the Municipality				
Salary	2 950	4 557	4 557	3 718
Pension Contributions	642	659	659	593
Medical Aid Contributions	0	79	79	0
Motor vehicle allowance	1 529	824	824	1 535
Cell phone allowance	0	327	327	0
Housing allowance	0	0	0	0
Performance Bonus	198	0	0	553
Other benefits or allowances	569	82	82	0
In-kind benefits	0	0	0	0
Sub Total	5 888	6 527	6 527	6 399
Other Municipal Staff				
Basic Salaries and Wages	57 865	60 757	61 621	62 272
Pension Contributions	9 592	12 695	12 695	9 701
Medical Aid Contributions	1 527	2 185	2 185	1 662
Motor vehicle allowance	3 419	2 013	2 013	2 005
Cell phone allowance	0	249	249	0
Housing allowance	0	923	923	0
Overtime	0	1 427	1 427	0
Other benefits or allowances	3 393	1 148	1 148	4 393
Sub Total	75 796	74 915	75 786	80 033
Total	81 664	81 442	82 313	88 432

Table 161: Personnel Expenditure

CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2019/20 financial year.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The Statement of Financial Performance provides an overview of the financial performance of the municipality and focuses on the financial health of the Municipality.

5.1 FINANCIAL SUMMARY

The table below indicates the summary of the financial performance for the 2019/20 financial year:

The table below shows a summary of performance against budgets:

Financial Summary						
R'000						
Description	2018/19	2019/20		2019/20 %Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	33,752	33,329	35,778	39,481	15.58	9.38
Service charges	120,809	157,675	166,544	131,300	-20.09	-26.84
Investment revenue	1,955	3,484	3,633	1,814	-92.11	-100.32
Transfers recognised - operational	46,292	49,796	40,085	49,405	-7.57	13.41
Other own revenue	18,376	9,304	14,304	13,845	32.80	-3.31
Total Revenue (excluding capital transfers and contributions)	221,185	253,588	260,343	235,844	-7.52	-10.39
Employee costs	82,324	88,622	82,313	86,450	-2.51	4.79
Remuneration of councillors	5,502	6,936	6,631	5,719	-21.27	-15.95
Depreciation & asset impairment	115,251	17,596	17,596	99,614	82.34	82.34
Finance charges	14,277	2,038	2,038	3,923	48.05	48.05
Materials and bulk purchases	62,706	74,329	71,329	70,126	-5.99	-1.72
Transfers and grants	0	1,913	1,913	0	0	0
Other expenditure	53,164	56,730	55,501	46,370	0.00	-4.39
Total Expenditure	333,224	248,164	237,320	312,202	20.51	23.98
Surplus/(Deficit)	(112,039)	5,424	23,022	(76,358)	107.10	130.15
Transfers recognised - capital	22,359	29,784	44,820	38,781	23.20	-15.57
Contributions recognised - capital & contributed assets	0	0	0	0	0	0
Surplus/(Deficit) after capital transfers & contributions	(89,680)	35,208	67,842	(37,577)	193.69	280.54
Capital expenditure & funds sources						

Financial Summary						
R'000						
Description	2018/19	2019/20		2019/20 %Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Capital expenditure						
Transfers recognised - capital	22,359	29,784	43,537	34,272	13.10	-27.03
Public contributions & donations	0	0	0	0	0	0
Borrowing	594	12,000	12,000	0	0	0
Internally generated funds	287	7,088	1,955	73	-9655.95	-2590.41
Total sources of capital funds	23,240	48,873	57,492	34,345	-42.30	-67.39
Financial position						
Total current assets	140,104	71,273	132,379	147,105	51.55	10.01
Total non-current assets	758,156	911,213	822,192	733,476	-24.23	-12.10
Total current liabilities	143,618	63,668	65,020	171,192	62.81	62.02
Total non-current liabilities	80,737	52,247	106,569	73,060	28.49	-45.86
Community wealth/Equity	673,905	866,572	782,982	636,328	-36.18	-23.05
Cash flows						
Net cash from (used) operating	43,993	36,719	47,447	18,376	-99.82	-158.20
Net cash from (used) investing	(26,690)	(48,673)	(57,292)	(34,327)	-41.79	-66.90
Net cash from (used) financing	(3,213)	11,501	11,131	(1,290)	991.30	962.67
Cash/cash equivalents at the year end	17,033	826	2,565	(208)	496.31	1330.36
Cash backing/surplus reconciliation						
Cash and investments available	35,431	826	2,565	21,764	96.20	88.21
Application of cash and investments	0	0	0	0	0	0
Balance - surplus (shortfall)	35,431	826	2,565	21,764	96.20	88.21
Asset management						
Asset register summary (WDV)	745,339	1,098,188	802,103	720,721	-52.37	-11.29
Depreciation & asset impairment	115,251	10,175	10,175	99,614	89.79	89.79
Renewal of Existing Assets	26,690	33,833	43,772	34,327	1.44	-27.51
Repairs and Maintenance	12,471	2,550	2,550	7,570	66.32	66.32
Free services						
Cost of Free Basic Services provided	0	0	0	0	0	0
Revenue cost of free services provided	0	9,804	9,804	0	0	0
Households below minimum service level						
Water:	0	0	0	0	0	0
Sanitation/sewerage:	0	0	0	0	0	0

Financial Summary						
R'000						
Description	2018/19	2019/20			2019/20 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Energy:	0	0	0	0	0	0
Refuse:	0	0	0	0	0	0

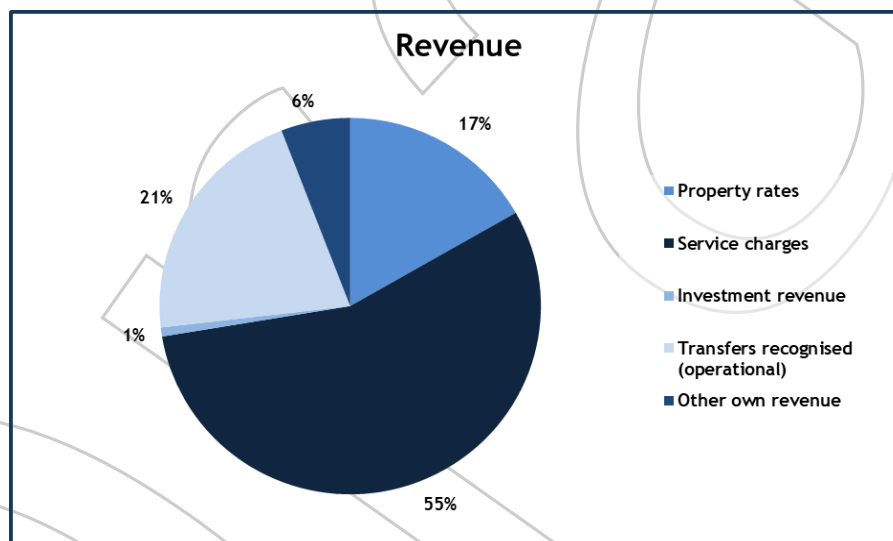
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 162: Financial Performance 2019/20

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2018/19	277,882	243,656	(34,226)	-12	244,436	334,033	(89,597)	-37
2019/20	305,163	274,624	(30,538)	-10	237,320	312,202	(74,881)	-32

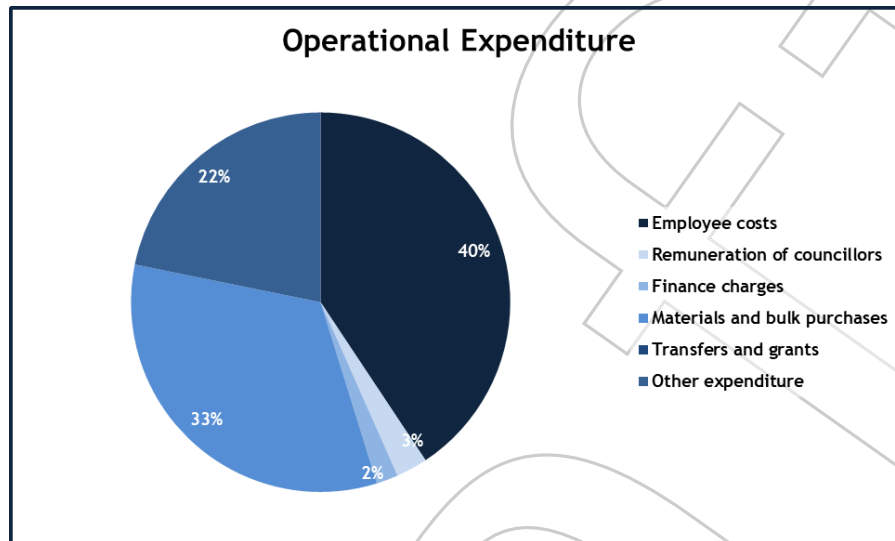
Table 163: Performance Against Budgets

The following graph indicates the various types of revenue items in the municipal budget for 2019/20



Graph 3: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2019/20



Graph 4: Operating Expenditure

5.1.1 Revenue collection by Vote

The table below indicates the Revenue collection performance by Vote:

Vote Description	2018/19	2019/20			2019/20 % Variance	
	Actual (Audited Outcome)	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Vote 1 - Office of the Mayor	3,764	4,283	4,283	5,269	18.71	18.71
Vote 2 - Municipal Manager	528	672	672	482	-39.57	-39.57
Vote 3 - Finance and Administration	54,550	56,211	58,659	67,004	16.11	12.45
Vote 4 - Corporate Services	80	62	62	235	73.43	73.43
Vote 5 - Community and Social Service	15,497	83,259	86,700	55,153	-50.96	-57.20
Vote 6 - Infrastructure	174,576	138,885	154,786	161,185	13.84	3.97
Total Revenue by Vote	248,995	283,372	305,163	289,328	2.06	-5.47

Table 164: Revenue by Vote

5.1.2 Revenue collection by Source

The table below indicates the revenue collection performance by source for the 2019/20 financial year:

Description	2018/19	2019/20			2019/20 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Property rates	33,191	33,329	35,778	38,686	13.85	7.52
Property rates - penalties & collection charges	561	0	0	795	100.00	100.00
Service Charges - electricity revenue	75,489	89,587	95,680	82,077	-9.15	-16.57
Service Charges - water revenue	25,543	35,941	36,441	27,724	-29.64	-31.44
Service Charges - sanitation revenue	12,300	20,431	22,498	13,246	-54.24	-69.84
Service Charges - refuse revenue	6,421	11,716	11,924	7,034	-66.55	-69.52
Service Charges - other	1,056	0	0	1,218	100.00	100.00
Rentals of facilities and equipment	842	1,078	1,078	775	-39.04	-39.04
Interest earned - external investments	1,955	2,056	2,056	1,814	-13.37	-13.37
Interest earned - outstanding debtors	1,506	1,428	1,577	1,777	19.62	11.24
Dividends received	0	0	0	0	0	0
Fines	13,119	4,598	9,598	7,909	41.86	-21.36
Licences and permits	46,292	2,259	2,259	699	-223.28	-223.28
Agency services	0	0	0	0	0	0
Transfers recognised - operational	1,281	49,796	40,085	49,405	-0.79	18.86
Other revenue	1,495	1,369	1,369	2,643	48.23	48.23
Gains on disposal of PPE	133	0	0	42	100	100
Total Revenue (excluding capital transfers and contributions)	221,185	253,588	260,343	235,844	-7.52	-10.39

Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4

Table 165: Revenue by Source

5.1.3 Operational Services Performance

The table below indicates the Operational services performance for the 2019/20 financial year:

Financial Performance of Operational Services						
Description	2018/19	2019/20			2019/20 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Operating Cost						
Water	(9,590)	23,714	27,309	9,113	-160.22	-199.66

Financial Performance of Operational Services						
Description	2018/19	2019/20			2019/20 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Operating Cost						
Waste Water (Sanitation)	(4,810)	14,356	20,109	(6,384)	324.89	415.01
Electricity	(24,322)	18,389	11,526	(28,473)	164.58	140.48
Waste Management	(5,031)	2,605	6,657	(1,500)	273.60	543.71
Housing	(2,515)	(2,597)	(2,447)	(2,943)	11.74	16.84
Component A: sub-total	(46,269)	56,467	63,154	(30,186)	287.06	309.22
Roads and Stormwater	(8,254)	(15,029)	(14,899)	(10,107)	-48.70	-47.42
Component B: sub-total	(8,254)	(15,029)	(14,899)	(10,107)	-48.70	-47.42
Planning and Building Control	(14,621)	(7,127)	(7,399)	(12,141)	41.29	39.05
Local Economic Development	(3,623)	(3,527)	(3,326)	(3,901)	9.58	14.73
Tourism	(63)	(45)	(43)	(28)	-61.00	-54.06
Component C: sub-total	(18,306)	(10,699)	(10,769)	(16,069)	33.42	32.99
Libraries	(3,534)	(5,071)	(4,788)	(3,442)	-47.30	-39.07
Cemeteries	(1,105)	(423)	(513)	(1,131)	62.63	54.62
Child Care, Aged Care, Social Programmes	(8,671)	(2,915)	(2,768)	(7,811)	62.68	64.56
Community and Social Services	(2,840)	(3,839)	(3,619)	(2,982)	-28.74	-21.34
Component D: sub-total	(16,151)	(12,248)	(11,688)	(15,367)	20.30	23.94
Environmental Protection						
Component E: sub-total						
Vehicle Registration & Testing	(12,774)	(1,143)	(1,072)	(9,950)	88.51	89.23
Workshop	(912)	(1,388)	(1,308)	(1,104)	-25.72	-18.46
Traffic Services and Law Enforcement	6,276	(3,943)	1,965	253	1657.58	-676.22
Component F: sub-total	(7,409)	(6,474)	(415)	(10,801)	40.06	96.16
Sport and Recreation	(4,758)	(4,976)	(4,701)	(4,642)	-7.21	-1.26
Component G: sub-total	(4,758)	(4,976)	(4,701)	(4,642)	-7.21	-1.26
Financial Services	24,249	34,543	29,557	27,382	-26.15	-7.94
Corporate Services	(15,549)	(10,396)	(14,135)	(13,358)	22.17	-5.82
Executive and Council	(18,314)	(7,915)	(11,766)	(2,742)	-188.66	-329.13
Health	(31)	(176)	(169)	(4)	-3955.08	-3780.45
Other	(1,123)	(1,214)	(1,143)	(1,175)	-3.33	2.75
Component H: sub-total	(10,768)	14,841	2,344	10,103	-46.90	76.79
Total Expenditure	(111,915)	21,881	23,027	(77,070)	128.39	129.88

In this table operational income (but not levies or tariffs) is offset against operational expenditure leaving a net operational expenditure total for each service. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 166: Operational Services Performance

5.2 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

The tables below indicate the financial performance per municipal function:

5.2.1 Water Services

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	34,525	43,866	43,472	35,619	-23.15
Expenditure:					
Employees	2,665	2,836	2,669	2,818	-0.62
Repairs and Maintenance	569	2,546	1,335	887	-187.17
Other	40,881	14,770	12,159	22,801	35.22
Total Operational Expenditure	44,116	20,152	16,163	26,506	23.97
Net Operational (Service) Expenditure	(9,590)	23,714	27,309	9,113	-160.22
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 167: Financial Performance: Water Services

5.2.2 Waste Water (Sanitation)

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	27,166	36,790	33,929	27,484	-33.86
Expenditure:					
Employees	4,993	5,662	5,329	5,404	-4.78
Repairs and Maintenance	247	1,177	1,223	1,135	-3.62
Other	26,736	15,595	7,268	27,328	42.93
Total Operational Expenditure	31,976	22,433	13,820	33,867	33.76
Net Operational (Service) Expenditure	(4,810)	14,356	20,109	(6,384)	324.89
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 168: Financial Performance: Waste Water (Sanitation) Services

5.2.3 Electricity

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	79,207	114,308	99,935	85,466	-33.75
Expenditure:					
Employees	7,745	7,297	6,867	8,266	11.73
Repairs and Maintenance	1,714	3,725	2,432	2,001	-86.20
Other	94,069	84,897	79,109	103,672	18.11
Total Operational Expenditure	103,528	95,919	88,408	113,939	15.82
Net Operational (Service) Expenditure	(24,322)	18,389	11,526	(28,473)	164.58

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 169: Financial Performance: Electricity

5.2.4 Waste Management

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	15,884	21,414	19,702	16,165	-32.47
Expenditure:					
Employees	8,471	8,389	7,895	9,030	7.10
Repairs and Maintenance	385	1,769	792	615	-187.63
Other	12,060	8,652	4,358	8,020	-7.88
Total Operational Expenditure	20,916	18,809	13,045	17,665	-6.48
Net Operational (Service) Expenditure	(5,031)	2,605	6,657	(1,500)	273.60

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 170: Financial Performance: Waste Management

5.2.5 Housing

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	713	52	49	714	92.76
Expenditure:					
Employees	2,178	2,439	2,296	2,219	-9.90
Repairs and Maintenance	0	6	6	0	-1842.26
Other	1,051	204	195	1,437	85.83
Total Operational Expenditure	3,229	2,649	2,496	3,656	27.55
Net Operational (Service) Expenditure	(2,515)	(2,597)	(2,447)	(2,943)	11.74

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 171: Financial Performance: Housing

5.2.6 Roads and Stormwater

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	33	26	25	31	16.95
Expenditure:					
Employees	6,149	6,493	6,111	6,318	-2.77
Repairs and Maintenance	764	2,157	2,683	2,395	9.94
Other	1,373	6,405	6,130	1,425	-349.37
Total Operational Expenditure	8,287	15,055	14,924	10,138	-48.50
Net Operational (Service) Expenditure	(8,254)	(15,029)	(14,899)	(10,107)	-48.70

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 172: Financial Performance: Roads and Stormwater

5.2.7 LED

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	3	0	0	0	100.00
Expenditure:					
Employees	3,211	3,380	3,181	3,510	3.73
Repairs and Maintenance	0	10	10	0	0
Other	415	137	136	391	64.89
Total Operational Expenditure	3,626	3,527	3,326	3,901	9.59
Net Operational (Service) Expenditure	(3,623)	(3,527)	(3,326)	(3,901)	9.58

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 173: Financial Performance: LED

5.2.8 Planning (Development Management, Spatial Planning and Environmental Management, Building Control, And Property Management)

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	1,000	1,380	1,220	568	-142.80
Expenditure:					
Employees	4,487	4,899	4,610	5,307	7.70
Repairs and Maintenance	4,826	45	701	1,171	96.17
Other	6,307	3,564	3,308	6,230	42.80
Total Operational Expenditure	15,621	8,507	8,619	12,709	33.06
Net Operational (Service) Expenditure	(14,621)	(7,127)	(7,399)	(12,141)	41.29

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 174: Financial Performance: Planning

5.2.9 Tourism

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	1	0	0	0	100.00
Repairs and Maintenance	0	10	10	0	0
Other	61	35	33	28	-25.52
Total Operational Expenditure	63	45	43	28	-61.00
Net Operational (Service) Expenditure	(63)	(45)	(43)	(28)	-61.00

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 175: Financial Performance: Tourism

5.2.10 Libraries

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	707	760	712	811	6.24
Expenditure:					
Employees	3,249	4,109	3,867	3,440	-19.45
Repairs and Maintenance	11	25	24	7	-275.44
Other	981	1,697	1,609	807	-110.35
Total Operational Expenditure	4,241	5,831	5,500	4,253	-37.09
Net Operational (Service) Expenditure	(3,534)	(5,071)	(4,788)	(3,442)	-47.30

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 176: Financial Performance: Libraries

5.2.11 Cemeteries

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	351	630	600	435	-44.69
Expenditure:					
Employees	898	857	806	1,033	17.07
Repairs and Maintenance	0	8	7	2	-359.94
Other	558	188	300	532	64.60
Total Operational Expenditure	1,456	1,053	1,113	1,567	32.81
Net Operational (Service) Expenditure	(1,105)	(423)	(513)	(1,131)	62.63
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 177: Financial Performance: Cemeteries

5.2.12 Public Safety

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	13,976	5,793	11,349	8,110	28.57
Expenditure:					
Employees	5,148	5,907	5,560	6,202	4.75
Repairs and Maintenance	168	1,160	487	323	-259.38
Other	2,383	2,669	3,337	1,332	-100.34
Total Operational Expenditure	7,700	9,736	9,384	7,857	-23.91
Net Operational (Service) Expenditure	6,276	(3,943)	1,965	253	1657.58
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 178: Financial Performance: Traffic Services and Law Enforcement

5.2.13 Sport and Recreation

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	115	45	43	18	-145.19
Expenditure:					
Employees	3,952	3,906	3,676	4,126	5.34
Repairs and Maintenance	250	290	277	141	-106.11
Other	671	825	790	393	-109.84
Total Operational Expenditure	4,873	5,021	4,743	4,660	-7.75
Net Operational (Service) Expenditure	(4,758)	(4,976)	(4,701)	(4,642)	-7.21

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 179: Financial Performance: Sport and Recreation

5.2.14 Executive and Council

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	4,292	12,140	4,977	5,750	-111.12
Expenditure:					
Employees	8,891	3,744	9,756	9,486	60.53
Repairs and Maintenance	78	253	242	47	-437.44
Other	13,637	16,059	6,746	(1,041)	1643.13
Total Operational Expenditure	22,606	20,055	16,744	8,492	-136.16
Net Operational (Service) Expenditure	(18,314)	(7,915)	(11,766)	(2,742)	-188.66

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 180: Financial Performance: Executive and Council

5.2.15 Financial Services

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	54,550	57,399	50,231	67,004	14.34
Expenditure:					
Employees	10,926	11,408	10,737	11,166	-2.16
Repairs and Maintenance	578	604	578	678	10.97
Other	18,797	10,845	9,360	27,778	60.96
Total Operational Expenditure	30,301	22,857	20,674	39,622	42.31
Net Operational (Service) Expenditure	24,249	34,543	29,557	27,382	-26.15

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 181: Financial Performance: Financial Services

5.2.16 Workshop

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	872	1,295	1,219	1,042	-24.25
Repairs and Maintenance	17	39	38	22	-75.61
Other	23	54	52	40	-35.93
Total Operational Expenditure	912	1,388	1,308	1,104	-25.72
Net Operational (Service) Expenditure	(912)	(1,388)	(1,308)	(1,104)	-25.72

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 182: Financial Performance: Workshop

5.2.17 Town Hall and Town Commonage

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	1,058	279	217	77	-261.95
Expenditure:					
Employees	1,414	1,427	1,343	1,486	3.99
Repairs and Maintenance	205	484	428	98	-395.98
Other	8,109	1,283	1,214	6,304	79.65
Total Operational Expenditure	9,729	3,194	2,986	7,888	59.51
Net Operational (Service) Expenditure	(8,671)	(2,915)	(2,768)	(7,811)	62.68

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 183: Financial Performance: Town Hall and Town Commonage

5.2.18 Community and Social Services

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	2,082	3,405	3,205	2,713	-25.52
Repairs and Maintenance	199	144	138	122	-18.69
Other	559	290	275	148	-96.28
Total Operational Expenditure	2,840	3,839	3,619	2,982	-28.74
Net Operational (Service) Expenditure	(2,840)	(3,839)	(3,619)	(2,982)	-28.74

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 184: Financial Performance: Community and Social Services

5.2.19 Health

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	1	0	0	1	100.00
Expenditure:					
Employees	0	0	0	0	0
Repairs and Maintenance	0	0	0	0	0
Other	32	176	169	5	-3303.70
Total Operational Expenditure	32	176	169	5	-3303.70
Net Operational (Service) Expenditure	(31)	(176)	(169)	(4)	-3955.08

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 185: Financial Performance: Health

5.2.20 Corporate Service

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	80	121	115	235	48.55
Expenditure:					
Employees	7,791	7,531	7,088	8,118	7.23
Repairs and Maintenance	63	220	211	107	-105.75
Other	7,775	2,766	6,952	5,368	48.46
Total Operational Expenditure	15,629	10,517	14,250	13,593	22.63
Net Operational (Service) Expenditure	(15,549)	(10,396)	(14,135)	(13,358)	22.17

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 186: Financial Performance: Corporate Service

5.2.21 Other: Continued Members

Description	2018/19	2019/20			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	1,123	1,214	1,143	1,175	-3.33
Repairs and Maintenance	0	0	0	0	0
Other	0	0	0	0	0
Total Operational Expenditure	1,123	1,214	1,143	1,175	-3.33
Net Operational (Service) Expenditure	(1,123)	(1,214)	(1,143)	(1,175)	-3.33

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 187: Financial Performance: Other: Continued Members

5.3 GRANTS

5.3.1 Grant Performance

Description	2018/19	2019/20			2019/20 Variance	
	Actual (Audited Outcome)	Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
	R'000					%
Operating Transfers and Grants						
National Government:	67,068	78,887	84,361	86,812	9.13	2.82
Local Government Equitable Share	40,793	44,900	36,472	44,900	0	18.77
Finance Management	1,700	1,700	1,700	1,700	0	0
Municipal Systems Improvement	0	0	0	0	0	0
EPWP Incentive	1,000	1,220	1,220	568	-114.65	-114.65
Municipal Infrastructure Grant	9,725	25,657	21,710	16,387	-56.57	-32.48
Integrated National Electrification Program	4,000	1,500	1,500	1,498	-0.15	-0.15
Water Services infrastructure Grant	8,451	0	0	0	0	0
Covid Relief Grant	0	0	149	149	100.00	0
Regional Bulk Infrastructure Grant	1,399	3,910	21,610	21,610	81.91	0
Provincial Government:	1,373	693	693	1,373	49.53	49.53
Housing	680	0	0	680	100.00	100.00
Library Grant	693	693	693	693	0	0
Total Operating Transfers and Grants	68,441	79,580	85,054	88,185	9.76	3.55

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 188: Grant Performance for 2019/20

5.3.2 Conditional Grants

Details	2018/19	2019/20			2019/20 Variance	
	Actual	Budget	Adjusted Budget	Actual	Variance	
					Budget	Adjusted Budget
	R'000					%
Finance Management	1,700	1,700	1,700	1,700	0	0
Municipal Systems Improvement	0	0	0	0	0	0
EPWP Incentive	1,000	1,220	1,220	568	-114.65	-114.65
Municipal Infrastructure Grant	9,725	25,657	21,710	16,387	-56.57	-32.48
Integrated National Electrification Program	4,000	1,500	1,500	1,498	-0.15	-0.15
Water Service Infrastructure Grant	8,451	0	0	0	0	0
Covid Relief Grant	0	0	0	149	100.00	100.00
Housing Accreditation	680	0	0	680	100.00	100.00
Regional Bulk Infrastructure Grant	1,399	3,910	21,610	21,610	81.91	0.00
Library Development Fund	693	693	693	693	0	0.00
Total	27,648	34,680	48,433	43,285	19.88	-11.89

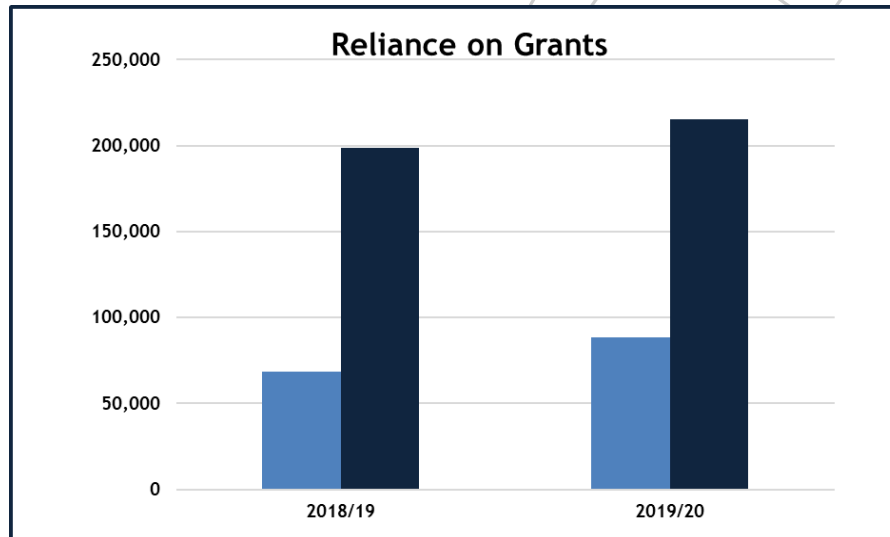
Table 189: Conditional Grant

5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants and subsidies received	Total Operating Revenue	Percentage
	R'000		%
2018/19	68,651	198,864	34.52
2019/20	88,185	215,249	40.97

Table 190: Reliance on Grants

The following graph indicates the municipality's reliance on grants as percentage for the last two financial years



Graph 5: Reliance on Grants

5.4 ASSET MANAGEMENT

5.4.1 Three Largest Assets

Asset 1		
Name	Landfill Site: De Aar	
Description	Landfill Site	
Asset Type	Infrastructure Assets	
Key Staff Involved	Community Service Officials	
Asset Value as at 30 June 2020	2018/19 R million	2019/20 R million
	24,161	21,471
Capital Implications	N/A	
Future Purpose of Asset	Landfill Site	
Describe Key Issues	Provision of Basic Service	
Policies in Place to Manage Asset	Asset Management Policy	

Table 191: Asset 1

Asset 2		
Name	East Reservoir	
Description	Reservoir	
Asset Type	Infrastructure Asset	
Key Staff Involved	Infrastructure Directorate Officials	
Asset Value as at 30 June 2020	2018/19 R million	2019/20 R million
	11,123	10,579

Capital Implications	Ongoing Maintenance
Future Purpose of Asset	Storage and Regulation of Water Supply
Describe Key Issues	Provision of Water to the Community
Policies in Place to Manage Asset	Asset Management Policy

Table 192: Asset 2

Asset 3		
Name	West Reservoir	
Description	Reservoir	
Asset Type	Infrastructure Asset	
Key Staff Involved	Infrastructure Directorate Officials	
Asset Value as at 30 June 2020	2018/19 R million	2019/20 R million
	7,994	7,378
Capital Implications	Ongoing Maintenance	
Future Purpose of Asset	Storage and Regulation of Water Supply	
Describe Key Issues	Provision of Water to the Community	
Policies in Place to Manage Asset	Asset Management Policy	

Table 193: Asset 3

5.4.2 Repairs and Maintenance

Description	2018/19	2019/20			
	Actual	Original Budget	Adjustment Budget	Actual	Budget variance
		R' 000			
Repairs and Maintenance Expenditure	12,471	10,838	7,260	7,570	4.10

Table 194: Repairs & Maintenance

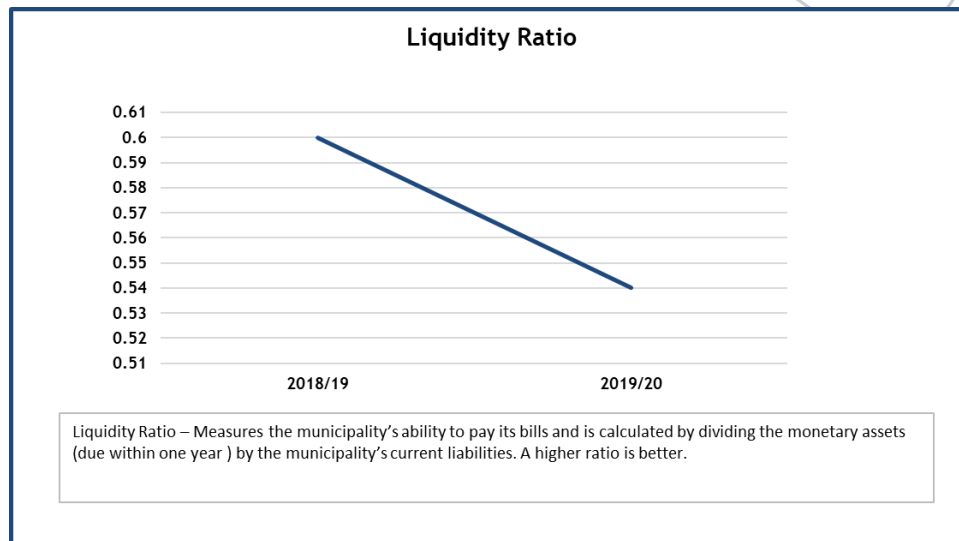
5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

5.5.1 Liquidity Ratio

Description	Basis of calculation	2018/19	2019/20
Current Ratio	Current assets/current liabilities	0.98	0.86
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.89	0.79
Liquidity Ratio	Monetary assets/current liabilities	0.60	0.54

Table 195: Liquidity Financial Ratio

The current ratio indicates a Council's ability to meet its financial obligations such as payment for goods and services supplied. A ratio of 1:1 indicates that unrestricted current assets are available on hand to meet unrestricted current liabilities. It is furthermore an indication of a Council's solvency.



Graph 6: Liquidity Ratio

The current ratio indicates a Council’s ability to meet its financial obligations such as payment for goods and services supplied. A ratio of 1:1 indicates that unrestricted current assets are available on hand to meet unrestricted current liabilities. It is furthermore an indication of a Council’s solvency.

5.5.2 IDP Regulation Financial Viability Indicators

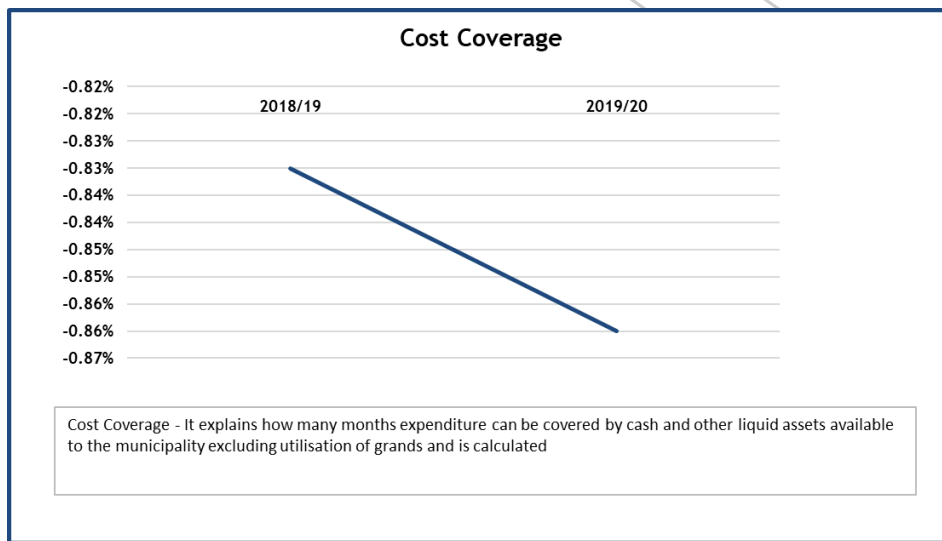
Description	Basis of calculation	2018/19	2019/20
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	-0.83%	-0.86%
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	21.77%	27.66%
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	4.39%	0.11%

Table 196: Financial Viability National KPAs

a) Cost Coverage

This ratio indicates the Municipality’s ability to meet its short-term (monthly) expenditures. It takes into consideration all available cash at a particular time including income from investments. The ratio has to be in excess of 1:1. Strict application of the Credit Control Policy and measures implemented to collect outstanding debtors should improve the ratio. However, this ratio should be read in conjunction to other ratios.

The following graph indicates the cost coverage financial viability indicator:

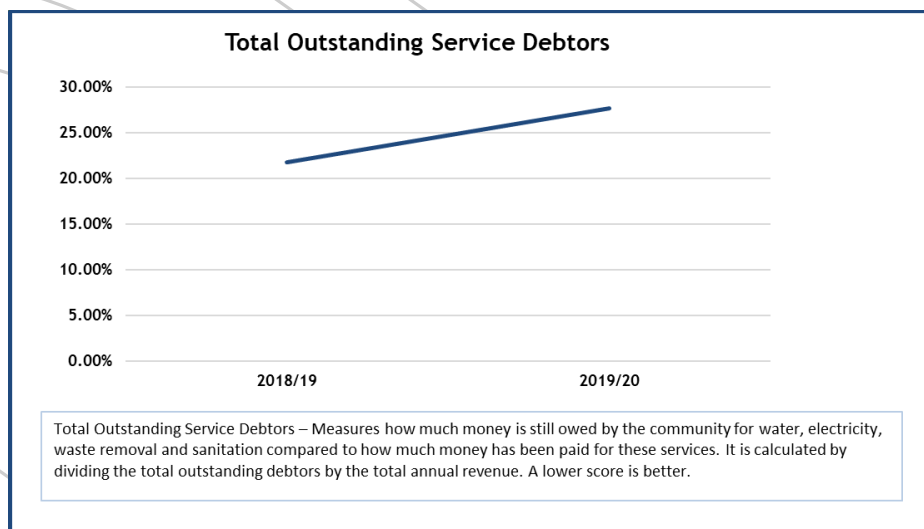


Graph 7: Cost Coverage

b) Outstanding Service Debtors to Revenue

This ratio indicates how effective revenue collection is being executed by the Municipality. The Municipality should continuously enhance revenue collection mechanisms and enforce debt collection policies.

The following graph indicates the outstanding service to revenue financial viability indicator:

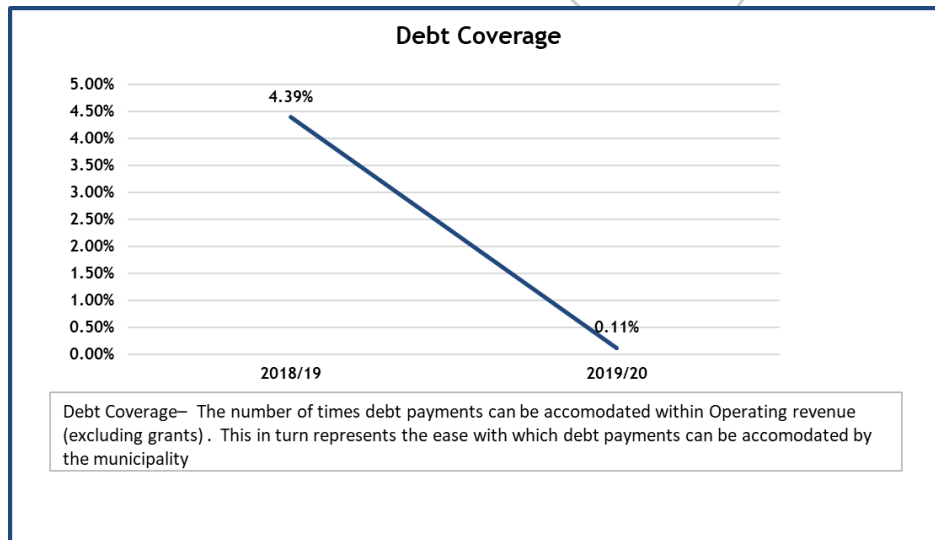


Graph 8: Total Outstanding Service Debtors

c) Debt Coverage

The debt coverage ratio shows the Municipality's ability to service its debt payments. A debt coverage ratio of 2 is generally considered acceptable assuming the other tests of safety have been met. The higher the debt service ratio, the lower the risk.

The following graph indicates the debt coverage financial viability indicator:



Graph 9: Debt Coverage

5.5.3 Borrowing Management

Description	Basis of calculation	2018/19	2019/20
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	-0.83%	-0.86%

Table 197: Borrowing Management

5.5.4 Employee costs

Description	Basis of calculation	2018/19	2019/20
Employee costs	Employee costs/(Total Revenue - capital revenue)	37%	37%

Table 198: Employee Costs

The ratio gives an indication of the total percentage paid on employee cost. The ratio decreased from 36% in 2018/19 to 33% in 2019/20.

5.5.5 Repairs & Maintenance

Description	Basis of calculation	2018/19	2019/20
Repairs & Maintenance	R&M (Total Revenue excluding capital revenue)	6%	3%

Table 199: Repairs & Maintenance

The ratio gives an indication of the total percentage paid on repairs and maintenance. The Municipality should consider maintaining their assets as impairments of these assets might have an effect on service delivery and should increase repairs and maintenance to at least the 8% norm.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 SOURCES OF FINANCE

5.6.1 Capital Expenditure: New Asset Programme

The table below indicates the capital expenditure by new asset programme for the 2019/20 financial year:

Description	2018/19	2019/2020		
	<i>Audited outcome</i>	Original Budget	Adjustment Budget	Actual Expenditure
Infrastructure - Total	19,950	32,436	37,498	24,828
Infrastructure: Road transport - Total	1,637	26,806	11,668	4,153
Roads, Pavements & Bridges	1,637	26,806	11,668	4,153
Infrastructure: Electricity - Total	2,634	1,720	3,220	2,570
Transmission & Reticulation	2,634	1,720	3,220	2,517
Infrastructure: Water - Total	15,385	3,910	22,610	18,105
Water purification	15,385	3,910	22,610	17,970
Reticulation	0	0	0	135
Infrastructure: Sanitation - Total	291	0	0	0
Sewerage purification	291	0	0	0
Community - Total	2	0	7,994	9,401
Sports fields& stadia	0	0	7,994	9,401
Capital expenditure by Asset Class	3,289	16,436	12,000	116
Other assets	3,281	16,436	12,000	91
General vehicles	135	12,000	12,000	0
Plant & equipment	624	10	0	18
Computers - hardware/equipment	513	1,000	0	25
Furniture and other office equipment	179	2,417	0	47

Description	2018/19	2019/2020		
	<i>Audited outcome</i>	Original Budget	Adjustment Budget	Actual Expenditure
Civic Land and Buildings	0	210	0	0
Other Buildings	165	800	0	0
Other	1,665	0	0	0
<u>Intangibles</u>	9	0	0	25
Computers - software & programming	9	0	0	25
Total	23,240	48,873	57,492	34,345

Table 200: Capital Expenditure: New Asset Programme

5.6.2 Capital Expenditure: Funding Sources

The table below indicates the capital expenditure by funding source for the 2019/20 financial year:

Capital Expenditure: Funding Sources						
Details	2018/19	2019/20				
	<i>Audited outcome</i>	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
Source of Finance						
Description	R'000				%	
External loans	594	12,000	12,000	0	0	0
Public contributions and donations	0	0	0	0	0	0
Grants and subsidies	22,359	29,784	43,537	34,272	46.18	-21.28
Own funding	287	7,088	1,955	73	-72.42	-96.28
Total	23,240	48,873	57,492	34,345	14.99	-42.30
Percentage of Finance						
External loans	3	25	21	0		
Public contributions and donations	0	0	0	0		
Grants and subsidies	96	61	76	100		
Own funding	1	15	3	0		
Capital Expenditure						
Description	R'000				%	
Water and sanitation	8,767	3,910	22,910	19,178	485.93	-16.29
Electricity	3,831	1,770	4,020	1,379	127.12	-65.70
Housing	0	0	450	0	0	0
Roads and Stormwater	9,027	27,609	19,868	2,347	-28.04	-88.19
Other	1,615	15,583	10,244	11,441	-34.26	11.68
Total	23,240	48,873	57,492	34,345	14.99	-42.30

Capital Expenditure: Funding Sources						
Details	2018/19	2019/20				
	Audited outcome	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
Source of Finance						
Description	R'000				%	
Percentage of Expenditure						
Water and sanitation	38	8	40	56		
Electricity	16	4	7	4		
Housing	0	0	1	0		
Roads and stormwater	39	56	35	7		
Other	7	32	18	33		

Table 201: Capital Expenditure by Funding Source

5.6.3 Capital Spending on Largest Capital Projects

Name of Project	2019/20				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Britstown Oxidation Ponds	3,910	21,610	18,165	0.08	(27,537.27)
Upgrading of Kwezi Sports Ground	14,329	11,941	10,320	(0.04)	30,739.82
Emthanjeni Stormwater	9,482	9,482	1,069	(0.79)	1,204.69
High Mast Lighting: Nonzwakazi and De Aar East	1,470	1,470	1,279	(0.02)	9,802.44
Waterdal Electrical Refurbishment:	1,500	1,500	1,302	(0.02)	9,888.74
Name of Project - A	Construction of Britstown Oxidation Ponds				
Objective of Project	To increase the capacity of WWTW in Britstown. To produce effluent that complies with DWS regulations. To relocate the existing WWTW that is causing health risk and not complying with the minimum stipulated				
Delays	The project was delayed due to late procurement of the contractor				
Future Challenges	Vandalism				
Anticipated citizen benefits	Provision of basic services to the community				
Name of Project - B	Upgrading of Kwezi Sports Ground				
Objective of Project	Upgrading of soccer, rugby netball and tennis court				
Delays	N/A				
Future Challenges	Vandalism				
Anticipated citizen benefits	Hanover residents				
Name of Project - C	Emthanjeni Stormwater				
Objective of Project	Channel rainwater from the streets to river				

Name of Project	2019/20				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Delays	Contractor abandoned project				
Future Challenges	De Aar still has stormwater challenge				
Anticipated citizen benefits	Residents of De Aar				
Name of Project - D	High Mast Lighting: Nonzwakazi And De Aar East				
Objective of Project	Provide residents with lighting, safety issues				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	Residents of De Aar				
Name of Project - E	Waterdal Electrical Refurbishment:				
Objective of Project	Upgrade Existing Network				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	Residents of De Aar				

Table 202: Capital Spending on Largest Capital Projects

5.6.4 Municipal Infrastructure Grant (MIG) Expenditure on Service Backlogs

The table below indicates the MIG Expenditure on Service Backlogs:

MIG Expenditure on Service Backlogs					
Details	Budget	Adjustments Budget	Actual	Variance	
				Budget	Adjustment Budget
	R'			%	%
Infrastructure - Electricity					
<i>Reticulation</i>	1,470	1,470	1,279	0.00	0.00
Other Specify: Recreational facilities & Roads					
<i>Outdoor Sport facilities</i>	14,329	11,941	10,320	-38.85	-15.70
<i>Roads</i>	9,482	9,482	1,069	-787.14	-787.14
Total	25,281	22,893	12,668	-99.57	-80.72
* MIG is a government grant program designed to fund a reduction in service backlogs mainly: Water; Sanitation; Roads; Electricity. Expenditure on new upgraded and renewed infrastructure. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.					

Table 203: MIG Expenditure on Service Backlogs

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Cash flow management is critical to the municipality as it enables the organisation to assess whether enough cash is available at any point in time to cover the council's commitments. Cash flow is rigorously managed and monitored on a regular basis.

5.7 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	2018/19	2019/20		
	<i>Audited Outcome</i>	Original Budget	Adjusted Budget	Actual
	R'000			
Cash flow from operating activities				
Receipts				
Ratepayers and other	128,766	180,725	182,419	123,501
Government - operating	94,955	49,796	40,085	66,084
Government - capital	0	29,784	44,820	0
Interest	1,955	2,056	3,633	1,814
Dividends	0	0	0	0
Payments				
Suppliers and employees	(176,143)	(223,603)	(219,560)	(165,082)
Finance charges	(5,540)	(2,038)	(2,038)	(7,941)
Transfers and Grants	0	0	(1,913)	0
Net cash from/(used) operating activities	43,993	36,719	47,447	18,376
Cash flows from investing activities				
Receipts				
Proceeds on disposal of PPE	0	200	200	0
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	(26,690)	(48,873)	(57,492)	(34,327)
Net cash from/(used) investing activities	(26,690)	(48,673)	(57,292)	(34,327)
Cash flows from financing activities				
Receipts				
Short term loans	0	0	0	0
Borrowing long term/refinancing	594	12,000	12,000	0
Payments				

Cash Flow Outcomes				
R'000				
Description	2018/19	2019/20		
	<i>Audited Outcome</i>	Original Budget	Adjusted Budget	Actual
	R'000			
Repayment of borrowing	(3,808)	(527)	(957)	(1,290)
Net cash from/(used) financing activities	(3,213)	11,473	11,043	(1,290)
Net increase/ (decrease) in cash held	14,090	(481)	1,198	(17,242)
Cash/cash equivalents at the year begin:	2,944	1,279	1,279	17,033
Cash/cash equivalents at the yearend:	17,033	826	2,565	208

Table 204: Cash Flow

5.8 GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
R'000						
2018/19	5,841	21,703	5,669	75	12,881	46,169
2019/20	8,563	28,368	9,866	70	12,157	59,024
Difference	2,722	6,665	4,197	(5)	(724)	12,855
% growth year on year	47	31	74	-7	-6	28

Note: Figures exclude provision for bad debt

Table 205: Gross Outstanding Debtors per Service

5.9 TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000				
2018/19	8,917	1,650	1,194	34,409	46,169
2019/20	7,075	2,756	1,715	47,478	59,024
Difference	(1,842)	1,107	521	13,069	12,855
% growth year on year	-21	67	44	38	28

Note: Figures exclude provision for bad debt.

Table 206: Service Debtor Age Analysis

5.10 BORROWING AND INVESTMENTS

Infrastructure needs to be replaced and therefore borrowings for periods of 15 years are taken up to lessen the impact on consumers.

5.10.1 Actual Borrowings

Actual Borrowings		
R' 000		
Instrument	2018/19	2019/20
	R'000	
Financial Leases	594	0
Total	594	0

Table 207: *Actual Borrowings*

5.10.2 Municipal Investments

Actual Investments		
R'000		
Investment type	2018/19	2019/20
	Actual	
	R'000	
Deposits - Bank	33,807	19,408
Other	29	28
Total	33,836	19,435

Table 208: *Municipal Investments*

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2018/19

6.1 AUDITOR-GENERAL REPORT 2018/19

2019/20	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
Revenue from exchange transactions	
The Municipality did not have adequate systems to maintain records of revenue for exchanges relating to services for sale of electricity. Unable to determine whether any further adjustments were necessary to services charges stated at R119 871 348, in the financial statements.	Management will strengthen internal controls to ensure that compliance is met.
Payables from exchange transactions	
The Municipality did not have adequate systems to maintain records of revenue for exchanges transactions. This resulted in payables from exchange transactions being understated by R2 748 251. Unable to obtain sufficient appropriate audit evidence for the amounts disclosed as payables from exchange transactions.	Management will strengthen internal controls to ensure that compliance is met.
Irregular expenditure	
The Municipality incurred expenditure in contravention of the SCM requirements that was not included in the irregular expenditure disclosed in note 50.3 to the financial statements.	Management will strengthen internal controls to ensure that compliance is met.
Material losses	
No distribution losses for bulk electricity losses were disclosed in the notes to the annual financial statements for the current year due to not implementing adequate control measures to reliable calculates losses.	Management will strengthen internal controls to ensure that compliance is met.
Restatement of corresponding figures	
The corresponding figures for 30 June 2018 were stated as a result of errors in the financial statements of the Municipality at and for the year ended 30 June 2019.	Management will strengthen internal controls to ensure that compliance is met.
Impairments- trade debtors	
Material losses of R80 199 670 were incurred as a result of a write-off of irrecoverable trade debtors.	Management will strengthen internal controls to ensure that compliance is met.
Achievement of planned targets	
Unable to obtain sufficient appropriate evidence to validate the existence of systems and processes that enable reliable reporting of actual services delivery against the indicator. Unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed.	Management will strengthen internal controls to ensure that compliance is met.
Annual financial statements and annual reports	
The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of Section 122(1) of the MFMA.	Management will strengthen internal controls to ensure that compliance is met.
Expenditure management	
Money owed by the Municipality was not always paid within 30 days.	Management will strengthen internal controls to ensure that compliance is met.
Reasonable steps were not taken to prevent irregular expenditure.	
Reasonable steps were not taken to prevent fruitless and wasteful expenditure.	

2019/20	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
Reasonable steps were not taken to prevent unauthorised expenditure.	
Assets management	
The Municipality did not establish an investment policy that was adopted by Council.	Management will strengthen internal controls to ensure that compliance is met.
Strategic planning and performance management	
The performance management system and related controls were inadequate.	Management will strengthen internal controls to ensure that compliance is met.
Procurement and contract management	
The Municipality did not comply with SCM regulations.	Management will strengthen internal controls to ensure that compliance is met
Human Resource Management	
Unable to obtain sufficient appropriate audit evidence that financial interests were disclosed.	Management will strengthen internal controls to ensure that compliance is met
Utilization of conditional grants	
Performance of programmes funded were not evaluated.	Management will strengthen internal controls to ensure that compliance is met.
Consequence Management	
Unauthorized expenditure incurred by the Municipality was not investigated to determine if any person is liable for expenditure.	Management will strengthen internal controls to ensure that compliance is met.
Irregular expenditure and fruitless and wasteful expenditure incurred by the Municipality was not investigated to determine if any person is liable for expenditure.	

Table 209: AG Report on Financial Performance 2018/19

COMPONENT B: AUDITOR-GENERAL OPINION 2019/20

6.2 AUDITOR-GENERAL REPORT 2019/20

2019/20	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
Revenue from exchange transactions	
The Municipality did not have adequate systems to maintain records of revenue for exchanges relating to services for sale of electricity. Unable to determine whether any further adjustments were necessary to services charges stated at R82 077 132, in the financial statements.	Management will strengthen internal controls to ensure that compliance is met.
Payables from exchange transactions	
The Municipality did not have adequate systems to maintain records of revenue for exchanges transactions. This resulted in services charges being understated by R1 458 430. Unable to obtain sufficient appropriate audit evidence for the amounts disclosed as payables from exchange transactions.	Management will strengthen internal controls to ensure that compliance is met.
Irregular expenditure	
The Municipality incurred expenditure in contravention of the SCM requirements that was not included in the irregular expenditure disclosed in note 49.3 to the financial statements.	Management will strengthen internal controls to ensure that compliance is met.
Bank overdraft	
Unable to obtain sufficient appropriate audit evidence that bank overdraft for the current year had been properly accounted for, due to the status of the accounting records.	Management will strengthen internal controls to ensure that compliance is met.
Other creditors	
Unable to obtain sufficient appropriate evidence for other creditors and to confirm other creditors by alternative means.	Management will strengthen internal controls to ensure that compliance is met.
Material impairments	
Material impairments of R261 158 621 were incurred as a result of provision for impairment of receivables from exchange and non-exchange transactions.	Management will strengthen internal controls to ensure that compliance is met.
Strategic planning and performance management	
Measures taken to improve performance against targets were not reported in the annual performance report.	Management will strengthen internal controls to ensure that compliance is met.
Unable to obtain sufficient appropriate audit evidence for the reported achievements in the annual performance report.	
The achievements reported in the annual performance report materially differed from the supporting evidence provided.	
Annual financial statements and annual reports	
The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of Section 122(1) of the MFMA.	Management will strengthen internal controls to ensure that compliance is met.
Expenditure management	
Money owed by the Municipality was not always paid within 30 days.	Management will strengthen internal controls to ensure that compliance is met.
Reasonable steps were not taken to prevent irregular expenditure.	
Reasonable steps were not taken to prevent fruitless and wasteful expenditure.	
Reasonable steps were not taken to prevent unauthorised	

2019/20	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
expenditure	
Strategic planning and performance management	
The performance management system and related controls were inadequate.	Management will strengthen internal controls to ensure that compliance is met.
Procurement and contract management	
The Municipality did not comply with SCM regulations.	Management will strengthen internal controls to ensure that compliance is met.
Consequence Management	
Unauthorized expenditure incurred by the Municipality was not investigated to determine if any person is liable for expenditure.	Management will strengthen internal controls to ensure that compliance is met.
Irregular expenditure and fruitless and wasteful expenditure incurred by the Municipality was not investigated to determine if any person is liable for expenditure.	
Internal control	
Did not exercises adequate oversight responsibility regarding annual financial statements and compliance with laws and regulations as well as related internal control.	Management will strengthen internal controls to ensure that compliance is met.
Did not take adequate responsibility for establishing and communicating policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities in respect of consequence management.	
Did not adequately develop and monitor the implementation of action plans to address internal control deficiencies.	
Did not implement sufficient proper record keeping in a timely manner to that complete, relevant and accurate information in accessible and available support financial and performance reporting.	
Did not adequately prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.	
Does not have a adequate processes in place to identify irregular expenditure.	
Did not implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored. Did not conduct a risk assessment or develop controls to prevent, detect and correct material misstatements in financial performance reporting.	

Table 210: AG Report on Financial Performance 2019/20

LIST OF ABBREVIATIONS

AG	Auditor-General	KPI	Key Performance Indicator
AFS	Annual Financial Statements	LED	Local Economic Development
CAPEX	Capital Expenditure	MAYCOM	Executive Mayoral Committee
CBP	Community Based Planning	MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CMTTP	Council Meets The People	MM	Municipal Manager
COGHSTA	Department of Cooperative Governance, Human settlements and Traditional Affairs	MMC	Member of Mayoral Committee
DPLG	Department of Provincial and Local Government	MSA	Municipal Systems Act No. 32 of 2000
DWA	Department of Water Affairs	MTECH	Medium Term Expenditure Committee
EE	Employment Equity	NCOP	National Council of Provinces
EPWP	Extended Public Works Programme	NERSA	National Energy Regulator South Africa
EXCO	Executive Committee	NGO	Non-governmental organisation
FBS	Free Basic Services	NT	National Treasury
GAMAP	Generally Accepted Municipal Accounting Practice	OPEX	Operating expenditure
GRAP	Generally Recognised Accounting Practice	PMS	Performance Management System
HR	Human Resources	PT	Provincial Treasury
IDP	Integrated Development Plan	SALGA	South African Local Government Association
IFRS	International Financial Reporting Standards	SAMDI	South African Management Development Institute
IMFO	Institute for Municipal Finance Officers	SCM	Supply Chain Management
KPA	Key Performance Area	SDBIP	Service Delivery and Budget Implementation Plan
		SDF	Spatial Development Framework

Annual Performance Report



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Annexure A

Financial Statements

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

GENERAL INFORMATION

Members of the Council:

ST Sthonga	Mayor
MC Kivedo	Speaker
CJ Louw	Member of Executive Committee
NP Mkontwana	Member of Executive Committee
RR Faul	Member
WJ Du Plessis	Member
PD Van Wyk	Member
LE Andrews	Member
SJ Hoffman	Member
L Billie	Member
MO Maramba	Member
PP Mhlauli	Member
D Vanel	Member
HJ Rust	Member
PN Bushula	Member

Municipal Manager:

I Visser

Chief Financial Officer:

MF Manuel

Grading of Local Authority:

Grade 2

Auditors:

Auditor-General

Bankers:

ABSA Bank Limited

Registered Office:

45 Dr. Pixley-ka-Seme Drive
De Aar
7000

Physical address:

45 Dr. Pixley-ka-Seme Drive
De Aar
7000

Postal address:

P.O. Box 42
De Aar
7000

Telephone number:

(053) 632 9100

Fax number:

(053) 631 0105

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 87, in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors, loans made to Councilors, if any, and payments made to Councilors for loss of office, if any, as disclosed in Note 33 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: I Visser

31 October 2020

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Emthanjeni Local Municipality at 30 June 2020.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2019/2020 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2020 indicates a decrease in Net Assets, a increase in Non-current Liabilities and an increase in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of a smaller provision relating to the rehabilitation of landfill sites and the settlement of long-term liabilities. The increase in Current Liabilities is primarily as a result of the increase in trade payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

2.1 Financial Statement Ratios:

Indicator	2020	2019
Surplus / (Deficit) before Appropriations	(37,577,151)	(90,376,887)
Surplus / (Deficit) at the end of the Year	(37,577,151)	(90,376,887)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	27.69%	24.65%
Remuneration of Councilors	1.83%	1.65%
Depreciation and Amortisation	16.03%	15.76%
Impairment Losses	15.88%	18.74%
Repairs and Maintenance	2.42%	3.73%
Interest Paid	1.26%	4.27%
Bulk Purchases	22.46%	18.77%
Contracted Services	0.00%	0.00%
Grants and Subsidies Paid	0.00%	0.00%
General Expenses	12.36%	12.18%
Loss on Disposal of Property, Plant and Equipment	0.06%	0.24%
Loss on Sale of Land	0.01%	0.04%
Current Ratio:		
Trade Creditors Days	325	239
Debtors from Exchange Transactions Days	101	79

The ratio for Debtors Days, calculated on net Debtors, fluctuated from that of the previous financial year, due to debtors being written off in the 2019 year.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

2.2 Performance Indicators:

Indicator	2020	2019
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	21.49%	18.95%
Outstanding Service Debtors to Revenue	27.66%	21.77%
Liquidity Management:		
Liquidity Ratio	0.86	0.98
Liability Management:		
Capital Cost as percentage of Own Revenue	0.21%	1.24%
Borrowed Funding as percentage of Own Capital Expenditure	0.00%	206.83%
Borrowing as percentage of Total Capital Assets	0.00%	2.56%
Safety of Capital:		
Gearing	85.93%	97.55%
Financial Viability:		
Debt Coverage	0.11%	4.39%

2. KEY FINANCIAL INDICATORS (continued)

Indicator	2020	2019
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	(658.70)	5.37
Capital Expenditure on Infrastructure to Total Capital Expenditure	69.74%	95.87%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

The services offered by Emthanjeni Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2020 are as follows:

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income:					
Opening surplus / (deficit)	673,905,328	764,493,693	11.85%	715,139,452	5.77%
Operating income for the year	274,624,462	243,655,850	(12.71)%	305,162,913	10.01%
	948,529,790	1,008,149,543		1,020,302,364	
Expenditure:					
Operating expenditure for the year	(312,201,612)	(334,032,737)	6.54%	(237,320,463)	(31.55)%
Sundry transfers	-	(211,478)	100.00%	-	-
Closing surplus / (deficit)	(636,328,177)	(673,905,328)	5.58%	(782,981,901)	18.73%
	(948,529,790)	(1,008,149,543)		(1,020,302,364)	

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the Municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	100,975,647	87,154,193	(15.86)%	91,764,088	(10.04)%
Expenditure	(131,472,120)	(144,375,102)	8.94%	(140,142,994)	6.19%
Surplus / (Deficit)	(30,496,472)	(57,220,909)		(48,378,906)	
Surplus / (Deficit) as % of total income	(30.20)%	(65.65)%		(52.72)%	

3.2 Housing Services:

Housing Services are services rendered by the Municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	713,648	713,279	(0.05)%	49,214	(1350.09)%
Expenditure	(3,658,492)	(3,235,158)	(13.09)%	(2,951,410)	(23.96)%
Surplus / (Deficit)	(2,944,844)	(2,521,879)		(2,902,196)	
Surplus / (Deficit) as % of total income	(412.65)%	(353.56)%		(5897.09)%	

3. OPERATING RESULTS (continued)

Variance from 2020 budget:

The municipality under budgeted for this grant received, as there is no formal indication for the municipality to go by to sufficiently budget for this. There is also a difference in respect to Expenditure as a result of the depreciation expense, which is not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17.

Variance from 2019 actual:

The municipality under budgeted for the expenditure in this department.

3.3 Waste Management Services:

Waste Management Services are services rendered by the Municipality for the collection, disposal and purifying of waste (refuse and

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	33,410,927	32,986,928	(1.29)%	53,631,185	37.70%
Expenditure	(41,294,965)	(42,766,145)	3.44%	(27,314,817)	(51.18)%
Surplus / (Deficit)	(7,884,038)	(9,779,217)		26,316,368	
Surplus / (Deficit) as % of total income	(23.60)%	(29.65)%		49.07%	

Variance from 2020 budgeted:

The municipality did not budget for the unspent grant at previous yearend being refunded in the 2020 year, this resulted in the over budgeting of the income. The reason for the significant difference in the expenditure is due to the difference between the accounting and budgeting for depreciation

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3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R67 610 105 (2019: 60 071 589). Tariffs levied for electricity are subject to administered adjustments.

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	86,347,790	82,329,564	(4.88)%	101,434,791	14.87%
Expenditure	(113,322,828)	(102,408,849)	(10.66)%	(92,428,394)	(22.61)%
Surplus / (Deficit)	(26,975,038)	(20,079,285)		9,006,397	
Surplus / (Deficit) as % of total income	(31.24)%	(24.39)%		8.88%	

Variance from 2020 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17. The municipality budgets for its free basic services as expenditure, resulting in a further variance.

3.5 Water Services:

Water is bought in bulk from various sources and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R2 516 041 (2019: R2 634 043). Tariffs levied for water are subject to administered adjustments.

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	53,176,449	40,471,886	(31.39)%	65,082,094	18.29%
Expenditure	(22,453,208)	(40,059,442)	43.95%	(38,773,247)	42.09%
Surplus / (Deficit)	30,723,242	412,443		26,308,847	
Surplus / (Deficit) as % of total income	57.78%	1.02%		40.42%	

Variance from 2020 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17. The municipality also did not budget for unspent grants at the end of the previous year to be refunded in the current yet. The municipality budgets for its free basic services as expenditure, resulting in a further variance.

Variance from 2019 actual:

The municipality received less water related grant money in the current year and better expenditure management resulted in less expenditure in the current year in comparison with that of last. The municipality did not budget for unspent grant as at the end of 2019 to be refunded.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R33 840 390 (2019: R23 240 443). Full details of Assets are disclosed in Notes 7, 8, 9, 10 and Appendices B, C and E (4) to the Annual Financial Statements.

The capital expenditure of R34 345 131 was financed as follows:

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Grants and Subsidies	34,272,473	22,358,722	(53.28)%	43,537,150	21.28%
Own Funds (Accumulated Surplus)	72,658	287,367	74.72%	1,954,790	96.28%
Borrowings	-	594,355	100.00%	12,000,000	100.00%
	34,345,131	23,240,443		57,491,940	

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Source of funding as a percentage of Total Capital Expenditure:

Details	2020	2019
Grants and Subsidies	99.79%	96.21%
Own Funds (Accumulated Surplus)	0.21%	1.24%
Borrowings	-	2.56%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies, as well as external loans (finance leases) as the Municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

Details	2020	2019
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	67,842,450	33,446,300
Revenue variances	(30,538,451)	(34,226,124)
Expenditure variances:		
Employee Related Costs	(4,137,463)	1,195,307
Remuneration of Councilors	911,904	313,114
Depreciation and Amortisation	(39,876,189)	(43,038,256)
Impairment Losses	(42,141,542)	(55,612,575)
Repairs and Maintenance	(310,275)	9,410,277
Finance Costs	(1,884,883)	(12,848,759)
Bulk Purchases	1,203,038	2,108,564
Contracted Services	21,156,223	10,251,800
Grants and Subsidies Paid	1,913,000	-
General Expenses	(11,511,720)	92,554
Loss on other operations	(1,519)	(808,936)
Loss on Disposal of Property, Plant and Equipment	(201,723)	-
Actual surplus before appropriations	(37,577,151)	(89,716,735)
		660,152

5. RECONCILIATION OF BUDGET TO ACTUAL (continued)

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Details	2020	2019
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	67,842,450	33,446,300
Executive and Council	7,976,256	(9,357,273)
Finance and Administration	(1,398,302)	(4,897,077)
Planning and Development	(19,031,730)	(12,332,451)
Health	(4,348)	127,299
Community and Social Services	(3,679,451)	(4,982,347)
Public Safety	(1,711,760)	13,415,146
Sports and Recreation	(7,786,317)	302,241
Road Transport	12,505,137	4,700,446
Other	1,051,007	(652,387)
Housing Services	(492,648)	(195,157)
Waste Management	(21,609,710)	(23,267,111)
Waste Water Management	(13,040,695)	
Electricity	(40,001,435)	(27,103,611)
Water	(18,195,605)	(59,580,905)
Actual surplus before appropriations	(37,577,151)	(90,376,888)

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

5.2 Capital Budget:

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Executive and Council	5,775	612,811	99.06%	-	#DIV/0!
Finance and Administration	16,665	45,384	63.28%	900,000	98.15%
Planning and Development	1,073,116	786,815	(36.39)%	-	-
Community and Social Services	24,978	117,979	78.83%	600,000	95.84%
Public Safety	-	15,652	100.00%	600,000	100.00%
Sports and Recreation	10,320,248	7,252	100.00%	7,994,000	(29.10)%
Road Transport	2,347,368	9,027,249	74.00%	19,867,940	88.19%
Other	-	21,384	-	-	-
Housing Services	-	-	100.00%	450,000	-
Waste Management	-	8,157	100.00%	150,000	100.00%
Waste Water Management	-	2,257	100.00%	300,000	100.00%
Electricity	1,378,698	3,830,738	64.01%	4,020,000	65.70%
Water	19,178,283	8,764,765	(118.81)%	22,610,000	15.18%
	34,345,131	23,240,444		57,491,940	

Details of the results per segmental classification of capital expenditure are included in Appendix C and in Appendix E (4).

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2020 amounted to R636 327 315 (2019: R673 905 328) and is made up as follows:

Capital Replacement Reserve	2,252,793
Accumulated Surplus	634,074,522
	<u>636,327,315</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

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The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2020 was R240 852 (2019: R1 531 183).

Refer to Note 19 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Non-Current portion of Employee Benefit Liabilities amounted to R21 404 001 as at 30 June 2020 (2019: R28 045 357) and is made up as follows:

Post-retirement Health Care Benefits Liability	17,138,001
Long Service Awards Liability	<u>4,266,000</u>
	<u><u>21,404,001</u></u>

Current portion of Employee Benefit Liabilities amounted to R1 929 000 as at 30 June 2020 (2019: R1 835 467) and is made up as follows:

Post-retirement Health Care Benefits Liability	(1,324,000)
Long Service Awards Liability	<u>(605,000)</u>
	<u><u>(1,929,000)</u></u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 20 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R51 656 159 as at 30 June 2020 (2019: R55 674 168) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>51,656,159</u>
	<u><u>51,656,159</u></u>

These provisions are made in order to enable the Municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R171 192 495 as at 30 June 2020 (2019: R144 029 982) and is made up as follows:

Consumer Deposits	Note 13	2,518,499
Payables from Exchange Transactions	Note 14	127,171,169
Payables from Non-exchange Transactions	Note 15	10,151,718
Unspent Conditional Grants and Receipts	Note 16	7,208,676
Bank Overdraft	Note 5	21,972,581
Current Portion of Long-term Liabilities	Note 18	240,852
Current Portion of Long-term Liabilities	Note 18	1,929,000
		<u><u>171,192,495</u></u>

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

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11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R719 193 271 as at 30 June 2020 (2019: R744 437 107).

Refer to Note 7 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R49 711 as at 30 June 2020 (2019: R101 890).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R5 718 600 as at 30 June 2020 (2019: R5 718 600).

Investment Property is property 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.

Refer to Note 9 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R6 959 273 as at 30 June 2020 (2019: R6 959 273).

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.

Refer to Note 10 and Appendix "B" for more detail.

15. NON-CURRENT INVESTMENTS

The Municipality held Investments to the value of R27 690 as at 30 June 2020 (2019: R29 209).

Refer to Note 11 for more detail.

16. LONG-TERM RECEIVABLES

Long-term Receivables of R0 at 30 June 2020 (2019: R10) is made up as follows:

Other Loans	-	-
		-
Less: Short-term portion included in Current Assets	-	-
		-
		-

Refer to Note 12 for more detail.

17. CURRENT ASSETS

Current Assets amounted R146 995 117 as at 30 June 2020 (2019: R144 350 704) and is made up as follows:

Inventories	Note 2	54,057,829
Receivables from Exchange Transactions	Note 3	38,446,914
Receivables from Non-exchange Transactions	Note 4	20,577,393
Cash and Cash Equivalents	Note 5	21,764,106
VAT Receivable	Note 17	12,258,796
		147,105,038

The increase in the amount for Current Assets is mainly due to the increased amount for Receivables from Non-exchange Transactions in respect of fines accounted for in accordance with GRAP 23.

Refer to the indicated Notes for more detail.

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REPORT OF THE CHIEF FINANCIAL OFFICER

18. INTER-GOVERNMENTAL GRANTS

The Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 16 and 25, and Appendix "F" for more detail.

19. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 62.

20. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councilors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 October 2020

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Note	Actual	
		2020 R	2019 Restated R
ASSETS			
Current Assets		147,105,038	140,104,476
Inventories	2	54,057,829	53,705,263
Receivables from Exchange Transactions	3	38,446,914	27,678,565
Receivables from Non-exchange Transactions	4	20,577,393	18,490,932
Cash and Cash Equivalents	5	21,764,106	35,430,721
VAT Receivable	17	12,258,796	4,794,453
Current Portion of Operating Lease Receivables	6	-	4,542
Non-Current Assets		733,475,794	758,155,662
Property, Plant and Equipment	7	720,720,520	745,339,207
Intangible Assets	8	49,711	101,890
Investment Property	9	5,718,600	5,718,600
Heritage Assets	10	6,959,273	6,959,273
Non-current Investments	11	27,690	29,209
Long-term Receivables	12	-	10
Operating Lease Receivables	6	-	7,473
Total Assets		880,580,832	898,260,138
LIABILITIES			
Current Liabilities		171,192,495	143,617,878
Consumer Deposits	13	2,518,499	2,414,796
Payables from Exchange Transactions	14	127,171,169	81,990,781
Payables from Non-exchange Transactions	15	10,151,718	9,429,849
Unspent Conditional Grants and Receipts	16	7,208,676	29,309,656
Bank Overdraft	5	21,972,581	18,397,223
Current Portion of Long-term Liabilities	18	240,852	240,845
Current Portion of Employee Benefit Liabilities	19	1,929,000	1,834,729
Non-Current Liabilities		73,060,160	80,736,932
Long-term Liabilities	18	-	1,290,339
Employee Benefit Liabilities	19	21,404,001	23,772,426
Non-current Provisions	20	51,656,159	55,674,167
Total Liabilities		244,252,655	224,354,810
Total Assets and Liabilities		636,328,177	673,905,328
NET ASSETS		636,328,177	673,905,328
Accumulated Surplus / (Deficit)	21	636,328,177	673,905,328
Total Net Assets		636,328,177	673,905,328

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

		Actual	
	Note	2020	2019
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	22	38,685,708	33,191,190
Property Rates - Penalties imposed and collection charges	29	795,393	561,272
Fines	23	7,908,654	13,118,758
Government Grants and Subsidies Received	25	88,185,311	68,650,878
Revenue from Exchange Transactions			
Service Charges	26	131,299,585	120,808,959
Licenses and Permits	27	698,713	1,281,203
Rental of Facilities and Equipment	28	775,239	842,017
Interest Earned - External Investments	29	1,813,555	1,954,749
Interest Earned - Outstanding Debtors	29	1,776,613	1,506,328
Other Revenue	30	2,643,452	1,494,826
Gains on Sale of Land	31	42,239	133,358
Gains on Other Operations	42	-	112,313
Total Revenue		<u>274,624,462</u>	<u>243,655,850</u>
EXPENDITURE			
Employee Related Costs	32	86,450,071	82,323,993
Remuneration of Councilors	33	5,719,058	5,502,117
Depreciation and Amortisation	34	50,051,061	52,637,190
Impairment Losses	35	49,562,541	62,613,518
Repairs and Maintenance	36	7,570,114	12,470,616
Finance Costs	37	3,923,099	14,277,284
Bulk Purchases	38	70,126,146	62,705,633
General Expenses	39	38,596,280	40,693,450
Losses on Other Operations	40	1,519	-
Loss on Disposal of Property, Plant and Equipment	41	201,723	808,936
Total Expenditure		<u>312,201,612</u>	<u>334,032,737</u>
SURPLUS / (DEFICIT) FOR THE YEAR		<u>(37,577,151)</u>	<u>(90,376,887)</u>
Refer to Budget Statement for explanation of budget variances			

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2019				
Balance at 1 July 2018	2,252,793	762,240,038	764,492,831	764,493,693
Prior Period Error (Note 45)		(211,478)	(211,478)	(211,478)
Restated Balance	2,252,793	762,028,560	764,281,353	764,282,215
Surplus / (Deficit) for the year	-	(90,376,887)	(90,376,887)	(90,376,887)
Balance at 30 June 2019	2,252,793	671,651,673	673,904,466	673,905,328
2020				
Restated Balance at 1 July 2019	2,252,793	671,651,673	673,904,466	673,905,328
Surplus / (Deficit) for the year	-	(37,577,151)	(37,577,151)	(37,577,151)
Balance at 30 June 2020	2,252,793	634,074,522	636,327,315	636,328,177

Details on the movement of the Funds and Reserves are set out in Note 22.

EMTHANJENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Note	Actual	
		2020 R	2019 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		123,501,418	128,766,465
Government Grant and Subsidies		66,084,331	94,955,000
Interest Received		1,813,555	1,954,749
Payments			
Employee Related Costs		(87,847,590)	(81,306,494)
Remuneration of Councilors		(5,719,058)	(5,502,117)
Interest Paid		(7,941,109)	(5,539,842)
Suppliers Paid		(71,515,779)	(89,334,284)
NET CASH FLOWS FROM OPERATING ACTIVITIES	48	18,375,769	43,993,477
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(34,302,892)	(26,657,045)
Purchase of Intangible Assets	7	(24,518)	(33,110)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(34,327,410)	(26,690,155)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	18	-	594,355
Repayment of Borrowings	18	(1,290,332)	(3,807,848)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,290,332)	(3,213,493)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(17,241,973)	14,089,829
Cash and Cash Equivalents at Beginning of Period	5	17,033,497	2,943,668
Cash and Cash Equivalents at End of Period	5	(208,475)	17,033,497

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

2020

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	483,956	58,009,100	58,493,056	-	-	58,493,056	54,057,829	-	(4,435,228)	11069.98%	(7.58)%
Receivables from Exchange Transactions	62,218,099	5,968	62,224,067	-	-	62,224,067	38,446,914	-	(23,777,153)	(5.13)%	(5.14)%
Receivables from Non-exchange Transactions	-	-	-	-	-	-	20,577,393	-	20,577,393	#DIV/0!	100.00%
Cash and Cash Equivalents	8,566,666	3,090,815	11,657,481	-	-	11,657,481	21,764,106	-	10,106,625	154.06%	86.70%
VAT Receivable	-	-	-	-	-	-	12,258,796	-	12,258,796	#DIV/0!	100.00%
Current Portion of Operating Lease Receivables	4,642	-	4,642	-	-	4,642	-	-	(4,642)	(100.00)%	(100.00)%
Non-Current Assets											
Property, Plant and Equipment	831,416,413	(15,173,311)	816,243,101	-	-	816,243,101	720,720,520	-	(95,522,581)	(13.31)%	(11.70)%
Intangible Assets	393,657	(201,890)	191,766	-	-	191,766	49,711	-	(142,055)	(87.37)%	(74.08)%
Investment Property	79,364,845	(73,646,245)	5,718,600	-	-	5,718,600	5,718,600	-	0	(92.79)%	0.00%
Heritage Assets	-	-	-	-	-	-	6,959,273	-	6,959,273	#DIV/0!	#DIV/0!
Non-current Investments	29,214	-	29,214	-	-	29,214	27,690	-	(1,524)	(5.22)%	(5.22)%
Long-term Receivables	1,507	-	1,507	-	-	1,507	-	-	(1,507)	(100.00)%	(100.00)%
Operating Lease Receivables	7,585	-	7,585	-	-	7,585	-	-	(7,585)	(100.00)%	(100.00)%
Total Assets	982,486,583	(27,915,563)	954,571,020			954,571,020	880,580,832		(73,990,188)		
Current Liabilities											
Consumer Deposits	2,557,168	-	2,557,168	-	-	2,557,168	2,518,499	-	(38,669)	(1.51)%	(1.51)%
Provisions	2,003,118	-	2,003,118	-	-	2,003,118	1,929,000	-	(74,118)	(3.70)%	(3.70)%
Payables from exchange transactions	50,811,159	-	50,811,159	-	-	50,811,159	127,171,169	-	76,360,010	150.28%	150.28%
Payables from Non-exchange Transactions	-	-	-	-	-	-	10,151,718	-	10,151,718	#DIV/0!	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	7,208,676	-	7,208,676	#DIV/0!	100.00%
Bank Overdraft	7,769,675	1,352,020	9,121,695	-	-	9,121,695	21,972,581	-	12,850,885	182.80%	140.88%
Current Portion of Long-term Liabilities	527,151	-	527,151	-	-	527,151	240,852	-	(286,299)	(54.31)%	(54.31)%
Non-Current Liabilities											
Long-term Liabilities	11,472,849	-	11,472,849	-	-	11,472,849	-	-	(11,472,849)	(100.00)%	(100.00)%
Retirement Benefit Liabilities	-	-	-	-	-	-	21,404,001	-	21,404,001	#DIV/0!	#DIV/0!
Non-current Provisions	40,773,830	54,322,148	95,095,978	-	-	95,095,978	51,656,159	-	(43,439,820)	(25.80)%	(37.29)%
Total Liabilities	115,914,951	55,674,168	171,589,119			171,589,119	244,252,655		72,663,536		
Total Assets and Liabilities	866,571,633	(83,589,731)	782,981,901			782,981,901	636,328,177		(146,653,724)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	866,571,633	(83,589,731)	782,981,901	-	-	782,981,901	636,328,177	-	(146,653,724)	(26.57)%	(18.73)%
Total Net Assets	866,571,633	(83,589,731)	782,981,901			782,981,901	636,328,177		(146,653,724)		

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Cash and cash equivalents

Management does not budget for grants to be unspent at yearend. However, this did occur, resulting in the fluctuation.

Operating Lease Assets

During the 2020 year the decision was taken to remove the operating lease asset. The municipality however still budgeted for this resulting in the variance

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Property, Plant and Equipment:

The significant fluctuation is due to the depreciation expense which increased in comparison to that of the prior year. In addition to this the municipality also had a significant amount of assets written off in the current year not budgeted for. The Municipality uses a "backlog" depreciation expense approach which resulted in a significant higher balance being budgeted for. Furthermore, the municipality does not budget for Heritage assets as a separate asset, it get budgeted for under PPE.

Intangible Assets:

No new material Intangible Assets were purchased during the year. The Municipality uses a "backlog" amortisation expense approach which resulted in a significant higher balance being budgeted for.

Long-term Receivables:

The municipality did not budget for the long term receivables to be utilised against the outstanding account.

Payables from Exchange Transactions:

In relation to the outstanding balance budgeted for, the Municipality's outstanding creditors are material higher largely due to outstanding amounts owed to Eskom. This resulted in the material fluctuation and has caused cash flow constraints experienced by the Municipality.

Payables from Non-exchange Transactions:

The Municipality does not budget for this line item separately. Refer to payables from exchange explanation.

Unspent Conditional Grants and Receipts:

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, amongst others, unspent MIG funding was still available which will be used for capital projects in the next financial year.

VAT Receivable:

The Municipality did not budget for any outstanding VAT balance, but due to among others the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist. Further more, the municipality is awaiting refunds from SARS due to VAT returns still being audited at yearend

Bank Overdraft

The municipality budgeted for greater revenue enhancement to pay it's creditors. This however didn't happen, resulting in the municipality to utilise more of the available overdraft.

Long-term Liabilities:

The municipality does not differentiate the long term liabilities between current and non current portions when they perform their budget. Further, the municipality anticipated for a new finance lease to the value of R12 000 000 to be entered into for fleet vehicles, this did however not materialise.

Retirement Benefit Liabilities:

The municipality budgets for this line item along with non-current provisions.

Non-current Provisions:

The municipality under budgeted for the balance of retirement benefit liabilities as well as the provision for the landfill sites. The municipality does not split these 2 items in their budget.

2020

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	33,329,007	2,448,603	35,777,610	-	-	35,777,610	38,685,708	-	2,908,098	16.07%	8.13%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	795,393	-	795,393	#DIV/0!	#DIV/0!
Fines	4,598,203	4,999,997	9,598,200	-	-	9,598,200	7,908,654	-	(1,689,546)	71.99%	(17.60)%
Government Grants and Subsidies Received	79,580,000	5,325,000	84,905,000	-	-	84,905,000	88,185,311	-	3,280,311	10.81%	3.86%
Revenue from Exchange Transactions											
Service Charges	157,675,385	8,868,493	166,543,878	-	-	166,543,878	131,299,585	-	(35,244,293)	(16.73)%	(21.16)%
Licenses and Permits	2,258,808	-	2,258,808	-	-	2,258,808	698,713	-	(1,560,095)	(69.07)%	(69.07)%
Rental of Facilities and Equipment	1,077,930	-	1,077,930	-	-	1,077,930	775,239	-	(302,691)	(28.08)%	(28.08)%
Interest Earned - External Investments	2,055,940	-	2,055,940	-	-	2,055,940	1,813,555	-	(242,385)	(11.79)%	(11.79)%
Interest Earned - Outstanding Debtors	1,428,061	148,849	1,576,910	-	-	1,576,910	1,776,613	-	199,703	24.41%	12.66%
Other Income	1,368,637	-	1,368,637	-	-	1,368,637	2,643,452	-	1,274,815	93.14%	93.14%
Gains on Other Operations	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Gains on Sale of Land	-	-	-	-	-	-	42,239	-	42,239	#DIV/0!	#DIV/0!
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Revenue	283,371,971	21,790,942	305,162,913	-	-	305,162,913	274,624,462	-	(30,538,451)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Expenditure												
Employee Related Costs	88,622,363	(6,309,755)	82,312,608	-	-	82,312,608	86,450,071	-	4,137,463	(2.45)%	5.03%	
Remuneration of Councilors	6,935,674	(304,712)	6,630,962	-	-	6,630,962	5,719,058	-	(911,904)	(17.54)%	(13.75)%	
Depreciation and Amortisation	10,174,872		10,174,872	-	-	10,174,872	50,051,061	-	39,876,189	391.91%	391.91%	
Impairment Losses	7,420,999		7,420,999	-	-	7,420,999	49,562,541	-	42,141,542	567.87%	567.87%	
Repairs and Maintenance	10,837,832	(3,577,993)	7,259,839	-	-	7,259,839	7,570,114	-	310,275	(30.15)%	4.27%	
Finance Costs	2,038,216		2,038,216	-	-	2,038,216	3,923,099	-	1,884,883	92.48%	92.48%	
Bulk Purchases	74,329,184	(3,000,000)	71,329,184	-	-	71,329,184	70,126,146	-	(1,203,038)	(5.65)%	(1.69)%	
Contracted Services	23,501,248	(2,345,025)	21,156,223	-	-	21,156,223	-	-	(21,156,223)	(100.00)%	(100.00)%	
Grants and Subsidies Paid	1,913,000		1,913,000	-	-	1,913,000	-	-	(1,913,000)	(100.00)%	(100.00)%	
General Expenses	22,390,922	4,693,638	27,084,560	-	-	27,084,560	38,596,280	-	11,511,720	72.37%	42.50%	
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	201,723	-	201,723	#DIV/0!	#DIV/0!	
Losses on Other Operations	-	-	-	-	-	-	1,519	-	1,519	#DIV/0!	#DIV/0!	
Total Expenditure	248,164,310	(10,843,847)	237,320,463	-	-	237,320,463	312,201,612	-	74,881,149			
Surplus/(Deficit)	35,207,661	32,634,789	67,842,450	-	-	67,842,450	(37,577,151)	-	(105,419,601)	(206.73)%	(155.39)%	
Surplus/(Deficit for the Year)	35,207,661	32,634,789	67,842,450	-	-	67,842,450	(37,577,151)	-	(105,419,601)			

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates - Penalties imposed and collection charges:

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

Fines:

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend. The municipality budgeted for greater fines revenue, however due to the Covid-19 outbreak, there was a reduction in the fines issued.

Service Charges:

The Municipality anticipated an increase in the revenue generated from service charges, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it. The outbreak of the Covid-19 disease impacted negatively on most of the municipality's income.

Licenses and Permits:

The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it. The outbreak of the Covid-19 disease impacted negatively on most of the municipality's income.

Rental of facilities:

The Municipality anticipated an increase in the revenue generated from the rental of facilities, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it. The outbreak of the Covid-19 disease impacted negatively on most of the municipality's income.

Interest Earned - External Investments:

Due to better grant expenditure management, the amounts of unspent grants laying in the investment account during the year was less than anticipated, resulting in less interest accruing on investment accounts.

Interest Earned - Outstanding debtors:

As previously stated, the municipality budgets for penalties on property rates as interest. The municipality budgeted for better ageing of debtors that would result in less interest being charged to the accounts, this did however not happen, resulting in the variance.

Other Income:

The Municipality could not foresee the significant insurance payout received during the year, this resulted in the variance between the actual and budgeted income.

Losses on Other Operations:

The municipality did not budget for an adjustment in value in the OVK shares, the amount however is immaterial.

Loss on sale of land:

The municipality did not budget for the loss on disposal of land, the amount is however immaterial.

Councilors remuneration:

The municipality budgeted for a greater increase in councilors remuneration, this did however not materialise as budgeted.

Depreciation and Amortisation:

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

Impairment:

The municipality budgeted for better ageing in debtors which would also result in less debtor impairment. However, due to current financial climate, made worse by the outbreak of the Covid-19 disease, the impairment on debtors increased.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Repairs and Maintenance:

The municipality could not reach the expenditure management budgeted for Repairs and Maintenance. This resulted in the municipality slightly under budgeting for the repairs and maintenance expenditure.

Finance Costs:

The Municipality incurred finance cost expenditure on large overdue creditors like Eskom. The municipality did not budget for this.

Contracted Services:

During the 2019 AFS Audit the contracted services was re-allocated to general expenditure line items to better represent the nature of the expenditure. The municipality however still budget for contracted services

Grants and subsidies paid

During the 2019 AFS Audit the grants and subsidies paid was re-allocated to other expenditure line items to better represent the nature of the expenditure.

General Expenditure:

The municipality budgets for some general expenditure under contracted services.

Loss on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to no auction held and not budgeting for asset write-offs, a variance exists.

2020

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	1,631,250	(1,631,250)	-	-	-	-	5,775	-	5,775	(99.65)%	#DIV/0!
Finance and Administration	13,809,400	(12,909,400)	900,000	-	-	900,000	16,665	-	(883,336)	(106.40)%	(98.15)%
Planning and Development	-	-	-	-	-	-	1,073,116	-	1,073,116	100.00%	100.00%
Health	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	69,000	531,000	600,000	-	-	600,000	24,978	-	(575,022)	(933.36)%	(95.84)%
Housing	-	450,000	450,000	-	-	450,000	-	-	(450,000)	#DIV/0!	(100.00)%
Public Safety	30,450	569,550	600,000	-	-	600,000	-	-	(600,000)	(2070.44)%	(100.00)%
Sport and Recreation	34,250	7,959,750	7,994,000	-	-	7,994,000	10,320,248	-	2,326,248	6691.96%	29.10%
Waste Management	9,000	441,000	450,000	-	-	450,000	-	-	(450,000)	(5100.00)%	(100.00)%
Roads and Transport	27,609,250	(7,741,310)	19,867,940	-	-	19,867,940	2,347,368	-	(17,520,572)	(163.46)%	(88.19)%
Water	3,910,000	18,700,000	22,610,000	-	-	22,610,000	19,178,283	-	(3,431,717)	(187.77)%	(15.18)%
Electricity	1,770,000	2,250,000	4,020,000	-	-	4,020,000	1,378,698	-	(2,641,302)	(249.23)%	(65.70)%
Other	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	48,872,600	8,619,340	57,491,940	-	-	57,491,940	34,345,131	-	(23,146,809)		

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

The municipality anticipated for larger capital expenditure but due to amongst others all capital grant moneys not spent and the municipality not acquiring the fleet vehicles budgeted to the value of R12 000 000, the municipality over budgeted for this.

2020

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	29,922,978	1,758,471	31,681,449	-	-	31,681,449	-	-	(31,681,449)	(100.00)%	(100.00)%
Grants	79,580,000	5,325,000	84,905,000	-	-	84,905,000	66,084,331	-	(18,820,669)	(16.96)%	(22.17)%
Service Charges	142,511,625	(3,850,232)	138,661,392	-	-	138,661,392	123,501,418	-	(15,159,975)	(13.34)%	(10.93)%
Interest Received	2,055,940	1,576,910	3,632,850	-	-	3,632,850	1,813,555	-	(1,819,295)	(11.79)%	(50.08)%
Other Receipts	8,290,173	3,786,372	12,076,546	-	-	12,076,546	-	-	(12,076,546)	(100.00)%	(100.00)%
Employee Related Costs	(88,622,363)	-	(88,622,363)	-	-	(88,622,363)	(87,847,590)	-	774,773	(0.87)%	(0.87)%
Remuneration of Councilors	(6,935,674)	-	(6,935,674)	-	-	(6,935,674)	(5,719,058)	-	1,216,616	(17.54)%	(17.54)%
Interest Paid	(2,038,216)	-	(2,038,216)	-	-	(2,038,216)	(7,941,109)	-	(5,902,893)	289.61%	289.61%
Suppliers Paid	(128,045,456)	4,043,987	(124,001,469)	-	-	(124,001,469)	(71,515,779)	-	52,485,690	(44.15)%	(42.33)%
Other Payments	-	(1,913,000)	(1,913,000)	-	-	(1,913,000)	-	-	1,913,000	#DIV/0!	(100.00)%

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(48,872,600)	(8,619,340)	(57,491,940)	-	-	(57,491,940)	(34,327,410)	-	23,164,530	(29.76)%	(40.29)%
Proceeds on Disposal of Property, Plant and Equipment	200,000	-	200,000	-	-	200,000	-	-	(200,000)	(100.00)%	(100.00)%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash Flows from/(used in) Financing Activities											
New Loans raised	12,000,000	-	12,000,000	-	-	12,000,000	-	-	(12,000,000)	(100.00)%	(100.00)%
Loans repaid	(527,151)	-	(527,151)	-	-	(527,151)	(1,290,332)	-	(763,181)	144.77%	144.77%
Increase / (Decrease) in Consumer Deposits	27,823	-	27,823	-	-	27,823	-	-	(27,823)	(100.00)%	(100.00)%
Cash and Cash Equivalents at End of the Year	(452,921)	2,108,168	1,655,247	-	-	1,655,247	(17,241,973)	-	(18,897,220)		

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

The material fluctuation is mainly attributable to cost containment pertaining to suppliers paid not budgeted for as well as it being budgeted that all grants would be spent at yearend on capital expenditure which did not occur. A detailed cash flow breakdown has been provided, due to the fact that the municipal budget may differ in where some items are accounted for in relationship to how it is disclose in the AFS. The cash flow calculation and disclosure as per the AFS was rigorously looked at by the AG in past and deemed to be sufficient.

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	465,343	-	465,343	-	-	465,343	53,705,263	-	53,239,920	11441.01%	11441.01%
Receivables from Exchange Transactions	56,306,284	-	56,306,284	-	-	56,306,284	27,678,565	-	(28,627,719)	(50.84)%	(50.84)%
Receivables from Non-exchange Transactions	-	-	-	-	-	-	18,490,932	-	18,490,932	#DIV/0!	#DIV/0!
Cash and Cash Equivalents	10,480,687	(2,101,000)	8,379,687	-	-	8,379,687	35,430,721	-	27,051,033	238.06%	322.82%
VAT Receivable	-	-	-	-	-	-	4,794,453	-	4,794,453	100.00%	100.00%
Current Portion of Operating Lease Receivables	4,551	-	4,551	-	-	4,551	4,542	-	(9)	(0.20)%	(0.20)%
Non-Current Assets											
Property, Plant and Equipment	1,057,502,736	(2,101,000)	1,055,401,736	-	-	1,055,401,736	745,339,207	-	(310,062,529)	(29.52)%	(29.38)%
Intangible Assets	382,117	-	382,117	-	-	382,117	101,890	-	(280,226)	(73.34)%	(73.34)%
Investment Property	78,969,995	-	78,969,995	-	-	78,969,995	5,718,600	-	(73,251,395)	(92.76)%	(92.76)%
Heritage Assets	6,959,273	-	6,959,273	-	-	6,959,273	6,959,273	-	-	-	-
Non-current Investments	29,214	-	29,214	-	-	29,214	29,209	-	(5)	(0.02)%	(0.02)%
Long-term Receivables	1,504	-	1,504	-	-	1,504	10	-	(1,494)	(99.34)%	(99.34)%
Operating Lease Receivables	7,510	-	7,510	-	-	7,510	7,473	-	(37)	(0.50)%	(0.50)%
Total Assets	1,211,109,213	(4,202,000)	1,206,907,213	-	-	1,206,907,213	898,260,138	-	(308,647,075)		
Current Liabilities											
Consumer Deposits	2,529,346	-	2,529,346	-	-	2,529,346	2,414,796	-	(114,549)	(4.53)%	(4.53)%
Provisions	1,963,841	-	1,963,841	-	-	1,963,841	1,834,729	-	(129,112)	(6.57)%	(6.57)%
Payables from Exchange Transactions	40,009,538	-	40,009,538	-	-	40,009,538	81,990,781	-	41,981,243	104.93%	104.93%
Payables from Non-exchange Transactions	-	-	-	-	-	-	9,429,849	-	9,429,849	100.00%	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	29,309,656	-	29,309,656	100.00%	100.00%
Bank Overdraft	7,617,329	-	7,617,329	-	-	7,617,329	18,397,223	-	10,779,894	141.52%	141.52%
Current Portion of Long-term Liabilities	3,527,151	-	3,527,151	-	-	3,527,151	240,845	-	(3,286,307)	(93.17)%	(93.17)%
Non-Current Liabilities											
Long-term Liabilities	-	-	-	-	-	-	1,290,339	-	1,290,339	#DIV/0!	#DIV/0!
Retirement Benefit Liabilities	-	-	-	-	-	-	23,772,426	-	23,772,426	100.00%	100.00%
Non-current Provisions	37,142,868	-	37,142,868	-	-	37,142,868	55,674,167	-	18,531,299	49.89%	49.89%
Total Liabilities	92,790,073	-	92,790,073	-	-	92,790,073	224,354,810	-	131,564,737		
Total Assets and Liabilities	1,118,319,140	(4,202,000)	1,114,117,140	-	-	1,114,117,140	673,905,328	-	(440,211,812)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	1,118,319,140	(4,202,000)	1,114,117,140	-	-	1,114,117,140	673,905,328	-	(440,211,812)	(39.74)%	(39.51)%
Total Net Assets	1,118,319,140	(4,202,000)	1,114,117,140	-	-	1,114,117,140	673,905,328	-	(440,211,812)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Management did not budget for the extent of the debtors that was written off, this resulted in the variance.

Receivables from Non-exchange Transactions:

The municipality does not split the receivables between exchange and non-exchange transactions when they perform the budget. Refer to explanation above.

Cash and cash equivalents

Management does not budget for grants to be unspent at yearend. However, this did occur, resulting in the deviation.

Property, Plant and Equipment:

The significant deviation is due to the depreciation expense which increased in comparison to that of the prior year. The Municipality uses a "backlog" depreciation expense approach which resulted in a significant higher balance being budgeted for. Further to this, the municipality budgeted for property held for sale under Investment property and not inventories

Intangible Assets:

No new material Intangible Assets were purchased during the year. The Municipality uses a "backlog" amortisation expense approach which resulted in a significant higher balance being budgeted for.

Investment Properties:

During the 2019 AFS the municipality re-classified investment properties with the intention to distribute to Inventory. The municipality budgeted for this under Investment Property.

Inventories

The municipality, in line on the previous year's AG recommendation, budgeted for property ready to be sold under Investment Property and not inventory.

Long-term Receivables:

Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

Payables from Exchange Transactions:

In relation to the outstanding balance budgeted for, the Municipality's outstanding creditors are material higher largely due to outstanding amounts owed to Eskom. This resulted in the material deviation and has caused cash flow constraints experienced by the Municipality.

Payables from Non-exchange Transactions:

The Municipality does not budget for this line item separately. Refer to payables from exchange explanation.

Unspent Conditional Grants and Receipts:

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, amongst others, unspent funding was still available due to a significant amount being received late in the year, which will be used for capital projects in the next financial year.

VAT Receivable:

The Municipality did not budget for any outstanding VAT balance, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist. As well as June 2019's VAT return only being recovered/settled in the following financial year.

Bank Overdraft

The municipality budgeted for greater revenue enhancement to pay it's creditors. This however didn't happen, resulting in the municipality to utilise more of the available overdraft.

Long-term Liabilities:

The municipality does not differentiate the long term liabilities between current and non current portions when they perform their budget. Further, the municipality under budgeted for the down payment of finance leases.

Retirement Benefit Liabilities:

The municipality budgets for this line item along with non-current provisions.

Non-current Provisions:

The municipality under budgeted for the balance of retirement benefit liabilities as well as the provision for the landfill sites. The municipality does not split these 2 items in their budget.

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	29,289,480	-	29,289,480	-	-	29,289,480	33,191,190	-	3,901,710	13.32%	13.32%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	561,272	-	561,272	100.00%	100.00%
Fines	3,759,600	-	3,759,600	-	-	3,759,600	13,118,758	-	9,359,158	248.94%	248.94%
Government Grants and Subsidies Received	98,262,000	(2,101,000)	96,161,000	-	-	96,161,000	68,650,878	-	(27,510,122)	(30.13)%	(28.61)%
Revenue from Exchange Transactions											
Service Charges	115,054,926	-	115,054,926	-	-	115,054,926	120,808,959	-	5,754,033	5.00%	5.00%
Licenses and Permits	2,108,315	-	2,108,315	-	-	2,108,315	1,281,203	-	(827,112)	(39.23)%	(39.23)%
Rental of Facilities and Equipment	832,738	-	832,738	-	-	832,738	842,017	-	9,279	1.11%	1.11%
Interest Earned - External Investments	986,860	-	986,860	-	-	986,860	1,954,749	-	967,889	98.08%	98.08%
Interest Earned - Outstanding Debtors	1,334,634	-	1,334,634	-	-	1,334,634	1,506,328	-	171,694	12.86%	12.86%
Other Income	28,154,421	-	28,154,421	-	-	28,154,421	1,494,826	-	(26,659,595)	(94.69)%	(94.69)%
Gains on Other Operations	-	-	-	-	-	-	112,313	-	112,313	100.00%	100.00%
Gains on Sale of Land	-	-	-	-	-	-	133,358	-	133,358	100.00%	100.00%
Gains on Disposal of Property, Plant and Equipment	200,000	-	200,000	-	-	200,000	-	-	(200,000)	(100.00)%	(100.00)%
Total Revenue	279,982,974	(2,101,000)	277,881,974	-	-	277,881,974	243,655,850	-	(34,226,124)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Expenditure												
Employee Related Costs	82,290,780	568,368	82,859,148	-	-	82,859,148	82,323,993	-	(535,155)	0.04%	(0.65)%	
Remuneration of Councilors	6,788,145	(972,914)	5,815,231	-	-	5,815,231	5,502,117	-	(313,114)	(18.95)%	(5.38)%	
Depreciation and Amortisation	9,598,934		9,598,934	-	-	9,598,934	52,637,190	-	43,038,256	448.36%	448.36%	
Impairment Losses	7,000,942		7,000,942	-	-	7,000,942	62,613,518	-	55,612,575	794.36%	794.36%	
Repairs and Maintenance	21,990,873	(109,980)	21,880,893	-	-	21,880,893	12,470,616	-	(9,410,277)	(43.29)%	(43.01)%	
Finance Costs	1,428,525		1,428,525	-	-	1,428,525	14,277,284	-	12,848,759	899.44%	899.44%	
Bulk Purchases	64,814,196		64,814,196	-	-	64,814,196	62,705,633	-	(2,108,564)	(3.25)%	(3.25)%	
Contracted Services	10,311,800	(60,000)	10,251,800	-	-	10,251,800	-	-	(10,251,800)	(100.00)%	(100.00)%	
Grants and Subsidies Paid	-		-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	
General Expenses	40,795,480	(9,476)	40,786,004	-	-	40,786,004	40,693,450	-	(92,554)	(0.25)%	(0.23)%	
Loss on Disposal of Property, Plant and Equipment	-		-	-	-	-	808,936	-	808,936	100.00%	100.00%	
Total Expenditure	245,019,675	(584,002)	244,435,674	-	-	244,435,674	334,032,737	-	89,597,063			
Surplus/(Deficit)	34,963,299	(1,516,998)	33,446,300	-	-	33,446,300	(90,376,887)	-	(123,823,188)	(358.49)%	(370.21)%	
Surplus/(Deficit for the Year)	34,963,299	(1,516,998)	33,446,300	-	-	33,446,300	(90,376,887)	-	(123,823,188)			

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

The municipality under budgeted for the property rates income.

Property Rates - Penalties imposed and collection charges:

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

Fines:

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

Grants and subsidies received

As the municipality did not budget for any grants to be unspent at yearend, they budgeted for all income to be derived as well, this however did not happen, resulting in the variance.

Licenses and Permits:

The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it.

Interest Earned - External Investments:

Due to unspent conditional grants invested in investment bank accounts, the municipality was able to generate greater interest than budgeted for.

Interest Earned - Outstanding debtors:

As previously stated, the municipality budgets for penalties on property rates as interest. The municipality budgeted for better ageing of debtors that would result in less interest being charged to the accounts, this did however not happen, resulting in the variance.

Other Income:

The Municipality budgets for pre-paid sales amongst others under other income, resulting in the variance.

Gains on Other Operations:

The municipality did not budget for an adjustment in value in the OVK shares or that there would be a credit adjustment in the inventories counted in the stores.

Gains on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). However, no auction was held in the current year.

Depreciation and Amortisation:

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

Impairment:

The municipality did not budget that close to R60mil worth of debtors would be written off during the year.

Repairs and Maintenance:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

Finance Costs:

The Municipality incurred finance cost expenditure on large overdue creditors like Eskom. The municipality did not foresee the large amount of creditors and thus also not the finance cost raised on these creditors.

Contracted Services:

During the 2019 AFS Audit the contracted services was re-allocated to other expenditure line items to better represent the nature of the expenditure.

Grants and subsidies paid

During the 2019 AFS Audit the grants and subsidies paid was re-allocated to other expenditure line items to better represent the nature of the expenditure.

Loss on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to no auction held and not budgeting for asset write-offs, a variance exists.

Loss on disposal of Land:

The municipality did not budget for a loss to be realised on sale of land. The amount is however immaterial.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	1,631,250	-	1,631,250	-	-	1,631,250	612,811	-	(1,018,439)	(62.43)%	(62.43)%
Finance and Administration	809,400	(348,000)	461,400	-	-	461,400	45,384	-	(416,016)	(151.40)%	(90.16)%
Planning and Development	-	-	-	-	-	-	786,815	-	786,815	#DIV/0!	#DIV/0!
Health	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Community and Social Services	69,000	90,000	159,000	-	-	159,000	117,979	-	(41,021)	(159.45)%	(25.80)%
Housing	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Public Safety	30,450	-	30,450	-	-	30,450	15,652	-	(14,798)	(148.60)%	(48.60)%
Sport and Recreation	34,250	-	34,250	-	-	34,250	7,252	-	(26,998)	(178.83)%	(78.83)%
Waste Management	9,000	-	9,000	-	-	9,000	10,415	-	1,415	(84.28)%	15.72%
Roads and Transport	13,370,077	(3,843,000)	9,527,077	-	-	9,527,077	9,027,249	-	(499,828)	(103.74)%	(5.25)%
Water	34,969,000	-	34,969,000	-	-	34,969,000	8,764,765	-	(26,204,235)	(174.94)%	(74.94)%
Electricity	4,270,000	2,000,000	6,270,000	-	-	6,270,000	3,830,738	-	(2,439,262)	(157.13)%	(38.90)%
Other	-	-	-	-	-	-	21,384	-	21,384	#DIV/0!	#DIV/0!
Total Capital Expenditure	55,192,427	(2,101,000)	53,091,427			53,091,427	23,240,444		(29,850,983)		

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual
The municipality anticipated for larger capital expenditure but due to amongst others all capital grant moneys not spent, the municipality over budgeted for this.

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	27,583,532	-	27,583,532	-	-	27,583,532	-	-	(27,583,532)	(100.00)%	(100.00)%
Grants	98,262,000	(2,101,000)	96,161,000	-	-	96,161,000	94,955,000	-	(1,206,000)	(3.37)%	(1.25)%
Service Charges	109,069,177	-	109,069,177	-	-	109,069,177	128,766,465	-	19,697,288	18.06%	18.06%
Interest Received	2,054,567	-	2,054,567	-	-	2,054,567	1,954,749	-	(99,818)	(4.86)%	(4.86)%
Other Receipts	33,406,228	-	33,406,228	-	-	33,406,228	-	-	(33,406,228)	(367.42)%	(100.00)%
Employee Related Costs	(82,290,780)	(568,368)	(82,859,148)	-	-	(82,859,148)	(81,306,494)	-	1,552,654	(1.20)%	(1.87)%
Remuneration of Councilors	(6,788,145)	972,914	(5,815,231)	-	-	(5,815,231)	(5,502,117)	-	313,114	(18.95)%	(5.38)%
Interest Paid	(1,428,529)	-	(1,428,529)	-	-	(1,428,529)	(5,539,842)	-	(4,111,317)	287.80%	287.80%
Suppliers Paid	(127,626,333)	-	(127,626,333)	-	-	(127,626,333)	(89,334,284)	-	38,292,049	(30.00)%	(30.00)%
Other Payments	-	-	-	-	-	-	-	-	-	-	-
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(54,608,427)	2,101,000	(52,507,427)	-	-	(52,507,427)	(26,690,155)	-	25,817,272	(51.12)%	(49.17)%
Proceeds on Disposal of Property, Plant and Equipment	200,000	-	200,000	-	-	200,000	-	-	(200,000)	(100.00)%	(100.00)%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash Flows from/(used in) Financing Activities											
New Loans raised	3,527,151	-	3,527,151	-	-	3,527,151	594,355	-	(2,932,796)	(83.15)%	(83.15)%
Loans repaid	(3,527,151)	-	(3,527,151)	-	-	(3,527,151)	(3,807,848)	-	(280,697)	7.96%	7.96%
Increase / (Decrease) in Consumer Deposits	97,926	-	97,926	-	-	97,926	-	-	(97,926)	(100.00)%	(100.00)%
Cash and Cash Equivalents at End of the Year	(2,068,779)	404,546	(1,664,233)			(1,664,233)	14,089,829		15,754,062		

Cash Flow: Explanation of Variances between Approved Budget and Actual
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:
The material fluctuation is mainly attributable to cost containment pertaining to suppliers paid not budgeted for as well as it being budgeted that all grants would be spent at yearend on capital expenditure which did not occur. A detailed cash flow breakdown has been provided, due to the fact that the municipal budget may differ in where some items are accounted for in relationship to how it is disclose in the AFS. The cashflow calculation and disclosure as per the AFS was rigorously looked at by the AG in past in deemed to be sufficient.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2020	2019
	R	R
Net Surplus/(Deficit) per the Statement of Financial Performance	(37,577,151)	(90,376,887)
Revenue from Non-exchange Transactions		
Property Rates	(2,908,098)	(3,901,710)
Property Rates - Penalties imposed and collection charges	(795,393)	(561,272)
Fines	1,689,546	(9,359,158)
Government Grants and Subsidies Received	(3,280,311)	27,510,122
Revenue from Exchange Transactions		
Service Charges	35,244,293	(5,754,033)
Licenses and Permits	1,560,095	827,112
Rental of Facilities and Equipment	302,691	(9,279)
Interest Earned - External Investments	242,385	(967,889)
Interest Earned - Outstanding Debtors	(199,703)	(171,694)
Other Revenue	(1,274,815)	26,659,595
Gains on Other Operations	-	(112,313)
Gains on Disposal of Property, Plant and Equipment	-	200,000
Profit on Sale of Land	-	-
Expenditure		
Employee Related Costs	4,137,463	(535,155)
Remuneration of Councilors	(911,904)	(313,114)
Depreciation and Amortisation	39,876,189	43,038,256
Impairment Losses	42,141,542	55,612,575
Repairs and Maintenance	310,275	(9,410,277)
Finance Costs	1,884,883	12,848,759
Bulk Purchases	(1,203,038)	(2,108,564)
Contracted Services	(21,156,223)	(10,251,800)
Grants and Subsidies Paid	(1,913,000)	-
General Expenses	11,511,720	(92,554)
Loss on Disposal of Property, Plant and Equipment	201,723	808,936
Loss on Other Operations	1,519	-
Loss on Disposal of Land	(42,239)	(133,358)
Net Surplus/Deficit per Approved Budget	67,842,450	33,446,300

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2020 and 30 June 2019, the Municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 13.2 on Revenue from Exchange Transactions and Accounting Policy 13.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION (continued)

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets

As described in Accounting Policies 3.3, 5.2 and 6.2 the Municipality depreciates its property, plant and equipment, investment property and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

Accounting Policy 8 on Impairment of assets Accounting Policy 11.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of non-Cash generating Assets* and GRAP 26: *Impairment of Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the Net Realisable Value for inventories involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 10 to the AFS, whilst no impairments were made to intangible assets or inventory.

According to GRAP 21.74 "An entity shall disclose in the summary of accounting policies, the judgements management has made in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets" Specific exclusion from GRAP 21 and GRAP 26 impairment includes Inventories, Investment Properties at fair value and Biological Assets etc. Management concluded on the following regarding the designation:

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION (continued)

1.2.6 Designation: Cash Generating - or Non-Cash Generating Assets

Administrative / owner-occupied assets

It is accepted that all administrative assets, for example, vehicles, office equipment/furniture, plant and machinery, computer equipment and administrative land and buildings are non-cash-generating assets as they do not generate any return.

Infrastructure assets

• Roads

Roads do not generate any return and is therefore categorised as non-cash-generating assets.

• Water

The water network was acquired to deliver a service to the community.

The objective of the assets originally acquired and the subsequent additions were not acquired as an investment that was expected to generate a commercial profit to the municipality.

The services charges collected from water will not generate a return that is significantly higher than cost.

If the municipality is not able to collect any cash flows from consumers for providing the service, the municipality would not be able to sell the water network, as the service would still have to be delivered.

The water network assets are non-cash-generating assets.

• Electricity

The electricity network was acquired to deliver a service to the community.

The objective of the assets originally acquired and the subsequent additions were not acquired as an investment that was expected to generate a commercial profit to the municipality.

The services charges collected from electricity will not generate a return that is significantly higher than cost.

If the municipality is not able to collect any cash flows from consumers for providing the service, the municipality would not be able to sell the electricity network, as the service would still have to be delivered.

The electricity network assets are non-cash-generating assets.

• Waste management

Waste management do generate a return in the form of a fee charged at landfill sites for the disposing of household waste when the load is of a certain size. These landfill sites are however management to protect health, well-being and the environment by providing the facility to safely dispose of household waste.

Landfill sites are non-cash-generating assets.

Community assets

Community assets are all categorised as non-cash generating assets even if some of these assets, for example, swimming pool, community hall or cemeteries generate a return.

The return generated by these assets is small and immaterial in relation to the cost of the assets and therefor is not considered to be a commercial return. In addition, all community assets are held with the primary objectives of service delivery in the community, to uplift the communities and to stimulate and enhance economic growth in the different communities.

1.2.7 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 2 of the accounting policy to the Annual Financial Statements.

1.2.8 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 19 to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION (continued)

1.2.9 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 8.95% (2019: 8.95%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 10.11% (2019: 8.95%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 10.11% (2019: 8.95%).

1.2.10 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis. Additional information can be found in notes 62 to the Annual Financial Statements

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments To Standards And Interpretations Issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 104 Financial Instruments

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. NETT ASSETS

Included in the net assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

2.1.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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 year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model. When an item of PPE is revalued, the entire class of property to which that asset belongs, should be revalued. In such instance the following applies:

Subsequent to initial recognition property, plant and equipment will be carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of property, plant and equipment as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	5 - 100
Roads and Storm water	3 - 80		
Electricity	3 - 60	Other	
Water	5 - 75	Motor Vehicles	3 - 15
Sewerage	5 - 75	Office Equipment	3 - 15
Landfill Sites	10 - 65	Furniture and Fittings	2 - 10
		Other Plant and Equipment	2 - 15
Community		Emergency Equipment	2 - 10
Recreational Facilities	5 - 60		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term. Furthermore, a Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as a Capital asset.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the Municipality in terms of the asset management policy.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

4.1 Initial Recognition

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4. HERITAGE ASSETS (continued)

4.2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4.3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. INTANGIBLE ASSETS (continued)

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

<i>Intangible asset</i>	<i>Years</i>
Software	3 - 5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

5.3 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

6.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the Municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

6. INVESTMENT PROPERTY (Continued)

6.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

6.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) 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.

7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7.1 Impairment of Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.1 Impairment of Cash generating assets

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. IMPAIRMENT OF ASSETS (Continued)

7.2 Impairment of Non-Cash generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

(i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The Municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

8.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8. FINANCIAL INSTRUMENTS (continued)

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured 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.

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Long-term Investments	Financial asset at fair value
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- Financial Liabilities measured at fair value or
- Financial Liabilities measured at amortised cost
- Financial Liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long-term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank Overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current Portion of Long-term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8. FINANCIAL INSTRUMENTS (continued)

Fair value methods and assumptions

8.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of 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 shall not be reversed.

8.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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8. FINANCIAL INSTRUMENTS (continued)

8.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

9. STATUTORY RECEIVABLES

In accordance with GRAP 108 (directive paragraph 138 - 139) the municipality decided to adopt the transitional period with regards to the disclosure of this item (par. 138). The municipality is in the progress of considering all aspects of GRAP 108 and is planning to fully comply with this standard as and when GRAP requires the municipality to do so.

10. INVENTORIES

10.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus import taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Taxes recoverable by the entity from the SARS may not be included.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

10.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

Water inventory

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

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a FIFO cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

11. REVENUE RECOGNITION

11.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

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Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

EMTHANJENI LOCAL MUNICIPALITY
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11. REVENUE RECOGNITION (Continued)

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

11.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

11.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

11.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11.2.6 Sale of Goods (including Houses)

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

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective
- 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 costs incurred or to be incurred in respect of the transaction can be measured reliably.

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11.2 Revenue from Exchange Transactions (Continued)

11.2.7 Rentals

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

11.2.8 Dividends

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates And Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11.3.2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

11.3.3 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

11.3.4 Revenue From Recovery of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

11.3.5 Donations

Donations are recognised on a cash receipt basis, or, where the donation is in the form of property, plant and equipment, when the risk and rewards of ownership have transferred to the entity. Donations are measured at fair value.

EMTHANJENI LOCAL MUNICIPALITY

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12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFITS

13.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councilors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13. EMPLOYEE BENEFITS (Continued)

13.3 Post-Retirement Health Care Benefits:

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

13.4 Long-Service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance 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-term incentives are accounted for through the statement of financial performance.

13.5 Defined Benefit Pension Plans

The Municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

The Municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

EMTHANJENI LOCAL MUNICIPALITY

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14.1 The Municipality As Lessee (Continued)

Operating leases

The Municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14.3 Determining Whether An Arrangement Contains A Lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax, 1991 (Act No. 89 of 1991).

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003). 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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19. IRREGULAR EXPENDITURE

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

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that 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.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 40 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councilors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Municipality changed its accounting policy from IPSAS 20 to GRAP 20 with no effect on the financial information disclosed

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION

24.1 *Prior Year Comparatives*

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24.2 *Budget Information*

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2019 to 30 June 2020.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

27. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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1. GENERAL INFORMATION

Emthanjeni Municipality (the Municipality) is a local government institution in De Aar, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores	921,657	564,048
Property Stock	53,104,359	53,104,359
Water - at cost	31,812	36,856
Total Inventories	54,057,829	53,705,263

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required. During the 2019 year the municipality decided to re-classify all properties with the intent to distribute from Investment Property to Inventory.

The cost of water production for the year amounted to R1.2812 per kiloliter (2019: R1.1685) per kiloliter.

No inventory was written off during this or the previous financial year.

No Inventories have been pledged as collateral for Liabilities of the Municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	140,122,162	(101,817,484)	38,304,678
Electricity	33,889,216	(21,660,349)	12,228,867
Refuse	17,328,808	(14,506,934)	2,821,874
Town Commonage	4,312,221	(4,312,007)	214
Rental of municipal buildings	1,829,781	(1,759,690)	70,091
Sewerage	32,371,164	(25,326,826)	7,044,338
Water	50,390,972	(34,251,679)	16,139,293
Other Receivables	469,053	(326,816)	142,236
Total Receivables from Exchange Transactions	140,591,214	(102,144,300)	38,446,914
As at 30 June 2019			
Service Debtors:	107,517,486	(79,913,814)	27,603,672
Electricity	24,876,212	(13,649,406)	11,226,806
Refuse	13,089,102	(11,789,470)	1,299,632
Town Commonage	3,908,829	(3,752,952)	155,877
Rental of municipal buildings	1,594,974	(1,519,887)	75,087
Sewerage	25,441,622	(21,071,809)	4,369,813
Water	38,606,747	(28,130,290)	10,476,457
Other Receivables	360,750	(285,857)	74,893
Total Receivables from Exchange Transactions	107,878,236	(80,199,670)	27,678,565

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2020, the Municipality is owed R7 930 909 (30 June 2019: R5 405 635) by National and Provincial Government.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	5,571,963	2,696,952	1,673,307	23,946,994	33,889,216
Less: Provision for Impairment	(2,089,650)	(1,743,992)	(1,171,495)	(16,655,212)	(21,660,349)
Net Balances	3,482,314	952,960	501,812	7,291,782	12,228,867
Refuse:					
Gross Balances	502,157	445,389	434,898	15,946,365	17,328,808
Less: Provision for Impairment	(296,800)	(380,961)	(378,078)	(13,451,095)	(14,506,934)
Net Balances	205,356	64,428	56,820	2,495,270	2,821,874
Sewerage:					
Gross Balances	990,835	826,704	798,576	29,755,048	32,371,164
Less: Provision for Impairment	(497,312)	(627,480)	(620,890)	(23,581,143)	(25,326,826)
Net Balances	493,523	199,223	177,687	6,173,905	7,044,338
Water:					
Gross Balances	2,750,004	1,912,034	1,821,112	43,907,822	50,390,972
Less: Provision for Impairment	(836,129)	(1,178,019)	(1,141,603)	(31,095,927)	(34,251,679)
Net Balances	1,913,874	734,016	679,509	12,811,894	16,139,293
Town Commonage					
Gross Balances	33,854	33,616	33,616	4,211,135	4,312,221
Less: Provision for Impairment	(33,640)	(33,616)	(33,616)	(4,211,135)	(4,312,007)
Net Balances	214	-	-	-	214
Rental of municipal buildings					
Gross Balances	56,901	29,458	32,366	1,711,056	1,829,781
Less: Provision for Impairment	(25,587)	(25,587)	(28,738)	(1,679,779)	(1,759,690)
Net Balances	31,314	3,872	3,628	31,277	70,091
Other Receivables:					
Gross Balances	97,026	8,725	9,448	353,853	469,053
Less: Provision for Impairment	(10,510)	(5,990)	(6,608)	(303,709)	(326,816)
Net Balances	86,517	2,735	2,840	50,145	142,236

As at 30 June Receivables of R32 233 802 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	5,952,878	4,803,324	119,832,273	130,588,475
Less: Provision for Impairment	(3,995,645)	(3,381,028)	(90,978,000)	(98,354,673)
Net Balances	1,957,233	1,422,296	28,854,273	32,233,802

As at 30 June 2019

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	5,956,449	1,015,075	761,726	17,142,962	24,876,212
Less: Provision for Impairment	(1,150,592)	(473,607)	(379,891)	(11,645,316)	(13,649,406)
Net Balances	4,805,857	541,468	381,835	5,497,646	11,226,806
Refuse:					
Gross Balances	476,409	361,460	335,891	11,915,340	13,089,102
Less: Provision for Impairment	(228,467)	(293,019)	(281,906)	(10,986,078)	(11,789,470)
Net Balances	247,942	68,442	53,985	929,262	1,299,632

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	1,038,606	705,302	645,236	23,052,478	25,441,622
Less: Provision for Impairment	(387,051)	(497,099)	(464,667)	(19,722,992)	(21,071,809)
Net Balances	651,555	208,203	180,570	3,329,486	4,369,813
Water:					
Gross Balances	2,796,787	1,330,160	991,158	33,488,642	38,606,747
Less: Provision for Impairment	(575,322)	(764,080)	(626,653)	(26,164,235)	(28,130,290)
Net Balances	2,221,465	566,081	364,505	7,324,407	10,476,457
Town Commonage					
Gross Balances	33,854	33,616	33,616	3,807,743	3,908,829
Less: Provision for Impairment	(32,382)	(32,382)	(32,382)	(3,655,807)	(3,752,952)
Net Balances	1,472	1,234	1,234	151,936	155,877
Rental of municipal buildings					
Gross Balances	54,351	27,301	25,750	1,487,572	1,594,974
Less: Provision for Impairment	(22,093)	(23,046)	(22,270)	(1,452,478)	(1,519,887)
Net Balances	32,258	4,255	3,480	35,094	75,087
Other Receivables:					
Gross Balances	22,646	11,731	8,266	318,107	360,750
Less: Provision for Impairment	(9,227)	(6,367)	(6,020)	(264,243)	(285,857)
Net Balances	13,419	5,365	2,246	53,865	74,893

As at 30 June Receivables of R19 704 597 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	3,484,645.86	2,801,644.04	91,212,843.44	97,499,133.34
Less: Provision for Impairment	(2,089,599)	(1,813,789)	(73,891,149)	(77,794,536)
Net Balances	1,395,047	987,855	17,321,695	19,704,597

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2020				
<u>Current:</u>				
0 - 30 days	7,691,410	1,552,029	759,300	-
<u>Past Due:</u>				
31 - 60 Days	4,529,173	1,023,870	399,836	-
61 - 90 Days	3,792,031	573,248	438,045	-
+ 90 Days	106,430,829	7,067,716	6,333,728	-
Sub-total	122,443,443	10,216,863	7,930,909	-
Less: Provision for Impairment	(93,954,133)	(8,190,167)	-	-
Total Trade Receivables by Customer Classification	28,489,310	2,026,696	7,930,909	-
As at 30 June 2019				
<u>Current:</u>				
0 - 30 days	7,868,579	2,071,225	439,299	-
<u>Past Due:</u>				
31 - 60 Days	2,407,206	608,251	469,189	-
61 - 90 Days	2,129,632	341,047	330,966	-
+ 90 Days	81,566,788	5,479,874	4,166,182	-
Sub-total	93,972,204	8,500,397	5,405,635	-
Less: Provision for Impairment	(74,934,744)	(5,264,926)	-	-
Total Trade Receivables by Customer Classification	19,037,460	3,235,470	5,405,635	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	(80,199,670)	(91,170,597)
Impairment Losses recognised	(21,944,630)	10,970,927
Balance at end of year	(102,144,300)	(80,199,670)

In determining the recoverability of Receivables, the Municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment. The impact of the covid-19 outbreak and the financial impact thereof on the payments received for settlement of outstanding debtors accounts was taken into consideration when the provision for doubtful debt was calculated. Refer to note 62 for further details on the going concern evaluation.

Included in the Municipality's Receivables balance are debtors with a carrying amount of R32 233 802 (2019: R19 704 597) which are past due at the reporting date for which the Municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits (see Note 13), which are not covering the total outstanding debt. The average age of these receivables is 107 days (2019: 80 days).

No provision has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Receivables from Exchange Transactions

<i>Current:</i>		
0 - 30 Days	3,789,628	2,405,134
<i>Past Due:</i>		
31 - 60 Days	3,995,645	2,089,599
61 - 90 Days	3,381,028	1,813,789
+ 90 Days	90,978,000	73,891,149
Total	102,144,300	80,199,670

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Assessment Rates Debtors	62,897,067	(54,334,380)	8,562,687
Payments made in Advance	292,715	-	292,715
Sundry Deposits	984,042	-	984,042
Sundry Debtors	115,417,890	(104,679,941)	10,737,950
Total Receivables from Non-exchange Transactions	179,591,714	(159,014,321)	20,577,393
As at 30 June 2019			
Assessment Rates Debtors	45,681,453	(39,840,760)	5,840,692
Payments made in Advance	341,047	-	341,047
Sundry Deposits	984,651	-	984,651
Sundry Debtors	108,945,987	(97,621,445)	11,324,542
Total Receivables from Non-exchange Transactions	155,953,138	(137,462,206)	18,490,932

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity and cash deposits made to various fuel stations. Included in the total is an amount of R900 000 (2019: R900 000) in respect of a deposit paid to Eskom. The remaining R84 042 (2018: R84 651) is with regards to deposits held by fuel stations.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the Municipality. Included in sundry debtors is an amount of R114 665 507 for gross traffic fines outstanding as well R104 461 734 impairment on these fines. During the 2020 year the municipality identified shortages between the amounts that the department of Safety and Liason believes should have been received by the municipality pertaining to motor registrations and the amounts actually paid into the municipality's bank account. The difference identified was a total of R200 206 and is included in the sundry debtors total. This item will be communicated and investigated by the municipality and relevant parties.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the Municipality's banker, plus one percent per annum on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2020

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1,548,213	4,223,478	966,795	56,158,581	62,897,067
Less: Provision for Impairment	(686,520)	(3,424,434)	(673,777)	(49,549,650)	(54,334,380)
Net Balances	861,693	799,044	293,018	6,608,931	8,562,687
Payments made in Advance:					
Gross Balances	-	-	-	292,715	292,715
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	292,715	292,715
Sundry Deposits:					
Gross Balances	-	-	-	984,042	984,042
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	984,042	984,042
Sundry Debtors:					
Gross Balances	-	-	-	115,417,890	115,417,890
Less: Provision for Impairment	-	-	-	(104,679,941)	(104,679,941)
Net Balances	-	-	-	10,737,950	10,737,950

As at 30 June Receivables of R19 715 700 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	4,223,478	966,795	172,853,228	178,043,501
Less: Provision for Impairment	(3,424,434)	(673,777)	(154,229,590)	(158,327,801)
Net Balances	799,044	293,018	18,623,638	19,715,700

As at 30 June 2019

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1,231,365	636,714	561,124	43,252,249	45,681,453
Less: Provision for Impairment	(288,670)	(382,024)	(354,589)	(38,815,477)	(39,840,760)
Net Balances	942,695	254,690	206,535	4,436,772	5,840,692
Payments made in Advance:					
Gross Balances	-	-	-	341,047	341,047
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	341,047	341,047

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sundry Deposits:					
Gross Balances	-	-	-	984,651	984,651
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	984,651	984,651
Sundry Debtors:					
Gross Balances	-	-	-	108,945,987	108,945,987
Less: Provision for Impairment	-	-	-	(97,621,445)	(97,621,445)
Net Balances	-	-	-	11,324,542	11,324,542

As at 30 June Receivables of R17 548 237 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	636,714	561,124	153,523,934	154,721,773
Less: Provision for Impairment	(382,024)	(354,589)	(136,436,922)	(137,173,535)
Net Balances	254,690	206,535	17,087,012	17,548,237

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2020				
<u>Current:</u>				
0 - 30 days	1,321,592	73,543	153,078	-
<u>Past Due:</u>				
31 - 60 Days	4,001,759	70,032	151,687	-
61 - 90 Days	747,324	68,795	150,676	-
+ 90 Days	50,386,760	1,466,500	4,305,321	-
Sub-total	56,457,435	1,678,870	4,760,762	-
Less: Provision for Impairment	(52,927,768)	(1,406,613)	-	-
Total Rates Debtors by Customer Classification	3,529,667	272,257	4,760,762	-

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2019				
<u>Current:</u>				
0 - 30 days	1,073,915	71,200	86,250	-
<u>Past Due:</u>				
31 - 60 Days	512,466	38,634	85,615	-
61 - 90 Days	443,511	32,002	85,611	-
+ 90 Days	38,824,319	1,254,718	3,173,212	-
Sub-total	40,854,211	1,396,554	3,430,688	-
Less: Provision for Impairment	(38,696,262)	(1,144,499)	-	-
Total Rates Debtors by Customer Classification	2,157,949	252,055	3,430,688	-

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	(137,462,206)	(125,314,207)
Impairment Losses recognised	(21,552,115)	(12,147,999)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Balance at end of year	(159,014,321)	(137,462,206)

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
<p>The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability. The impact of the covid-19 outbreak and the financial impact thereof on the payments received for settlement of outstanding debtors accounts was taken into consideration when the provision for doubtful debt was calculated. Refer to note 62 for further details on the going concern evaluation.</p> <p>In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the Municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.</p> <p>No Provision for Impairment has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Rates Assessment Deposits, which are not covering the total outstanding debt and vacant property respectively.</p> <p>Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.</p>		
5. CASH AND CASH EQUIVALENTS		
Current Investments	19,407,672	33,806,840
Bank Accounts	2,353,454	1,621,191
Bank Overdraft	(21,972,581)	(18,397,223)
Petty Cash	2,980	2,690
Total Bank, Cash and Cash Equivalents	<u>(208,475)</u>	<u>17,033,497</u>
<p>For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.</p>		
5.1 Current Investment Deposits		
Term Deposits	9,757,003	9,108,617
Call Deposits	9,650,669	24,698,224
Total Current Investment Deposits	<u>19,407,672</u>	<u>33,806,840</u>
<p>Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 1.60% to 5.55% per annum.</p> <p>Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 1.50% to 7.25% per annum.</p>		
Deposits attributable to Unspent Conditional Grants	7,208,676	29,309,656
Total Deposits attributable to Commitments of the Municipality	<u>7,208,676</u>	<u>29,309,656</u>
<p>Deposits of R7 789 129 (2019: R29 309 655) are ring-fenced and attributable to Unspent Conditional Grants.</p>		
5.2 Bank Accounts		
Cash in Bank	2,353,453.79	1,621,191
Bank Overdraft	(21,972,581)	(18,397,223)
Total Bank Accounts	<u>(19,619,127)</u>	<u>(16,776,033)</u>
<p>The Municipality has the following bank accounts:</p>		
Primary Bank Account		
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081</i>		
Cash book balance at beginning of year	(18,397,223)	(9,882,584)
Cash book balance at end of year	<u>-21,972,581</u>	<u>(18,397,223)</u>
Bank statement balance at beginning of year	342,817	3,335,589
Bank statement balance at end of year	<u>4,869,921</u>	<u>342,817</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
5. CASH AND CASH EQUIVALENTS (continued)		
Current Accounts		
<i>Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007</i>		
Cash book balance at beginning of year	253,098	224,487
Cash book balance at end of year	<u>284,003</u>	<u>253,098</u>
Bank statement balance at beginning of year	253,098	130,028
Bank statement balance at end of year	<u>283,764</u>	<u>253,098</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162</i>		
Cash book balance at beginning of year	691,405	30,263
Cash book balance at end of year	<u>460,583</u>	<u>691,405</u>
Bank statement balance at beginning of year	691,405	(117,732)
Bank statement balance at end of year	<u>460,583</u>	<u>691,405</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4081 497 012</i>		
Cash book balance at beginning of year	676,687	19,597
Cash book balance at end of year	<u>1,608,868</u>	<u>676,687</u>
Bank statement balance at beginning of year	676,688	1,043,787
Bank statement balance at end of year	<u>1,608,868</u>	<u>676,688</u>
Term Deposits		
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906</i>		
Cash book balance at beginning of year	9,088,794	8,463,785
Cash book balance at end of year	<u>9,736,049</u>	<u>9,088,794</u>
Bank statement balance at beginning of year	9,088,794	9,593,735
Bank statement balance at end of year	<u>9,736,049</u>	<u>9,088,794</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i>		
Cash book balance at beginning of year	19,822	18,817
Cash book balance at end of year	<u>20,954</u>	<u>19,822</u>
Bank statement balance at beginning of year	19,822	16,074
Bank statement balance at end of year	<u>20,954</u>	<u>19,822</u>
Call Deposits		
<i>First National Bank - De Aar Branch - Call Account Number 62338612105 / 808</i>		
Cash book balance at beginning of year	2,256	2,344
Cash book balance at end of year	<u>-</u>	<u>2,256</u>
Bank statement balance at beginning of year	2,256	2,487
Bank statement balance at end of year	<u>-</u>	<u>2,256</u>
<i>Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001</i>		
Cash book balance at beginning of year	151,042	144,054
Cash book balance at end of year	<u>157,897</u>	<u>151,042</u>
Bank statement balance at beginning of year	149,143	1,425,470
Bank statement balance at end of year	<u>155,998</u>	<u>149,143</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 388910356-002</i>		
Cash book balance at beginning of year	27,713	26,007
Cash book balance at end of year	<u>29,210</u>	<u>27,713</u>
Bank statement balance at beginning of year	27,713	1,035,740
Bank statement balance at end of year	<u>29,210</u>	<u>27,713</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 002</i>		
Cash book balance at beginning of year	50	50
Cash book balance at end of year	<u>-</u>	<u>50</u>
Bank statement balance at beginning of year	50	50
Bank statement balance at end of year	<u>-</u>	<u>50</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
5. CASH AND CASH EQUIVALENTS (continued)		
<i>First National Bank - De Aar Branch - Call Account Number 62630879221</i>		
Cash book balance at beginning of year	8,062	7,562
Cash book balance at end of year	<u>0</u>	<u>8,062</u>
Bank statement balance at beginning of year	8,062	7,452
Bank statement balance at end of year	<u>-</u>	<u>8,062</u>
<i>First National Bank - De Aar Branch - Call Account Number 62746296616</i>		
Cash book balance at beginning of year	80,924	76,278
Cash book balance at end of year	<u>(0)</u>	<u>80,924</u>
Bank statement balance at beginning of year	80,924	-
Bank statement balance at end of year	<u>-</u>	<u>80,924</u>
<i>First National Bank - De Aar Branch - Call Account Number 62755965583</i>		
Cash book balance at beginning of year	184,827	45,911
Cash book balance at end of year	<u>291,270</u>	<u>184,827</u>
Bank statement balance at beginning of year	184,827	-
Bank statement balance at end of year	<u>291,270</u>	<u>184,827</u>
<i>ABSA Bank Limited Call Deposit Account Number 9325381089</i>		
Cash book balance at beginning of year	24,243,350	3,764,405
Cash book balance at end of year	<u>2,757,127</u>	<u>24,243,350</u>
Bank statement balance at beginning of year	24,243,350	-
Bank statement balance at end of year	<u>2,757,127</u>	<u>24,243,350</u>
<i>ABSA Bank Limited Call Deposit Account Number 9357761647</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>6,415,166</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>6,415,166</u>	<u>-</u>
5.3 Cash and Cash Equivalents		
Cash Floats and Advances	2,980	2,690
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>2,980</u>	<u>2,690</u>

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

The Municipality has provided Eskom Holdings Limited with a written guarantee, which have special conditions attached, to the value of R6 160 000.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

6. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	12,015	12,015
Operating Lease de-recognised	(12,015)	-
Operating Lease Revenue effected	-	-
Total Operating Lease Receivables	<u>-</u>	<u>12,015</u>
Less: Amounts due for settlement within 12 months (Current Portion)	-	(4,542)
Total Operating Lease Receivables	<u>-</u>	<u>7,473</u>

6.1 Leasing Arrangements

The Municipality as Lessor:

It was decided in the 2020 financial year for the municipality to de-recognise the operating lease asset, as it is no longer applicable to the municipality.

6.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	-	4,542
2 to 5 years	-	7,473
More than 5 years	-	-
Total Operating Lease Arrangements	<u>-</u>	<u>12,015</u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R0 (2019: decrease of R0) in current year income.

The following restrictions have been imposed by the Municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. PROPERTY, PLANT AND EQUIPMENT

30 June 2020

Reconciliation of Carrying Value

Description	Buildings	Land	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R		R	R	R	R	R	R	R
Carrying values at 1 July 2019	83,214,479	18,367,816	633,083,721	705,075	2,115,359	1,909,510	4,903,061	1,040,187	745,340,070
Cost	199,374,393	18,367,816	1,965,857,348	2,882,825	8,361,858	6,453,366	8,962,543	10,136,456	2,220,396,606
- Completed Assets	199,374,393	18,367,816	1,922,675,431	2,882,825	8,361,858	6,453,366	8,962,543	10,136,456	2,177,214,688
- Under Construction	-	-	43,181,918	-	-	-	-	-	43,181,918
Accumulated Impairment Losses	(1,484,884)	-	-	(26,443)	(59,738)	(20,727)	(196,491)	-	(1,788,283)
Accumulated Depreciation	(114,675,030)	-	(1,332,773,628)	(2,151,307)	(6,186,761)	(4,523,129)	(3,862,992)	(9,096,269)	(1,473,269,116)
Acquisitions	-	-	22,532,624	6,884	59,256	6,517	-	-	22,605,282
Capital under Construction - Additions	10,320,248	-	23,952,226	-	-	-	-	-	34,272,473
Transfer from Assets Under Construction to Completed Assets	-	-	(22,532,624)	-	-	-	-	-	(22,532,624)
Depreciation	(5,343,724)	-	(42,499,310)	(318,344)	(394,705)	(379,255)	(223,952)	(815,074)	(49,974,364)
Transfer to Investment Property	-	-	-	-	-	-	-	-	-
Carrying value of Disposals	(65,559)	-	(724)	(10,275)	(13,205)	(510)	(111,450)	-	(201,723)
- Cost	(327,974)	-	(300,978)	(501,513)	(412,757)	(98,973)	(539,653)	-	(2,181,849)
- Accumulated Impairment Losses	-	-	-	26,400	56,701	19,149	196,491	-	298,741
- Accumulated Depreciation	262,415	-	300,253	464,838	342,851	79,314	231,712	-	1,681,384
Impairment Losses	(2,781,483)	-	(6,006,247)	-	-	-	-	-	(8,787,730)
Carrying values at 30 June 2020	85,343,960	18,367,816	608,529,665	383,340	1,766,705	1,536,262	4,567,659	225,114	720,720,520
Cost	209,366,667	18,367,816	1,989,508,596	2,388,196	8,008,357	6,360,910	8,422,890	10,136,456	2,252,559,888
- Completed Assets	199,046,419	18,367,816	1,944,907,077	2,388,196	8,008,357	6,360,910	8,422,890	10,136,456	2,197,638,121
- Under Construction	10,320,248	-	44,601,519	-	-	-	-	-	54,921,767
Accumulated Impairment Losses	(4,266,367)	-	(6,006,247)	(43)	(3,037)	(1,578)	0	-	(10,277,272)
Accumulated Depreciation:	(119,756,340)	-	(1,374,972,684)	(2,004,813)	(6,238,615)	(4,823,070)	(3,855,231)	(9,911,342)	(1,521,562,096)

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2019

Reconciliation of Carrying Value

Description	Buildings	Land	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
Carrying values at 1 July 2018	90,037,324	18,368,616	653,616,984	1,047,466	2,639,855	2,228,262	5,169,446	3,868,506	776,976,458
Cost	199,493,676	18,368,616	1,953,917,961	3,139,809	9,468,296	6,638,618	9,037,792	10,698,272	2,210,763,041
- Completed Assets	199,493,676	18,368,616	1,929,183,375	3,139,809	9,468,296	6,638,618	9,037,792	10,698,272	2,186,028,454
- Under Construction	-	-	24,734,587	-	-	-	-	-	24,734,587
Accumulated Impairment Losses	-	-	-	(17,173)	(58,965)	(18,998)	(196,491)	-	(291,626)
Accumulated Depreciation	(109,456,351)	-	(1,300,300,977)	(2,075,171)	(6,769,476)	(4,391,359)	(3,671,856)	(6,829,766)	(1,433,494,956)
Acquisitions	-	-	3,833,277	56,800	180,293	128,387	-	594,355	4,793,112
Capital under Construction - Additions	-	-	22,280,608	-	-	-	-	-	22,280,608
Transfer from Assets Under Construction to Completed Assets	-	-	(3,833,277)	-	-	-	-	-	(3,833,277)
Depreciation	(5,337,172)	-	(42,440,369)	(333,759)	(428,876)	(379,983)	(226,587)	(3,422,674)	(52,569,420)
Carrying value of Disposals	(789)	(800)	(373,503)	(56,142)	(274,490)	(65,002)	(39,798)	-	(810,524)
- Cost	(119,282)	(800)	(10,341,221)	(313,784)	(1,286,731)	(313,638)	(75,250)	(1,156,171)	(13,606,878)
- Accumulated Impairment Losses	-	-	-	19	651	424	-	-	1,094
- Accumulated Depreciation	118,493	-	9,967,718	257,622	1,011,591	248,212	35,452	1,156,171	12,795,260
Transfer to non-current assets	-	-	-	-	-	-	-	-	-
Impairment Losses	(1,484,884)	-	-	(9,290)	(1,424)	(2,154)	-	-	(1,497,751)
Carrying values at 30 June 2019	83,214,479	18,367,816	633,083,721	705,075	2,115,359	1,909,510	4,903,061	1,040,187	745,339,207
Cost	199,374,393	18,367,816	1,965,857,348	2,882,825	8,361,858	6,453,366	8,962,543	10,136,456	2,220,396,606
- Completed Assets	199,374,393	18,367,816	1,922,675,431	2,882,825	8,361,858	6,453,366	8,962,543	10,136,456	2,177,214,688
- Under Construction	-	-	43,181,918	-	-	-	-	-	43,181,918
Accumulated Impairment Losses	(1,484,884)	-	-	(26,443)	(59,738)	(20,727)	(196,491)	-	(1,788,283)
Accumulated Depreciation:	(114,675,030)	-	(1,332,773,628)	(2,151,307)	(6,186,761)	(4,523,129)	(3,862,992)	(9,096,269)	(1,473,269,116)

Refer to Appendices B, C and E (4) for more detail on Property, Plant and Equipment, including those in the course of construction.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

7.2 Work-in Progress

30 June 2020	Buildings	Roads	Electricity	Water	Sewerage	Total
Opening balance at 1 July	235,000	21,195,465	1,758,195	7,597,365	12,630,892	43,416,917
Additions	10,320,248	2,141,919	2,633,501	18,886,117	290,689	34,272,474
Transferred to Completed Projects	-	-21,254,058	-1,278,566	-	-	-22,532,624.11
Closing balance at 30 June	<u>10,555,248</u>	<u>2,083,325</u>	<u>3,113,130</u>	<u>26,483,482</u>	<u>12,921,581</u>	<u>55,156,767</u>
30 June 2019	Buildings	Roads	Electricity	Water	Sewerage	Total
Opening balance at 1 July	235,000	13,262,236	-	5,558,377	5,913,973	24,969,586
Additions	-	9,783,927	3,740,775	2,038,988	6,716,919	22,280,608
Transferred to Completed Projects	-	-1,850,698	-1,982,580	-	-	-3,833,277
Closing balance at 30 June	<u>235,000</u>	<u>21,195,465</u>	<u>1,758,195</u>	<u>7,597,365</u>	<u>12,630,892</u>	<u>43,416,917</u>

Projects halted during current or previous financial year:

None were halted during the current or previous financial year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
7. PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.2 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.		
7.3 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
7.4 Assets pledged as security		
The Municipality did not pledge any of its assets as security.		
7.5 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R8 787 730 (2019: 1 497 751) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 35.		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses.		
The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it still in use.		
7.6 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Infrastructure assets	(8,562)	(13,156,562)
Other assets	(31,536)	(788,213)
Intangible Assets	-	(418,772)
Buildings	-	(70,021)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	<u>(40,097)</u>	<u>(14,433,568)</u>
The change in estimates will result in a decrease of R40 097 (2019: R14 433 568) in the depreciation expense for the Municipality over the next three financial years.		
7.7 Land and Buildings carried at Fair Value		
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
8. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation	<u>49,711</u>	<u>101,890</u>
The movement in Intangible Assets is reconciled as follows:		
Carrying values at 1 July	101,890	136,551
Cost	2,203,152	2,170,042
Accumulated Amortisation	(2,101,261)	(2,033,491)
Acquisitions	24,518	33,110
Amortisation	(76,697)	(67,770)
Carrying values at 30 June	49,711	101,890
Cost	2,227,670	2,203,152
Accumulated Amortisation	(2,177,959)	(2,101,261)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R 2019
R

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

The Municipality does not currently have significant intangible assets in value when compared to other assets in the same category.

8.2 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

9. INVESTMENT PROPERTY

At Fair Value	5,718,600	5,718,600
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	5,718,600	5,718,600
Fair Value	5,718,600	5,718,600
Net Gains / (Losses) from Fair Value Adjustments	-	-
Disposals during the Year	-	-
Carrying values at 30 June	5,718,600	5,718,600
Fair Value	5,718,600	5,718,600
Estimated Fair Value of Investment Property at 30 June	5,718,600	5,718,600

All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

9.1 Investment Property carried at Fair Value

The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties and the professional judgement of the valuer from time to time when the circumstances requires.

9.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the Municipality at the reporting

10. HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	6,959,273	6,959,273
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The movement in Heritage Assets is reconciled as follows:

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R		
	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2019	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2020	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-
	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2018	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2019	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-

All of the Municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Heritage Assets of the Municipality.

Refer to Appendix "B" for more detail on Heritage Assets.

10.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the Municipality at the reporting date.

11. NON-CURRENT INVESTMENTS

Listed

Listed Shares	27,690	29,209
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Total Investments

All Investments	27,690	29,209
Less: Short-term Portion transferred to Current Investments	-	-

Total Non-current Investments

	27,690	29,209
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Market valuation of Listed Investments

Listed Shares	27,690	29,209
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Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

The Management of the Municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

12. LONG-TERM RECEIVABLES

Other Loans	-	10
Less: Provision for Impairment	-	-
	-	10

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Less: Current Portion transferred to Current Receivables	-	-
Other Loans	-	-
Total Long-term Receivables	-	10

The Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the Municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the Municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

13. CONSUMER DEPOSITS

Electricity and Water	2,518,499	2,414,796
Total Consumer Deposits	2,518,499	2,414,796

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

No interest is paid on Consumer Deposits held.

The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	11,168,904	9,373,357
Eskom Creditor	84,711,138	47,744,119
Payments Received in Advance	7,550,821	6,409,649
Retentions	3,933,334	1,411,303
Staff Bonuses	3,405,970	3,300,376
Sundry Deposits	363,804	355,570
Other Creditors	7,795,332	5,925,583
Salary Control Account	(4,882)	(4,473)
Accrued Leave	8,246,747	7,475,297
Total Payables	127,171,169	81,990,781

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The Municipality did default on payment of its Creditors. However, other than the payment arrangement entered with Eskom, no terms for payment have been re-negotiated by the Municipality.

The significant increase in creditors from exchange transactions is attributable to the increase in the amount owed to Eskom. The decrease in other creditors is a result in the municipality honoring the payment arrangement held with Eskom.

Included in the other creditors amount as disclosed above is an outstanding balance of R6 056 893 (2019: R5 050 90) owed to the DTSL. This agreement is disclosed as GRAP 109 principal-agent agreement. Refer to note 27 for more information. The breakdown of this outstanding balance is as follows:

Opening balance	5,050,688	3,882,704
Amount accrued	1,006,203	1,167,984
Amount paid	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Closing balance	6,056,891	5,050,688

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments Received in Advance	1,997,445	2,117,711
Other Creditors	8,154,273	7,312,138
Total Payables	10,151,718	9,429,849

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2020 R	2019 R
16.1 Conditional Grants from Government	7,208,676	29,309,656
National Government Grants	5,322,750	25,255,036
Provincial Government Grants	1,885,926	4,054,619
Total Conditional Grants and Receipts	7,208,676	29,309,656

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

17. VAT Payable/(Receivable)

VAT Payable/(Receivable)	(12,258,796)	(4,794,453)
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

18. LONG-TERM LIABILITIES

Finance Lease Liability	240,852	1,531,184
Sub-total	240,852	1,531,183
Less: Current Portion transferred to Current Liabilities	(240,852)	(240,845)
Finance Lease Liability	(240,852)	(240,845)
Total Long-term Liabilities (Neither past due, nor impaired)	-	1,290,339

18.1 Summary of Arrangements

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R 2019
R

Refer to Appendix "A" for more detail on Long-term Liabilities.

18.2 Breach of Loan Agreement

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

19. EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	17,138,001	19,633,453
Long Service Awards Liability	4,266,000	4,138,973
Total Employee Benefit Liabilities	21,404,001	23,772,426

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	20,904,749	21,905,361
Contributions to Provision	553,970	638,119
Increase due to Discounting	1,843,719	1,995,590
Expenditure incurred	(1,271,296)	(1,289,733)
Actuarial (Gains) /Losses	(3,569,141)	(2,344,588)
Balance at end of Year	18,462,001	20,904,749
Transfer to Current Employee benefits	(1,324,000)	(1,271,296)
Total Post-retirement Health Care Benefits Liability	17,138,001	19,633,453

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available. If the return to economic normalcy is extended, then the Municipality's experience regarding resignations and retrenchments may also be affected. Medical scheme contributions are also likely to increase by more than expected.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	44	45
In-service Non-members (Employees)	285	283
Continuation Members (Retirees, widowers and orphans)	28	28
Total Members	357	356

The liability in respect of past service has been estimated as follows:

In-service Members	5,316,000	6,200,480
Continuation Members	13,146,000	14,704,269
Total Liability	18,462,000	20,904,749

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid

- Bonitas
- Keyhealth
- LA Health
- Samwumed

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The Current-service Cost for the year ending 30 June 2020 is estimated to be R553 970, whereas the cost for the ensuing year is estimated to be R488 000		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.64%	9.09%
Health Care Cost Inflation Rate	5.81%	6.62%
Net Effective Discount Rate	3.62%	2.32%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	20,904,749	21,905,361
Current service costs	553,970	638,119
Interest cost	1,843,719	1,995,590
Benefits paid	(1,271,296)	(1,289,733)
Actuarial losses / (gains)	(3,569,141)	(2,344,588)
Total Recognised Benefit Liability	18,462,001	20,904,749

The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	18,462,001	20,904,749
Total Benefit Liability	18,462,001	20,904,749

The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	553,970	638,119
Interest cost	1,843,719	1,995,590
Expenditure incurred	(1,271,296)	(1,289,733)
Actuarial losses / (gains)	(3,569,141)	(2,344,588)
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	(2,442,748)	(1,000,612)

	2020 R	2019 R	2018 R	2017 R	2016 R
Present Value of Defined Benefit Obligation	18,462,001	20,904,749	33,804,539	37,181,976	34,976,976
Deficit	20,904,749	21,905,361	37,181,976	34,976,976	34,976,976
Experienced adjustments on Plan Liabilities	22,031,142	23,249,337	41,571,006	39,087,630	36,064,964

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	2,768,500	3,041,500
Effect on the long service award liability	20,620,000	23,630,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2,096,400	2,300,000
Effect on the long service award liability	16,645,000	18,644,000

The Municipality expects to make a contribution of R1 271 296 (2019: R1 289 783) to the Defined Benefit Plans during the next financial year.

Refer to Note 54 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.

19.2 Long Service Awards Liability

Balance at beginning of Year	4,702,406	4,371,640
Contributions to Provision	509,917	413,229
Increase due to Discounting	357,634	336,015
Expenditure incurred	(563,433)	(748,471)
Actuarial (Gains) /Losses	(135,524)	329,993

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
Balance at end of Year	4,871,000	4,702,406
Transfer to Current Employee benefits	(605,000)	(563,433)
Total Long Service Awards Liability	4,266,000	4,138,973

The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available. If the return to economic normalcy is extended, then the Municipality's experience regarding resignations and retrenchments may also be affected.

At year end, 329 (2019: 328) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2020 is estimated to be R509 917 (2019: R413 228), whereas the cost for the ensuing year is estimated to be R497 000

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.11%	8.08%
Cost Inflation Rate	3.81%	5.51%
Net Effective Discount Rate	3.18%	2.44%

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	4,702,406	4,371,640
Current service costs	509,917	413,229
Interest cost	357,634	336,015
Benefits paid	(563,433)	(748,471)
Actuarial losses / (gains)	(135,524)	329,993

Total Recognised Benefit Liability

	4,871,000	4,702,406
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	4,871,000	4,702,406
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Total Benefit Liability

	4,871,000	4,702,406
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	509,917	413,229
Interest cost	357,634	336,015
Benefits paid	(563,433)	(748,471)
Actuarial losses / (gains)	(135,524)	329,993

Total Post-retirement Benefit included in Employee Related Costs (Note 32)

	168,594	330,766
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The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	931,500	800,200
Effect on the long service award liability	4,985,000	4,985,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	809,700	703,000
Effect on the long service award liability	4,444,000	4,444,000

The Municipality expects to make a contribution of R563 433 (2019: R748 471) to the Defined Benefit Plans during the next financial year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
20. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	51,656,159	55,674,168
Total Non-current Provisions	<u>51,656,159</u>	<u>55,674,168</u>
The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:		
Balance at beginning of year	55,674,168	46,936,726
Contributions to provision	(4,018,010)	8,737,442
	<u>51,656,159</u>	<u>55,674,168</u>
Transfer to current provisions	-	-
Balance at end of year	<u>51,656,159</u>	<u>55,674,168</u>

20.1 Rehabilitation of Land-fill Sites

The Municipality will incur rehabilitation cost on its three dumping/landfill sites in the periods 2030/2031 for Britstown, 2028/2029 for Hanover and 2029/2030 for De Aar. Provision has been made for the net present value of this cost. As at 30 June 2020 there were no foreseeable future events that may have an effect on below dates and or values.

	Proposed Rehabilitation	Total area Size (m ²)	Unit cost (R/m ²)		
Britstown Landfill	2031/2032	11623.00	385.30	3,098,431	3,053,469
De Aar Landfill	2028/2029	183214.00	338.56	45,945,173	49,870,370
Hanover Landfill	2029/2030	8139.00	417.25	2,612,555	2,750,330
				<u>51,656,159</u>	<u>55,674,168</u>

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	2,252,793	2,252,793
Accumulated Surplus / (Deficit) due to the results of Operations	634,075,384	671,652,535
Total Accumulated Surplus	<u>636,328,177</u>	<u>673,905,328</u>

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

22. PROPERTY RATES

	Property Valuations		Actual Levies	
	2020 R000's	2019 R000's	2020	2019
Residential	4,177,521,764	4,058,947,000	28,112,357	23,239,821
Commercial	281,821,995	277,907,000	4,933,112	4,607,214
State	312,184,000	310,591,000	5,640,239	5,344,156
Total Property Rates	<u>4,771,527,759</u>	<u>4,647,445,000</u>	<u>38,685,708</u>	<u>33,191,190</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2017.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

A rebate of 100.00% (2019: 100.00%) was allowed on residential properties whose market value is R 28 000 and less and agriculture properties are levied as per Government Gazette of 2009.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

23. FINES

Penalties for Consumers	173,290	449,283
Traffic Fines	7,735,363	12,669,475
Total Fines	7,908,654	13,118,758

25. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	44,899,883	40,793,000
Provincial: Housing Accreditation	680,000	680,000
Provincial: Sports, Arts and Culture (Library Grant)	693,000	693,000
Operational Grants	46,272,883	42,166,000

Conditional Grants	41,912,427	26,274,955
National: EPWP	568,374	1,000,000
National: FMG	1,700,000	1,700,000
National: MIG	16,387,253	9,724,553
National: Integrated National Electrification Programme (INEP)	1,497,800	4,000,000
National: Water Services Infrastructure Grant	-	8,450,914
Covid Relief grant	149,000	-
National: Regional Bulk Infrastructure Grant (RBIG)	21,610,000	1,399,488

Total Government Grants and Subsidies	88,185,311	68,440,955
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Government Grants and Subsidies:

Conditional Grants - Capital	38,780,577	22,358,722
Conditional Grants - Operational	2,982,850	4,126,156
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	46,421,883	42,166,000

Total Government Grants and Subsidies	88,185,311	68,650,878
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Summary of Transfers:

Conditions met - transferred to Revenue: Operating Expenses	49,404,733	46,292,156
Conditions met - transferred to Revenue: Capital Expenses	38,780,577	22,358,722

Total Transfers	88,185,311	68,650,878
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Operational Grants:

25.1 National: Equitable Share	44,899,883	40,793,000
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R148 (2019: R148), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

25.2 Provincial: Sports, Arts and Culture (Library Grant)

Balance unspent at beginning of year	-	-
Current year receipts	693,000	693,000
Conditions met - transferred to Operating Revenue	(693,000)	(693,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

This grant was allocated for the upgrading of library equipment and operating expenses.

25.3 Provincial: Housing Accreditation

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Balance unspent at beginning of year	-	-
Current year receipts	680,000	680,000
Conditions met - transferred to Operating Revenue	(680,000)	(680,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department as well as other operational expenses.

Conditional Grants:

25.4 National: Expanded Public Works Programme

Balance unspent at beginning of year	(0)	(0)
Current year receipts	1,220,000	1,000,000
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	(568,374)	(1,000,000)
Conditions still to be met - transferred to Current liabilities (see note 16)	651,625	(0)

This grant was used for the upgrading of Roads facilities. At yearend, not all conditions were met, resulting in an unspent amount being disclosed.

25.5 National: Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1,700,000	1,700,000
Conditions met - transferred to Operating Revenue	(1,700,000)	(1,700,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

25.6 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	175,447	-
Repayment of prior year unspent funds	(175,447)	-
Current year receipts	21,710,000	9,900,000
Conditions met - transferred to Operating Revenue	(1,282,850)	(600,000)
Conditions met - transferred to Capital Revenue	(15,104,403)	(9,124,553)
Conditions still to be met - transferred to Current liabilities (see note 16)	5,322,747	175,447

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix B).

At yearend, not all conditions were met in respect to the upgrading of infrastructure. This resulted in an unspent portion being recognised. COGTA did however already gave approval for the municipality to utilise the unspent MIG as disclosed at the end of 2020 for the application of sewerage connections in Britstown in the 2021 financial year.

25.7 Provincial: Department of Water Affairs

Balance unspent at beginning of year	-	15,621
Current year receipts	-	-
Long still standing grant with no payback expectancy	-	(15,621)
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

This grant was used to cover the cost relating to new water meters and the installation thereof. It was decided, due to the fact that there is no expectancy of the municipality to pay the unspent portion back, to realise the income.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
25.8 Provincial: Sports, Arts and Culture (Phundulwazi Upgrade)		
Balance unspent at beginning of year	-	150,000
Current year receipts	-	-
Long still standing grant with no payback expectancy	-	(150,000)
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

This grant was allocated for the upgrade of the Phundulwazi Library in accordance with the submitted business plan. It was decided, due to the fact that there is no expectancy of the municipality to pay the unspent portion back, to realise the income.

25.9 Provincial: Department of Education

Balance unspent at beginning of year	1,232,100	1,232,100
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	1,232,100	1,232,100

At yearend, not all conditions were met in respect to the construction of the athletics field as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.

25.10 Provincial: Department of Roads

Balance unspent at beginning of year	-	267,600
Current year receipts	-	-
Long still standing grant with no payback expectancy	-	(267,600)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

This grant was allocated for the construction and upgrading of roads within the Nonzwakazi area. It was decided, due to the fact that there is no expectancy of the municipality to pay the unspent portion back, to realise the income.

25.11 National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	4,000,000
Conditions met - transferred to Revenue: Operating Expenses	-	(521,738)
Conditions met - transferred to Revenue: Capital Expenses	(1,497,800)	(3,478,262)
Conditions still to be met - transferred to Current liabilities (see note 16)	2,200	-

This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries. Not all conditions attached to the grant were met. Resulting in an unspent portion being accounted for.

25.12 Other Local Government

Balance unspent at beginning of year	-	39,188
Current year receipts	-	-
Long still standing grant with no payback expectancy	-	(39,188)
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. It was decided, due to the fact that there is no expectancy of the municipality to pay the unspent portion back, to realise the income.

25.13 National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	25,079,589	-
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EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Repayment of prior year unspent grants	(25,079,589)	
Current year receipts	21,610,000	26,689,000
Conditions met - transferred to Operating Revenue	-	(209,923)
Conditions met - transferred to Capital Revenue	(21,610,000)	(1,399,488)
Conditions still to be met - transferred to Current liabilities (see note 16)	-	25,079,589

This grant was utilised in the construction of a oxidation pond in Britstown. At yearend, all funds relating to this grant was spent, resulting in no unspent portion being disclosed.

25.14 National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	2,822,519	1,773,433
Repayment of prior year unspent grant	(2,822,519)	-
Current year receipts	-	9,500,000
Conditions met - transferred to Operating Revenue	-	(1,094,495)
Conditions met - transferred to Capital Revenue	-	(7,356,419)
Conditions still to be met - transferred to Current liabilities (see note 16)	0	2,822,519

The Water Services Infrastructure Grant was used for rehabilitation of boreholes as well as for sewer projects. In the 2020 year, no WSIG grants were received, resulting in the municipality to pay back the prior year unspent portion.

25.15 National: Covid Relief Grant

Balance unspent at beginning of year	-	-
Current year receipts	149,000	-
Conditions met - transferred to Operating Revenue	(149,000)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

The Covid Relief Grant was received to assist with the hygiene expenditure of the municipality to help with the prevention of spread of the corona virus.

25.16 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

26. SERVICE CHARGES

Sale of Electricity	82,077,132	75,489,261
Sale of Water	27,723,708	25,543,341
Refuse Removal	7,034,181	6,420,796
Sewerage and Sanitation Charges	13,246,444	12,299,734
Other Service Charges	1,218,120	1,055,827
Total Service Charges	131,299,585	120,808,959

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

27. LICENSES AND PERMITS

27.1 Principal-agent arrangements

DTSL License income	383,961	884,501
Total principal-agent related license income	383,961	884,501

As per GRAP 109, the municipality acts as an agent on behalf of the DTSL, which is the principal in the agreement, in the collection of motor registration licensing related income. The agreement sees the municipality having the rights of receiving different percentages commission on the total different categories of revenue collected and having the responsibility to pay the rest over to the DTSL. The unsettled amount due to the DTSL is disclosed in disclosure note 14. The aggregation of the commission for the collection service was R383 961 in the 2020 financial year and R884 501 in the 2019 financial year respectively.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
27.2 Other license income		
Driver and learner licenses	314,752	396,702
Total other license income	<u>314,752</u>	<u>396,702</u>
Total license income	<u>698,713</u>	<u>1,281,203</u>
28. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Halls	67,608	116,258
Rental Revenue from Land	690,137	694,048
Rental Revenue from Other Facilities	17,494	31,711
Total Rental of Facilities and Equipment	<u>775,239</u>	<u>842,017</u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
29. INTEREST EARNED		
Property Rates:		
Interest / Penalties Raised	795,393	561,272
	<u>795,393</u>	<u>561,272</u>
External Investments:		
Bank Account	435,908	192,525
Investments	1,377,647	1,762,224
Other Deposits	-	-
	<u>1,813,555</u>	<u>1,954,749</u>
Outstanding Debtors:		
Long-term Debtors	500	4,014
Outstanding Billing Debtors	1,776,112	1,502,313
	<u>1,776,613</u>	<u>1,506,328</u>
Total Interest Earned	<u>4,385,561</u>	<u>4,022,348</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	1,813,555	1,954,749
Loans and Receivables	2,572,006	2,067,599
	<u>4,385,561</u>	<u>4,022,348</u>
Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 43.		
30. OTHER REVENUE		
Building Plan Fees	135,569	152,131
Grave Fees	435,424	350,577
Sundries Levies	402,323	283,406
Reconnection Fees	41,644	49,517
Insurance Received	1,590,686	469,491
Tender Documents	15,500	29,500
Other Non-material Income	22,305	160,203
Total Other Revenue	<u>2,643,452</u>	<u>1,494,826</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
31. PROFIT (LOSS) ON SALE OF LAND		
Proceeds on Sale of Land	42,239	133,358
Cost of Sale of Land	-	-
Total Profit/(loss) on Sale of Land	42,239	133,358
32. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	66,008,287	61,474,940
Basic Salaries and Wages	58,541,828	54,427,185
Ward Committee Remuneration	310,500	220,500
Long Service Awards	362,019	654,243
Leave Encashed	1,218,687	1,061,828
Performance Bonuses	797,849	856,742
Service Bonuses	4,777,405	4,254,442
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	12,614,199	11,760,714
Group Life	50,624	46,307
Medical	1,662,005	1,527,380
Pension	9,700,653	8,937,561
Industrial Council Levy	36,991	35,018
Skills Development Levy	621,577	690,964
UIF	542,349	523,483
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	5,423,690	4,947,451
Allowances	3,795,556	3,419,343
Pensioners Allowances	1,628,135	1,528,107
Housing Benefits and Allowances	242,679	443,211
Overtime Payments	4,435,369	4,367,524
Defined Benefit Plan Expense:	(2,442,748)	(1,000,612)
Current Service Cost	553,970	638,119
Interest Cost	1,843,719	1,995,590
Net Actuarial (gains)/losses recognised	(1,271,296)	(1,289,733)
Vested Past Service Cost	(3,569,141)	(2,344,588)
Long-service Award Liability Expense:	168,594	330,766
Current Service Cost	509,917	413,229
Interest Cost	357,634	336,015
Net Actuarial (gains)/losses recognised	(563,433)	(748,471)
Vested Past Service Cost	(135,524)	329,993
Total Employee Related Costs	86,450,071	82,323,993

No advances were made to employees.

Included in Employee Related Costs is an amount of R2 442 748 (2019: R1 000 612) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	835,240	803,623
Service Bonus	66,763	66,763
Performance Bonus	200,330	42,878
Car and Other Allowances	404,191	401,787
Company Contributions to UIF, Medical and Pension Funds	160,017	158,755
Total	1,666,542	1,473,807

Remuneration of the Chief Financial Officer

Annual Remuneration	696,153	525,732
Service Bonus	25,556	43,811
Performance Bonus	115,542	23,787
Car and Other Allowances	266,025	430,826
Company Contributions to UIF, Medical and Pension Funds	67,281	50,010
Total	1,170,557	1,074,166

Remuneration of the Director: Corporate Services

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	2020 R	2019 R
Annual Remuneration	614,560	582,598
Service Bonus	48,750	46,412
Performance Bonus	118,378	77,849
Car and Other Allowances	283,854	284,274
Company Contributions to UIF, Medical and Pension Funds	166,281	162,879
Total	1,231,823	1,154,012
Remuneration of the Director: Community and Development Services		
Annual Remuneration	520,936	566,557
Service Bonus	40,571	40,571
Performance Bonus	107,139	-
Car and Other Allowances	264,475	248,765
Company Contributions to UIF, Medical and Pension Funds	151,558	118,098
Total	1,084,679	973,991
Remuneration of the Director: Infrastructure and Housing Services		
Annual Remuneration	765,203	783,153
Service Bonus	103,849	60,755
Performance Bonus	127,545	52,076
Car and Other Allowances	316,270	163,010
Company Contributions to UIF, Medical and Pension Funds	48,308	152,587
Total	1,361,176	1,211,580

No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.

33. REMUNERATION OF COUNCILORS

Mayor	611,010	581,298
Speaker	488,807	465,038
Councilors	2,735,735	2,606,875
Company Contributions to UIF, Medical and Pension Funds	45,058	44,029
Other Allowances (Cellular Phones, Housing, Transport, etc.)	1,838,449	1,804,877
Total Councilors' Remuneration	5,719,058	5,502,117

Remuneration of Councilors:

In-kind Benefits

Councilors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties.

34. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	49,974,364	52,569,420
Amortisation: Intangible Assets	76,697	67,770
Total Depreciation and Amortisation	50,051,061	52,637,190

35 IMPAIRMENT LOSSES

35.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	8,787,730	1,497,751
Intangible Assets	-	-
	8,787,730	1,497,751

35.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Receivables from Exchange Transactions	40,774,811	61,115,767
Receivables from Non-exchange Transactions	19,222,695	43,956,909
	21,552,115	17,158,857
	40,774,811	61,115,767

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Total Impairment Losses	49,562,541	62,613,518
36. REPAIRS AND MAINTENANCE		
Materials	6,459,868	9,270,146
Labour	1,110,247	3,200,470
Total Repairs and Maintenance	7,570,114	12,470,616
37. FINANCE COSTS		
Bank Overdraft	8,764	20,636
Finance Leases	76,658	540,776
Overdue Creditors	7,855,687	4,978,430
Landfill Provision	(4,018,010)	8,737,442
Total Interest Paid on External Borrowings	3,923,099	14,277,284
The weighted average capitalisation rate on funds borrowed generally is 0.00% per annum (2019: 0.00% per annum).		
38. BULK PURCHASES		
Electricity	67,610,105	60,071,589
Water	2,516,041	2,634,043
Total Bulk Purchases	70,126,146	62,705,633
Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the Municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from various sources.		
39. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	132,801	192,418
Assessment Rates and Municipal Charges	5,435,199	7,511,711
Audit Fees	2,957,545	3,372,478
Bank Charges	805,822	652,301
Branding of the Municipality	-	32,492
Cleaning Materials	158,698	232,193
Commission	1,918,461	3,036,288
Conference Fees	7,200	126,903
Driving License Fees	85,478	118,782
Electricity Rural Water Pumps	2,406,189	2,077,532
Entertainment	16,824	91,859
Festivals	-	10,100
Fuel and Oil	3,911,638	4,399,818
Grave Excavations	281,472	267,305
HR Employee Wellness	1,707,774	3,002,244
IDP Review	2,826	-
Insurance	1,473,073	1,040,326
Internal Audit	547,275	160,071
Lease Expenditure	4,147,119	85,075
Legal Costs	68,569	540,188
Levies: SALGA	864,979	804,229
License Fees and Subscriptions	226,662	126,145
Motor Vehicle Expenses	182,629	253,659
Printing and Stationery	927,300	1,019,703
Professional Services	2,637,486	4,362,353
Protective Clothing	1,953,403	240,013
Security Services	2,752,827	3,091,450
Sundry Expenses	17,023	81,179
Strategic Planning Expenses	8,491	91,731

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Telephone Cost	1,476,402	1,653,362
Training Costs	77,140	60,136
Travelling and Subsistence	1,343,285	1,756,502
Water	64,688	139,532
Youth Development Programme	-	63,370
Total General Expenses	<u>38,596,280</u>	<u>40,693,450</u>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

40. OTHER GAINS AND LOSSES

Change in Fair Value of Financial Assets designated as at FVTPL	(1,519)	1,155
Inventory adjustments	-	111,158
Net Other Gains and (Losses)	<u>(1,519)</u>	<u>112,313</u>

No other gains or losses have been recognised in respect of Loans and Receivables or Held-to-Maturity Investments, other than as disclosed in Note 11 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Notes 3, 4 and 36).

41. GAINS / LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Proceeds on Sale of Assets	-	-
Assets Disposed at Carrying Value:	(201,723)	(808,936)
Cost of Disposed Assets	(2,181,849)	(13,486,796)
Accumulated Depreciation of Disposed Assets	1,681,384	12,676,766
Accumulated Impairment of Disposed Assets	298,741	1,094
Total Gains / (Losses) on Disposal of Capital Assets	<u>(201,723)</u>	<u>(808,936)</u>

42. CHANGE IN ACCOUNTING POLICY

There were no changes in Accounting Policies for the current financial year.

43. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2019. The columns below represent the original 2019 audited figures (on the right), whilst the column on the left represent the restated 2019 figures, after taken into account prior period errors. Details of the adjustments are as follows:

Statement of Financial Position:

Inventories	53,705,263	58,188,543
Receivables from Exchange Transactions	27,678,565	27,678,565
Receivables from Non-exchange Transactions	18,490,932	18,531,386
Cash and Cash Equivalents	35,430,721	35,430,721
VAT Receivable	4,794,453	4,650,787
Current Portion of Operating Lease Receivables	4,542	4,542
Property, Plant and Equipment	745,339,207	744,418,790
Intangible Assets	101,890	101,890
Investment Property	5,718,600	5,718,600
Heritage Assets	6,959,273	6,959,273
Non-current Investments	29,209	29,209
Long-term Receivables	10	10
Operating Lease Receivables	7,473	7,473
Consumer Deposits	(2,414,796)	(2,414,796)
Payables from Exchange Transactions	(81,990,781)	(88,423,951)
Payables from Non-exchange Transactions	(9,429,849)	(3,189,968)
Unspent Conditional Grants and Receipts	(29,309,656)	(29,782,064)
Bank Overdraft	(18,397,223)	(18,298,647)

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Current Portion of Long-term Liabilities	(240,845)	(240,845)
Current Portion of Retirement Benefit Liabilities	(1,834,729)	(1,834,729)
Long-term Liabilities	(1,290,339)	(1,290,339)
Employee Benefit Liabilities	(23,772,426)	(23,772,426)
Non-current Provisions	(55,674,167)	(55,674,168)
Accumulated Surplus - Opening Balance	(764,493,694)	(764,493,694)
Accumulated Surplus - Prior Period Error	211,478	
Accumulated Surplus - Surplus (Loss) for the Year	90,376,889	87,695,838
	0	(0)

Statement of Financial Performance:

Finance cost		21,450
Service Charges		(937,611)
Repairs and maintenance		(18,474)
Other income		(57,723)
Commission expenditure		565,275
Depreciation		(120,022)
Other income		75,267
General expenses		257,262
Fines income		2,656,680
Employee Related Cost		660,152
Licenses and permits		(463)
Sale of land		(134,947)
Impairment losses		(285,796)
		2,681,049

The details of the reclassifications of correction of errors made are as follows:

43.1 Accounting for movable asset additions wrongfully accounted for as repairs and maintenance

Whilst compiling the 2020 Fixed Asset Register (and sub-sequently the Annual Financial Statements) it came to light that retrospective corrections were needed to me made. This due to assets acquired previously being wrongfully accounted for as repairs and maintenance.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(18,474)	
Increase / (decrease) in PPE	18,474	18,474
Statement of Financial Performance:		
Increase / (Decrease) in repairs and maintenance		(18,474)
	-	-

43.2 Accounting for long still standing retentions

Management of the municipality took the decision to clear the retentions which has not shown any movement in the last couple of years.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(1,006,245)	(1,006,245)
(Increase) / decrease in Creditors from exchange transactions	1,006,245	1,006,245
	-	-

43.3 Accounting for long still standing unknown deposits - ABSA

Management of the municipality took the decision to clear the unknown deposits for the period of 30 June 2018 and prior as there has been no movement nor claims made by payers with regards to these amounts

EMTHANJENI LOCAL MUNICIPALITY
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	2020 R	2019 R
2019 and prior, as there has been no movement for claims made by payers with regards to these amounts.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(4,659,754)	(4,659,754)
(Increase) / decrease in Creditors from exchange transactions	4,659,754	4,659,754
	-	-
	-	-

43.4 Accounting for 2019's provision on pre-paid electricity sales creditor

In the 2019 year the municipality struggled to obtain sales reports from one of their pre-paid electricity sales vendors. This resulted in the municipality not being able to account for the 2019 pre-paid electricity sales provision

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	196,862	
(Increase) / decrease in Creditors from exchange transactions	(196,862)	(196,862)
Statement of Financial Performance:		
(Increase) / Decrease in Service Charges		196,862
	-	-
	-	-

43.5 Accounting for finance cost on overdue creditors wrongfully not accounted for in the 2019 year

During the 2019 financial year the municipality incurred finance cost on a payment agreement with a creditor. This finance cost was however wrongfully capitalised to the down payments of this creditor.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	21,450	
(Increase) / decrease in Creditors from exchange transactions	(21,450)	(21,450)
Statement of Financial Performance:		
Increase / (Decrease) in finance cost		21,450
	-	-
	-	-

43.6 Recognition of a municipal erf not previously carried in the property-held-for-sale

During the 2020 year the municipality obtained the title deeds transfer information. One of the properties which transferred out of the ownership of the municipality was not recognised previously in the accounting records of the municipality. This erf needed to be recognised in order to transfer it out again.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(57,750)	(57,750)
Increase / (decrease) in Inventories	57,750	57,750
	-	-
	-	-

43.7 Military housing creditor

In the past the municipality received grants on behalf of military veteran housing schemes. The funds received were treated as a creditor until the expenditure were realised. Although all the funds were not fully utilised, there were no responsibility placed on the municipality to pay these funds back. There has been no movement in this regard in the last year and the expectancy is that this will remain the case.

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	2020 R	2019 R
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(100,581)	(42,859)
(Increase) / decrease in Creditors from exchange transactions	100,581	100,581
Statement of Financial Performance:		
(Increase) / Decrease in other income		(57,723)
	-	-
	-	-

43.8 Accounting for long still standing unknown deposits - Standard Bank

Management of the municipality took the decision to clear the unknown deposits for the period of 30 June 2018 and prior, as there has been no movement nor claims made by payers with regards to these amounts.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(4,908)	(4,908)
(Increase) / decrease in Employment Benefit Liability	4,908	4,908
	-	-
	-	-

43.9 Accounting for long still standing unspent grants

Management of the municipality took the decision to clear the unspent grants for the period of 30 June 2018 and prior, as there has been no responsibility placed on the municipality to repay these funds

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(472,409)	(472,409)
(Increase) / decrease in Unspent conditional grants	472,409	472,409
	-	-
	-	-

43.10 Accounting for 2019 commission on pre-paid electricity sales not previously accounted for

In the 2019 year the municipality struggled to obtain sales reports from one of their pre-paid electricity sales vendors. This resulted in the municipality not being able to account for the 2019 commission portion on pre-paid sales.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(565,275)	-
(Increase) / decrease in Accumulated Surplus	565,275	-
(Increase) / decrease in VAT Payable/Receivable	84,791	84,791
(Increase) / decrease in VAT Payable/Receivable	(84,791)	(84,791)
Statement of Financial Performance:		
(Increase) / Decrease in Service charges		(565,275)
Increase / (Decrease) in Commission expenses		565,275
	-	-
	-	-

43.11 Re-classification of assets between categories

Whilst compiling the fixed asset register, the need was identified to transfer some assets between categories. Some rounding and immaterial differences arose as a result of these re-classifications

The effect of the adjustment is as follows:

Statement of Financial Position:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
(Increase) / decrease in Accumulated Surplus	156	17
Increase / (decrease) in Property, Plant and Equipment	(156)	(156)
Statement of Financial Performance		
Increase / (Decrease) in Depreciation		139
	-	-

43.12 Accounting for correction in prior year assessment rates debtor differences

During the 2019 year, differences were identified between the Receivables age analysis and the trial balance, these differences were left unaddressed. It was decided in the 2020 year to clear these differences

The effect of the adjustment is as follows:

Statement of Financial Position:		
Increase / (decrease) in receivables from non-exchange transactions	(75,267)	(75,267)
(Increase) / decrease in Accumulated Surplus	75,267	
Statement of Financial Performance:		
(Increase) / Decrease in other income		75,267
	-	-

43.13 Accounting for double accounting of VAT on creditors payment

During the 2019 year, VAT was accounted for twice on a creditors payment, the rectification is to reverse one of the transactions.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in payables from exchange transactions	(148,195)	(148,195)
(Increase) / decrease in VAT Payable/Receivable	148,195	148,195
	-	-

43.14 Accounting for 2019 expenditure only accounted for in the 2020 year

During the 2020 year it was identified that expenditure relating to the 2019 year was only accounted for in the 2020 year.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in payables from exchange transactions	(327,709)	(327,709)
(Increase) / decrease in VAT Payable/Receivable	48,630	48,630
(Increase) / decrease in Accumulated Surplus	279,079	
Statement of Financial Performance		
Increase / (Decrease) in General expenses		279,079
	-	-

43.15 Accounting for 2019 bank charges only accounted for in the 2020 year

During the 2020 year it was identified that expenditure relating to the 2019 year was only accounted for in the 2020 year.

The effect of the adjustment is as follows:

Statement of Financial Position:		
Increase / (decrease) in cash and cash equivalents	(739)	(739)
(Increase) / decrease in Accumulated Surplus	739	

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	2020 R	2019 R
Statement of Financial Performance		
Increase / (Decrease) in General expenses		739
	<u>-</u>	<u>-</u>
	<u>739</u>	<u>739</u>

43.16 Re-allocation of TVS unknown deposits previously allocated against fines income

During the 2020 year it was identified that the fines income received through the TVS bank account was wrongfully allocated against income. This income should be set off against the receipts as disclosed in the fines supporting documentation.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	2,143,745	
(Increase) / decrease in Creditors from exchange transactions	(2,143,745)	(2,143,745)
Statement of Financial Performance		
(Increase) / Decrease in Fines income		2,143,745
	<u>-</u>	<u>-</u>

43.17 Clearing of long still standing sundry debtors

During the 2020 year the municipality decided to clear long still standing items. Amongst these were sundry debtors.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	1,286,897	1,286,897
Increase / (decrease) in Receivables from non-exchange transactions	(1,286,897)	(1,286,897)
	<u>-</u>	<u>-</u>

43.18 Adjustment in the Motor Registration creditor

In the 2020 year the municipality decided to no longer account for the DTSL outstanding balance as partly contingent. The entire balance is now shown as a creditor. The municipality will however continue to have discussions with DTSL about the balance.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	3,152,806	3,152,806
Increase / (decrease) in Creditors from exchange transactions	(3,152,342)	(3,152,342)
Statement of Financial Performance		
(Increase) / Decrease in Licenses and permits	(463)	(463)
	<u>(0)</u>	<u>(0)</u>

43.19 Accounting for prior period lease expenditure

In the 2020 year it was identified that payments relating to lease expenditure for the 2019 year was not cleared from the unreconciled bank items

The effect of the adjustment is as follows:

Statement of Financial Position:		
Increase / (decrease) in cash and cash equivalents	(97,837)	(97,837)
(Increase) / decrease in Accumulated Surplus	85,075	-
(Increase) / decrease in VAT Payable/Receivable	12,761	12,761

Statement of Financial Performance

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Increase / (Decrease) in General Expenses	-	85,075
	-	-

43.20 Accounting for prior period revenue and debtors not previously accounted for

During the 2020 year it was realised that the municipality did not account for prior period revenue and debtors relating to rental of commonage

The effect of the adjustment is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	(843,505)	(274,307)
Increase / (decrease) in Receivables from non-exchange transactions	961,596	961,596
(Increase) / decrease in VAT Payable/Receivable	(118,091)	(118,091)

Statement of Financial Performance

(Increase) / Decrease in Service Charges		(569,198)
	-	-

43.21 Accounting for Sundry Debtors not previously accounted for

During the 2020 financial year the municipality received 2 refunds from a service provider relating to overpayments the municipality made on their account.

The effect of the adjustment is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	(117,483)	(9,852)
Increase / (decrease) in Receivables from non-exchange transactions	117,483	117,483

Statement of Financial Performance

Increase / (Decrease) in General Expenses		(107,631)
	-	-

43.22 De-recognition of 2 buildings which were wrongfully double accounted for

During the 2020 year-end audit it was identified that 2 heritage buildings were also wrongfully accounted for as PPE buildings.

The effect of the adjustment is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	3,403,930	3,524,092
Increase / (decrease) in PPE	(3,283,522)	(3,403,930)

Statement of Financial Performance

Increase / (Decrease) in depreciation	(120,408)	(120,162)
	(0)	0

43.23 Accounting for provision for performance bonuses not previously accounted for

During the 2020 year-end audit it was identified that the municipality did not provide for the performance bonuses of management

The effect of the adjustment is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	660,152	
(Increase) / decrease in Payables from exchange transactions	(660,152)	(660,152)

Statement of Financial Performance

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Increase / (Decrease) in Employee Related Cost		660,152
	-	-

43.24 Accounting for correction in traffic fines provisions

During the 2020 audit, differences were identified with regards to the impairment provision relating to traffic fines

The effect of the adjustment is as follows:

Statement of Financial Position		
Increase / (decrease) in receivables from non-exchange transactions	242,632	242,632
(Increase) / decrease in Accumulated Surplus	(242,632)	(469,771)
Statement of Financial Performance		
Increase / (Decrease) in impairment losses		(285,796)
(Increase) / Decrease in fines income		512,935
	(0)	(0)

43.25 De-recognition of WIP building payment

During the 2014 financial year a payment was made towards a feasibility study towards erecting a new tartan sports ground in De Aar. Management has come to the conclusion that this amount (currently disclosed in WIP) should be impaired as there are no expectation for this project to continue.

The effect of the adjustment is as follows:

Statement of Financial Position		
(Increase) / decrease in Accumulated Surplus	235,000	235,000
Increase / (decrease) in PPE	(235,000)	(235,000)
	-	-

43.26 Transfer between property held for sale and PPE land

During the 2020 audit it was identified that municipal erven with administrative buildings on, were carried incorrectly as property-held-for-sale. These properties were transferred to PPE land

The effect of the adjustment is as follows:

Statement of Financial Position		
Increase / (decrease) in Property-Held-for-sale	(4,541,030)	(4,541,030)
Increase / (decrease) in PPE	4,541,030	4,541,030
	-	-

43.27 Accounting for re-allocation of payments received in advance

During the 2020 audit, it was identified that revenue resulting from sale of land was wrongfully accounted as payments received in advance.

The effect of the adjustment is as follows:

Statement of Financial Position		
(Increase) / decrease in payables from exchange transactions	1,072,256	1,072,256
(Increase) / decrease in VAT Payable/Receivable	52,170	52,170
(Increase) / decrease in Accumulated Surplus	(1,124,426)	(989,479)
Statement of Financial Performance		
(Increase) / Decrease in sale of land		(134,947)
	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
44. CHANGE IN ESTIMATE		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2020. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well, this effect is however not quantified as estimating it is impracticable. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(31,536)	(14,433,568)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Infrastructure Assets	(8,562)	(13,156,562)
Increase / (Decrease) in Depreciation of PPE	<u>(40,097)</u>	<u>(27,590,130)</u>
Depreciation and Amortisation as previously stated	50,091,159	80,227,320
Adjustment due to Change in Accounting Estimate	(40,097)	(27,590,130)
Depreciation and Amortisation as per Note 35	<u>50,051,061</u>	<u>52,637,190</u>
45. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(37,577,151)	(90,376,887)
Adjustment for:		
Correction of prior period error		2,558,152
Depreciation and Amortisation	50,051,061	52,637,190
Impairment Losses on Property, Plant and Equipment	8,787,730	1,497,751
Losses / (Gains) on Disposal of Property, Plant and Equipment	201,723	808,936
Fair Value adjustment of Non-current Investment	1,519	(1,155)
Loss on Sale of Land	(42,239)	(133,358)
Contribution to Retirement Benefit Liabilities	(2,274,154)	(669,846)
Contribution to Non-current Provisions	(4,018,009)	8,737,442
Operating surplus before working capital changes	<u>15,130,481</u>	<u>(24,941,776)</u>
Decrease / (Increase) in Inventories	(352,565)	4,384,444
Decrease / (Increase) in Receivables from Exchange Transactions	(10,768,349)	29,332,334
Decrease / (Increase) in Receivables from Non-exchange Transactions	(2,086,461)	(4,403,415)
Decrease / (Increase) in Operating Lease Assets	12,015	-
Decrease / (Increase) in Long-term Receivables	10	1,591
Increase / (Decrease) in VAT Payable/Receivable	(7,464,343)	(7,431,021)
Increase / (Decrease) in Consumer Deposits	103,703	69,224
Increase / (Decrease) in Payables from Exchange Transactions	45,180,389	20,854,622
Increase / (Decrease) in Payables from Non-exchange Transactions	721,869	295,760
Increase / (Decrease) in Conditional Grants and Receipts	(22,100,979)	25,831,714
Cash generated by / (utilised in) Operations	<u>18,375,769</u>	<u>43,993,478</u>
46. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
During the 2020 financial year, the Municipality acquired R0 (2019: R594 355) of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.		
47. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	4,869,921	342,817
- Amount unused / (Overspent)	6,869,921	2,342,817
	<u>2,000,000</u>	<u>2,000,000</u>
Unsecured Credit Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	800,000	800,000

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
	<u>800,000</u>	<u>800,000</u>
48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 18)	240,852	1,531,183
Used to finance Property, Plant and Equipment - at cost	(240,852)	(1,684,168)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	<u>-</u>	<u>-</u>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

49. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

49.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	53,535,579	118,571,240
Unauthorised Expenditure current year	61,339,808	53,535,579
Prior year Unauthorised Expenditure prior identified in current year	1,548,141	-
Written off by Council	-	(118,571,240)
Unauthorised Expenditure awaiting authorisation	<u>116,423,528</u>	<u>53,535,579</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>Council to write off expenditure.</i>
<i>Unknown - R0 (R0)</i>	
<i>Executive and Council - R0 (R5 723 434)</i>	
<i>Finance and Administration - R17 383 841 (R9 943 109)</i>	
<i>Planning and Development - R4 664 497 (R2 349 037)</i>	
<i>Community and Social Services - R3 651 361 (R4 644 664)</i>	
<i>Roads and Transport - R0 (R0)</i>	
<i>Other - R17 137 (R652 386)</i>	
<i>Housing - R722 738 (R881 733)</i>	
<i>Waste Management - R14 005 801 (R13 214 157)</i>	
<i>Electricity - R20 894 434 (R17 015 047)</i>	
<i>Water - R0 (R0)</i>	

49.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	4,956,980	4,716,279
Fruitless and Wasteful Expenditure current year	8,815,957	4,956,980
Prior year Fruitless and Wasteful expenditure identified in current year	21,450	-
Written off by Council	-	(4,716,279)
Fruitless and Wasteful Expenditure awaiting to be written off	<u>13,794,387</u>	<u>4,956,980</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest paid to Creditors on overdue accounts - R 8 792 632 (2019: R 4 978 430)</i>	

49.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	27,140,394	36,760,487
Irregular Expenditure current year	51,540,916	22,316,296
Irregular Expenditure of prior years identified in current year	-	4,824,098
Written off by Council	-	(36,760,487)
Irregular Expenditure awaiting to be written off	<u>78,681,311</u>	<u>27,140,394</u>

Incident	Disciplinary Steps / Criminal Proceedings
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EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R 2019
R

The Irregular Expenditure identified was inspected and it can be categorised as follows:	Council to write off expenditure.
<i>Sufficient numbers of quotes not obtained. This amounted to 192 557</i>	
<i>Valid or no contracts were in place for service providers. This amounted to irregular expenditure of R7 372 853</i>	
<i>Irregularities resulting from the Bid Adjudication committee not being properly constituted. This resulted in irregular expenditure of R43 975 506</i>	

49.4 Other possible UIFW expenditure items under investigation at yearend

As at the end of the 2020 financial year the following items were under investigation by the relevant authorities. If upon conclusion of these investigations it is proven that these items are in fact UIFW in nature, it will be disclosed accordingly:

49.4.1 Bulk SMS payments

It was identified that one of the former municipal employees purchased bulk SMS packages from a service provider out of his own pocket. These bulk SMS would be used by the municipality and the employer would be reimbursed for this expenditure. Upon reimbursement however, the banking details provided for the municipal employee did not agree with the name provided for the account holder as the municipality used the name of the service provider from which the SMS was purchased together with the account number of the municipal employee. This caused the bank to flag this transaction. The investigation is ongoing.

49.4.2 Payments made to Department of Labour

During the 2018 financial year it was identified that the municipality never accounted for workman's compensation expenditure and thus also not for the Department of Labour creditor. This was however correctly adjusted in the accounting records of the municipality. The issue however came when the municipality started to settle this outstanding creditor, as it was identified that some payments made were not made into the bank account of the department of labour. As at the end of the financial year these transactions were still under investigation.

49.4.3 Fuel card transactions

It is suspected that some municipal employees who were in position of municipal fuel cards, misused these cards for personal gain. It is suspected that the municipal employee would fill up a third party's vehicle with the fuel card of the municipality. The third party would then pay the municipal employee in cash for the fuel purchased. At yearend these transactions were under investigation by the Hawks.

50. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

50.1 Contributions to organised local government - SALGA

Opening Balance	524,066	524,066
Council Subscriptions	864,979	804,229
Amount Paid - current year	(864,979)	(804,229)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	524,066	524,066

During the 2018 audit, the amount owed to SALGA was reconciled back to the creditor statement, the disclosure was however not adjusted accordingly. The amount disclosed as the comparative in the current year's AFS agrees to the creditor statement.

50.2 Audit Fees

Opening Balance	2,777,833	3,325,973
Current year Audit Fee	2,968,435	3,372,478
Amount Paid - current year invoices	(1,168,555)	(3,920,618)
Amount Paid - previous years invoices	(283,487)	-
Balance Unpaid (included in Creditors)	4,294,226	2,777,833

During the 2018 audit, the amount owed to the AGSA was reconciled back to the creditor statement, the disclosure was however not adjusted accordingly. The amount disclosed as the comparative in the current year's AFS agrees to the creditor statement.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
50.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 17. All VAT returns have been submitted by the due date throughout the year.		
50.4 PAYE, Skills Development Levy and UIF		
Opening Balance	(17,468)	-
Current year Payroll Deductions	12,473,376	11,175,308
Amount Paid - current year	(12,473,376)	(11,192,776)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	(17,468)	(17,468)

50.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	18,488,482	17,013,748
Amount Paid - current year	(18,488,482)	(17,013,748)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

50.6 Councilor's arrear Consumer Accounts

The following Councilors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2020			
Kivedo MC	5,044	3,904	1,139
Van Wyk PD	6,309	3,543	2,766
Billie L	10,592	9,014	1,578
Vanel D	7,223	1,759	5,464
Faul RR	7,649	2,426	5,222
Total Councilor Arrear Consumer Accounts	36,817	20,648	16,169

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2019			
Councilor Kivedo MC	4,603	4,166	437
Councilor Van Wyk PD	15,069	1,737	13,332
Councilor Hoffman SJ	2,554	2,554	-
Councilor Billie L	2,622	1,747	875
Councilor Mhlauli PP	6,240	2,034	4,206
Councilor Vanel D	9,006	2,462	6,545
Councilor Mkontwana NP	1,683	1,683	-
Councilor Faul RR	8,134	1,942	6,193
Total Councilor Arrear Consumer Accounts	49,912	18,324	31,588

During the year the following Councilors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
30 June 2020		
Councilor Kivedo MC	3,903	> 90 days
Councilor Van Wyk PD	11,832	> 90 days
Councilor Billie L	3,014	> 90 days
Councilor Mhlauli PP	3,206	> 90 days
Councilor Vanel D	6,699	> 90 days
Councilor Mkontwana NP	4,423	> 90 days
Councilor Faul RR	6,128	> 90 days

	Highest amount outstanding	Ageing
30 June 2019		
Councilor Kivedo MC	437	> 90 days
Councilor Van Wyk PD	24,252	> 90 days
Councilor Hoffman SJ	2,801	> 90 days
Councilor Billie L	875	> 90 days
Councilor Mhlauli PP	9,670	> 90 days

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	2020 R	2019 R
Councillor Vanel D	9,306	> 90 days
Concillor Louw CJ	1,751	> 90 days
Councillor Mkontwana NP	91	> 90 days
Councillor Faul RR	13,737	> 90 days

50.7 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
General Responsibilities	7	52	(d)
Revenue Management	8	64	(3)
Monthly Budget Statements	8	71	(i) to (v)
Mid-year Budget and Performance Assessment	8	72	(1) to (3)
Information to be placed on Websites of Municipalities	8	75	(1) to (2)
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.		122	(1)
Money owed by the municipality was not always paid within 30 days.		65	(2)
Reasonable steps were not taken to prevent irregular, fruitless and wasteful and unauthorised expenditure		62	(1)
The municipality did not establish an investment policy that was adopted by council		13	2
Supply Chain Management Policy to comply with Prescribed Framework	11	112	

50.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
The largest contribution towards the deviations for the month was the lack of quotes received from suppliers due to the unique nature of the services required.	August 2019	Various Suppliers	125,614	-	125,613.85
There was different reasons contributing towards the deviations for the month. This included suppliers providing quotes who did not meet all the requirements as well as services that needed to be rendered prior to a sufficient quote could be provided by the suppliers.	September 2019	Various Suppliers	81,095	35,401	116,496.21
During October the municipality suffered damages as a result of a storm. Due to the emergency, there was no time to follow standard SCM procedures other items included suppliers providing quotes who did not meet all the requirements.	October 2019	Various Suppliers	153,777	21,643	175,420.57
The municipality had to have repairs done to their folding machine. However, due to the uniqueness of this machine, only the manufacturer of the machine was able to assist the municipality. There was also other unique services required by the municipality that further contributed to deviations for the month.	November 2019	Various Suppliers	49,224	-	49,224.36
There was different reasons contributing towards the deviations for the month. This included suppliers providing quotes who did not meet all the requirements as well as services that needed to be rendered prior to a sufficient quote could be provided by the suppliers.	January 2020	Various Suppliers	246,161	45,200	291,360.89
The main contribution towards deviations for the month was to do with emergency repairs needed due to theft of copper and other cables resulting in power outages.	February 2020	Various Suppliers	139,370	-	139,369.50
Due to the specific nature of the services needed, the municipality were unable to obtain the required amount of quotes.	March 2020	Various Suppliers	40,463	-	40,462.59

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

			2020 R	2019 R
The municipality had to incur expenditure in the fight to stop the spread of the corona virus. Among the expenditure was PPE for emergency workers etc.	April 2020	Various Suppliers	428,962	225,383
The largest contribution towards the deviations for the month was due to a transformer at the water pumps in Hanover being hit by lightning which rendered it out of use. The rest of the municipality's water providing facilities were not able to provide sufficient water to the community.	June 2020	Various Suppliers	294,811	18,939

50.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2020	Unaccounted Electricity Losses	<u>8,240,374</u>	<u>1.1993</u>	<u>9,882,591</u>
30 June 2019	Unaccounted Electricity Losses	<u>4,145,068</u>	<u>1.0431</u>	<u>4,323,626</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Volumes in kWh/year:

System Input Volume	56,375,147	57,615,977
Billed Consumption	<u>43,624,762</u>	<u>48,861,630</u>
Unaccounted	12,750,385	8,754,347
Normal distribution losses - % of electricity purchases	<u>(4,510,012)</u>	<u>(4,609,278)</u>
Distribution Loss	<u>8,240,374</u>	<u>4,145,068</u>
Percentage Distribution Loss	14.62%	7.19%

Water:

		Lost Units	Tariff	Value
30 June 2020	Unaccounted Water Losses	<u>685,719</u>	<u>1.2812</u>	<u>878,574</u>
30 June 2019	Unaccounted Water Losses	<u>746,557</u>	<u>1.1685</u>	<u>872,356</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

51. COMMITMENTS FOR EXPENDITURE

51.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	15,264,848	5,144,967
<i>Infrastructure</i>	<u>15,264,848</u>	<u>5,144,967</u>
Total Capital Commitments	<u>15,264,848</u>	<u>5,144,967</u>

This expenditure will be financed from:

Government Grants	15,264,848	5,144,967
Own Resources	-	-
	<u>15,264,848</u>	<u>5,144,967</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
52. STATUTORY RECEIVABLES		
<p>In accordance with GRAP 108 (directive paragraph 138 - 139) the municipality decided to adopt the transitional period with regards to the disclosure of this item (par. 138). The municipality is in the progress of considering all aspects of GRAP 108 and is planning to fully comply with this standard as and when GRAP requires the municipality to do so. The categories and values of the items currently disclosed along with items currently not attaining to GRAP 108 accounting policy requirements are as follows:</p>		
Assesment Rates	8,562,686.57	5,840,692.41
Traffic Fines	10,363,770.00	10,362,097.00
VAT	12,258,796.16	4,794,452.69

53. FINANCIAL INSTRUMENTS

53.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Listed Investments	Fair value	27,690	29,209
Long-term Receivables			
Other Loans	Amortised cost	-	10
Receivables from Exchange Transactions			
Electricity	Amortised cost	12,228,867	11,226,806
Refuse	Amortised cost	2,821,874	1,299,632
Town Commonage	Amortised cost	214	155,877
Rental of municipal buildings	Amortised cost	70,091	75,087
Sewerage	Amortised cost	7,044,338	4,369,813
Water	Amortised cost	16,139,293	10,476,457
Other Receivables	Amortised cost	142,236	74,893
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	8,562,687	5,840,692
Payments made in Advance	Amortised cost	292,715	341,047
Sundry Deposits	Amortised cost	984,042	984,651
Sundry Debtors	Amortised cost	10,737,950	11,324,542
Cash and Cash Equivalents			
Call Deposits	Amortised cost	9,650,669	24,698,224
Notice Deposits	Amortised cost	9,757,003	9,108,617
Bank Balances	Amortised cost	2,353,454	1,621,191
Cash Floats and Advances	Fair value	2,980	2,690

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Long-term Receivables	Other Loans	-	10
Receivables from Exchange Transactions	Electricity	12,228,867	11,226,806
Receivables from Exchange Transactions	Refuse	2,821,874	1,299,632
Receivables from Exchange Transactions	Sewerage	7,044,338	4,369,813
Receivables from Exchange Transactions	Town Commonage	214	155,877
Receivables from Exchange Transactions	Rental of municipal buildings	70,091	75,087
Receivables from Exchange Transactions	Water	16,139,293	10,476,457
Receivables from Exchange Transactions	Other Debtors	142,236	74,893
Receivables from Non-exchange Transactions	Assessment Rates Debtors	8,562,687	5,840,692
Receivables from Non-exchange Transactions	Payments made in Advance	292,715	341,047

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		2020	2019
		R	R
Receivables from Non-exchange Transactions	Sundry Deposits	984,042	984,651
Receivables from Non-exchange Transactions	Sundry Debtors	10,737,950	11,324,542
Cash and Cash Equivalents	Call Deposits	9,650,669	24,698,224
Cash and Cash Equivalents	Notice Deposits	9,757,003	9,108,617
Cash and Cash Equivalents	Bank Balances	2,353,454	1,621,191
		<u>80,785,433</u>	<u>81,597,538</u>
Financial Assets at Fair Value:			
Non-current Investments	Listed Investments	27,690	29,209
Cash and Cash Equivalents	Cash Floats and Advances	2,980	2,690
		<u>30,670</u>	<u>31,899</u>
Total Financial Assets		<u>80,816,103</u>	<u>81,629,437</u>

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Finance Leases	Amortised cost	0	1,290,339
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	11,168,904	9,373,357
Eskom creditor	Amortised cost	84,711,138	47,744,119
Payments Received in Advance	Amortised cost	7,550,821	6,409,649
Retentions	Amortised cost	3,933,334	1,411,303
Staff Bonuses	Amortised cost	3,405,970	3,300,376
Sundry Deposits	Amortised cost	363,804	355,570
Other Creditors	Amortised cost	7,795,332	5,925,583
Salary Control Account	Amortised cost	(4,882)	(4,473)
Accrued Leave	Amortised cost	8,246,747	7,475,297
Payables from Non-exchange Transactions			
Payments Received in Advance	Amortised cost	1,997,445	2,117,711
Other Creditors	Amortised cost	8,154,273	7,312,138
Bank Overdraft			
Bank Overdraft	Amortised cost	21,972,581	18,397,223
Current Portion of Long-term Liabilities			
Finance Leases	Amortised cost	240,852	240,845

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Finance Leases	0	1,290,339
Payables from Exchange Transactions	Trade Creditors	11,168,904	9,373,357
Payables from Exchange Transactions	Eskom creditor	84,711,138	47,744,119
Payables from Exchange Transactions	Payments Received in Advance	7,550,821	6,409,649
Payables from Exchange Transactions	Retentions	3,933,334	1,411,303
Payables from Exchange Transactions	Staff Bonuses	3,405,970	3,300,376
Payables from Exchange Transactions	Sundry Deposits	363,804	355,570
Payables from Exchange Transactions	Other Creditors	7,795,332	5,925,583
Payables from Exchange Transactions	Salary Control Account	(4,882)	(4,473)
Payables from Exchange Transactions	Accrued Leave	8,246,747	7,475,297
Payables from Non-exchange Transactions	Payments Received in Advance	1,997,445	2,117,711
Payables from Non-exchange Transactions	Other Creditors	8,154,273	7,312,138
Bank Overdraft	Bank Overdraft	21,972,581	18,397,223

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
Current Portion of Long-term Liabilities	Finance Leases	240,852	240,845
		<u>159,536,319</u>	<u>111,349,036</u>
Total Financial Liabilities		159,536,319	111,349,036

53.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the Municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties as well as the current payment ratios of the Municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2020, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the Municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

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Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2020	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	27,690	-	-	27,690
Cash and Cash Equivalents	-	2,980	-	2,980
Total Financial Assets	27,690	2,980	-	30,670
Total Financial Instruments	27,690	2,980	-	30,670
30 June 2019				
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	29,209	-	-	29,209
Cash and Cash Equivalents	-	2,690	-	2,690
Total Financial Assets	29,209	2,690	-	31,899
Total Financial Instruments	29,209	2,690	-	31,899

53.3 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 21 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95.00%, reducing 90.00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	240,852	1,531,183
Cash and Cash Equivalents	(208,475)	17,033,497
Net Debt	32,376	18,564,681
Equity	636,328,177	673,905,328
Net debt to equity ratio	0.01%	2.75%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

53.4 Financial Risk Management Objectives

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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R

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The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

53.5 Significant Risks

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 53.8 to the Annual Financial Statements.

53.6 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 53.7 below). No formal policy exists to hedge volatilities in the interest rate market.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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R

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R

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

53.6.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

53.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 53.8 below:

53.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

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R 2019
R

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the Municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Fixed Deposit Investments	27,690	29,209
Long-term Receivables	-	10
Receivables from Exchange Transactions	38,446,914	27,678,565
Receivables from Non-exchange Transactions	20,577,393	18,490,932
Bank, Cash and Cash Equivalents	(208,475)	17,033,497
Maximum Credit and Interest Risk Exposure	58,843,522	63,232,214

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	74.10%	68.78%
- Industrial / Commercial	5.27%	11.69%
- National and Provincial Government	20.63%	19.53%
- Other Classes	0.00%	0.00%
Total Credit Risk	100.00%	100.00%

Bank and Cash Balances		
ABSA Bank Ltd	(10,146,127)	(7,920,514)

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	2020	2019
	R	R
First National Bank	-	2,256
Nedbank	157,897	151,042
Standard Bank	313,213	280,861
Cash Equivalents	2,980	2,690
Total Bank and Cash Balances	<u>(9,672,037)</u>	<u>(7,483,665)</u>
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Long-term Receivables		
Group 1	-	10
Total Long-term Receivables	<u>-</u>	<u>10</u>
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	7,930,909	5,405,635
Group 2	30,516,006	22,272,930
Group 3	102,144,300	80,199,670
	<u>140,591,215</u>	<u>107,878,236</u>
Total Receivables from Exchange Transactions	<u>140,591,215</u>	<u>107,878,246</u>
Receivables from Non-exchange Transactions		
Group 1	4,760,762	3,430,688
Group 2	3,801,925	2,410,005
Group 3	54,334,380	37,551,763
Total Receivables from Non-exchange Transactions	<u>62,897,067</u>	<u>43,392,455</u>

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

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

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

53. FINANCIAL INSTRUMENTS (Continued)

53.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 55 is a listing of additional undrawn facilities that the Municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months	6 - 12	1 - 2	2 - 5	More than
				or less	Months	Years	Years	5 Years
	#	%	R	R	R	R		R
30 June 2020								
Non-interest Bearing			137,322,887	137,322,887				
- Payables from Exchange transactions	15	0.00%	127,171,169	127,171,169				
- Payables from Non-exchange transactions	16	0.00%	10,151,718	10,151,718				
Variable Interest Rate Instruments			22,220,363	22,142,371	77,992	-	-	-
- Bank Overdraft	5	9.50%	21,972,581	21,972,581	-	-	-	-
- Digi Copiers	18	Various	233,977	155,985	77,992	-	-	-
- Absa Vehicle Management Solutions	18	Various	-	-	-	-	-	-
- Tshimologong Technologies	18	124.44%	13,806	13,806	-	-	-	-
			159,543,250	159,465,258	77,992	-	-	-
30 June 2019								
Non-interest Bearing			91,420,629					
- Payables from Exchange transactions	15	0.00%	81,990,781	81,990,781				
- Payables from Non-exchange transactions	16	0.00%	9,429,849	9,429,849				
Variable Interest Rate Instruments			20,012,195	19,580,816	183,597	247,783	-	-
- Bank Overdraft	5	9.50%	18,397,223	18,397,223	-	-	-	-
- Digi Copiers	18	Various	545,946	155,985	155,985	233,977	-	-
- Absa Vehicle Management Solutions	18	Various	999,996	999,996	-	-	-	-
- Tshimologong Technologies	18	124.44%	69,030	27,612	27,612	13,806	-	-
			111,432,824	19,580,816	183,597	247,783	-	-

The Municipality has access to financing facilities, the total unused amount which is R6 869 921 (2019: R2 342 817), at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

53.9 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
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54. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councilors and employees, who belong to different pension schemes.

All councilors belong to the Pension Fund for Municipal Councilors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R8 937 562 (2019: R8 158 283) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the investment reserve of the fund amounted to R1,967 (30 June 2012: R0) million, with a funding level of 99.7% (30 June 2012: 99.4%). The contribution rate paid by the members (9.00%) and the municipalities (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The last statutory valuation was performed as at 30 June 2015 and the next valuation will be done 30 June 2019 with information to be available by 30 June 2020

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R18,322 (30 June 2014: R17,212 million, with funding levels of 112.1% and 100.0% (30 June 2014: 112.6% and 99.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing

Municipal Councilors Pension Fund:

The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund amounted to R2 551 861 million (30 June 2012: R1 371 339 million). The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R 2019
R

54. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R10 439,2 (30 June 2012: R8 753,4) million, with funding levels of 100.0% (30 June 2012: 100.0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2 445,9 (30 June 2005: R1 511,5) million, with funding levels of 100.0% (30 June 2009: 100.0%). The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

55. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

55.1 Interest of Related Parties

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
S Sthonga	Mayor	Director - Stonga Farming
MO Maramba	Councillor	Director - M And M Labour Solutions
PP Mhlauli	Councillor	Director - Ncedisa Bakery Primary Co-Operative Limited
PN Bushula	Councillor	Director - Qala Kancini Consultants
PN Bushula	Councillor	Director - Active Women Enterprise
PN Bushula	Councillor	Director - Likuye Itemba
I Visser	Municipal Manager	Director - Siyathemba Social Projects Development
MF Manuel	Chief Financial Officer	Director - Chartered institute of government finance audit and risk officers
MF Manuel	Chief Financial Officer	Director - Qala Kancini Consultants

55.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Sundry Charges R	Service Charges R	Total Charges R
For the Year ended 30 June 2020				
Councillors	33,286	54,046	101,893	189,226
Municipal Manager and Section 57 Personnel	40,672	26,439	79,148	146,259
Total Services	73,958	80,485	181,041	335,485
For the Year ended 30 June 2019				
Councillors	36,893	11,511	105,157	153,562
Municipal Manager and Section 57 Personnel	46,246	9,364	103,716	159,326
Total Services	83,139	20,875	208,873	312,887

30 June 2020

Incumbent	Fees for Services R	Basic Salaries R	Bonuses R	Allowances R	Contributions to Funds R	Total Remuneration R
Mayor						
Sthonga ST	-	611,010	-	239,458	7,254	857,722
Speaker						
Kivedo MC	-	488,807	-	200,446	5,481	694,734
Councillors						
HJ Rust	-	251,501	-	68,400	2,004	321,905
WJ Du Plessis	-	193,362	-	106,129	1,972	301,463

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

				2020 R	2019 R	
PD Van Wyk	-	193,362	-	106,985	2,382	302,729
LE Andrews	-	193,362	-	106,985	2,382	302,729
SJ Hoffman	-	193,362	-	106,985	2,382	302,729
L Billie	-	248,149	-	123,619	2,937	374,705
RR Faul	-	193,362	-	106,129	2,379	301,870
MO Maramba	-	193,362	-	106,985	2,636	302,983
PP Mhlauli	-	193,362	-	106,985	2,382	302,729
D Vanel	-	193,362	-	106,129	2,379	301,870
CJ Louw	-	240,175	-	121,075	2,842	364,091
PN Bushula	-	193,362	-	106,129	2,633	302,124
NP Mkontwana	-	255,648	-	126,013	3,014	384,675
Total for Councillors	-	3,835,551	-	1,838,449	45,058	5,719,058
Municipal Manager						
Visser I	-	835,240	267,093	404,191	160,017	1,666,542
Chief Financial Officer						
Ludwick MR	16,249	172,523	141,098	148,431	17,044	495,346
Jack JP	24,575	184,764	-	49,012	47,495	305,845
Manuel MF	-	298,042	-	68,583	2,742	369,367
Director: Community Services						
Joka HM	-	520,936	147,710	264,475	151,558	1,084,679
Director: Corporate Services						
Msengana TW	-	765,203	231,395	316,270	48,308	1,361,176
Director: Infrastructure and Technical Services						
Owies MJV	18,259	596,302	167,128	283,854	166,281	1,231,823
Total for Senior Managers	59,082	3,373,011	954,424	1,534,816	593,446	6,514,779
Total for Management	59,082	7,208,562	954,424	3,373,264	638,504	12,233,836

30 June 2019

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
Mayor						
Sthonga ST	-	581,298	-	238,165	6,289	825,751
Speaker						
Kivedo MC	-	465,038	-	199,413	5,384	669,835
Councillors						
AF Jaftha	-	137,714	-	71,805	1,338	210,858
HJ Rust	-	300,289	-	68,400	2,139	370,828
WJ Du Plessis	-	183,960	-	105,720	2,038	291,718
PD Van Wyk	-	183,960	-	105,720	2,504	292,184
LE Andrews	-	183,960	-	105,720	2,504	292,184
SJ Hoffman	-	183,960	-	105,720	2,504	292,184
L Billie	-	201,334	-	111,511	2,698	315,543
RR Faul	-	183,960	-	105,720	2,504	292,184
MO Maramba	-	183,960	-	105,720	2,774	292,454
PP Mhlauli	-	183,960	-	105,720	2,504	292,184
D Vanel	-	183,960	-	105,720	2,504	292,184
CJ Louw	-	183,960	-	105,720	2,504	292,184
PN Bushula	-	68,678	-	38,633	679	107,990
NP Mkontwana	-	243,217	-	125,472	3,167	371,856
Total for Councillors	-	3,653,211	-	1,804,877	44,029	5,502,117
Municipal Manager						
Visser I	-	803,623	109,642	401,787	158,755	1,473,807
Chief Financial Officer						
Ludwick MR	-	525,732	67,598	430,826	50,010	1,074,166
Director: Community Services						
Joka HM	-	406,456	40,571	221,382	81,296	749,705
Appies CP	38,923	121,179	-	27,383	36,801	224,286
Director: Corporate Services						
Msengana TW	23,375	559,223	124,262	284,274	162,879	1,154,012

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

				2020 R	2019 R	
Director: Infrastructure and Technical Services						
Owies MJV	-	783,153	112,830	163,010	152,587	1,211,580
Total for Senior Managers	62,297	3,199,365	454,903	1,528,661	642,329	5,887,555
Total for Management	62,297	6,852,576	454,903	3,333,538	686,358	11,389,672

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councilors, the Municipal Manager and Section 57 Personnel.

55.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councilors, Management, Staff and Public with effect from 1 July 2004.

55.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councilors is set out in disclosure notes 32 and 33, Employee Related cost and Remuneration of Councilors respectively.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
55. RELATED PARTY TRANSACTIONS (continued)		
55.5 Purchases from Related Parties		
During the 2020 financial year, the municipality made no purchase from related parties or their entities		
56. CONTINGENT LIABILITIES		
Department of Safety and Liaison: Motor Registration Fees	<u> -</u>	<u> -</u>
The Municipality received correspondence in 2020 from the Department of Safety and Liaison (DSL) informing that the Municipality owes the DSL outstanding amounts for Motor Registration Fees.		
The Municipality is planning to dispute this claim further as it has made regular and continuous payments to the DSL. Motor registration fees were deposited directly into the bank account of DSL.		
The Chief Financial Officers and delegations of both the ELM and DSL met and previously agreed that a proper investigation should be conducted into these claims of outstanding fees.		
After taking the above into consideration, the municipality decided to disclose the amount as provided on the DSL confirmation as a liability rather than to continue disclosing it as a contingent liability. This due to the fact that the balance adheres to the definition of a liability rather than that of a contingency		
Telkom SA Limited	<u> -</u>	<u> 35,568</u>
The Municipality has been summonsed for an amount of R35 568, plus interest at 15.5% per annum. This matter has been resolved		
Fujitsu	<u> -</u>	<u> 244,672</u>
The Municipality is being sued by the abovementioned plaintiff for license fees. At yearend the matter was resolved.		
57. CONTINGENT ASSETS		
The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
58. IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did not receive any In-kind Donations and Assistance during the year under review.		
59. PRIVATE PUBLIC PARTNERSHIPS		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
60. EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

61. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 43).

62. GOING CONCERN ASSESSMENT

The following issues were identified pertaining to events or conditions that could cast doubt on the municipality's ability to remain a going concern:

- (a) Acid Test - Although the current liabilities exceeds the current assets, it needs to be kept in mind that a large portion of the consumer debtors are provided to be impaired, this drives down the net balance of current assets, resulting in the current liabilities exceeding the current assets.
- (b) Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.
- (c) Payment arrangement Eskom - Based on previous years expenditure, the municipality will need to utilise some +- R60,000,000 of the available budget to service the Eskom creditor, this amount excludes amounts in arrears. Since the 2018 Financial year, Eskom issued the municipality with 3 disconnection letters, due to amounts in arrears. The municipality started to default on Eskom payments during this period mainly due to the non-payment culture of it's debtors increasing. This can be substantiated with the large provision for bad debts on outstanding debtors provided for. Refer to notes 3 and 4
- (d) Impact of the Covid-19 disease - The outbreak of the covid-19 disease and the financial effects of the national lockdown further impacted negatively on the ageing of the municipality's debtors and the settlement of outstanding accounts in a whole. During the hard lockdown period many more debtors applied to be registered as indigent as well, further hampering the municipality in their efforts and chapter 7 constitutional responsibility to provide services.

Management also considered the following mitigating matters relating to the Going Concern:

- (a) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (b) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (c) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- (d) Although the municipality wrote off debtors in the 2019 year, it was done with the idea in mind that debtors with a reduced balance would be inspired to better settle their accounts in future. It would also put the municipality in a position to better enforce their debt collection policy which is believed will lead to be better cash flow and debt management in future.
- (d) The municipality has entered into a payment arrangement agreement with Eskom which will come into effect in the 2021 financial year. The municipality is confident that they will be able to honor this agreement by means of, among other, an elevated level of credit control. This will result in the municipality settling their overdue debt and improving their going concern outlook.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2019	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2020
	R				R	R	R	R
FINANCE LEASES								
Absa Vehicle Management Solutions	9,497,458	Various	Various	2019/09/01	973,188	-	973,188	0
Tshimologong Technologies	44,643	124.44%	Di380	2020-09-01	34,943	-	23,520	11,422
Digi Copiers	594,355	Various	Various	2021-03-01	523,050	-	293,628	229,422
Total Finance Leases	10,136,456				1,531,181	-	1,290,336	240,845
TOTAL EXTERNAL LOANS	10,136,456				1,531,181	-	1,290,336	240,845

FINANCE LEASES:

Digi Copiers (Various):

Structured secured 2 year finance leases for the purchase of IT equipment. Original finance lease amount of R594 355 and is repayable monthly in fixed instalments of capital and fixed rate interest (4.70%) of R25 997.

Absa Vehicle Management Solutions Finance Lease (Various):

Structured secured 3 year finance leases for the lease of motor vehicles. Original finance lease amount of R9 497 456 and is repayable monthly in fixed instalments of capital and fixed rate interest (ranging from 7.93% to 26)% of approximately R282 997.

Tshimologong Technologies

Structured secured 3 year finance leases for the lease of office equipment. Original finance lease amount of R44 643 and is repayable monthly in fixed instalments of capital and fixed rate interest 124.44% of approximately R5 077.54.

Note: The rates of interest payable on the above finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and buildings	18,367,816.00	-	-	-	-	-	18,367,816.00	-	-	-	-	-	18,367,816.00
<i>Land</i>													
General plant	18,367,816	-	-	-	-	-	18,367,816	-	-	-	-	-	18,367,816
Distribution plant	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Operational buildings</i>	59,751,815.39	-	-	-	-	-71,929.77	59,679,885.61	37,316,494.39	1,678,796.19	-	-31,035.57	38,964,255.00	20,715,630.61
Municipal Offices	24,855,234	-	-	-	-	-	24,855,234	15,419,679	626,181	-	-	16,045,860	8,809,374
Pay/Enquiry Points	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Plan Offices	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Yards	-	-	-	-	-	-	-	-	-	-	-	-	-
Stores	18,436,190	-	-	-	-	-	18,436,190	11,513,189	522,265	-	-	12,035,455	6,400,735
Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-
Training Centres	3,327,083	-	-	-	-	-	3,327,083	1,651,595	77,525	-	-	1,729,120	1,597,963
Manufacturing Plant	-	-	-	-	-	-	-	-	-	-	-	-	-
Depots	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	13,133,308	-	-	-	-	(71,930)	13,061,378	8,732,031	452,824	-	(31,036)	9,153,820	3,907,559
<i>Community</i>	139,622,578.01	-	-	10,320,247.89	-	-256,044.34	149,686,781.56	78,843,419.99	6,446,411.41	-	-231,379.50	85,058,451.89	64,628,329.67
Cemeteries/Crematoria	3,131,301	-	-	-	-	-	3,131,301	1,988,935	182,482	-	-	2,171,417	959,884
Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	48,193,392	-	-	-	-	-	48,193,392	25,401,528	1,013,481	-	-	26,415,009	21,778,383
Fire/Ambulance Stations	2,783,311	-	-	-	-	-	2,783,311	1,642,154	55,778	-	-	1,697,931	1,085,380
Libraries	7,544,273	-	-	-	-	-	7,544,273	3,656,930	752,058	-	-	4,408,989	3,135,284
Public Ablution Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Open Space	-	-	-	-	-	-	-	-	-	-	-	-	-
Stalls	-	-	-	-	-	-	-	-	-	-	-	-	-
Outdoor Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics/Care Centres	3,858,703	-	-	-	-	-	3,858,703	2,281,442	83,697	-	-	2,365,138	1,493,565
Creches	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi Ranks/Bus Terminals	2,473,990	-	-	-	-	-	2,473,990	697,608	699,716	-	-	1,397,325	1,076,665
Sport and Recreation Facilities - Indoor Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities - Outdoor Facilities	71,637,608	-	-	10,320,248	-	(256,044)	81,701,811	43,174,823	3,659,199	-	(231,380)	46,602,643	35,099,169
Sport and Recreation Facilities - Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	217,742,209	-	-	10,320,248	-	(327,974)	227,734,483	116,159,914	8,125,208	-	(262,415)	124,022,707	103,711,776
Infrastructure													
<i>Coastal</i>													
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Piers	-	-	-	-	-	-	-	-	-	-	-	-	-
Promenades	-	-	-	-	-	-	-	-	-	-	-	-	-
Revetments	-	-	-	-	-	-	-	-	-	-	-	-	-
Sand Pumps	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Electrical</i>	203,169,386.69	1,278,565.65	-	3,113,130.73	-	-	207,561,083.07	135,546,798.99	4,838,356.85	-	-	140,385,155.84	67,175,927.23
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
HV Substations	-	-	-	-	-	-	-	-	-	-	-	-	-
HV Switching Station	-	-	-	-	-	-	-	-	-	-	-	-	-
HV Transmission Conductors	-	-	-	-	-	-	-	-	-	-	-	-	-
LV Networks	101,124,403	1,278,566	-	3,113,131	-	-	105,516,099	70,583,865	2,501,767	-	-	73,085,632	32,430,468
MV Networks	74,893,705	-	-	-	-	-	74,893,705	50,492,003	1,746,032	-	-	52,238,035	22,655,670
MV Substations	27,151,279	-	-	-	-	-	27,151,279	14,470,932	590,558	-	-	15,061,489	12,089,790
MV Switching Station	-	-	-	-	-	-	-	-	-	-	-	-	-
Power Plants	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Network and Communication</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Core Layers	-	-	-	-	-	-	-	-	-	-	-	-	-
Data Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution Layers	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Roads</i>	828,491,153.24	304,750.26	-	2,083,324.86	-	-	830,879,228.37	563,787,337.78	19,048,074.94	-	-	582,835,412.72	248,043,815.64
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Furniture	5,801,310	-	-	-	-	-	5,801,310	3,805,808	162,246	-	-	3,968,054	1,833,256
Road Structures	822,689,843	304,750	-	2,083,325	-	-	825,077,918	559,981,530	18,885,829	-	-	578,867,359	246,210,559
<i>Sanitation</i>	104,911,939.83	-	-	12,921,580.84	-	-	117,833,520.68	74,055,659.03	3,064,439.67	-	-	77,120,098.70	40,713,421.98
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Outfall Sewers	-	-	-	-	-	-	-	-	-	-	-	-	-
Pump Station	354,969	-	-	-	-	-	354,969	212,006	13,605	-	-	225,611	129,358
Reticulation	90,056,210	-	-	12,921,581	-	-	102,977,790	66,671,293	2,246,462	-	-	68,917,755	34,060,035
Toilet Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Treatment	14,500,761	-	-	-	-	-	14,500,761	7,172,360	804,372	-	-	7,976,732	6,524,029
<i>Solid waste</i>	39,462,240.96	-	-	-	-	-	39,462,240.96	12,194,316.20	2,999,120.73	-	-	15,193,436.93	24,268,804.03
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Generating Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	39,462,241	-	-	-	-	-	39,462,241	12,194,316	2,999,121	-	-	15,193,437	24,268,804
Waste Drop-off Points	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Processing Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Separation Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Transfer Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Storm water</i>	433,892,745.43	20,949,308.20	-	-	-	-	454,842,053.63	295,951,321.67	13,282,970.76	-	-	309,234,292.43	145,607,761.20
Attenuation	-	-	-	-	-	-	-	-	-	-	-	-	-
Drainage Collection	433,892,745	20,949,308	-	-	-	-	454,842,054	295,951,322	13,282,971	-	-	309,234,292	145,607,761
Storm Water Conveyance	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Water supply</i>	312,747,964.74	-	-	26,483,482.19	-	-300,977.69	338,930,469.24	251,238,193.97	5,272,594.01	-	-300,253.30	256,210,534.67	82,719,934.57
Boreholes	12,825,141	-	-	-	-	(79,866)	12,745,275	5,192,520	527,928	-	(79,866)	5,640,582	7,104,693
Bulk Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams and Weirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution	238,122,690	-	-	26,483,482	-	-	264,606,172	214,056,017	2,518,827	-	-	216,574,843	48,031,329
PRV Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Pump Stations	2,485,630	-	-	-	-	-	2,485,630	1,938,201	172,784	-	-	2,110,985	374,645
Reservoirs	59,314,504	-	-	-	-	(221,112)	59,093,392	30,051,456	2,053,056	-	(220,387)	31,884,124	27,209,268
Water Treatment Works	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,922,675,431	22,532,624	-	44,601,519	-	(300,978)	1,989,508,596	1,332,773,628	48,505,557	-	(300,253)	1,380,978,931	608,529,665
Leased assets	10,136,455.99	-	-	-	-	-	10,136,455.99	9,096,268.93	815,073.50	-	-	9,911,342.44	225,113.55
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture And Office Equipment	638,998	-	-	-	-	-	638,998	101,325	312,559	-	-	413,884	225,114
Machinery And Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport Assets	9,497,458	-	-	-	-	-	9,497,458	8,994,944	502,514	-	-	9,497,458	-
Total	10,136,456	-	-	-	-	-	10,136,456	9,096,269	815,074	-	-	9,911,342	225,114
Other assets	2,882,825.05	6,884.26	-	-	-	-501,513.12	2,388,196.19	2,177,750.10	318,344.29	-	-491,238.49	2,004,855.90	383,340.29
Computer Equipment	2,882,825.05	6,884.26	-	-	-	-501,513.12	2,388,196.19	2,177,750.10	318,344.29	-	-491,238.49	2,004,855.90	383,340.29
Computer Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Furniture And Office Equipment</i>	8,361,857.97	59,256.40	-	-	-	-412,757.15	8,008,357.22	6,246,499.46	394,705.32	-	-399,552.44	6,241,652.34	1,766,704.88
Beds	1,399.00	-	-	-	-	-1,399.00	-	1,399.00	-	-	-1,399.00	-	-
Cabinets And Cupboards	577,623.78	-	-	-	-	-31,688.08	545,935.70	491,789.73	11,786.99	-	-31,688.08	471,888.64	74,047.06
Chairs And Couches	659,990.04	-	-	-	-	-96,840.41	563,149.63	546,651.00	18,351.01	-	-96,840.41	468,161.60	94,988.03
Headboards	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Furniture And Fittings	3,820,277.86	-	-	-	-	-26,388.00	3,793,889.86	2,528,759.18	230,300.31	-	-26,388.00	2,732,671.49	1,061,218.37
Shelving And Bookcases	204,002.78	-	-	-	-	-11,140.00	192,862.78	176,883.41	2,849.35	-	-10,116.47	169,616.30	23,246.47
Tables And Desks	683,623.97	-	-	-	-	-35,349.26	648,274.71	583,395.91	12,738.82	-	-33,005.30	563,129.42	85,145.28
Air Conditioners	576,966.65	14,365.07	-	-	-	-97,864.31	493,467.41	395,253.00	61,134.11	-	-90,573.24	365,813.87	127,653.53
Audiovisual Equipment	709,671.83	4,357.40	-	-	-	-14,453.05	699,576.18	593,373.78	17,360.09	-	-14,169.59	596,564.28	103,011.91
Domestic Equipment	283,084.03	40,533.93	-	-	-	-37,400.22	286,217.74	212,850.52	21,410.27	-	-37,400.22	196,860.57	89,357.17
Musical Instruments	130,000.00	-	-	-	-	-	130,000.00	103,438.64	5,394.99	-	-	108,833.62	21,166.38
Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Machines	715,218.05	-	-	-	-	-60,234.82	654,983.23	612,705.30	13,379.39	-	-57,972.14	568,112.55	86,870.68

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
<i>Machinery And Equipment</i>	6,453,366.48	6,516.89	-	-	-	-98,973.29	6,360,910.09	4,543,856.59	379,254.99	-	-98,463.39	4,824,648.19	1,536,261.89
Emergency And Medical Equipment	40,791.84	-	-	-	-	-9,775.00	31,016.84	36,237.95	370.11	-	-9,265.10	27,342.96	3,673.88
Other Plant And Equipment	53,843.00	-	-	-	-	-20,400.00	33,443.00	48,431.04	506.86	-	-20,400.00	28,537.90	4,905.10
Earth Moving Equipment	4,973,119.49	-	-	-	-	-	4,973,119.49	3,377,255.39	311,393.91	-	-	3,688,649.30	1,284,470.19
Gardening Equipment	162,966.82	-	-	-	-	-9,771.00	153,195.82	116,035.21	16,996.02	-	-9,771.00	123,260.23	29,935.60
Generators And Compressors	-	-	-	-	-	-	-	-	-	-	-	-	-
Lab Equipment	19,692.70	-	-	-	-	-2,805.00	16,887.70	16,474.64	1,034.31	-	-2,805.00	14,703.95	2,183.75
Law Enforcement Equipment	117,713.10	-	-	-	-	-6,929.82	110,783.28	85,758.31	6,334.53	-	-6,929.82	85,163.02	25,620.26
Radio Equipment	117,569.57	-	-	-	-	-15,620.60	101,948.97	47,907.35	13,728.81	-	-15,620.60	46,015.57	55,933.41
Sport And Recreational Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshop Equipment And Tools	967,669.96	6,516.89	-	-	-	-33,671.87	940,514.98	815,756.69	28,890.43	-	-33,671.87	810,975.25	129,539.73
<i>Transport Assets</i>	8,962,542.78	-	-	-	-	-539,653.23	8,422,889.55	4,059,483.44	223,951.71	-	-428,202.92	3,855,232.24	4,567,657.31
Aircraft	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Farm Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Passenger Vehicles	1,106,302.09	-	-	-	-	-	1,106,302.09	431,314.51	83,454.32	-	-	514,768.83	591,533.26
Specialised Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Trailers And Accessories	233,229.12	-	-	-	-	-7,660.18	225,568.94	122,812.26	2,400.13	-	-4,912.46	120,299.93	105,269.01
Trucks, Buses And Ldv'S	7,623,011.57	-	-	-	-	-531,993.05	7,091,018.52	3,505,356.68	138,097.26	-	-423,290.46	3,220,163.48	3,870,855.04
Total	26,660,592	72,658	-	-	-	(1,552,897)	25,180,353	17,027,590	1,316,256	-	(1,417,457)	16,926,389	8,253,964
Total	2,177,214,689	22,605,282	-	54,921,767	-	(2,181,849)	2,252,559,888	1,475,057,401	58,762,094	-	(1,980,126)	1,531,839,369	720,720,519

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R

EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage													
<i>Monuments</i>	5,634,573.00	-	-	-	-	-	5,634,573.00	-	-	-	-	-	5,634,573.00
Culturally Significant Building	5,634,573	-	-	-	-	-	5,634,573	-	-	-	-	-	5,634,573
<i>Historic buildings</i>													
Areas of Land of Historic Specific Significance	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Works of art</i>	475,500.00	-	-	-	-	-	475,500.00	-	-	-	-	-	475,500.00
Antiques and Collections	475,500	-	-	-	-	-	475,500	-	-	-	-	-	475,500
<i>Other heritage assets</i>	849,200.00	-	-	-	-	-	849,200.00	-	-	-	-	-	849,200.00
Municipal Jewellery Cost	849,200	-	-	-	-	-	849,200	-	-	-	-	-	849,200
Archives Cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	6,959,273						6,959,273						6,959,273

EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Investment properties													
Land and buildings	5,718,600	-	-	-	-	-	5,718,600	-	-	-	-	-	5,718,600
Total	5,718,600						5,718,600						5,718,600

EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible assets													
<i>Internally generated</i>													
Assets under Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Franchises and Consents	-	-	-	-	-	-	-	-	-	-	-	-	-
Incorporation and Organisational Start-up	-	-	-	-	-	-	-	-	-	-	-	-	-
Patents Licences Copyrights Brand Names and Trademark	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Development Accumulated Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Recipes Formulae Prototypes Designs and Models	-	-	-	-	-	-	-	-	-	-	-	-	-
Service Operating and Land Rights	-	-	-	-	-	-	-	-	-	-	-	-	-
Franchises and Consent	-	-	-	-	-	-	-	-	-	-	-	-	-
Mastheads and Publishing Titles	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>													
Capital Development	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Assets under Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software	2,203,151	24,518	-	-	-	-	2,227,669	2,101,260	76,697	-	-	2,177,958	49,712
Franchises and Consents	-	-	-	-	-	-	-	-	-	-	-	-	-
Incorporation and Organisational Start-up	-	-	-	-	-	-	-	-	-	-	-	-	-
Patents Licences Copyrights Brand Names and Trademark	-	-	-	-	-	-	-	-	-	-	-	-	-
Recipes Formulae Prototypes Designs and Models	-	-	-	-	-	-	-	-	-	-	-	-	-
Service Operating and Land Rights	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,203,151	24,518	-	-	-	-	2,227,669	2,101,260	76,697	-	-	2,177,958	49,712
Total Asset Register	2,192,095,713	22,629,800	-	54,921,767	-	(2,181,849)	2,267,465,430	1,477,158,661	58,838,792	-	(1,980,126)	1,534,017,327	733,448,103

APPENDIX C
EMTHANJENI LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	1,402,211	5,775	-	-	(29,296)	1,378,690	646,183	214,636	-	(28,619)	832,199	546,491
Finance and Administration	3,618,013	16,665	-	-	(434,022)	3,200,656	2,220,765	482,959	-	(397,251)	2,306,474	894,182
Planning and Development	217,764,340	-	10,320,248	-	(327,974)	227,756,614	116,169,665	8,132,013	-	(262,415)	124,039,262	103,717,351
Community and Social Services	4,859,906	24,978	-	-	(246,946)	4,637,938	3,704,339	231,901	-	(241,770)	3,694,469	943,469
Health	16,342	-	-	-	(12,642)	3,700	15,915	46	-	(12,642)	3,319	381
Housing	14,271,890	25,239	-	-	(785,112)	13,512,017	8,474,496	543,304	-	(694,688)	8,323,112	5,188,905
Roads and Transport	418,871,390	20,287,255	2,083,325	-	(44,880)	441,197,090	290,474,705	12,964,556	-	(42,487)	303,396,774	137,800,316
Electricity	1,034,076,016	1,940,618	3,113,131	-	-	1,039,129,765	713,562,217	22,246,705	-	-	735,808,922	303,320,843
Waste Management	139,088,571	-	12,921,581	-	-	152,010,152	84,879,415	5,720,238	-	-	90,599,653	61,410,499
Water	343,246,011	304,750	26,483,482	-	(300,978)	369,733,266	254,909,701	8,225,737	-	(300,253)	262,835,185	106,898,080
Total	2,177,214,689	22,605,282	54,921,767	-	(2,181,849)	2,252,559,888	1,475,057,401	58,762,094	-	(1,980,126)	1,531,839,369	720,720,519

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

2019 Actual Income	2019 Actual Expenditure	2019 Surplus/ (Deficit)	Description	2020 Actual Income	2020 Actual Expenditure	2020 Surplus/ (Deficit)
R	R	R		R	R	R
3,364,362	(24,385,355)	(21,020,993)	Executive and Council	5,804,980	(8,695,613)	(2,890,634)
54,695,355	(47,717,744)	6,977,610	Finance and Administration	67,239,119	(53,214,983)	14,024,136
1,002,586	(19,265,122)	(18,262,536)	Planning and Development	568,767	(16,610,149)	(16,041,382)
1,120	(32,191)	(31,071)	Health	832	(5,180)	(4,348)
1,546,053	(18,457,166)	(16,911,113)	Community and Social Services	2,281,697	(17,648,834)	(15,367,136)
713,279	(3,235,158)	(2,521,879)	Housing	713,648	(3,658,492)	(2,944,844)
16,632,682	(7,651,270)	8,981,412	Public Safety	8,110,393	(7,857,257)	253,135
115,187	(4,872,780)	(4,757,592)	Sport and Recreation	167,373	(4,660,206)	(4,492,834)
-	-	-	Environmental Protection	-	-	-
32,986,928	(42,766,145)	(9,779,217)	Waste Management	33,410,927	(41,294,965)	(7,884,038)
9,796,848	(21,993,473)	(12,196,626)	Roads and Transport	16,802,487	(21,576,612)	(4,774,125)
40,471,886	(40,059,442)	412,443	Water	53,176,449	(22,453,208)	30,723,242
82,329,564	(102,408,849)	(20,079,285)	Electricity	86,347,790	(113,322,828)	(26,975,038)
-	(1,188,040)	(1,188,040)	Other	-	(1,203,286)	(1,203,286)
243,655,850	(334,032,737)	(90,376,887)	Total	274,624,462	(312,201,612)	(37,577,151)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2020

Description	2020										2019				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Actual Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.to. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD															
Government and Administration:															
Executive and Council	4,955,185	22,147	4,977,332	-	-	4,977,332	5,804,980	-	827,648	17.15%	16.63%	-	-	-	3,364,362
Finance and Administration	55,119,528	(4,772,913)	50,346,615	-	-	50,346,615	67,239,119	-	16,892,504	21.99%	33.55%	-	-	-	54,695,355
Community and Public Safety:															
Community and Social Services	1,601,676	(23,394)	1,578,282	-	-	1,578,282	2,281,697	-	703,415	42.46%	44.57%	-	-	-	1,546,053
Sport and Recreation	12,125,943	(4,089,040)	8,036,903	-	-	8,036,903	167,373	-	(7,869,530)	(98.62)%	(97.92)%	-	-	-	115,187
Public Safety	6,348,569	5,000,000	11,348,569	-	-	11,348,569	8,110,393	-	(3,238,176)	27.75%	(28.53)%	-	-	-	16,632,682
Housing	49,214	-	49,214	-	-	49,214	713,648	-	664,434	1350.09%	1350.09%	-	-	-	713,279
Health	-	-	-	-	-	-	832	-	832	#DIV/0!	#DIV/0!	-	-	-	1,120
Economic and Environmental Services:															
Planning and Development	2,502,850	12,433,150	14,936,000	-	-	14,936,000	568,767	-	(14,367,233)	(77.28)%	(96.19)%	-	-	-	1,002,586
Road Transport	540,387	-	540,387	-	-	540,387	16,802,487	-	16,262,100	3009.34%	3009.34%	-	-	-	9,796,848
Trading Services:															
Electricity	95,303,707	6,131,084	101,434,791	-	-	101,434,791	86,347,790	-	(15,087,001)	(9.40)%	(14.87)%	-	-	-	82,329,564
Water	41,053,408	24,028,686	65,082,094	-	-	65,082,094	53,176,449	-	(11,905,645)	29.53%	(18.29)%	-	-	-	40,471,886
Waste Management	62,617,737	(8,986,552)	53,631,185	-	-	53,631,185	33,410,927	-	(20,220,258)	(46.64)%	(37.70)%	-	-	-	32,986,926
Other:															
Other	-	-	-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	-
Total Revenue - Standard	282,218,204	29,743,168	311,961,372	-	-	311,961,372	274,624,462	-	(37,336,910)	(13.23)%	(11.97)%	-	-	-	243,655,850
EXPENDITURE - STANDARD															
Government and Administration:															
Executive and Council	16,109,015	(264,793)	15,844,222	-	-	15,844,222	8,695,613	-	(7,148,609)	(46.02)%	(45.12)%	-	-	-	24,385,355
Finance and Administration	38,797,373	(3,873,196)	34,924,177	-	-	34,924,177	53,214,983	-	18,290,806	37.16%	52.37%	-	-	-	47,717,744
Community and Public Safety:															
Community and Social Services	14,102,259	(836,292)	13,265,967	-	-	13,265,967	17,648,834	-	4,382,867	25.15%	33.04%	-	-	-	18,457,166
Sport and Recreation	4,958,741	(215,321)	4,743,420	-	-	4,743,420	4,660,206	-	(83,214)	(6.02)%	(1.75)%	-	-	-	4,872,780
Public Safety	9,913,207	(529,533)	9,383,674	-	-	9,383,674	7,857,257	-	(1,526,417)	(20.74)%	(16.27)%	-	-	-	7,651,270
Housing	2,475,113	26,297	2,501,410	-	-	2,501,410	3,658,492	-	1,157,082	47.81%	46.26%	-	-	-	3,235,158
Environmental Protection	165,003	3,700	168,703	-	-	168,703	-	-	(168,703)	100.00%	100.00%	-	-	-	-
Health	-	-	-	-	-	-	5,180	-	5,180	#DIV/0!	#DIV/0!	-	-	-	32,191
Economic and Environmental Services:															
Planning and Development	14,189,130	(2,243,478)	11,945,652	-	-	11,945,652	16,610,149	-	4,664,497	17.06%	39.05%	-	-	-	19,265,122
Road Transport	16,489,539	1,330,110	17,819,649	-	-	17,819,649	21,576,612	-	3,756,963	30.85%	21.08%	-	-	-	21,993,473
Trading Services:															
Electricity	88,174,136	234,258	88,408,394	-	-	88,408,394	113,322,828	-	24,914,434	28.52%	28.18%	-	-	-	102,408,849
Water	14,706,989	1,456,258	16,163,247	-	-	16,163,247	22,453,208	-	6,289,961	52.67%	38.92%	-	-	-	40,059,442
Waste Management	23,687,543	3,177,274	26,864,817	-	-	26,864,817	41,294,965	-	14,430,148	74.33%	53.71%	-	-	-	42,766,145
Other:															
Other	1,382,621	702,969	2,085,590	-	-	2,085,590	1,203,286	-	(882,304)	(12.97)%	(42.30)%	-	-	-	1,188,040
Total Expenditure - Standard	245,150,669	(1,031,747)	244,118,922	-	-	244,118,922	312,201,612	-	68,082,690	27.77%	27.89%	-	-	-	334,032,737
Surplus/(Deficit) for the year	37,067,535	30,774,915	67,842,450	-	-	67,842,450	(37,577,151)	-	(105,419,601)	(284.40)%	(155.39)%	-	-	-	(90,376,887)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(2)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2020

Description	2020										2019				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - Executive and Council	4,955,185	22,147	4,977,332	-	-	4,977,332	5,804,980	-	827,648	17.15%	16.63%	-	-	-	3,364,362
Vote 2 - Finance and Administration	55,119,528	(4,772,913)	50,346,615	-	-	50,346,615	67,239,119	-	16,892,504	21.99%	33.55%	-	-	-	54,695,355
Vote 3 - Planning and Development	2,502,850	12,433,150	14,936,000	-	-	14,936,000	568,767	-	(14,367,233)	(77.28)%	(96.19)%	-	-	-	1,002,586
Vote 4 - Health	-	-	-	-	-	-	832	-	832	#DIV/0!	-	-	-	-	1,120
Vote 5 - Community and Social Services	1,601,676	(23,394)	1,578,282	-	-	1,578,282	2,281,697	-	703,415	42.46%	44.57%	-	-	-	1,546,053
Vote 6 - Public Safety	6,348,569	5,000,000	11,348,569	-	-	11,348,569	8,110,393	-	(3,238,176)	27.75%	(28.53)%	-	-	-	16,632,682
Vote 7 - Sports and Recreation	12,125,943	(4,069,040)	8,056,903	-	-	8,056,903	167,373	-	(7,869,530)	98.62%	(97.92)%	-	-	-	115,187
Vote 8 - Road Transport	540,387	-	540,387	-	-	540,387	16,802,487	-	16,262,100	3009.34%	3009.34%	-	-	-	9,796,848
Vote 9 - Other	-	-	-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	-
Vote 10 - Housing Services	49,214	-	49,214	-	-	49,214	713,648	-	664,434	1350.09%	1350.09%	-	-	-	713,279
Vote 11 - Waste Management	44,927,287	(10,998,085)	33,929,202	-	-	33,929,202	12,039,749	-	(21,889,453)	(73.20)%	(64.52)%	-	-	-	-
Vote 12 - Waste Water Management	17,690,450	2,011,533	19,701,983	-	-	19,701,983	21,371,179	-	1,669,196	20.81%	8.47%	-	-	-	32,986,928
Vote 13 - Electricity	95,303,707	6,131,084	101,434,791	-	-	101,434,791	86,347,790	-	(15,087,001)	(9.40)%	(14.87)%	-	-	-	82,329,564
Vote 14 - Water	41,053,408	24,028,686	65,082,094	-	-	65,082,094	53,176,449	-	(11,905,645)	29.53%	(18.29)%	-	-	-	40,471,886
Total Revenue by Vote	282,218,204	29,743,168	311,961,372			311,961,372	274,624,462		(37,336,910)	(13.23)%	(11.97)%				243,655,850
EXPENDITURE BY VOTE															
Vote 1 - Executive and Council	16,109,015	(264,793)	15,844,222	-	-	15,844,222	8,695,613	-	(7,148,609)	(46.02)%	(45.12)%	-	-	-	24,385,355
Vote 2 - Finance and Administration	38,797,373	(3,873,196)	34,924,177	-	-	34,924,177	53,214,983	-	18,290,806	37.16%	52.37%	-	-	-	47,717,744
Vote 3 - Planning and Development	14,189,130	(2,243,478)	11,945,652	-	-	11,945,652	16,610,149	-	4,664,497	17.06%	39.05%	-	-	-	19,265,122
Vote 4 - Health	-	-	-	-	-	-	5,180	-	5,180	#DIV/0!	#DIV/0!	-	-	-	32,191
Vote 5 - Community and Social Services	14,102,259	(836,292)	13,265,967	-	-	13,265,967	17,648,834	-	4,382,867	25.15%	33.04%	-	-	-	18,457,166
Vote 6 - Public Safety	9,913,207	(529,533)	9,383,674	-	-	9,383,674	7,857,257	-	(1,526,417)	(20.74)%	(16.27)%	-	-	-	7,651,270
Vote 7 - Sports and Recreation	4,958,741	(215,321)	4,743,420	-	-	4,743,420	4,660,206	-	(83,214)	(6.02)%	(1.75)%	-	-	-	4,872,780
Vote 8 - Road Transport	16,489,539	1,330,110	17,819,649	-	-	17,819,649	21,576,612	-	3,756,963	30.85%	21.08%	-	-	-	21,993,473
Vote 9 - Other	1,547,624	706,669	2,254,293	-	-	2,254,293	1,203,286	-	(1,051,007)	(22.25)%	(46.62)%	-	-	-	1,188,040
Vote 10 - Housing Services	2,475,113	26,297	2,501,410	-	-	2,501,410	3,658,492	-	1,157,082	47.81%	46.26%	-	-	-	3,235,158
Vote 11 - Waste Management	11,906,377	1,913,417	13,819,794	-	-	13,819,794	13,540,051	-	(279,743)	(3.72)%	(2.02)%	-	-	-	-
Vote 12 - Waste Water Management	11,781,166	1,263,857	13,045,023	-	-	13,045,023	27,754,914	-	14,709,891	135.59%	112.76%	-	-	-	42,766,145
Vote 13 - Electricity	88,174,136	234,258	88,408,394	-	-	88,408,394	113,322,828	-	24,914,434	28.52%	28.18%	-	-	-	102,408,849
Vote 14 - Water	14,706,989	1,456,258	16,163,247	-	-	16,163,247	22,453,208	-	6,289,961	52.67%	38.92%	-	-	-	40,059,442
Total Expenditure by Vote	245,150,669	(1,031,747)	244,118,922			244,118,922	312,201,612		5,422,330	2.21%	2.22%				334,032,737
Surplus/(Deficit) for the year	37,067,535	30,774,915	67,842,450			67,842,450	(37,577,151)		(42,759,240)	(115.35)%	(63.03)%				(90,376,887)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E(3)
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

Description	2020										2019				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.to. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Property Rates	33,329,007	2,448,603	35,777,610	-	-	35,777,610	38,685,708	-	2,908,098	16.07%	8.13%	-	-	-	33,191,190
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	795,393	-	795,393	100.00%	#DIV/0!	-	-	-	561,272
Service Charges - Electricity	89,587,235	6,093,212	95,680,447	-	-	95,680,447	82,077,132	-	(13,603,315)	(8.38)%	(14.22)%	-	-	-	75,489,261
Service Charges - Water	35,941,186	500,111	36,441,297	-	-	36,441,297	27,723,708	-	(8,717,589)	(22.86)%	(23.92)%	-	-	-	25,543,341
Service Charges - Sanitation	20,431,410	2,066,319	22,497,729	-	-	22,497,729	13,246,444	-	(9,251,285)	(35.17)%	(41.12)%	-	-	-	12,299,734
Service Charges - Refuse	11,715,554	208,851	11,924,405	-	-	11,924,405	7,034,181	-	(4,890,224)	(39.96)%	(41.01)%	-	-	-	6,420,796
Service Charges - Other	-	-	-	-	-	-	1,218,120	-	1,218,120	#DIV/0!	#DIV/0!	-	-	-	1,055,827
Rental of Facilities and Equipment	1,077,930	-	1,077,930	-	-	1,077,930	775,239	-	(302,691)	(28.08)%	(28.08)%	-	-	-	842,017
Interest Earned - External Investments	2,055,940	-	2,055,940	-	-	2,055,940	1,813,555	-	(242,385)	(11.79)%	(11.79)%	-	-	-	1,954,749
Interest Earned - Outstanding Debtors	1,428,061	148,849	1,576,910	-	-	1,576,910	1,776,613	-	199,703	24.41%	12.66%	-	-	-	1,506,328
Fines	4,598,203	4,999,997	9,598,200	-	-	9,598,200	7,908,654	-	(1,689,546)	(17.99)%	(17.60)%	-	-	-	13,118,758
Licenses and Permits	2,258,808	-	2,258,808	-	-	2,258,808	698,713	-	(1,560,095)	(69.07)%	(69.07)%	-	-	-	1,281,203
Public contributions	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Transfers Recognised - Operational	49,795,850	(9,710,850)	40,085,000	-	-	40,085,000	49,404,733	-	9,319,733	(0.79)%	23.25%	-	-	-	46,292,156
Other Revenue	1,368,637	-	1,368,637	-	-	1,368,637	2,643,452	-	1,274,815	93.14%	93.14%	-	-	-	1,494,826
Gains on Other Operations	-	-	-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	112,313
Gains on Sale of Land	-	-	-	-	-	-	42,239	-	42,239	100.00%	100.00%	-	-	-	133,358
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	253,587,821	6,755,092	260,342,913			260,342,913	235,843,884		(24,499,029)	(9.66)%	(9.41)%				221,297,128
Expenditure															
Employee Related Costs	88,622,363	(6,309,755)	82,312,608	-	-	82,312,608	86,450,071	-	4,137,463	(2.45)%	5.03%	-	-	-	82,323,993
Remuneration of Councilors	6,935,674	(304,712)	6,630,962	-	-	6,630,962	5,719,058	-	(911,904)	(17.54)%	(13.75)%	-	-	-	5,502,117
Depreciation and Amortisation	10,174,872	-	10,174,872	-	-	10,174,872	50,051,061	-	39,876,189	391.91%	391.91%	-	-	-	52,637,190
Impairment Losses	7,420,999	-	7,420,999	-	-	7,420,999	49,562,541	-	42,141,542	567.87%	567.87%	-	-	-	62,613,518
Repairs and Maintenance	10,837,832	(3,577,993)	7,259,839	-	-	7,259,839	7,570,114	-	310,275	(30.15)%	4.27%	-	-	-	12,470,616
Finance Costs	2,038,216	-	2,038,216	-	-	2,038,216	3,923,099	-	1,884,883	92.48%	92.48%	-	-	-	14,277,284
Bulk Purchases	74,329,184	(3,000,000)	71,329,184	-	-	71,329,184	70,126,146	-	(1,203,038)	(5.65)%	(1.69)%	-	-	-	62,705,633
Contracted Services	23,501,248	(2,345,025)	21,156,223	-	-	21,156,223	-	-	(21,156,223)	(100.00)%	(100.00)%	-	-	-	-
Grants and Subsidies Paid	1,913,000	-	1,913,000	-	-	1,913,000	-	-	(1,913,000)	100.00%	100.00%	-	-	-	-
General Expenses	22,390,922	4,693,638	27,084,560	-	-	27,084,560	38,596,280	-	11,511,720	72.37%	42.50%	-	-	-	40,693,450
Loss on other operations	-	-	-	-	-	-	1,519	-	1,519	100.00%	100.00%	-	-	-	808,936
Loss on Disposal of PPE	-	-	-	-	-	-	201,723	-	201,723	#DIV/0!	#DIV/0!	-	-	-	-
Total Expenditure	248,164,310	(10,843,847)	237,320,463			237,320,463	312,201,612		74,881,149	30.17%	31.55%				334,032,737
Surplus(Deficit)	5,423,511	17,598,939	23,022,450			23,022,450	(76,357,728)		(99,380,178)	(1832.40)%	(431.67)%				(112,735,609)
Transfers Recognised - Capital	29,784,150	15,035,850	44,820,000	-	-	44,820,000	38,780,577	-	(6,039,423)	(20.28)%	(13.47)%	-	-	-	22,358,722
Surplus(Deficit) for the Year	35,207,661	32,634,789	67,842,450			67,842,450	(37,577,151)		(105,419,601)	(299.42)%	(155.39)%				(90,376,887)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(4)

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2020

Description	2020							2019							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised I.L.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
Single-year Expenditure															
Vote 1 - Executive and Council	1,631,250	(1,631,250)	-	-	-	-	5,775	-	5,775	(99.65)%	#DIV/0!	-	-	-	612,811
Vote 2 - Finance and Administration	13,809,400	(12,909,400)	900,000	-	-	900,000	16,665	-	(883,336)	(99.88)%	(98.15)%	-	-	-	45,384
Vote 3 - Planning and Development	-	-	-	-	-	-	1,073,116	-	1,073,116	100.00%	100.00%	-	-	-	786,815
Vote 5 - Community and Social Services	69,000	531,000	600,000	-	-	600,000	24,978	-	(575,022)	(63.80)%	(95.84)%	-	-	-	117,979
Vote 6 - Public Safety	30,450	569,550	600,000	-	-	600,000	-	-	(600,000)	(100.00)%	(100.00)%	-	-	-	15,652
Vote 7 - Sports and Recreation	34,250	7,959,750	7,994,000	-	-	7,994,000	10,320,248	-	2,326,248	30032.11%	29.10%	-	-	-	7,252
Vote 8 - Road Transport	27,609,250	(7,741,310)	19,867,940	-	-	19,867,940	2,347,368	-	(17,520,572)	(91.50)%	(88.19)%	-	-	-	9,027,249
Vote 9 - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,384
Vote 10 - Housing Services	-	450,000	450,000	-	-	450,000	-	-	(450,000)	100.00%	100.00%	-	-	-	-
Vote 11 - Waste Management	9,000	141,000	150,000	-	-	150,000	-	-	(150,000)	(100.00)%	(100.00)%	-	-	-	8,157
Vote 12 - Waste Water Management	-	300,000	300,000	-	-	300,000	-	-	(300,000)	#DIV/0!	(100.00)%	-	-	-	2,257
Vote 13 - Electricity	1,770,000	2,250,000	4,020,000	-	-	4,020,000	1,378,698	-	(2,641,302)	(22.11)%	(65.70)%	-	-	-	3,830,738
Vote 14 - Water	3,910,000	18,700,000	22,610,000	-	-	22,610,000	19,178,283	-	(3,431,717)	390.49%	(15.18)%	-	-	-	8,764,785
Total Capital Expenditure - Single-year	48,872,600	8,619,340	57,491,940	-	-	57,491,940	34,345,131	-	(23,146,809)			-	-	-	23,240,444
Total Capital Expenditure - Vote	48,872,600	8,619,340	57,491,940	-	-	57,491,940	34,345,131	-	(23,146,809)			-	-	-	23,240,444
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	1,631,250	(1,631,250)	-	-	-	-	5,775	-	5,775	(99.65)%	#DIV/0!	-	-	-	612,811
Budget and Treasury Office	13,809,400	(12,909,400)	900,000	-	-	900,000	16,665	-	(883,336)	(99.88)%	(98.15)%	-	-	-	45,384
Corporate Services	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Community and Public Safety:															
Community and Social Services	69,000	531,000	600,000	-	-	600,000	24,978	-	(575,022)	(63.80)%	(95.84)%	-	-	-	117,979
Sport and Recreation	34,250	7,959,750	7,994,000	-	-	7,994,000	10,320,248	-	2,326,248	30032.11%	29.10%	-	-	-	7,252
Public Safety	30,450	569,550	600,000	-	-	600,000	-	-	(600,000)	(100.00)%	(100.00)%	-	-	-	15,652
Housing Services	-	450,000	450,000	-	-	450,000	-	-	(450,000)	100.00%	100.00%	-	-	-	-
Economic and Environmental Services:															
Planning and Development	-	-	-	-	-	-	1,073,116	-	1,073,116	100.00%	100.00%	-	-	-	786,815
Road Transport	27,609,250	(7,741,310)	19,867,940	-	-	19,867,940	2,347,368	-	(17,520,572)	(91.50)%	(88.19)%	-	-	-	9,027,249
Trading Services:															
Electricity	1,770,000	2,250,000	4,020,000	-	-	4,020,000	1,378,698	-	(2,641,302)	(22.11)%	(65.70)%	-	-	-	3,830,738
Water	3,910,000	18,700,000	22,610,000	-	-	22,610,000	19,178,283	-	(3,431,717)	390.49%	(15.18)%	-	-	-	8,764,785
Waste Management	9,000	441,000	450,000	-	-	450,000	-	-	(450,000)	(100.00)%	(100.00)%	-	-	-	10,415
Other:															
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,384
Total Capital Expenditure - Standard	48,872,600	8,619,340	57,491,940	-	-	57,491,940	34,345,131	-	(23,146,809)			-	-	-	23,240,444
FUNDED BY:															
National Government	29,784,150	13,753,000	43,537,150	-	-	43,537,150	34,272,473	-	(9,264,677)	15.07%	(21.28)%	-	-	-	22,358,722
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Capital	29,784,150	13,753,000	43,537,150	-	-	43,537,150	34,272,473	-	(9,264,677)	15.07%	(21.28)%	-	-	-	22,358,722
Internally Generated Funds	7,088,450	(5,133,660)	1,954,790	-	-	1,954,790	72,658	-	(1,882,132)	(98.97)%	(96.28)%	-	-	-	287,367
Borrowings	12,000,000	-	12,000,000	-	-	12,000,000	-	-	(12,000,000)	100.00%	100.00%	-	-	-	594,355
Total Capital Funding	48,872,600	8,619,340	57,491,940	-	-	57,491,940	34,345,131	-	(23,146,809)			-	-	-	23,240,443

**EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E(5)**

20RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Description	2020					2019		
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property Rates, Penalties and Collection Charges	29,922,978	1,758,471	31,681,449	-	(31,681,449)	(100.00)%	(100.00)%	
Service Charges	142,511,625	(3,850,232)	138,661,392	123,501,418	(15,159,975)	(13.34)%	(10.93)%	128,766,465
Other Revenue	8,290,173	3,786,372	12,076,546	-	(12,076,546)	(100.00)%	(100.00)%	
Government - Operating	49,795,850	(9,710,850)	40,085,000	66,084,331	25,999,331	32.71%	64.86%	94,955,000
Government - Capital	29,784,150	15,035,850	44,820,000	-	(44,820,000)	(100.00)%	(100.00)%	
Interest	2,055,940	1,576,910	3,632,850	1,813,555	(1,819,295)	(11.79)%	(50.08)%	1,954,749
Payments								
Suppliers and Employees	(223,603,493)	4,043,987	(219,559,506)	(165,082,427)	54,477,079	(26.17)%	(24.81)%	(176,142,895)
Finance Charges	(2,038,216)	-	(2,038,216)	(7,941,109)	(5,902,893)	289.61%	289.61%	(5,539,842)
Transfers and Grants	-	(1,913,000)	(1,913,000)	-	1,913,000	-	-	
NET CASH FROM / (USED) OPERATING ACTIVITIES	36,719,007	10,727,508	47,446,515	18,375,769	(29,070,746)			43,993,477
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on Disposal of PPE	200,000	-	200,000	-	(200,000)	(100.00)%	(100.00)%	-
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	-	-
Decrease / (Increase) Other Non-current Receivables	-	-	-	-	-	-	-	-
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-
Payments								
Capital Assets	(48,872,600)	(8,619,340)	(57,491,940)	(34,327,410)	23,164,530	(29.76)%	(40.29)%	(26,690,155)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(48,672,600)	(8,619,340)	(57,291,940)	(34,327,410)	22,964,530			(26,690,155)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase / (Decrease) in Consumer Deposits	27,823	60,375	88,198	-	(88,198)	(100.00)%	(100.00)%	-
New Loans raised	12,000,000	-	12,000,000	-	(12,000,000)	(100.00)%	(100.00)%	594,355
Payments								
Loans repaid	(527,151)	(429,748)	(956,899)	(1,290,332)	(333,433)	144.77%	34.85%	(3,807,848)
NET CASH FROM / (USED) FINANCING ACTIVITIES	11,500,672	(369,373)	11,131,299	(1,290,332)	(12,421,631)			(3,213,493)
NET INCREASE / (DECREASE) IN CASH HELD	(452,921)	1,738,795	1,285,874	(17,241,973)	(18,527,847)			14,089,829
Cash / Cash Equivalents at the Year begin:	1,279,126	-	1,279,126	17,033,497	15,754,372	1231.65%	1231.65%	2,784,238
Cash / Cash Equivalents at the Year end:	826,205	1,738,795	2,565,000	208,475	(2,356,524)	(74.77)%	(91.87)%	(2,943,667)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received 30 June 2020

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Repayment of funds	Total Receipts	Total Expenses	Unspent Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
				Total	Total	Total		Yes / No	
Equitable Share	Nat Treasury	-		44,899,883	(44,899,883)	-	-	Yes	N/a
Library Grant	Provincial	-		693,000	(693,000)	-	-	Yes	N/a
EPWP	Nat Treasury	(0)		1,220,000	(568,374)	651,625	-	Yes	N/a
MIG	Nat Treasury	175,447	(175,447)	21,710,000	(16,387,253)	5,322,747	-	Yes	N/a
FMG	Nat Treasury	-		1,700,000	(1,700,000)	-	-	Yes	N/a
WSIG	Nat Treasury	2,822,519	(2,822,519)	-	-	-	-	Yes	N/a
RBIG	Nat Treasury	25,079,589	(25,079,589)	21,610,000	(21,610,000)	-	-	Yes	N/a
Covid Relief Grant	Nat Treasury	-		149,000	(149,000)	-	-	-	-
DWA	Provincial	-		-	-	-	-	Yes	N/a
Housing Accreditation	Provincial	-		680,000	(680,000)	-	-	Yes	N/a
Department of Education	Provincial	1,232,100		-	-	1,232,100	-	Yes	N/a
Department of Roads	Provincial	-		-	-	-	-	Yes	N/a
Fire Equipment	Provincial	-		-	-	-	-	Yes	N/a
INEP	Nat Treasury	-		1,500,000	(1,497,800)	2,200	-	Yes	N/a
Total Grants and Subsidies Received		29,309,655	(28,077,555)	94,161,883	(88,185,311)	7,208,672			

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2020

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
Mayor Sihonga ST	-	611,010	-	239,458	7,254	857,722
Speaker Kivedo MC	-	488,807	-	200,446	5,481	694,734
Councillors						
HJ Rust	-	251,501	-	68,400	2,004	321,905
WJ Du Plessis	-	193,362	-	106,129	1,972	301,463
PD Van Wyk	-	193,362	-	106,985	2,382	302,729
LE Andrews	-	193,362	-	106,985	2,382	302,729
SJ Hoffman	-	193,362	-	106,985	2,382	302,729
L Billie	-	248,149	-	123,619	2,937	374,705
RR Faul	-	193,362	-	106,129	2,379	301,870
MO Maramba	-	193,362	-	106,985	2,636	302,983
PP Mhlauli	-	193,362	-	106,985	2,382	302,729
D Vanel	-	193,362	-	106,129	2,379	301,870
CJ Louw	-	240,175	-	121,075	2,842	364,091
PN Bushula	-	193,362	-	106,129	2,633	302,124
NP Mkontwana	-	255,648	-	126,013	3,014	384,675
Total for Councillors	-	3,835,551	-	1,838,449	45,058	5,719,058
Municipal Manager Visser I	-	835,240	267,093	404,191	160,017	1,666,542
Chief Financial Officer Ludwick MR	16,249	172,523	141,098	148,431	17,044	495,346
Jack JP	24,575	184,764	-	49,012	47,495	305,845
Manuel MF	-	298,042	-	68,583	2,742	369,367
Director: Community Services Joka HM	-	520,936	147,710	264,475	151,558	1,084,679
Director: Corporate Services Msengana TW	-	765,203	231,395	316,270	48,308	1,361,176
Director: Infrastructure and Technical Services Owies MJV	18,259	596,302	167,128	283,854	166,281	1,231,823
Total for Senior Managers	59,082	3,373,011	954,424	1,534,816	593,446	6,514,779
Total for Management	59,082	7,208,562	954,424	3,373,264	638,504	12,233,836

30 June 2019

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
Mayor Sihonga ST	-	581,298	-	238,165	6,289	825,751
Speaker Kivedo MC	-	465,038	-	199,413	5,384	669,835
Councillors						
AF Jalfha	-	137,714	-	71,805	1,338	210,858
HJ Rust	-	300,289	-	68,400	2,139	370,828
WJ Du Plessis	-	183,960	-	105,720	2,038	291,718
PD Van Wyk	-	183,960	-	105,720	2,504	292,184
LE Andrews	-	183,960	-	105,720	2,504	292,184
SJ Hoffman	-	183,960	-	105,720	2,504	292,184
L Billie	-	201,334	-	111,511	2,698	315,543
RR Faul	-	183,960	-	105,720	2,504	292,184
MO Maramba	-	183,960	-	105,720	2,774	292,454
PP Mhlauli	-	183,960	-	105,720	2,504	292,184
D Vanel	-	183,960	-	105,720	2,504	292,184
CJ Louw	-	183,960	-	105,720	2,504	292,184
PN Bushula	-	68,678	-	38,633	679	107,990
NP Mkontwana	-	243,217	-	125,472	3,167	371,856
Total for Councillors	-	3,653,211	-	1,804,877	44,029	5,502,117
Municipal Manager Visser I	-	803,623	109,642	401,787	158,755	1,473,807
Chief Financial Officer Ludwick MR	-	525,732	67,598	430,826	50,010	1,074,166
Director: Community Services Joka HM	-	406,456	40,571	221,382	81,296	749,705
Appies CP	38,923	121,179	-	27,383	36,801	224,286
Director: Corporate Services Msengana TW	23,375	559,223	124,262	284,274	162,879	1,154,012
Director: Infrastructure and Technical Services Owies MJV	-	783,153	112,830	163,010	152,587	1,211,580
Total for Senior Managers	62,297	3,199,365	454,903	1,528,661	642,329	5,887,555
Total for Management	62,297	6,852,576	454,903	3,333,538	686,358	11,389,672

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio	Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
			2020	2019	
1. FINANCIAL POSITION					
A. Asset Management / Utilisation					
1. Capital Expenditure to Total Expenditure	10% - 20%	Total Operating Expenditure	15.41%	7.50%	The Municipality financed acquisitions through an external loan (finance lease).
		Taxation Expense	312,201,612	334,032,737	
		Total Capital Expenditure	56,877,755	27,073,720	
2. Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	PPE, Investment Property & Intangible Impairment	1.21%	0.20%	The Impairment figure reported is immaterial and is the result of assets being damaged during the normal course of business.
		PPE at Carrying Value	8,787,730	1,497,751	
		IP at Carrying Value	720,720,520	745,339,207	
		Intangible Assets at Carrying Value	5,718,600	5,718,600	
3. Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	Total Repairs and Maintenance Expenditure	1.04%	1.66%	As a number of Infrastructure Assets are new, the required maintenance on these items are not yet as high as it will be later in their useful lives.
		PPE at Carrying Value	7,570,114	12,470,616	
		Investment Property at Carrying Value	720,720,520	745,339,207	
5,718,600	5,718,600				
B. Debtors Management					
1. Collection Rate	95%		35.99%	88.17%	Management is attempting to increase the recoverability rate and as part of this numerous debtor accounts have been written off in the 2019 year.
		Gross Debtors Closing Balance	203,488,281	153,559,689	
		Gross Debtors Opening Balance	153,559,689	135,340,778	
		Bad Debts Written-off	58,874,224	-	
Billed Revenue	169,985,293	154,000,149			
2. Bad Debts Written-off as % of Provision for Bad Debt	100%		37.62%	0.00%	
		Consumer Debtors Bad Debts Written-off	58,874,224	-	
		Consumer Debtors Current Bad Debt Provision	156,478,681	120,040,431	
3. Net Debtors Days	30 Days		101 Days	79 Days	Management is attempting to increase the recoverability rate and as part of this numerous debtor accounts have been written off in the 2019 year.
		Gross Debtors	203,488,281	153,559,689	
		Bad Debts Provision	156,478,681	120,040,431	
		Billed Revenue	169,985,293	154,000,149	
C. Liquidity Management					
1. Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months		0 Months	-1 Months	As required by the MFMA, management is committed to pay outstanding debt within the 30 day legislative deadline.
		Cash and Cash Equivalents	21,764,106	35,430,721	
		Unspent Conditional Grants	7,208,676	29,309,656	
		Overdraft	21,972,581	18,397,223	
		Short-term Investments	-	-	
Total Annual Operational Expenditure	212,344,048	217,839,735			
2. Current Ratio	1.5 - 2:1		0.86	0.98	
		Current Assets	147,105,038	140,104,476	
		Current Liabilities	171,192,495	143,617,878	
C. Liability Management					
1. Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		-0.86%	-0.83%	
		Interest Paid	1,208,591	1,208,591	
		Redemption	(3,026,003)	(3,026,003)	
		Total Operating Expenditure	212,344,048	217,839,735	
Taxation Expense	-	-			
2. Debt (Total Borrowings) / Revenue	45%		0.11%	4.39%	
		Total Debt	240,852	8,135,368	
		Total Operating Revenue	274,624,462	225,726,576	
Operational Conditional Grants	49,404,733	40,220,691			
C. Sustainability					
1. Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		100.00%	100.00%	
		Cash and Cash Equivalents	21,764,106	10,702,493	
		Bank Overdraft	21,972,581	7,254,599	
		Unspent Grants	7,208,676	3,857,622	
		Net Assets	636,328,177	822,624,448	
Accumulated Surplus	636,328,177	822,624,448			

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio	Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
			2020	2019	
2. FINANCIAL PERFORMANCE					
A. Efficiency					
1. Net Operating Surplus Margin	= or > 0%		22.68%	-22.79%	
		Total Operating Revenue	274,624,462	225,726,576	
		Depreciation - Revalued Portion	-	-	
		Total Operating Expenditure	212,344,048	277,172,986	
		Taxation Expense	-	-	
2. Net Surplus / Deficit Electricity	0% - 15%		-31.24%	-24.39%	
		Total Electricity Revenue	86,347,790	82,329,564	
		Total Electricity Expenditure	113,322,828	102,408,849	
3. Net Surplus / Deficit Water	= or > 0%		57.78%	1.02%	
		Total Water Revenue	53,176,449	40,471,886	
		Total Water Expenditure	22,453,208	40,059,442	
4. Net Surplus / Deficit Refuse	= or > 0%		-23.60%	-29.65%	
		Total Waste Management	33,410,927	32,986,928	
		Total Waste Management	41,294,965	42,766,145	
B. Distribution Losses					
1. Electricity Distribution Losses (Percentage)	7% - 10%		22.62%	19.62%	
		Number of Units Purchased and/or Generated	56,375,147	58,223,924	
		Number of Units Sold	43,624,762	46,800,334	
2. Water Distribution Losses (Percentage)	15% - 30%		27.63%	32.97%	The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they
		Number of Kiloliters Purchased and/or Purified	2,481,703	2,160,715	
		Number of Kiloliters Sold	1,795,984	1,448,344	
C. Revenue Management					
1. Growth in Number of Active Consumer Accounts	None		-13.32%	-13.32%	
		Number of Active Debtors Accounts (Previous)	32,154	32,154	
		Number of Active Debtors Accounts (Current)	27,870	27,870	
2. Revenue Growth (%)	= CPI		21.66%	8.31%	
		CPI	21.66%	8.31%	
		Total Revenue (Previous)	225,726,576	208,402,845	
		Total Revenue (Current)	274,624,462	225,726,576	
3. Revenue Growth (%) - Excluding Capital Grants	= CPI		9.57%	8.24%	
		CPI	9.57%	8.24%	
		Total Revenue, excluding Capital Grants (Previous)	215,248,757	198,864,267	
		Total Revenue, excluding Capital Grants (Current)	235,843,884	215,248,757	
D. Expenditure Management					
1. Creditors Payment Period (Trade Creditors)	30 Days		325 Days	239 Days	
		Trade Creditors	103,675,375	63,043,058	
		Contracted Services	-	-	
		Repairs and Maintenance	7,570,114	12,224,938	
		General Expenses	38,596,280	24,950,763	
		Bulk Purchases	70,126,146	59,027,026	
		Capital Credit Purchases	-	-	
2. Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		57.31%	31.18%	
		Irregular, Fruitless & Wasteful and Unauthorised Expenditure	121,696,682	86,428,124	
		Total Operating Expenditure	212,344,048	277,172,986	
		Taxation Expense	-	-	
3. Remuneration as % of Total Operating Expenditure	25% - 40%		43.41%	26.45%	
		Employee / Personnel Related Cost	86,450,071	68,489,476	
		Councillors Remuneration	5,719,058	4,835,161	
		Total Operating Expenditure	212,344,048	277,172,986	
		Taxation Expense	-	-	
4. Contracted Services % of Total Operating Expenditure	2% - 5%		0.00%	3.02%	
		Contracted Services	-	8,358,489	
		Total Operating Expenditure	212,344,048	277,172,986	
		Taxation Expense	-	-	

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio	Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
			2020	2019	
E. Grant Dependency					
1. (Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None		0.13%	51.45%	
		Internally Generated Funds	72,658	856,461	
		Borrowings	-	9,497,458	
		Total Capital Expenditure	56,877,755	20,125,465	
2. Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		0.13%	4.26%	
		Internally Generated Funds	72,658	856,461	
		Total Capital Expenditure	56,877,755	20,125,465	
3. Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None		79.05%	81.31%	
		Total Revenue	274,624,462	225,726,576	
		Government Grant and Subsidies	88,185,311	50,698,510	
		Public Contributions and Donations	-	-	
		Capital Grants	38,780,577	10,477,819	
3. BUDGET IMPLEMENTATION					
A. Efficiency					
1. Capital Expenditure Budget Implementation Indicator	95% - 100%		98.93%	109.74%	A significant amount of grants was unspent at yearend due to the date of which it was received. The municipality does not budget for unspent grants.
		Actual Capital Expenditure	56,877,755	20,125,465	
		Budgeted Capital Expenditure	57,491,940	18,339,247	
2. Operating Expenditure Budget Implementation Indicator	95% - 100%		89.48%	127.54%	The unfavorable ratio is due to non-cash items, such as depreciation and impairment losses being recognised, which was not fully budgeted for.
		Actual Operating Expenditure	212,344,048	277,172,986	
		Budgeted Operating Expenditure	237,320,463	217,318,184	
3. Operating Revenue Budget Implementation Indicator	95% - 100%		89.99%	98.48%	
		Actual Operating Revenue	274,624,462	225,726,576	
		Budgeted Operating Revenue	305,162,913	229,203,454	
4. Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		84.02%	105.00%	More revenue generated than budgeted for.
		Actual Service Charges and Property Rates Revenue	169,985,293	149,481,257	
		Budgeted Service Charges and Property Rates Revenue	202,321,488	142,358,563	
Interpretation of Results:					
<div style="display: flex; justify-content: space-between;"> <div style="width: 20px; height: 10px; background-color: #90EE90; border: 1px solid black;"></div> The green colour indicates that the result is within the norm and is acceptable. </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 20px; height: 10px; background-color: #FF0000; border: 1px solid black;"></div> The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results. </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 20px; height: 10px; background-color: #ADD8E6; border: 1px solid black;"></div> Data should be captured in the blue coloured cell to calculate a ratio. </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 10px; height: 10px; background-color: #000000; border: 1px solid black;"></div> In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced. </div>					

Annexure B

Report of the Auditor General

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Emthanjeni Local Municipality

Report on the audit of the financial statements

Qualified Opinion

1. I have audited the financial statements of the Emthanjeni Local Municipality set out on pages x to x, which comprise the statement of financial position as at 30 June 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the 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 Emthanjeni Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2019 (Act No. 16 of 2019) (Dora).

Basis for qualified opinion

Sale of electricity

3. I was unable to obtain sufficient appropriate audit evidence for the amount disclosed as service charges for sale of electricity. I could not confirm service charges pertaining to sale of electricity by alternative means. Consequently, I was unable to determine whether any further adjustments relating to sale of electricity, stated at R82 077 132 (2019: R75 489 261) in note 26 to the financial statements, was necessary. Since the revenue balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether cash flows from operating activities were accurate and complete.
4. During 2019, the Municipality did not have adequate systems to maintain records of revenue from exchange relating to service charges for sale of electricity. This resulted in service charges being understated by R1 458 430. 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 revenue from exchange transactions for the current period.

Irregular expenditure

5. In terms of section 125(2)(d)(i) of the MFMA, the municipality must include particulars of irregular expenditure in the notes to the annual financial statements. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements that was not included in the irregular expenditure disclosed in note 49.3 to the financial statements. I was unable to determine the full extent of the understatement for the current as well as previous years as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustment to irregular expenditure, stated at R78 681 311 (2019: R27 140 394) in note 49.3 to the financial statements was necessary.

Bank overdraft

6. I was unable to obtain sufficient appropriate audit evidence that bank overdraft for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the bank overdraft by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to bank overdraft stated at R21 972 581 in note 5 to the financial statements. Since the cash and cash equivalents balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether cash flows from operating activities were accurate and complete.

Other creditors

7. During 2019, I was unable to obtain sufficient appropriate audit evidence for other creditors and to confirm other creditors by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to other creditors stated at R5 925 583 in Note 14 of the annual financial statements. My audit opinion on the financial statements for the period ended 30 June 2019 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of other creditors for the current period.

Context for the opinion

8. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
9. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well

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

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

Material uncertainty relating to going concern

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.
12. I draw attention to note 62 to the financial statements, which indicates that numerous events or conditions identified like the municipality's ability to pay its creditors within 30 days, the financial effects of Covid 19, the current liabilities exceed current assets and the national lockdown on ageing of debtors and the settlement of outstanding accounts that may cast significant doubt on the entity's ability to continue as a going concern. As stated in note 62, these events or conditions, along with the other matters as set forth in note 62, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

14. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of errors in the financial statements of the municipality at, and for the year ended 30 June 2020.

Material impairments – Receivables from exchange and non-exchange transactions

15. As disclosed in note 3 and 4 to the financial statements, material impairments of R261 158 621 were incurred as a result of provision for impairment of receivables from exchange and non-exchange transactions.

Other matters

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

Unaudited disclosure notes (MFMA125)

17. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This

disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Unaudited supplementary schedules

18. The supplementary information set out on page(s) x - x does not form part of the financial statements and is presented as additional information. I have not audited these appendixes and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

19. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and the 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.
20. 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

21. 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.
22. 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

23. 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 objectives presented in the annual performance report. I performed

procedures to identify material findings but not to gather evidence to express assurance.

24. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
25. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the municipality's annual performance report for the year ended 30 June 2020:

Objective	Pages in the annual performance report
Objective 7 - Provision of access to all basic services rendered to residents within the available resources	x-x

26. 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.
27. The material findings in respect of the usefulness and reliability of the selected objective are as follows:

Objective 7 – Provision of access to all basic services rendered to residents within available resources

Various indicators

28. The measures taken to improve performance against targets were not reported in the annual performance report for the indicators below:

Indicator number	Indicator description	Planned target	Reported achievement
TL41	70% of the water maintenance budget spent by 30 June 2020 ((Actual expenditure divided by the approved budget) x100)	70.00%	64.41%
TL42	Limit % water unaccounted for quarterly to 22% [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) x 100	22.00%	24.00%

Various indicators

29. I was unable to obtain sufficient appropriate audit evidence for the reported achievements in the annual performance report. 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 for the indicators listed below:

Indicator number	Indicator description	Reported achievement
TL42	Limit % water unaccounted for quarterly to 22% [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) x 100	24.00%
TL43	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	90%

Various indicators

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

Indicator number	Indicator description	Reported achievement	Audited value
TL50	70% of approved budget spent by 30 June 2020 for the storm water Phase 3 {(Actual expenditure divided by the total approved budget) x 100}	25%	8,65%
TL53	70% of approved budget spent by 30 June 2020 for the construction of Oxidation Ponds in Britstown {(Actual expenditure divided by the total approved budget) x 100}	100%	83,16%

Other matter

Achievement of planned targets

31. Refer to the annual performance report on pages x to x 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 27 to 30 of this report.

Report on the audit of compliance with legislation

Introduction and scope

32. 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.

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

Annual financial statements and annual reports

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

Expenditure management

35. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
36. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by bid evaluation committee not being properly constituted.
37. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R8 815 957 as disclosed in note 49.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid to creditors on overdue accounts.
38. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R61 339 808 as disclosed in note 49.1 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 on votes.

Strategic planning and performance management

39. The performance management system and related controls were inadequate as it did not describe how the performance reporting processes should be conducted, as required by municipal planning and performance management reg 7(1).

Procurement and contract management

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

41. Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2).
42. The preference point system was not applied for the procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.
43. Some of the quotations were awarded to bidders based on pre-qualification criteria that were not stipulated in the original invitation for quotations, in contravention of the 2017 preferential procurement regulation 4(1) and 4(2).

Consequence management

44. 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.
45. Irregular expenditure and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information

46. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
47. 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.
48. 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
49. 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

50. 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.
51. The leadership of the municipality did not exercise adequate oversight responsibility regarding annual financial statements and compliance with laws and regulations as well as related internal controls. The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall process of planning, budgeting, implementation and reporting. This pertains to the overall performance management systems and processes, annual financial statements and compliance with laws and regulations.
52. The leadership of the municipality did not take adequate responsibility for establishing and communicating policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities in respect of consequence management.
53. The leadership of the municipality did not adequately develop and monitor the implementation of action plans to address internal control deficiencies. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not implement and monitor adherence to the plan in a timely manner. This has resulted in repeat findings being identified in the current year audit.
54. The municipality did not implement sufficient proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
55. The municipality did not adequately prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. The financial statements contained numerous misstatements. This was mainly due to staff not fully understanding the requirements of the financial reporting framework
56. The municipality did not review and monitor compliance with applicable legislation. Furthermore, the municipality does not have adequate processes in place to identify irregular expenditure.
57. The municipality did not implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored. The municipality did not conduct a risk assessment, as

required by the MFMA, consequently, controls were not developed to prevent, detect and correct material misstatements in financial and performance reporting.

Other reports

58. 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.
59. The Directorate for Priority Crime Investigation (Hawks) is investigating allegations of irregularities where banking details of suppliers were changed to the banking details of a previous employee in the prior year. These proceedings were in progress at the date of this report.

Auditor-General
Kimberley

29 March 2021



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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