

Emthanjeni Municipality

Annual Report



2020/21

MAYOR'S MESSAGE	4	3.3 Water Provision.....	60
MUNICIPAL MANAGER OVERVIEW	6	3.4 Waste Water (Sanitation) Provision.....	62
CHAPTER 1	8	3.5 Electricity.....	64
EXECUTIVE SUMMARY	8	3.6 Waste Management (Refuse collections, waste disposal, street cleaning and recycling)	67
1.1 Municipal Overview.....	8	3.7 Housing.....	69
1.2 Municipal Functions, Population and Environmental Overview	9	3.8 Free Basic Services and Indigent Support.....	71
1.3 Service Delivery Overview.....	15	COMPONENT B: ROAD TRANSPORT	72
1.4 Financial Health Overview.....	17	3.9 Roads.....	72
1.5 Auditor-General Report.....	18	3.10 Waste Water (Stormwater).....	74
1.6 2020/21 Integrated Development Plan (IDP)/Budget Process	19	COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT (LED)	75
1.7 B-BBEE Compliance Performance Information.....	23	3.11 Planning	75
1.8 MUNICIPAL COST CONTAINMENT MEASURES.....	24	3.12 Local Economic Development(LED)-including tourism and market places.....	78
1.9 COVID - 19.....	25	COMPONENT D: COMMUNITY AND SOCIAL SERVICES	81
CHAPTER 2	28	3.13 Libraries.....	81
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE	28	3.14 Cemeteries	83
2.1 National Key Performance Indicators - Good Governance and Public Participation.....	28	COMPONENT E: SECURITY AND SAFETY	84
2.2 Governance Structure	28	3.15 Traffic Services	84
COMPONENT B: INTERGOVERNMENTAL RELATIONS	32	3.16 Fire Services and Disaster Management	86
2.3 Intergovernmental Relations.....	32	COMPONENT F: SPORT AND RECREATION	87
COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION	34	3.17 Sport and Recreation	87
2.4 Public Meetings.....	34	COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES	89
COMPONENT D: CORPORATE GOVERNANCE	37	3.18 Executive and Council	89
2.5 Risk Management	37	3.19 Financial Services	92
2.6 Anti-Corruption and Anti-Fraud	40	3.20 Human Resource Services.....	94
2.7 Audit Committee	40	3.21 Procurement Services	95
2.8 Performance Audit Committee.....	41	COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2020/21 97	
2.9 Communication.....	42	3.22 Development and Service Delivery Priorities for 2021/22	97
2.10 Website.....	43	CHAPTER 4	102
CHAPTER 3	45	4.1 National Key Performance Indicators - Municipal Transformation and Organisational Development.....	102
3.1 Overview of Performance within the Organisation	45	4.2 Introduction to the Municipal Workforce	102
3.2 Introduction to Strategic and Municipal Performance for 2020/21	48	4.3 Managing the Municipal Workforce.....	104
COMPONENT A: BASIC SERVICES	60	4.4 Capacitating the Municipal Workforce	106

4.5	Managing the Municipal Workforce Expenditure	109
CHAPTER 5		111
COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE		111
5.1	Financial Summary.....	111
5.2	Financial Performance per Municipal Function	117
5.3	Grants	124
5.4	Asset Management.....	126
5.5	Financial Ratios Based on Key Performance Indicators.....	128
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET		131
5.6	Sources of Finance	131
COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS		135
5.7	Cash Flow.....	135
5.8	Gross Outstanding Debtors per Service.....	136
5.9	Total Debtors Age Analysis.....	136
5.10	Borrowing and Investments	137
CHAPTER 6		138
COMPONENT A: AUDITOR-GENERAL OPINION 2019/20		138
6.1	Auditor-General Report 2019/20.....	138
COMPONENT B: AUDITOR-GENERAL OPINION 2020/21		140
6.2	Auditor-General Report 2020/21	140
LIST OF ABBREVIATIONS		145
LIST OF TABLES		146
LIST OF GRAPHS.....		149

MAYOR'S MESSAGE

On behalf of the Emthanjeni Municipal Council and officials, I hereby present this Annual Report for the 2020/21 Financial Year. This report will outline our performance on the targets we set for ourselves over this period. The report will give our stakeholders and communities insight into the performance and achievements of the Municipality.

The mandate of Emthanjeni Municipality is not unique to the broader mandate given to Local Government by the South African Constitution, Chapter 7. The only uniqueness we have, is the different legitimate expectations of our citizenry. Our specific mandate is drawn from the consultations we embarked on while drafting our Integrated Development Plan, which is the guiding document for our performance. Our resolve is based on servicing our communities wherever they live.

The current Annual Report outlines our successes and shortcomings in relation to our political mandate, as provided in the key focus areas of Local Government and these can be summarised as follows:

- Building a Municipality that is efficient, effective and responsive;
- To strengthen Accountability and promote clean Municipal operations;
- Accelerating Service Delivery and supporting the vulnerable;
- Promoting Economic and Social development;
- Fostering Development Partnerships, Social Cohesion and the community.

Looking at the above priority areas, it is important to note that these can never be successful on their own, it therefore becomes important that as a collective, Councillors and Officials, work together in identifying the challenges raised in the Annual Report and rectify them as soon as possible. Having said that, it is equally important to note that there are a few specific areas, which must receive particular attention going forward.

Improved mechanisms will need to be found to strengthen the accountability and discipline of officials in their daily work, both to each other and to political principals.

Speed, timing and excellence in the quality of daily work must become a key feature of the way in which officials undertake their work. The overall turnaround times of administrative and professional work require significant improvement.

Finally, the Municipality will ensure that its most valuable resource, i.e. its staff, is highly valued and supported. Training, personal development, career - pathing, talent management, coaching, mentoring and the Employment Assistance Programmes are some of the specific interventions that will need to be enhanced.

Equally with the politicians, it is important that we focus our energies on the mandates we have from our respective political parties. Our differences should only be an indication of a strong democratic state, not an impediment to deliver services to our people.

It is commendable to note the improvement in relation to our spending and expenditure patterns, but we need to do more. The ever-present excuse of lack of resources might be a legitimate one, but the key question is how effectively we use the resources at our disposal. From this Annual Report it is clear that we are moving in the right direction, although we are not there yet. It is of paramount importance to synchronise our program plans with quarterly targets to achieve our broader goals of an effective and efficient Municipality.

GL NKUMBI

MAYOR: EMTHANJENI MUNICIPALITY

MUNICIPAL MANAGER OVERVIEW

This past financial year has again provided us with enormous challenges, as well as opportunities to ensure that Emthanjeni Municipality provides the community with effective and efficient services, notwithstanding the many constraints that we have, not the least of which relate to our financial position.

Emthanjeni Local Municipality, as part of the local government sphere of the country, must adhere to the principles of good governance, transparency and accountability. The compilation and publication of this Annual Report therefore serves to ensure that the stakeholders and the community of the Municipality and beyond the borders of the Emthanjeni Municipality, are informed of the operations and decisions taken during the 2020-2021 financial year.

The processing of this Annual Report was informed by Chapter 12, Section (127) (5)(a)(i)(ii) of the Local Government: Municipal Finance Management Act, 56 of 2003. The challenge of COVID-19, the need for proper housing, water and sanitation, unemployment and poverty etc. are ongoing issues that our people face on a daily basis, and require proper coordinated mechanisms and strategies for addressing and dealing with them effectively. In order to effectively solve some of these serious challenges, we need to work with each other, hence we believe that,

Teamwork brings success.

During the year under review, there was stability at Senior Management level. The post of Senior Manager: Infrastructure Services was filled on 1 April 2021. Discipline and work ethics remain a key human resource matter that must be managed properly, because if not, it may lead to the collapse of any institution. Our financial position and the consistent growth in the debtors' book remains the single biggest threat facing the Municipality.

The following capital projects were completed during the 2020/21 financial year:

(The Annual Report will provide more detail on the other completed projects)

Project Name	Ward	Funder	Budgeted Amount	Project deliverables	Work Opportunities Created	Project Status
Upgrading of Kwezi Sport Complex	6	MIG	R2 388 200	Spectator grandstand, football/ rugby field, combi court & tennis court, irrigation	0	100% Complete
Repair and Refurbishment of Water Infrastructure	1 & 6	MIG	R1 210 600	Electrical components to the pumps for existing 4 boreholes, namely Miergat, Lekkerwater, A-pomp and Scyverkuil No. 2. 4kW, 65mm centrifugal pump for Riet No.11 borehole. Drilling, equipping, electrifying and testing of Riet No.5, Suid wes No.7 and Suid wes No. 12 boreholes. installing telemetry control. Motor 2.2kW for Caroluspoort No.3. three 4kW, 65mm centrifugal pump with fittings for pumps	0	100% Complete

Project Name	Ward	Funder	Budgeted Amount	Project deliverables	Work Opportunities Created	Project Status
Sanitization project - Covid-19	All	MIG	R477 000	Sanitization of public transport facilities and other municipal public facilities, PPE for public transport workers, municipal personnel working within public transport environment	12	100% Complete
Connection of 481 Households to the sewer reticulation network in Britstown - Phase 3	7	MIG	R7 411 940	Connection of 481 stands to internal sewer reticulation and Oxidation ponds	40	100% Complete
Total work opportunities created					52	

The 2020/21 outcomes of the Municipal Finance Management Act (MFMA) Annual Audit by the Auditor-General identified a few matters that Emthanjeni Local Municipality must still pay attention to, especially on the Predetermined Objectives (PDO's), strengthening of the internal control environment and compliance with legislation. Emthanjeni Municipality remains stagnant at a qualified audit opinion.

The scope of work and achievements during the period under review cannot be fully captured in this report. However, I find solace in the knowledge that our public participation programs and the level of transparency in our Municipality has ensured that you, the public, are aware of our activities at all times.

My gratitude is directed to the Mayor, the Speaker, and the entire Council for the support they have given me and my management team to achieve the goals that we have set for ourselves.

I also wish to sincerely thank all our partners within our community, our service providers, the District Municipality and both the National and Provincial Government Departments, for their enthusiastic participation and assistance, as we continue building an Emthanjeni Local Municipality, which is truly centered on its people.

To my staff, thank you very much. You are the real drivers of our programs. Without your dedication all our endeavours to be truly responsive to the needs of all our people would fail.

Appended below is a full account of the services rendered by each respective Department. I submit this overview in appreciation of the support rendered by the community, the staff of Emthanjeni Municipality for their unequivocal support and cooperation, and lastly, the Councillors for their political guidance.

I VISSER

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 2020/21 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

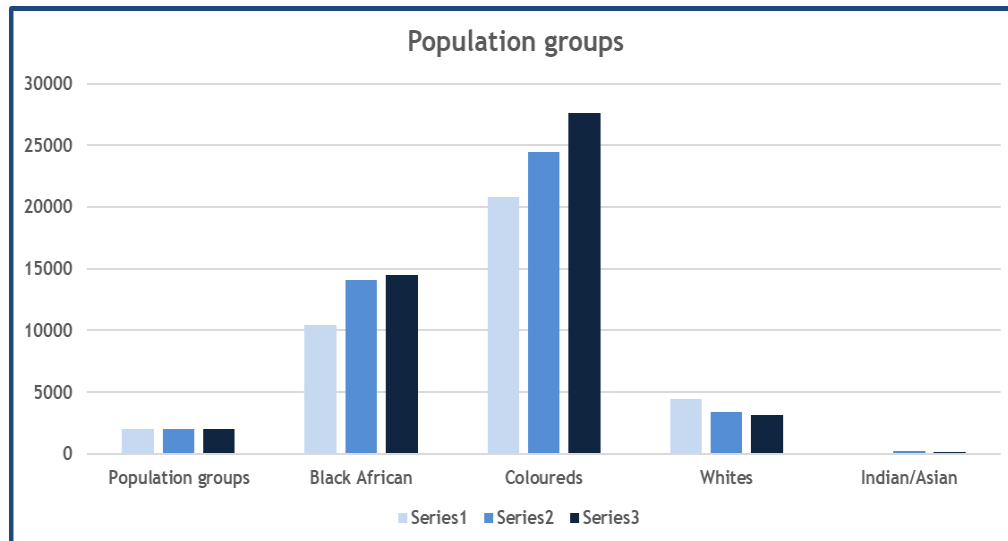
Source: IDP 2020/21

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 2020/21

Table 2: Population



Graph 1: Population by Race

Ward	Black African	Coloured	Indian/Asian	White	Other	Total
Ward 1	281	4 790	62	18	23	5 174
Ward 2	635	7 222	56	10	73	7 996
Ward 3	5 001	247	14	142	14	5 418
Ward 4	2 706	2 583	20	10	35	5 353
Ward 5	1 337	2 348	34	2 302	30	6 050

Ward	Black African	Coloured	Indian/Asian	White	Other	Total
Ward 6	2 660	2 955	27	496	39	6 178
Ward 7	1 440	4 292	23	410	24	6 188

Source: IDP 2020/21

Table 3: Population per Ward

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 2020/21

Table 4: 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 2020/21

Table 5: Population Profile

1.2.2 Households

The total number of indigent households within the municipal area increased from 3 335 households in the 2019/20 financial year to a total of 3 916 households in the 2020/21 financial year.

The table below indicates an increase of 581 in the total number of indigent households within the municipal area between the two years.

Households	2019/20	2020/21
Number of households in municipal area	12 615	12 810
Number of indigent households in municipal area	3 335	3 916

Table 6: 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 7: 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 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 resident's 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.

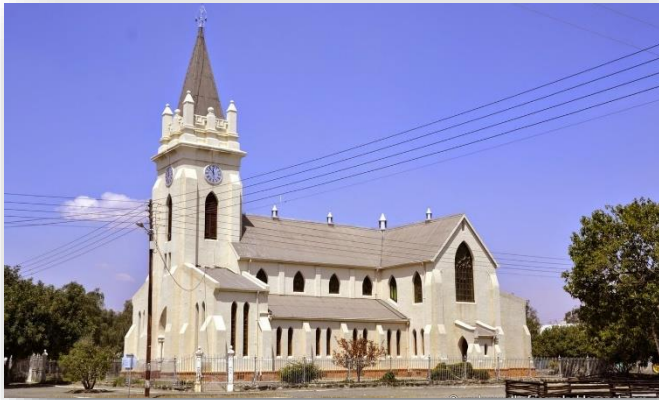
The older houses were all built right on the road edge - as per authority's instructions at the time - and when, in later years, home owners built on verandas, they had to pay a one shilling tax for this privilege. Today, they are still paying this tax, which is now R17, 00. Hanover was home to Olive 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 Gemsbokfontein, 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
	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 8: 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
Improvement in reservoir water levels	Reservoir water levels for July 2020 to December 2020 were at an average of 55% compared to the period of January 2021 to June 2021 an average of 75%
Hanover and Britstown landfill sites	Permission was obtained from the Department of Environmental and Nature Conservation for the functioning of the Hanover and Britstown landfill sites
Cleaning campaigns	Dedicated cleaning campaigns were conducted throughout the year and on a quarterly basis. Awareness campaigns were conducted
Upgrade of Britstown oxidation ponds	The construction of 2 pump stations and oxidation ponds were completed
Internal sewer reticulation of Proteaville and Tornadoville	Sewer connections of houses to bulk sewer line

Highlights	Description
Retrofitting of LED streetlights in De Aar, Britstown and Hanover	Retrofitting of the following streetlights: <ul style="list-style-type: none"> • 30W Street Light • 60W Street Light • 85W Street Light • 400W Mast Light Lighting is efficient and brighter than ordinary lighting. It is also low on maintenance.
Electrification of houses - Hanover	Electrification of 18 houses in Hanover were completed
Servicing of 983 sites in De Aar	The servicing of 983 sites in De Aar were completed
Construction of 240 houses	The construction of 240 houses in De Aar were completed
Municipal Human Settlement Plan	The Municipal Human Settlement Plan was reviewed and approved

Table 9: 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
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 and increased visibility of law enforcement officers
Funding for Internal Sewer Reticulation of Mziwabantu	Council to approve counter funding
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 under the target of National Energy Regulator of South Africa (NERSA) (NERSA's target is 10%)
De Aar East Housing Project was not completed in time which hampered the electrification funding approval	Houses to be completed by the contractor
Slow progress construction of 240 houses	Recovery plan to speed up progress is completed
Performance by contractors	Meet with the National Home Builders Registration Council (NHBRC) and the Housing Development Agency (HDA) to assist with training
Aged infrastructure (water, roads, sewerage, stormwater, electricity)	Submission of business plans for funding to upgrade and eradicate infrastructure backlogs. Infrastructure Master Plans should be developed

Table 10: 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	
	2019/20	2020/21
Electricity service connections	12 667	12 667
Water - available within 200 m from dwelling	8 198	8 272
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 11: 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
Provision of uninterrupted and sustainable municipal services	Municipality continued to provide uninterrupted municipal services to the residents, despite the financial and economic challenges faced. The Municipality is serious about sustainable service delivery and enforced strict credit control mechanisms that lead to an improved cash position
Cash position of the Municipality	The efforts employed by the financial staff, in collaboration with other staff members, to ensure that the Municipality's cash position improve year on year, is evident by the sustainable service delivery rendered to all stakeholders. The Municipality is committed to further invest in its main assets that will ensure that they turn the Municipality around on the technical, electrical, financial and corporate administrative level
COVID-19 implications	The Municipality raised to the occasion to tackle COVID-19 challenges in the community and workplace, that impacted on the financial sustainability. The Municipality is serious in sustainable service delivery and is committed to reduce COVID-19 cases. The COVID-19 Coordinator engaged with various stakeholders to tackle the pandemic as it impacted severely on the finances of the Municipality

Table 12: Financial Viability Highlights

1.4.2 Financial Viability Challenges

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

Challenge	Action to address
The continued non-payment of municipal services by municipal customers resulted in high outstanding balances of creditors. The situation led to ESKOM threatening to	Stricter implementation of the Credit Control Policy must be applied

Challenge	Action to address
discontinue the electricity supply within the municipal area. This results in incurring of fruitless and wasteful expenditure (payment of interest on outstanding Eskom account). The payment percentage decreases month to month	
The low collection rate and the increase of outstanding debtors remains the biggest challenge facing the Municipality	Enhancement of financial management principals should lead to greater efficiency of cash flow
Inadequate financial and technical planning lead to slow spending of Conditional Grants that must be returned to National Treasury. Improper mSCOA implementation contributes to incapacity of staff with regard to reporting. System developers are not fully mSCOA compliant which impacts negatively on the operations of the Municipality	Staff must attend training for the various financial management modules and systems. The office of the Chief Financial Officer and Infrastructure will ensure that conditional grants are spent optimally
Decline in cash reserves impact negatively on the Municipality's ability to secure long term debt for capital programmes	Proper cash flow management will be adhered to in combination with the credit control implementation

Table 13: 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	2019/20	2020/21
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))	0.11%	132.50%
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)	22.40%	33.30%
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)	(0.86)	0.37

Table 14: 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	2018/19	2019/20	2020/21
Opinion received	Qualified	Qualified	Qualified

Table 15: Opinion Received

1.6 2020/21 INTEGRATED DEVELOPMENT PLAN (IDP)/BUDGET PROCESS

The table below provides details of the 2020/21 IDP/Budget process:

No.	Activity	Responsible person	Date
Pre-budgeting processes/tasks			
1.	PRE-BUDGETING PROGRESSES / TASKS		
	PLANNING & STRATEGISING		
A.	SUBMISSION OF BUDGET SCHEDULE & IDP REVIEW PROCESS TO THE MAYOR	MM & CFO	18/08/2020
1.1	Appoint Budget Task Team for compilation of 2020/2021 Capital & Operating Budget	MM	31/08/2020
1.2	Verifying DORA for allocations Evaluate	CFO	12/11/2020
1.3	Investigate DORA for allocations Evaluate	CFO	14/10/2020
1.4	Evaluate possible roll over Capital projects	MM	15/12/2020

No.	Activity	Responsible person	Date
1.5	Issuing of Budget guidelines and other departmental budget submission guidelines	CFO	22/09/2020
1.6	Preparing of programme for IDP steering committee & community involvement meetings	Mayor & MM	16/10/2020
1.7	Negotiation of new contracts and renegotiation of expired contracts or contracts that will expire during the period to 30 September 2019 with supplies and other service providers	MM, CFO, HOD's	29/09/2020
1.8	Requesting Budgetary inputs, suggestions, recommendations, possible sources of revenue from HOD's for respective departments.	MM & HOD's	29/09/2020
1.9	Calculate, investigate & identify over-and under spending on voters, departments such <ol style="list-style-type: none"> i. Once-off events ii. Recurrent events iii. Future tendencies of accounts 	CFO & HOD's	15/12/2020
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 IDP prioritizing and sector departments meeting 	Mayor, MM	29/09/2020 13/10/2020 24/11/2020 02/02/2020
2.2	Community IDP and Budget Input meetings <ol style="list-style-type: none"> i. Combined Ward Committee Meetings: All 8 wards 	Mayor, WC, Councillors, MM	06/10/2020
2.3	Community IDP Budget Input meetings <ol 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 ix. Input Meeting: Business Community, Agricultural Community, NGO's 	Mayor, WC, MM & CFO	Between 12/10/2020 to 16/10/2020
2.4	Performance Management Input meetings	Mayor, MM	19/10/2020
2.5	IDP Sectoral Meeting with Pixley Ka Seme District Municipality, Regional Government departments	Mayor, WC, Exco, Cllrs, MM & HOD's	09/02/2021
2.6	Community IDP & Budget Report Back meetings <ol style="list-style-type: none"> i. Report back Meeting: Ward 1 ii. Report back Meeting: Ward 2 iii. Report back Meeting: Ward 3 iv. Report back Meeting: Ward 4 v. Report back meeting: Ward 5 vi. Report back meeting: Ward 6 vii. Report back meeting: Ward 7 viii. Report back meeting: Ward 8 	Mayor, WC, Exco, Cllrs, MM & HOD's	Between 05/04/2021 to 18/05/2021

No.	Activity	Responsible person	Date
	ix. Report Back Meeting: Business Community, Agricultural Community, NGO's Report Back Meetings		
2.7	Performance Audit Committee Meetings i. Report Back Meetings ii. Review Meetings iii. Final Prioritizing Meetings	Mayor, MM and PMS Steering Committee	10/10/2020
Budget preparatory process			
3.1	Draw up current staff budget according N.T	MM & HOD's	28/09/2020
3.2	Evaluate and record proposals and Report Back from HOD's(income & expenditure sources)	MM, CFO & HOD's	20/10/2020
3.3	Determine and calculate redemption and fiancé costs for 2019/20 budget fin year	CFO	29/09/2020
3.4	Preparations of Budgeted Yearly Income and Expenditure levels, and proposed Draft tariffs	CFO	02/11/2020
3.5	Record all inputs received from IDP forums, Communities, Ward Committees and other stakeholders	Mayor, Cllrs, MMCFO, &	19/10/2020
3.6	Compile first draft with budgeted Inc & Exp	CFO	15/12/2020
3.7	Compile first draft with budgeted capital projects and financing source of project that links with IDP projects, including Draft SDBIP	Mayor, MM & CFO	10/11/2020
3.8	Distribute First draft of budget to mayor, Exco Members, Clrs, MM, HOD's	Mayor, MM, HOD's	17/11/2020
3.9	Budget Monitoring Meeting with Technical Steering Committee	Mayor, MM & HOD's	19/11/2020
3.10	Setting of Strategic Objectives for the next MTEF period	Mayor, Council & MM	20/10/2020
Budgetary policies			
4.1	Finalization of Tariffs policies i. Personnel related Policies ii. Rates policy iii. Electricity policy iv. Water & Sanitation policy v. Credit Control Policy vi. Indigent Policy vii. Other Services policies	Mayor	16/03/2021
4.2	Finalization IDP Review document	Mayor, MM	08/03/2020
4.3	Finalization of Strategic Policies documents such as - LED policy - Spatial Development policy(unlikely) - Tourism policy - Transport policy (do we need one?) - Other strategic policies	MM	08/03/2020
4.4.	Finalization of Compilation of Business Plan for submission to Government dept. and private Institutions	MM	08/03/2020
4.5	Application of Electricity Tariff Increment with NERSA	MIS & CFO	29/01/2021
5.	BUDGET APPROVAL PROCESS	Mayor & MM	31/05/2021
Tabling of budget			
5.1	Submission of Revised Integrated Development Planning of Mayor	MM	15/03/2021

No.	Activity	Responsible person	Date
5.2	Submit first draft of 2020/2021 Capital and Operating Budget to Mayor	MM; CFO	16/03/2021
5.3	Tabling of Draft 2002/2021 Capital and Operating Budget to Council	Mayor	31/03/2021
5.4	Tabling of Budgetary Policies to Council	Mayor	31/03/2021
5.5	Tabling of Final 2020.2021 Capital and Operating Budget	Mayor	31/05/2021
5.6	Submission of SDBIP to Mayor	MM	08/06/2021
Approval of budget and policies			
6.1	Approval of Revised Integrated Development Planning	Council	31/05/2020
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 v. Water & Sanitation policy vi. Credit Control Policy vii. Indigent Policy viii. Other Services policies 	Council	31/05/2021
6.3	Approval of Tariffs <ul style="list-style-type: none"> i. Rates tariffs ii. Water tariffs iii. Electricity tariffs iv. Sewerage tariffs v. Refuse tariffs vi. Secondary tariffs as indicated in the list of tariffs 	Council	31/05/2021
6.4	Approval of Budgets Capital Budget for 2020/2021 Operating Budget for 2020/2021	Council	31/05/2021
6.5	Approving of SDBIP	Council	28/06/2021
Finalizing			
7.1	Approval of SDBIP	Mayor	28/06/2021
7.2	Submission of Approved Budget and SDBIP to <ul style="list-style-type: none"> - National Treasury PT & RT - SALGA - DHLG - Pixley Ka Seme 	MM	14/06/2021
7.3	Publication of High Level Summary Budget & SDBIP <ul style="list-style-type: none"> i. Website ii. Local Newspaper iii. Hard Copies 	MM	14/06/2021

Table 16: 2020/21 IDP/Budget Process

1.7 B-BBEE COMPLIANCE PERFORMANCE INFORMATION

Section 121(3)(k) of the MFMA indicates that the annual report of a municipality should include any other information as may be prescribed. The Broad Based Black Economic Empowerment (B-BBEE) Act (Act 53 of 2003; as amended by Act 46 of 2013) read in conjunction with the B-BEE Regulations of 2016 states in Section 13G(1) that all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their Annual Financial Statements and Annual Reports. In accordance with the explanatory notice (Notice 1 of 2018) issued by the B-BBEE Commission the following tables provide details on the municipality's compliance with regard to broad-based black economic empowerment:

1.7.1 Management Control

Category	Number	Race Classification	Gender	Disability
Senior Management	5	3 African 2 Coloured	4 Male 1 Female	0

Table 17: Management Control

1.7.2 Skills Development

Category	Number	Race Classification	Gender	Disability	Total Amount Spend
Black employees	0	0	0	0	0
Black non-employees	0	0	0	0	0
Black people on internships, apprenticeship, learnership	5	3 Coloured 2 Blacks	2 Males 3 Females	0	0
Unemployed black people on any programme under the learning programme matrix	0	0	0	0	0
Black people absorbed at end of internships, apprenticeship, learnership	2	1 Coloured 1 Black	2 Females	0	0

Table 18: Skills Development

1.7.3 Enterprise and Supplier Development

Total Procurement Spend			
Total Number of Suppliers	12	Total Value Spend ('000)	11 435
Total number of Exempt Micro Enterprises (EME's) suppliers	Total Value Spend ('000)	% Black Ownership	%Black women ownership
4	11 435	100	0

Table 19: Enterprise and Supplier Development

1.8 MUNICIPAL COST CONTAINMENT MEASURES

1.8.1 Municipal Cost Containment Regulations (MCCR)

National Treasury first published the draft MCCR for public comment on 16 February 2018, with the closing date being 31 March 2018. Comments were received, from the Department of Cooperative Governance and Traditional Affairs, SALGA, municipalities and other stakeholders. After extensive consultation and consideration of all comments received, the MCCR were finalised and promulgated on 7 June 2019 in the Government Gazette, with the effective date being 1 July 2019.

1.8.2 Municipal Cost Containment Policy

The MCCR do not apply retrospectively, therefore will not impact on contracts concluded before 1 July 2019. If municipalities and municipal entities decided to extend current contracts, such contracts should have been aligned with the principles outlined in the MCCR and SCM regulations.

Regulation 4(1) of the MCCR requires municipalities and municipal entities to either develop or review their cost containment policies. The MCCR require municipalities to adopt the cost containment policies as part of their budget related policies prior to 30 September 2019. The Emthanjeni Municipality adopted cost containment policies on 31 May 2020.

1.8.3 Cost Containment Measure and Annual Cost Saving

The effective implementation of the MCCR is the responsibility of the municipal council and the municipal accounting officer. In terms of the cost containment framework provided in the MCCR, which is consistent with the provisions of the MFMA and other government pronouncements, the following cost savings for the financial year are disclosed:

Cost Containment Measure	Cost Containment		
	Budget	Total Expenditure	Savings
	R'000	R'000	R'000
Use of consultants	10 607	7 009	3 598
Vehicles used for political office - bearers	0	0	0
Travel and subsistence	1 909	340	1 569
Domestic accommodation	0	0	0
Sponsorships, events and catering	0	0	0
Communication	0	0	0
Other related expenditure items	33 935	27 943	5 992
Total	46 451	35 292	11 159

Table 20: Cost Containment

1.9 COVID - 19

On 15 March 2020 President Cyril Ramaphosa declared South Africa Covid-19 epidemic a national state of disaster under the Disaster Management Act 57 of 2002. This was done primarily, as the President stated it, to enable the government to "have an integrated and coordinated disaster management mechanism that will focus on preventing and reducing the outbreak of this virus." The declaration enabled the government to issue a slew of regulations, directions, and guidelines to contain and mitigate the impact of the pandemic.

During a state of disaster, the DMA allows the government to issue regulations to restrict, *inter alia*, movement of persons and goods "to, from or within the disaster-stricken or threatened area, ... the suspension or limiting of the sale, dispensing or transportation of alcoholic beverages in the disaster-stricken or threatened area.... [or] any other steps that may be necessary to prevent an escalation of the disaster, or to alleviate, contain and minimise the effects of the disaster..." (section 27(2).)

Similarly, the Disaster Management Regulations of 2004 (DMR) (as amended) state that:

"any Minister may issue and vary directions, as required, within his or her mandate, to address, prevent and combat the spread of COVID-19, from time to time, as may be required, including...steps that may be necessary to prevent an escalation of the national state of disaster, or to alleviate, contain and minimise the effects of the national state of disaster." (section 10(8).)

These regulations and the pandemic itself have had a major impact on the basic service delivery and operations of local government, who had to adjust with immediate effect not only identified risks, projects, man power but also budgets.

1.9.1 COVID-19 Committee

On March 2020 the Emthanjeni Municipality was directed to serve at the District Joint Operation Centre committee as the biggest and hosting municipality within Pixley Ka Seme District. The committee comprises of members from all spheres of government.

The District Joint Committee has the following functions:

- To monitor compliance and enforcement of Disaster Management Act regulations
- Submit reports to the provincial government on activities within the District
- Developing strategies to mitigate risk for spreading of the virus
- Coordinate and monitoring allocation of resources

1.9.2 Committee Members

The table below indicates the members that serve on the District Joint Centre Committee that conducted bi-monthly meetings:

Name of representative	Representative forum
TW Msengana	Emthanjeni Municipality
H Biko	Social Development
P Jobe	South African Social Security Agency
Adonis	South African Police Services
R Petersons	Pixley Ka Seme District Municipality
Silengile	Department of Education
Z Mjandana	CoGHSTA

Table 21: Committee Members

1.9.3 COVID-19: Statistical Information

The table below indicates the documented statistical information for covid-19 within Emthanjeni Municipality area from 01 July 2020 - 30 June 2021.

Description	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021
Infections	236	490	0	461	61	301	500	51	22	49	325	279
Deaths	2	5	0	1	2	7	9	8	2	1	1	0
Recoveries	92	373	199	22	42	625	658	47	33	21	300	271

Table 22: COVID-19: Statistical Information

1.9.4 Challenges: COVID-19

The table below gives a brief description of the COVID-19 challenge during the 2020/21 financial year:

Challenge	Corrective action
Insufficient funds to procure PPE's	Submitted business plans to national government for funding
Adherence to COVID-19 regulations	Appointed COVID-19 screener for awareness programs
Disruption of service when employee has tested positive with COVID-19	Closing only the affected session and fumigating overnight
Fear of employee when one employee tested positive	Infected and affected employees referred to Employee Wellness Program and awareness programs for communities
Withdrawal of COVID-19 volunteers because of raise of infections and the realities of people dying	Senior Manager in different department were recruited as volunteers

Table 23: Challenges: COVID-19

1.9.5 Address COVID-19 Associated Risks

The table below provide the actions implemented/that will be implemented to address the COVID-19 associated risks:

Risk	Action implementation
High infections from taxi commuters	Distribution PPE's and awareness for public transport
Limited space at mortuaries	Utilisation of government mortuaries
Closing of small businesses	Strengthening LED initiatives to support struggling SMME's
Insufficient space at graveyards	Application for funding of additional graveyards
Insufficient resources	Redirecting and reprioritising funds

Table 24: Address COVID-19 Associated Risks

1.9.5 COVID - 19 Communication/ Awareness

The table below indicates the different communication/awareness statistical information the municipality has implemented:

Communication/ Awareness campaign	Platform/ channel utilised	Date
Information sharing and updates	Municipal Facebook page	Weekly
Educating of religious leaders on level 3 regulations	Contact sessions	14 July 2020
Public awareness on Covid-19 resolutions	Radio	18 July 2020
Educating bereaved families about funeral regulations	House visits	Every Tuesday
Third wave awareness at magistrate building, ATM's and taxi ranks	Contact session	14 May 2021
Vaccine awareness	Contact session at CBD	20 May 2021
Information session with taxi owners and drivers and distribution of PPE's	Contact session	25 May 2021

Table 25: COVID - 19 Communication/ Awareness

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
	2019/20	2020/21
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)	80.00%	9.00%

Table 26: 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 2020/21 financial year:

Name of Councillor	Capacity	Political Party	Ward representing or proportional
ST Sthonga	Mayor	ANC	Proportional
MC Kivedo	Speaker	ANC	Proportional
RR Faul	Ward Councillor	ANC	Ward 1
D Vanel	Ward Councillor	ANC	Ward 2
NP Mkhontwana	Ward Councillor	ANC	Ward 3
PD Van Wyk	Ward Councillor	ANC	Ward 4
WJ Du Plessis	Ward Councillor	DA	Ward 5
LE Andrews	Ward Councillor	ANC	Ward 6
L Billie	Ward Councillor	ANC	Ward 7
PP Mhlauli	Ward Councillor	ANC	Ward 8
NP Bushula	Proportional	DA	Proportional
S Wales	Proportional	DA	Proportional
CJ Louw	Proportional	DA	Proportional
J Hoffman	Proportional	DA	Proportional
MO Maramba	Proportional	EFF	Proportional

Table 27: Council 2020/21

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 28: Executive Committee 2020/21

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
NP Mkontwana	D Vanel
	MD Maramba
Infrastructure Services Committee	
Chairperson	Other members
ST Sthonga	PD van Wyk
	HJ Rust
Municipal Public Accounts Committee	
Chairperson	Other members
L Billie	PP Mhaulti
	NP Bushula
Rules Committee	
Chairperson	Other members
MC Kivedo	RR Faul
	MO Maramba
	WJ du Plessis

Table 29: 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
L Thiso	Infrastructure Services

Table 30: 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 and Strategic Services	Promotion of municipalities as tourism destinations
Local Economic Development Forum	Manager Development and Strategic Services and Local Economic Development Officer	Promoting local economic development within municipalities
Integrated Development Plan Provincial Engagement	Manager Development and Strategic Services 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	Senior Manager Infrastructure Service	Implementation of infrastructure programs
Expanded Public Works Program Forum	Senior Manager Infrastructure Service and 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 Conferences focusing on the benefits for the

Name of structure	Members	Outcomes of engagements/topics discussed
Renewable Energy Conference Working Group	Senior Manager Corporate Services and Manager Development and Strategic Services	province and municipality from these projects
Transport Logistic Hub Steering Committee	Senior Manager Corporate Services and Manager Development and Strategic Services	Possibility of establishing a PPP for construction of logistic hub
SDF Forum	Skills Development Facilitator	Coordination of skills development programs
HR Practitioner's Forum	Senior Manager Corporate Services	Sharing of best practices and case laws
Librarians Forum	Chief Librarian	Sharing of Best Practices
Karoo Small Town Regeneration Forum	Manager Development and Strategic Services	Supporting and capacitating municipalities

Table 31: 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
District Joint Committee	COVID 19 prevention	Department Social Development South African Social Security Agency South African Police Services Department of Education COGHSTA	<ul style="list-style-type: none"> Monitor compliance and enforcement of Disaster Management Act regulations Reporting to the provincial government on activities within the District Developing strategies to mitigate risk for spreading of the virus Coordinate and monitoring allocation of resources

Table 32: 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
B Sight	Women
C Ferris	Women
M Groep	Youth
J Fredericks	Business
J Hoogstander	Women
A Louw	Women

Table 33: Ward 1 Committee Members

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

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

Table 34: Ward 2 Committee Members

c) Ward 3: Nonzwakazi, Portion of Waterdal

Name of representative	Capacity representing
N Nonzapa	Women
N Sijeku	Youth
C Mangoali	Women
T Dyushu	Man
N Dyushu	Youth
Z Jacobs	Elderly
V Monna	Youth
P Sgonyela	Women

Table 35: 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	Elderly/Disabled
N Brandt	Youth
N Ndzunga	Women
E Sigonyela	Men

Table 36: Ward 4 Committee Members

e) Ward 5: Portion of town Area and Louisville

Name of representative	Capacity representing
E Kammies	Elderly
W Hendricks	Women
P Holstruis	Youth
B Eiman	Youth
M Booyesen	Women
J Hendricks	Youth
M Louw	Women

Table 37: 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	Elderly
B Nkumbi	NGO (Creche)
M Lotriet	Women
V Bathwali	Sector Departments
A Harmse	Farmer
B Mali	Youth
E Tys	Youth

Table 38: Ward 6 Committee Members

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

Name of representative	Capacity representing
M Seekoei	Youth
C Eland	Women
M Du Preez	Elderly
L Baartman	Farmer
W Eland	Youth
L Dawids	Elderly
N Mdebuka	Women

Table 39: 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	Elderly
X Mafilika	Women
L Madyoli	Elderly
P Vywer	Women
E Lakay	Youth

Table 40: Ward 8 Committee Members

2.4.2 Representative Forums

a) Labour Forum

The table below specifies the members of the Labour Forum for the 2020/21 financial year:

Name of representative	Capacity
N Mkontwana	Chairperson (employer)
S Sthonga	Employer
W Du Plessis	Employer
L Andrews	Employer
C Nyl	Vice Chairperson (worker)
M Sivuyile	Member (Samwu)
M Mhlaba	Member (Samwu)
L Oliphant	Member (Samwu)
T Mosia	Member (Samwu)
V Mkozana	Member (Imatu)

Table 41: 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
Inability of the Municipality to meet Operation Clean Audit target	Consultants appointed, continuous training for finance staff and non-financial staff, quarterly key audit control meetings with Auditor General. Monthly Audit Action Plan meetings. SCM policies and procedures, MPAC	Medium	MM	Inhouse continuous training (refresher courses) Improvement on filing system, develop Consequence Management Policy Structured skills transfer	Ongoing
Under spending of conditional grants	Monitoring and supervision of service providers, procurement plans in place. Proper master plans, approved business plans as back up	Medium	MM	Enforcement and monitoring of the procurement plan	Ongoing
Unauthorised, Irregular, and fruitless expenditure	Monthly expenditure reports, checking and authorisation, workshops on SCM. SCM Compliance Checklist	High	MM	Consequence management, Include UIF in the KPA's, MPAC, Develop UIF register	30 June 2021
Fraud and corruption	Delegations, Financial misconduct board. SCM checklist, fraud prevention plan, Internal Auditors, Internal controls	Medium	MM	Review fraud prevention plan	31 July 21
Customer/ Creditors dissatisfaction	Public participation programmes, verification of accounts, advocacy sessions with service providers. Complain box at the entrance	Low	MM	Conduct customer satisfaction survey, Effective implementation of credit control	Ongoing
Inability of the Municipality to remain within the allocated budget and planned activities (SDBIP)	Oversight committee, electronic SDBIP system, monthly expenditure reports, six monthly cash flow projections, adjustment budget, quarterly	Medium	MM	Strict implementation budget policies, Revenue enhancement strategy.	Ongoing

Risk	Current Controls	Residual Risk Exposure	Risk Owner	Action Plans	Action Plan Date
	council meet the people., MPAC				
Inadequate reporting on Municipal performance information	Quarterly review sessions, awareness programmes for internal/external stakeholder, monthly reporting system, PMS POE's	Medium	Corporate Services	Maintain controls	ongoing
Low investors interests	Engagements with SMME's, training of LED official. Public participation committees. LED mentorship programme. Assistance from Transnet	Low	MM	Liaise with sector departments to build investor confidence. Mentorship programme to be considered, Implement LED Strategy	30 June 2021
Failure to render sufficient support to SMME's and emerging farmers	Coordinated programmes with private sector (IPP'S) and sector departments,	Medium	MM	Progress reports. Liaise with sector departments to build investor confidence	31-Jul-21
Infrastructure backlogs (roads, stormwater and sewerage/ Britstown and Hanover)	Comprehensive Infrastructure Plan, submit business plans for funding. Reports to Council	Medium	MM	Town planner and building control officer	ongoing

Table 42: 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
F Manuel	CFO	No meetings held during the year
T Msengana	Senior Manager Corporate Services	
M Joka	Senior Manager Community Services	
L Thiso (From April 2021)	Senior Manager Infrastructure Services	
Z Mtwana	PMS / Risk Officer	

Table 43: 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.

2.6.1 Developed Strategies

Name of strategy	Developed (Yes/No)	Date Adopted
Fraud and Corruption Policy	Yes	May 2018
Supply Chain Management Policy	Yes	May 2020
Cost Containment Policy	Yes	May 2020

Table 44: Strategies

2.6.2 Implementation of Strategies

Strategies to implement	Key Risk Areas	Key measures to curb corruption and fraud
To address any issue of fraud and corruption	Override processes and controls	Review the controls and assessed risks regularly
To avoid any Irregular, Fruitless and Wasteful Expenditure	To ensure that service providers are appointed correctly	Report to Municipal Public Accounts Committee (MPAC) and Executive Committee (EXCO) on a continuous basis
Make payments for actual goods and services received or rendered	Ensure that proper audit trails are complied with	Review the Standard Operating Procedures (SOP's) on a regular basis to ensure that before payments are made it is in compliance with specifications

Table 45: 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):

2.7.1 Functions of the Audit Committee

- 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

2.7.2 Members of the Audit Committee

The following table indicates the members of the Audit Committee:

Name of representative	Capacity
ST Hendricks	Acting Chairperson: Audit Committee
AF Jaftha	Audit Committee Member
C Delaney	Audit Committee Member
EJD Brown	Chairperson: Audit Committee (resigned)

Table 46: 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.

2.8.1 Functions of the Performance Audit Committee

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

2.8.2 Members of the Performance Audit Committee

The following table indicates the members of the Performance Audit Committee:

Name of representative	Capacity
ST Hendricks	Acting Chairperson: Audit Committee
AF Jaftha	Audit Committee Member
C Delaney	Audit Committee Member
EJD Brown	Chairperson: Audit Committee (resigned)

Table 47: 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 48: Communication Activities

Newsletters

Type of Newsletter	Distributed
Internal	No
External	No

Table 49: Newsletter

Additional Communication Channels Utilised

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

Table 50: 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 2020/21	Yes
Adjusted Budget 2020/21	Yes
Asset Management Policy	Yes
Customer Care, Credit Control & Debt Collection Policy	Yes
Indigent Policy	Yes
Investment & Cash Management Policy	Yes

Description of information and/or document	Yes/No
Rates Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes
Travel and Subsistence Policy	Yes
SDBIP 2020/21	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 2020/21	Yes
IDP Process Plan for 2020/21	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 2019/20	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 51: Website Checklist

CHAPTER 3

This chapter provides an overview of the key service achievements of the Municipality that came to fruition during 2020/21 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 2020/21 was approved by Council on 28 May 2020. 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 2020. 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 2020/21 financial year were signed in July 2020.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2019/20 financial year (1 January 2020 to 30 June 2020) took place on 26 November 2020 and the mid-year performance of 2020/21 (1 July 2020 to 31 December 2020) took place on 28 May 2021.

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 2020/21

This section provides an overview of the key service achievements of the Municipality that came to fruition during 2020/21 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.

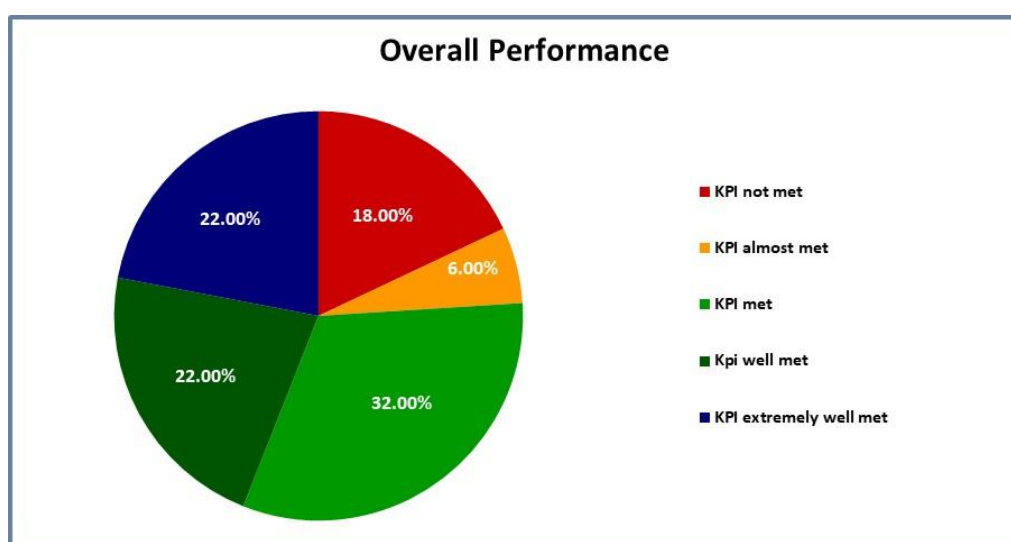
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI's applicable to 2020/21 in terms of the IDP strategic objectives.

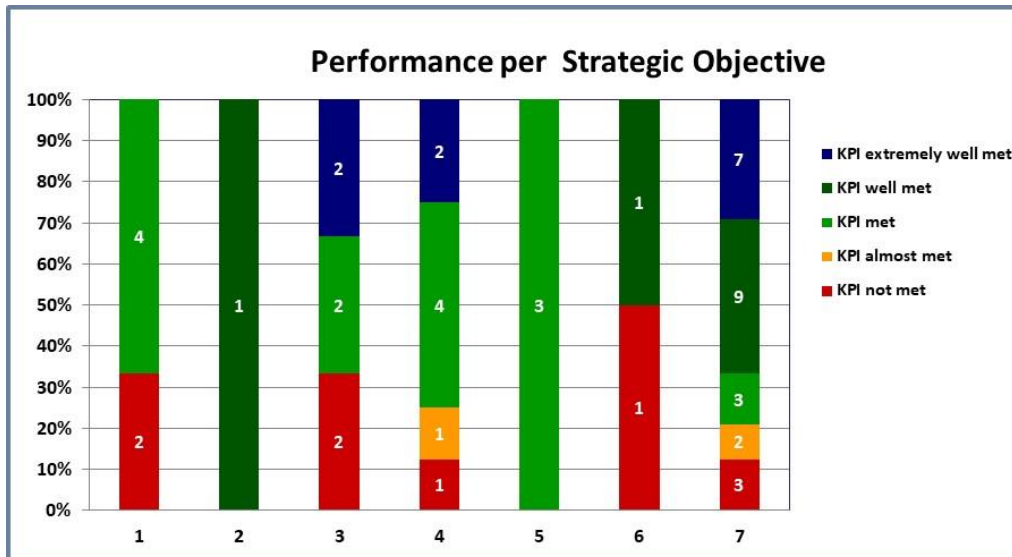
The following table explains the method by which the overall assessment of the actual performance against the targets set for the KPI's of the SDBIP are measured:

Category	Colour	Explanation
KPI Not Met	Red	0% > = Actual/Target < 75%
KPI Almost Met	Orange	75% > = Actual/Target < 100%
KPI Met	Light 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

Measurement 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
KPI Not Met	2	0	2	1	0	1	3
KPI Almost Met	0	0	0	1	0	0	2
KPI Met	4	0	2	4	3	0	3
KPI Well Met	0	1	0	0	0	1	9
KPI Extremely Well Met	0	0	2	2	0	0	7
Total	6	1	6	8	3	2	24

Table 52: Top Layer SDBIP per Strategic Objectives

a) **Actual strategic performance for 2020/21 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**

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL7	60% 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	26.00%	5.00%	25.00%	50.00%	60.00%	60.00%	15.57%	R
	Reason & Corrective Measures	Due to non-availability of cashflow. Once we have enough cashflow more spending will be done.									
TL13	Sign a MOU with the Department of Defence by 30 June 2021 for support with fire brigade services	MOU signed by 30 June 2021	All	1	0	0	0	1	1	1	G
TL14	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	0	0	0	1	1	1	G
TL19	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	0	0	0	1	1	1	G
TL20	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	85.00%	0.00%	15.00%	0.00%	70.00%	70.00%	16.40%	R
	Reason & Corrective Measures	Due to non-availability of cashflow. Once we have enough cashflow more spending will be done.									
TL21	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	0	0	0	0	1	1	1	G

Table 53: 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

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL27	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	3 335	3 000	3 000	3 000	3 000	3 000	3 916	G2

Table 54: 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

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					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 2021	Number of people employed (newly appointed)	All	1	0	0	0	1	1	2	B
TL3	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	0.09%	0.00%	0.00%	0.00%	0.10%	0.10%	0.00%	R
	Reason & Corrective Measures	Due to COVID-19 restrictions, no training happened. Will resume once situation improves.									
TL4	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	0	0	0	1	1	1	G
TL5	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%	0.00%	15.00%	0.00%	15.00%	15.00%	7.48%	B
TL10	Review the Delegation of Powers and submit to Council by 30 June 2021	Delegation of Powers reviewed and submitted to	All	0	0	0	0	1	1	0	R

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
		Council by 30 June 2021										
	Reason & Corrective Measures	Could not be reviewed due to consultation process which could not unfold due COVID-19 restrictions. Will be reviewed during the 2021/22 financial year.										
TL11	Submit quarterly reports to the HR Portfolio Committee on the implementation of the COVID-19 response plan	Number of reports submitted	All	New Key Performance Indicator for 2020/21	1	1	1	1	4	4	G	

Table 55: 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

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL29	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2021 (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grants)	Debt to Revenue as at 30 June 2021	All	0.11	0.00%	0.00%	0.00%	35.00%	35.00%	132.5%	R
	Reason & Corrective Measures	The improvement of payment by debtors will contribute to positive cashflow position. This will then have beneficial effect on the debt / revenue ratio.									
TL30	Financial viability measured in terms of the outstanding service debtors as at 30 June 2021 (Total outstanding service debtors minus provision for bad debt) / (revenue received for services)	% of outstanding service debtors as at 30 June 2021	All	22.40%	0.00%	0.00%	0.00%	45.00%	45.00%	33.3%	B
TL31	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2021 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and	Number of months it takes to cover fixed operating expenditure with available cash	All	0.89	0	0	0	0.05	0.05	0.37	B

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	Provision for Bad Debts, Impairment and Loss on Disposal of Assets))											
TL32	Submit the annual financial statements to the Auditor-General by 31 October 2020	Statements submitted to the AG by 31 October 2020	All	1	0	1	0	0	1	1	1	G
TL33	Achievement of a payment percentage of above 40% 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	22.40%	70.00%	70.00%	40.00%	40.00%	40.00%	33.13%	33.13%	O
	Reason & Corrective Measures	The Collection rate and payment behaviour of debtors should be improved to ensure improve cash available.										
TL34	Prepare and submit the adjustments budget to Council by the 28 February 2021	Adjustments budget submitted by 28 February 2021	All	1	0	0	1	0	1	1	1	G
TL35	Prepare and submit the draft budget to Council by 31 March 2021	Draft budget submitted by 31 March 2021	All	1	0	0	1	0	1	1	1	G
TL36	Prepare and submit the final budget to Council by 31 May 2021	Final budget submitted by 31 May 2021	All	1	0	0	0	1	1	1	1	G

Table 56: 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

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL1	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	0	0	0	0	1	1	1	1	G
TL8	Review the Risk Committee and sent appointment letters to members by 31 March 2021	Risk Committee reviewed and appointment letters sent to members by 31 March 2021	All	New Key Performance Indicator for 2020/21	0	0	0	1	1	1	1	G
TL9	Review the Risk Strategy and submit to the Risk Committee by 30 June 2021	Risk Strategy reviewed and submitted to the	All	0	0	0	0	1	1	1	1	G

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
		Risk Committee by 30 June 2021										

Table 57: 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

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL6	Host a LED summit by June 2021	LED summit hosted by 30 June 2021	All	0	0	0	0	1	1	0	R
	Reason & Corrective Measures	LED summit was postponed due to Lockdown Regulations. Will be held in the 2021/22 financial year.									
TL38	Create temporary jobs - FTE's in terms of EPWP by 30 June 2021 (Person days / FTE (230 days))	Number of FTE's created	All	193	0	0	0	61	61	72	G2

Table 58: 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

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL12	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	0.00%	0.00%	0.00%	0.00%	70.00%	70.00%	96%	G2
TL15	Conduct quarterly housing consumer education programs	Number of housing consumer education programs conducted	All	5	1	1	1	1	4	4	G
TL16	Conduct a quarterly verification of the housing needs register	Number of verification of the housing needs register conducted	All	4	1	1	1	1	4	4	G
TL17	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	0	0	0	1	1	1	G
TL18	60% of the maintenance budget of waste management spent by 30 June 2021 ((Actual expenditure divided by the	% of the budget spent by 30 June 2021 ((Actual expenditure divided by the	All	90.00%	5.00%	25.00%	50.00%	60.00%	60.00%	102.14%	B

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	divided by the approved budget)x100)	approved budget)x100)									
TL22	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	0.00%	0.00%	0.00%	0.00%	70.00%	70.00%	96.00%	G2
TL23	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	8 000	8 000	8 000	8 000	8 000	8 183	G2
TL24	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	7 000	7 000	6 000	6 000	6 000	10 220	B
TL25	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	8 000	8 000	7 200	7 200	7 200	6 931	O
	Reason & Corrective Measures	The total number of levies are 7 496, but since the residential levy totaling 6 931, the actual target for residential levies will be recorded. The total connections will be re-examined to determine the exact household connections.									
TL26	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	8 000	8 000	7 200	7 200	7 200	7 261	G2
TL28	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	80.00%	0.00%	15.00%	0.00%	30.00%	30.00%	9%	R

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	Reason & Corrective Measures	Better and adequate planning on the capital budget programme should be taken place.									
TL37	40% 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	0.00%	0.00%	0.00%	0.00%	40.00%	40.00%	95.6%	B
TL39	60% 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	64.41%	5.00%	25.00%	50.00%	60.00%	60.00%	51.37%	O
	Reason & Corrective Measures	Due to cashflow position of municipality. More spending will be done once cashflow position improves.									
TL40	Limit unaccounted for water to less than 22% by 30 June 2021 [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) x 100]	% unaccounted water by 30 June 2021	All	24%	0.00%	0.00%	0.00%	22.00%	22.00%	15.2%	B
TL41	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	% water quality level	All	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	25%	R
	Reason & Corrective Measures	Quotations for chlorinators were sourced and submitted to Finance for approval. The quotations expired and are therefore no longer valid. Chlorinators will improve water quality. New quotations will be obtained and order in the 2021/22 financial year.									
TL42	60% 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	94.22%	5.00%	25.00%	50.00%	60.00%	60.00%	100%	B
TL43	60% 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	108.68%	5.00%	25.00%	50.00%	60.00%	60.00%	81.84%	G2

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL44	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	14.82%	0.00%	0.00%	0.00%	18.00%	18.00%	12.79%	B
TL45	60% 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	63.91%	5.00%	25.00%	50.00%	60.00%	60.00%	73%	G2
TL46	60% 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	86.67%	5.00%	25.00%	50.00%	60.00%	60.00%	63%	G2
TL47	70% of approved budget spent by 30 June 2021 for the electrification of 18 houses {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	6	New Key Performance Indicator for 2020/21	0.00%	0.00%	0.00%	70.00%	70.00%	42.18%	R
	Reason & Corrective Measures	Due to challenge of the procurement of the electrical kiosk by the service provider. Include stricter and firm terms of reference in the Tender specifications and request for bank guarantees from service providers.									
TL49	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	New Key Performance Indicator for 2020/21	0.00%	0.00%	0.00%	70.00%	70.00%	81%	G2
TL50	40% 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	0.00%	0.00%	0.00%	0.00%	40.00%	40.00%	96%	B
TL51	70% of approved budget spent by 30 June 2021 for the connection of 481 households to the sewer reticulation	% of approved budget spent	7	New Key Performance Indicator for 2020/21	0.00%	0.00%	0.00%	70.00%	70.00%	100%	G2

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2019/20	Overall Performance 2020/21						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	network in Britstown {(Actual expenditure divided by the total approved budget) x 100}										

Table 59: 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 Function	Municipal Function (Yes/ No)
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	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
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 60: 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 2020/21 financial year were 15.2% compared to the 24% in the 2019/20 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 Highlights: Water Services

The table below specify the highlight for the year:

Highlight	Description
Improvement in reservoir water levels	Reservoir water levels for July 2020 to December 2020 were at an average of 55% compared to the period of January 2021 to June 2021 an average of 75%

Table 61: Water Services Highlights

3.3.3 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 62: Water Services Challenges

3.3.3 Service Delivery Levels: Water Services

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

Households		
Description	2019/20	2020/21
	Actual	Actual
	No.	No.
<i>Water:(above min level)</i>		
Piped water inside dwelling	5 042	5 116
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
<i>Minimum Service Level and Above sub-total</i>	8 198	8 272
<i>Minimum Service Level and Above Percentage</i>	100	100
<i>Water:(below min level)</i>		
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
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total number of households	8 198	8 272
<i>Include informal settlements</i>		

Table 63: 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#
2019/20	189	8 009	8 192
2020/21	189	8 083	8 272
<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 64: Access to Water

3.3.4 Employees: Water Services

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	11	8	3	27.27
4 - 6	6	5	1	16.67
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	15	8	34.78

Table 65: 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 WWTW Phase 2 upgrade is pending approval from Municipal Infrastructure Grant (MIG).

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.

The Municipality received R7.4 million from the Municipal Infrastructure Grant (MIG) for the internal sewer reticulation of Proteaville and Jansenville that were completed 31 May 2021.

The business plan and technical report were finalised for the internal sewer reticulation of Mziwabantu and waiting for approval from MIG.

3.4.2 Highlights: Waste Water (Sanitation) Provision

The table below specifies the highlights for the year:

Highlights	Description
Upgrade of Britstown oxidation ponds	The construction of 2 pump stations and oxidation ponds were completed
Internal sewer reticulation of Proteaville and Tornadoville	Sewer connections of 481 houses to bulk sewer line

Table 66: 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
Shortage of staff in the Waste Water section	Filling of vacancies with experienced and qualified personnel
Funding for Internal Sewer Reticulation of Mziwabantu	Submission of business plans to COGSTA for funding

Table 67: 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 2019/20 and 2020/21 in the areas in which the Municipality is responsible for the delivery of the service:

Description	Households	
	2019/20	2020/21
	Outcome	Actual
	No.	No.
<i>Sanitation/sewerage: (above minimum level)</i>		
Flush toilet (connected to sewerage)	6 287	6 768
Flush toilet (with septic tank)	1 817	1 336
Chemical toilet	0	0
Pit toilet (ventilated)	0	0
Other toilet provisions (above min. service level)	0	0
<i>Minimum Service Level and Above sub-total</i>	8 104	8 104
<i>Minimum Service Level and Above Percentage</i>	98.33	98.33
<i>Sanitation/sewerage: (below minimum level)</i>		
Bucket toilet	138	138
Other toilet provisions (below min. service level)	0	0
No toilet provisions	0	0
<i>Below Minimum Service Level sub-total</i>	138	138
<i>Below Minimum Service Level Percentage</i>	1.67	1.67
Total households	8 242	8 242
<i>Including informal settlements</i>		

Table 68: 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	2020/21			
	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	8.3

Table 69: Employees Waste Water (Sanitation) Provision

3.4.6 Capital: Waste Water (Sanitation) Provision

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Britstown upgrade of oxidation ponds	25 200	4 000	3 889	21 200	25 200
481 Sewer house connections	7 300	0	6 808	0	7 300

Table 70: Capital Expenditure 2020/21: 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 2019/20 financial year were 14.82% whilst the losses in the 2020/21 financial year were 12.79%. This outcome gives an end result of a 2.03 % decrease 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 specifies the highlights for the year:

Highlights	Description
Retrofitting of LED streetlights in De Aar, Britstown and Hanover	Retrofitting of the following streetlights: <ul style="list-style-type: none"> • 30W Street Light • 60W Street Light • 85W Street Light • 400W Mast Light Lighting is efficient and brighter than ordinary lighting. It is also low on maintenance.
Electrification of houses - Hanover	Electrification of 18 houses in Hanover were completed

Table 71: 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
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 10%)
De Aar East Housing Project was not completed in time which hampered the electrification funding approval	Houses to be completed by the contractor

Table 72: Electricity Challenges

3.5.4 Service Delivery Levels: Electricity

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

Description	Households	
	2019/20	2020/21
	Actual	Actual
	No.	No.
<i>Energy: (above minimum level)</i>		
Electricity (at least min. service level)	6 149	2 166
Electricity - prepaid (min. service level)	6 518	10 444
<i>Minimum Service Level and Above sub-total</i>	12 667	12 610
<i>Minimum Service Level and Above Percentage</i>	100	100
<i>Energy: (below minimum level)</i>		

Households		
Description	2019/20	2020/21
	Actual	Actual
	No.	No.
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	12 610

Table 73: Electricity Service Delivery Levels

3.5.5 Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	10	4	6	60
4 - 6	11	6	5	45.45
7 - 9	4	3	1	25
10 - 12	8	7	1	12.5
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	0	0	0	0
Total	34	21	13	38.24

Table 74: Employees: Electricity Services

3.5.6 Capital: Electricity

The following table indicates the capital expenditure for this division:

R'000					
Capital Projects	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
EEDSM: Replacement of streetlights to LED lights	3 600	3 600	3 505	0	3 600
INEP: House connections in Hanover	3 000	1 010	490	1 990	1 010

Table 75: Capital Expenditure 2020/21: 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
Hanover and Britstown landfill sites	Permission was obtained from the Department of Environmental and Nature Conservation for the functioning of the Hanover and Britstown landfill sites
Cleaning campaigns	Dedicated cleaning campaigns were conducted throughout the year and on a quarterly basis Awareness campaigns were conducted
Establish of the management team	A management team was established to manage waste in the Municipal area (De Aar, Britstown and Hanover)
Appointment of Waste Management Officer	A Waste Management Officer was appointed

Table 76: 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 and increased visibility of law enforcement officers

Table 77: Waste Management Challenges

3.6.4 Service Delivery Levels: Waste Management

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

Description	Households	
	2019/20	2020/21
	Actual	Actual
	No.	No.
<i>Solid Waste Removal: (Minimum level)</i>		
Removed at least once a week	13 141	13 141
<i>Minimum Service Level and Above sub-total</i>	13 141	13 141
<i>Minimum Service Level and Above percentage</i>	100	100
<i>Solid Waste Removal: (Below minimum level)</i>		
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
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level percentage</i>	0	0
Total number of households	13 141	13 141

Table 78: Waste Management Service Delivery Levels

3.6.5 Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	69	56	13	18.84
4 - 6	17	10	7	41.18
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	22.44

Table 79: Employees: Waste Management

3.7 HOUSING

3.7.1 Introduction to Housing

Emthanjeni Municipality, as part of its commitment to the responsibilities identified within the Housing Act, must annually assess the status quo in terms of the delivery of sustainable human settlements. The Municipality should then develop a plan to create and achieve the development of sustainable human settlements.

The plan should guide the Municipality to achieve the set outcomes by means of developing a strategy and implementation framework. The framework should specify how the monitoring and evaluation will be conducted, as to measure the progress of achieving its set outcomes.

In terms of Section 9 (1) of the National Housing Act 107 of 1997, every Municipality must, as part of their Integrated Development Planning process, take all reasonable and necessary steps to ensure that the inhabitants within its area of jurisdiction have access to adequate housing on a progressive basis by setting housing delivery goals, identifying suitable land for housing development and planning, facilitating and coordinating housing development in its area of jurisdiction.

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

- Ensure that human settlements planning reflects a broad range of community level needs and concerns, and is based on credible data
- Align the Municipality's plans with National and Provincial Human Settlements Plans and priorities and to inform Provincial multi-year and annual performance plans and budgets
- Undertake human settlements planning as part of a broader, integrated strategy of the Municipality

Housing need:

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

Subsidy	4 304
Gap	250
Total	4 554

Table 80: Housing Needs

3.7.2 Highlights: Housing

The table below specifies the highlights for the year:

Highlights	Description
Servicing of 983 sites in De Aar	The servicing of 983 sites in De Aar were completed
Construction of 240 houses	The construction of 240 houses in De Aar were completed
Municipal Human Settlement Plan	The Municipal Human Settlement Plan was reviewed and approved

Table 81: Highlights: Housing

3.7.3 Challenges: Housing

The table below specifies the challenges for the year:

Description	Actions to address
Slow progress construction of 240 houses	Recovery plan to speed up progress is completed
Performance by contractors	Meet with the National Home Builders Registration Council (NHBRC) and the Housing Development Agency (HDA) to assist with training

Table 82: 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
2019/20	8 404	8 100	98%
2020/21	8 599	8 295	99%

Table 83: 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)
2019/20	4 359	(3)
2020/21	4 264	(2.2)

Table 84: Housing Waiting List

Financial year	Number of houses built	Number of sites serviced
2019/20	Construction of De Aar 353	600 Sites in De Aar
2020/21	Reduced to 240	983

Table 85: Houses Built and Sites Services

3.7.5 Employees: Housing

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	9	4	5	55.55

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
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	7	5	41.67

Table 86: 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 2019/20 financial year whilst it increased to 31.01% in the 2020/21 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	%
2019/20	12 615	3 335	26.44%	3 335	26.44%	3 335	26.44%	3 335	26.44%
2020/21	12 810	3 916	30.57%	3 916	30.57%	3 916	30.57%	3 916	30.57%

Table 87: 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
2019/20	3 335	50.00	2 255	9 280	50.00	6 275	676	50.00	453
2020/21	3 916	50.00	2 444	8 894	50.00	5 550	676	50.00	422

Table 88: 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
2019/20	3 335	115.10	4 606	9 280	115.10	12 818
2020/21	3 916	125.70	5 908	8 894	125.70	13 416

Table 89: 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
2019/20	3 335	206.11	8 249	9 280	206.11	22 952
2020/21	3 916	225.07	10 577	8 894	225.07	24 022

Table 90: 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	No. of HH	R value per HH	Value
			R'000			R'000
2019/20	3 335	1 (once)	5 143	9 280	128.52	17 319
2020/21	3 916	1 (once)	6 595	8 894	140.35	14 979

Table 91: 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. Rev Swart Crescent will be upgraded to an interlocking paving surface.

3.9.2 Highlights: Roads

The table below specify the highlight for the year:

Highlight	Description
Upgrade of Rev Swart Crescent Phase 2	Phase 2 of the upgrading of Rev Swart Crescent was done during 2020/21

Table 92: 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 93: 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
2019/20	114.47	0	0	114.47
2020/21	114.47	0	0	114.47

Table 94: 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
2019/20	91.15	0.25	0	0	91.4
2020/21	91.15	0	0	0	91.4

Table 95: 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		
2019/20	244.45	0	9 750
2020/21	0	0	9 750

The cost for maintenance includes stormwater

Table 96: Cost of Construction/Maintenance of Roads

3.9.5 Employees: Roads

The following table indicates the staff composition for this division:

Job Level	2020/21			
	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	52.94

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
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	42.10

Table 97: Employees: Roads

3.9.6 Capital: Roads

Capital Projects	R'000				
	2020/21				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Acquisition of fleet	12 000	2 000	1 914	10 000	18 000

Table 98: Capital Expenditure 2020/21: 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 system maintained	The stormwater system was maintained

Table 99: Waste Water (Stormwater) Highlights

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 100: 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
2019/20	0.05	0	0.28
2020/21	0	0	6.28

Table 101: 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	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	3	2	1	33.33
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	3	2	1	33.33

Table 102: Employees: 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.

The town planning firm, Data World, has been appointed by the Department of Agriculture, Rural Development and Land Reform to launch and successfully complete the drafting of a Land Use Scheme (LUS) for Emthanjeni-Umsobomvu ~, Thembelihle ~ and Siyancuma local municipalities. The purpose of the Land Use Management Scheme is to regulate, to handle and standardise general land uses and associated applications for the total municipal area. As at the end of June 2021 the drafting process was at Phase 2 and 3 which entailed data collection and an analysis report. According to the project timeline it is envisaged that the Final LUS will be approved and project concluded during the 2021/22 financial year.

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 3 weeks
District Municipal Planning Tribunal (DMPT) are fully functional	Several land use applications have been dealt with by the DMPT
Drafting of Land Use Scheme (LUS)	The DALRRD has appointed Data World as a service provider to draft a LUS for the Municipality. The project will be completed in the 2021/22 financial year

Table 103: 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
SDF is outdated and due to funding limitations cannot be reviewed	Source funding from DBSA and relevant stakeholders to review SDF

Table 104: 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	
	2019/20	2020/21	2019/20	2020/21
Planning application received	0	0	8	11
Determination made in year of receipt	0	0	7	10
Determination made in following year	0	0	2	1
Applications withdrawn	0	0	0	0
Applications closed	0	0	6	10
Applications outstanding at year end	0	0	2	1
Awaiting DEA&DP decision	0	0	0	0

Table 105: Applications for Land Use Development

Type of service	2019/20	2020/21
Building plans application processed	68	94
Total surface (m ²)	6 885.82	8 415.82
Approximate value	R23 693 409	R35 995 411
New residential dwellings	3	10
Residential extensions	56	69
New Business buildings	1	6
Business extensions	2	8
Land use applications processed	8	11

Table 106: Additional Performance Town Planning and Building Control

3.11.5 Employees: Planning

The following table indicates the staff composition for this division:

Job Level	2020/21			
	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 107: 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 was assisted by the Department of Economic Development and Pixley Ka Seme District Municipality with the development of the LED Strategy. The Municipality's LED Strategy has been finalized and approved by Council during 2018. The Local Economic Development Strategy is an economic analysis of the Emthanjeni Municipal area. It plays a major role in allowing Emthanjeni Local Municipality to meet its constitutional obligations, to promote and drive economic development in the local community through creating economic and employment opportunities.

3.12.1 Highlights: LED

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

Highlights	Description
SMME's COVID-19 relieve funds	Some of the SMME's benefited from the activities related to COVID -19 by venturing to the new business area
Availing of commonage land	The Municipality has availed land to local black women for the implementation of Face Brick Projects. The Municipality has availed land to Emerging Farmers at rental cost of R5 per hectare
Vacancies in Development Unit	The Municipality appointed a Commonage Coordinator to coordinate and monitor the municipal commonage and provide support to emerging farmers. The Municipality appointed a female in the position for Manager: Development and Strategic Services
Influx of franchise businesses	We have seen influx of national franchise businesses like Clicks and Studio 88 etc. in De Aar
Renewable energy opportunities	Mulilo presented their Solar PV project to management and council and will start with registration of jobseekers and local SMMEs during the 2021/22 financial year
Fibre and Wi-Fi networks	Herotel started with installation of fibre network in De Aar
Stakeholder and investor relations	The Municipality maintained a very good relationship with investors who envisage to invest or develop projects within the municipal area
Land availability and open wide spaces for development	The municipality has land available for Investment and development opportunities
Karoo 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

Table 108: 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 COVID-19	Integrated approach with all stakeholders to re-active economic activities
Vandalism at taxi rank	Renting of carwash and toilet facility to private business to stop vandalism and generate rental income
Lack of funding and COVID-19 lockdown restrictions prohibits hosting of LED Summit	Summit has been postponed until 2021/22 financial year until lockdown restrictions will be lifted as well as cashflow situation of municipality improves
Aged infrastructure limits large scale development projects	Submission of business plans for funding to upgrade and eradicate infrastructure backlogs. Development of Infrastructure Master Plans

Table 109: Challenges LED

3.12.3 Job Creation: EPWP

Details	Jobs created through EPWP projects
	No.
2019/20	193
2020/21	72

This refer to the number of Full Time Equivalent (FTE's)

Table 110: Job Creation Through EPWP Projects

3.12.4 Tourism

Introduction

The tourism sector is recognised for its potential and significant contribution to the economy. Government identifies tourism as an important sector which is explained in the Industrial Policy Action Plan (IPAP ,2007), the New Growth Path (NGP, 2010) and the National Development Plan (NDP, 2013). Through those various policy documents the sector is expected to contribute to job creation and the growth of the economy. It is therefore important for Emthanjeni Local Municipality to plan for tourism development and promotion in alignment with the National Tourism Sector Strategy. The Council has adopted a 10-year Tourism Plan (2010-2020). The funding of the Strategy activities remains a challenge as a result it becomes difficult for its implementation. The position of the Tourism / Communications Officer is vacant.

Emthanjeni has a rich history which is one of its greatest assets in attracting tourists to the area. The tourism sector has a number of linkages with other economic sectors.

Linkages with the Agricultural Sector: The main activities are Agri tourism farming activities, game viewing, hunting, etc. There is a need to develop proper tourism packages to promote these types of tourism activity in the municipal area.

Linkage with Utilities Sector: The development of the renewable energy sources or solar parks opens an opportunity to develop specific tourism packages that include tours of the renewable energy plants as well as providing information on the background and functioning of these plants.

The tourism industry also has strong linkages with the major routes (routes between Johannesburg, Cape Town and Eastern Cape province as well as with other countries such as Namibia and Botswana).

The tourism trend has not been doing so well and therefore much emphasis is needed to boost the industry. The tourism activities are dispersed throughout the area and it is therefore critical that integrated tourism packages are created in order to ensure that tourism as a whole grows throughout the district. The tourism industry has shown significant contribution and growth recently in Emthanjeni as well as great potential to expand and diversify its economy.

a) **Highlights: Tourism**

The table below include the highlight with the implementation of the Tourism Strategy:

Highlight	Description
Tourism involvement	The Department of Economic Development and Tourism has established a Women in Tourism Chapter forum for Pixley Ka Seme District to assist and support Tourism Stakeholders and the municipality has representation on the forum

Table 111: 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 a 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	Branding material to be procured once the cashflow position improves or source funding is obtained from external stakeholders
Tourism attraction maintenance and restoration	Lobby for funding to maintain tourism attractions
Budget constrains	Funding applications must be submitted and submitted to source additional funding

Table 112: Challenges: Tourism

3.12.5 Employees: LED

Job Level	2020/21			
	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	4	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	5	5	0	0

Table 113: 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
Services for the visually impaired members	For the first time the Municipality started to issue audio books for the visually impaired. Services are rendered directly to the user's homes
Employment of a librarian at Hennie Liebenberg Junior Library	This library did not have librarian and the newly appointed librarian started service in March 2021
Renovation of Hanover Library	The wooden floor in the library was a huge risk as the library building was built in 1898. The floor was posing a serious risk to both the patrons and the staff working there. The renovations addressed these concerns

Table 114: Libraries Highlights

3.13.3 Challenges: Libraries

The table below specifies the challenges for the year:

Description	Actions to address
Lack of transport	The Chief librarian needs to visit other libraries and have staff meetings with all librarians and staff. This is not possible because of the non-availability of transport. Budgetary provision must be made in order to address this issue
Decline in circulation	COVID-19 has had a severe impact on our circulation statistics. We were closed for 3 months during the lockdown and this has plummeted our statistics
Out of order telephone and fax lines for Libra and Phandulwazi Libraries	Communication is hampered with the mentioned libraries. A WhatsApp group was established to communicate with the respective libraries. Budgetary provision must be made in order to address this issue
Ablution facilities are not in good condition at Phandulwazi, WN Scheefers and Libra	This is a serious health hazard matter. The toilets are leaking at the mentioned libraries. Budgetary provision must be made in order to address this issue

Table 115: Libraries Challenges

3.13.4 Service Statistics for Libraries

The table below specifies the service statistics for the year:

Service statistic	2019/20	2020/21
Number of libraries	5	5
Library members	6 255	7 234
Books circulated	30 089	20 038
Exhibitions held	6	4
Internet users	4 901	3 721
New library service points or Wheelie Wagons	0	0
Children programs	8	2
Visits by school groups	90	11
Book group meetings for adults	4	0

Table 116: Service Statistics for Libraries

3.13.5 Employees: Library Services

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	5	5	0	0
4 - 6	9	6	3	33.33
7 - 9	7	47	0	0

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
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	22	19	3	13.63

Table 117: 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 118: 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 119: 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

Description	Actions to address
Maintenance work not as expected	Stricter control will be implemented

Table 120: Cemeteries Challenges

3.14.3 Service Statistics for Cemeteries

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

Type of service	2019/20	2020/21
Burials	489	885

Table 121: Service Statistics for Cemeteries

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
Motor vehicle licenses processed	During the financial year 6 352 motor vehicle licenses were processed

Table 122: Traffic Services Highlights

3.15.3 Challenges: Traffic Services

The table below specifies the challenges for the year:

Description	Actions to address
Non-payment of fines	Smart roadblock system to be implemented for tracing of outstanding fines

Description	Actions to address
Shortage of patrol vehicles	Procurement of patrol vehicles for the section to increase visibility

Table 123: Traffic Services Challenges

3.15.4 Service Statistics for Traffic Services

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

Details	2019/20	2020/21
Number of road traffic accidents during the year	207	292
Number of by-law infringements attended	24	20
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	0	0
Motor vehicle licenses processed	4 963	6 352
Learner driver licenses processed	3 488	3473
R-value of fines collected	661 775	200 485
Roadblocks held	35	24
Complaints attended to by Traffic Officers	20	10

Table 124: Service Statistics for Traffic Services

3.15.5 Employees: Traffic Services

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	5	4	1	20
4 - 6	5	5	0	0
7 - 9	9	4	5	55.56
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	23	17	6	26.09

Table 125: Employees: Traffic Services

3.15.6 Employees: Law Enforcement

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	5	2	3	60
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	2	3	60

Table 126: 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 specifies the highlights for the year:

Highlights	Description
Approved business plan for funding	A business plan for firefighting services was approved by Council
Memorandum of Understanding (MoU) with the South African National Defence Force	A MoU for firefighting services has been signed with the South African National Defence Force. The Department has been very helpful and assists with rendering the service for the Municipality

Table 127: 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 operated on standby basis from the official's homes after hours	Fire Station needs to be upgraded so that it can be manned 24/7

Description	Actions to address
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
Outdated equipment	Business plan to be submitted to various stakeholders of interest to obtain funding

Table 128: 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	2019/20	2020/21
Total fires attended in the year	36	60
Average turnout time - urban areas	15 min	15 min
Average turnout time - rural areas	±30 min	±30 min
Reservists and volunteers trained	18	18

Table 129: 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	Phase 1 of the upgrade of Marino Sport Complex was completed and Phase 2 will continue in the 2021/22 financial year
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 130: Sport and Recreation Highlights

3.17.2 Challenges: Sport and Recreation

The table below specifies the challenges 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
Decrease in revenue collection as a result of COVID-19 restrictions and the limitation on events at sport venues	Once lockdown restrictions will be lifted sport venues will be utilized again

Table 131: Sport and Recreation Challenges

3.17.3 Service Statistics for Sport and Recreation

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

Type of service	2019/20	2020/21
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	0
Sport fields		
Number of wards with sport fields	6	6
R-value collected from utilization of sport fields	17 101	0
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 132: 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	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	35	22	13	37.14
4 - 6	0	0	0	0
7 - 9	3	1	2	66.67
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	24	15	38.46

Table 133: Employees: Parks and Cemeteries

3.17.5 Employees: Sport and Recreation

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	14	12	2	14.29
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
Total	16	13	3	18.75

Table 134: Employees: 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; councillors; and municipal manager).

3.18.1 Highlights: Executive and Council

The table below specifies the highlights for the year:

Highlights	Description
Indigent subsidy applications increased	Despite COVID-19 lockdown, Councillors could manage to increase the total indigent applications
Distribution of food parcels	Councillors distributed food parcels in all wards. This was done in cooperation with other spheres of government and private partners, as part of Covid-19 relief programs
Issuing of COVID-19 PPE	Council issued Covid-19 PPE to the Local Taxi Association
Public participation during COVID-19 lockdown	For the first time the local radio station, municipal Facebook page and virtual meetings were utilised to involve the community in council affairs
Municipal Facebook page	A municipal Facebook page was created to give the public an opportunity to interact with the Municipality
Upgrade of Hanover stadium	Hanover stadium was renovated and upgraded with tennis and netball courts

Highlights	Description
COVID-19 Response Team	A COVID-19 Response Team was established to assist with the coordination of response plans to this pandemic

Table 135: Executive and Council Highlights

3.18.2 Challenges: Executive and Council

The table below specifies the challenges for the year:

Description	Actions to address
The impact of COVID-19 on service delivery and community interaction	Utilise social, audio and print media to interact and communicate with the public Applied for rollover for non-essential projects which had to stop because of lockdown restrictions
Slow progress of the Housing Project	Political interaction between the Mayor and MEC for CoGHSTA to address this issue
Default payment culture	Embark on an awareness campaign to encourage communities to pay their municipal accounts
Vandalism	Improve security in all areas and request communities to assist the Municipality to combat crime
High ESKOM electricity account	Implementation of Credit Control Policy
Inability to fully implement COVID-19 Regulations at the workplace	Working together with trade unions in finding solutions. Renovate unutilized municipal buildings to create enough office space to allow social distance

Table 136: Executive and Council Challenges

3.18.3 Employees Corporate Services

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	16	11	5	31.25
4 - 6	8	7	1	12.5
7 - 9	5	3	2	40
10 - 12	8	8	0	0
13 - 15	2	1	1	50
16 - 18	0	0	0	0
19 - 20	1	1	0	0
Total	40	31	9	22.5

Table 137: Employees: Corporate Services

3.18.4 Employees: Office of the Municipal Manager

The following table indicates the staff composition for this division:

Job Level	2020/21			
	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
19 - 20	0	0	0	0
21 - 25	1	1	0	0
Total	4	2	2	50

Table 138: Employees: Office of the Municipal Manager

3.18.5 Employees: Technical Services

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0
4 - 6	11	9	2	18.8
7 - 9	3	2	1	33.33
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	15	4	21.05

Table 139: Employees: Technical Services

3.18.6 Employees: Buildings

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	6	6	0	0
7 - 9	1	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	7	7	0	0

Table 140: Employees: Buildings

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
Provision of uninterrupted and sustainable municipal services	Municipality continued to provide uninterrupted municipal services to the residents, despite the financial and economic challenges faced. The Municipality is serious about sustainable service delivery and enforced strict credit control mechanisms that lead to an improved cash position
Cash position of the Municipality	The efforts employed by the financial staff, in collaboration with other staff members, to ensure that the Municipality's cash position improve year on year, is evident by the sustainable service delivery rendered to all stakeholders.

Highlights	Description
	The Municipality is committed to further invest in its main assets that will ensure that they turn the Municipality around on the technical, electrical, financial and corporate administrative level
COVID-19 implications	The Municipality raised to the occasion to tackle COVID-19 challenges in the community and workplace, that impacted on the financial sustainability. The Municipality is serious in sustainable service delivery and is committed to reduce COVID-19 cases. The COVID-19 Coordinator engaged with various stakeholders to tackle the pandemic as it impacted severely on the finances of the Municipality
Operation Clean Audit	The strive to the achieve a clean audit status remain our vision

Table 141: Financial Services Highlights

3.19.3 Challenges: Financial Services

The table below specifies the challenges for the year:

Description	Actions to address
The continued non-payment of municipal services by municipal customers resulted in high outstanding balances of creditors. The situation led to Eskom threatening to discontinue the electricity supply within the municipal area. This results in incurring of fruitless and wasteful expenditure (payment of interest on outstanding Eskom account). The payment percentage decreases month to month	Stricter implementation of the Credit Control Policy must be applied
The low collection rate and the increase of outstanding debtors remains the biggest challenge facing the Municipality	Enhancement of financial management principals should lead to greater efficiency of cash flow
Inadequate financial and technical planning lead to slow spending of Conditional Grants that must be returned to National Treasury. Improper mSCOA implementation contributes to incapacity of staff with regard to reporting. System developers are not fully mSCOA compliant which impacts negatively on the operations of the Municipality	Staff must attend training for the various financial management modules and systems. The office of the Chief Financial Officer and Infrastructure will ensure that conditional grants are spent optimally
Decline in cash reserves impact negatively on the Municipality's ability to secure long term debt for capital programmes	Proper cash flow management will be adhered to in combination with the credit control implementation

Table 142: Financial Services Challenges

3.19.4 Employees: Financial Services

The following table indicates the staff composition for this division:

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	3	1	25

Job Level	2020/21			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
4 - 6	30	29	1	3.33
7 - 9	6	6	0	0
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	44	3	6.38

Table 143: Employees: Financial Services

3.20 HUMAN RESOURCE SERVICES

3.20.1 Introduction to Human Resources

Emthanjeni Municipality currently employs 326 (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
The submission of the Workplace Skills Plan (WSP) 2021/22 Annual Training Report (ATR)	Although the challenge of COVID-19 is still faced. We can applaud the Municipality and all the stakeholders involved in the submission of the WSP/ATR 2021/22 timeously
Outstanding performance of Senior Manager: Corporate Services	We want to applaud our Senior Manager: Corporate Services for the excellent work done with the absence of the Manager: Support Services

Table 144: Human Resources Highlights

3.20.3 Challenges: Human Resources

The table below specify the challenge for the year:

Description	Actions to address
Timeous submission of leave applications	The supervisors and foreman need to have a refresher on the submission of leave applications and must set time frames for themselves in order for the HR Office to receive the leave on time

Table 145: Human Resources Challenges

3.20.4 Employees: Human Resources

The following table indicates the staff composition for this division:

Job Level	2020/21			
	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	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	33.33

Table 146: Employees: Human Resources

3.21 PROCUREMENT SERVICES

3.21.1 Highlights: Procurement Services

The table below specifies the highlights for the year:

Highlights	Description
Reduction in irregular expenditures	The Municipality remains committed to continue with their efforts to ensure that irregular expenditure is reduced year on year. A register of all deviations will be maintained and updated timeously
Unauthorised, irregular and fruitless expenditure (UIF)	Municipal Public Accounts Committee (MPAC) investigated the UIF and made clear recommendations to Council. Adequate disclosure of irregular expenditure and Supply Chain Management (SCM) deviations are made in the annual financial statements. The municipality is committed to comply with the SCM Regulations in full, as it is evident in our audit action plan
Compliance with SCM Regulations	The Municipality is committed to comply with the SCM Regulations and address audit findings that related to UIF. The Manager Financial Services, SCM Staff as well as other staff members worked very hard to ensure that regulations are complied with

Table 147: Procurement Services Highlights

3.21.2 Challenges: Procurement Services

The table below specifies the challenges for the year:

Description	Actions to address
The quality of goods and services are compromised at times as a result of cost-effectiveness. National Treasury SCM Regulations are adhered too but at times the cheapest price or the highest points do not provide the best quality of goods or service required	Weaknesses in control environment are being addressed to develop a clear role clarification and segregation of duties amongst staff which clarifies the various authorisation levels that exist in procurement
Payment of suppliers for goods and services within the prescribed time frame of 30 days after receipt of valid invoices	Upon improvement of cash position creditors, service providers and contractors will be paid timeously
Capacity of municipal staff contribute to the volume of deviations recorded	Proper capacity development programmes should be developed to ensure that the Municipality is not too dependent on consultants, specialised contractors and other service providers

Table 148: Procurement Services Challenges

3.21.3 Service Statistics for Procurement Services

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

Description	2019/20	2020/21
Requests processed	540	561
Orders processed	540	561
Requests cancelled or referred back	0	0
Extensions	1	0
Bids received (number of documents)	74	145
Bids awarded	10	9
Bids awarded ≤ R200 000	10	9
Appeals registered	0	0
Successful Appeals	0	0

Table 149: 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
	2019/20		2020/21	
Clause 36(1)(a)(i)- Emergency	0	0	10	849
Clause 36(1)(a)(ii)- Sole Supplier	66	1 756 000	65	1 351
Clause 36(1)(a)(iii)- Unique arts	0	0	0	0
Clause 36(1)(a)(v)- Impractical/impossible	0	0	0	0

Table 150: Statistics of Deviations from the SCM Policy

COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2020/21

The main development and service delivery priorities for 2021/22 forms part of the Municipality's Top Layer SDBIP for 2021/22 and are indicated in the table below:

3.22 DEVELOPMENT AND SERVICE DELIVERY PRIORITIES FOR 2021/22

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
TL7	60% of the maintenance budget for Community Halls spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	% of approved Community Halls maintenance budget spent by 30 June 2022	All	60%
TL12	Review and sign a MOU with the Department of Defence by 30 June 2022 for support with fire brigade services	MOU reviewed and signed by 30 June 2022	All	1
TL13	Review the disaster management plan that includes contingency plans and submit to Council by 30 June 2022	Disaster management plan reviewed and submitted to Council by 30 June 2022	All	1
TL18	70% of approved budget spent by 30 June 2022 for the maintenance 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 2022 ((Actual expenditure divided by the approved budget)x100)	All	70%
TL19	Submit a business plan to potential funders for the upgrading of the Fire Brigade by 30 June 2022	Business plan submitted by 30 June 2022	All	1

Table 151: 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
TL25	Provide free basic services to indigent households as at 30 June 2022	Number of indigent households receiving free basic services as at 30 June 2022	All	3 000

Table 152: 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
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 2022	Number of people employed (newly appointed)	All	1
TL3	0.1% of the personnel budget spent on training as per the approved Skills Development Plan by 30 June 2022 [(Actual total training expenditure/total personnel budget)x100]	% of the personnel budget spent on training by 30 June 2022	All	0.1%
TL4	Review the EEP and submit to the Portfolio Committee by 30 June 2022	EEP reviewed and submitted to the Portfolio Committee by 30 June 2022	All	1
TL5	Limit vacancy rate to 15% of budgeted posts by 30 June 2022 [(Number of funded posts vacant divided by budgeted funded posts)x100]	[(Number of funded posts vacant divided by budgeted funded posts)x100]	All	15%
TL10	Review the Delegation of Powers and submit to Council by 30 June 2022	Delegation of Powers reviewed and submitted to Council by 30 June 2022	All	1
TL11	Submit quarterly reports to the HR Portfolio Committee on the implementation of the COVID-19 response plan	Number of reports submitted	All	4

Table 153: 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
TL27	Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2022 (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grants)	Debt coverage as at 30 June 2022	All	35%
TL28	Financial viability measured in terms of the outstanding service debtors as at 30 June 2022 (Total outstanding service debtors minus provision for bad debt)/ (revenue received for services)	% of outstanding service debtors as at 30 June 2022	All	45%
TL29	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2022 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash	All	0.05

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL30	Submit the annual financial statements to the Auditor-General by 31 August 2021	Statements submitted to the AG by 31 August 2021	All	1
TL31	Achievement of a payment percentage of above 70% by 30 June 2022 $\{(\text{Gross Debtors Opening Balance} + \text{Billed Revenue} - \text{Gross Debtors Closing Balance} - \text{Bad Debts Written Off}) / \text{Billed Revenue} \times 100\}$	Payment % achieved	All	70%
TL32	Prepare and submit the adjustments budget to Council by the 28 February 2022	Adjustment budget submitted by 28 February 2022	All	1
TL33	Prepare and submit the draft budget to Council by 31 March 2022	Draft budget submitted by 31 March 2022	All	1
TL34	Prepare and submit the final budget to Council by 31 May 2022	Final budget submitted by 31 May 2022	All	1

Table 154: 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
TL1	Develop Risk based audit plan (RBAP) for 2022/23 and submit to the Audit Committee by 30 June 2022	RBAP for 2022/23 submitted to the Audit Committee by 30 June 2022	All	1
TL8	Review the Risk Committee and send appointment letters to members by 31 March 2022	Risk Committee reviewed and appointment letters sent to members by 31 March 2022	All	1
TL9	Review the Risk Strategy and submit to the Risk Committee by 30 June 2022	Risk Strategy reviewed and submitted to the Risk Committee by 30 June 2022	All	1

Table 155: 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
TL6	Host a LED summit by June 2022	LED summit hosted by 30 June 2022	All	1
TL35	Create temporary jobs - FTE's in terms of EPWP by 30 June 2022 (Person days / FTE (230 days))	Number of FTE's created	All	61

Table 156: 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
TL14	Conduct quarterly housing consumer education programs	Number of housing consumer education programs conducted	All	4
TL15	Conduct a quarterly verification of the housing needs register	Number of verification of the housing needs register conducted	All	4

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL16	Review the Human Settlement Plan and submit to Council by 30 June 2022	Human Settlement Plan reviewed and submitted to Council by 30 June 2022	All	1
TL17	60% of the maintenance budget of waste management spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL20	70% of approved budget spent by 30 June 2022 for the acquisition of Fleet {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70%
TL21	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 2022	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2022	All	8b000
TL22	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 2022	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2022	All	6b000
TL23	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 2022	Number of residential properties which are billed for sewerage as at 30 June 2022	All	7b200
TL24	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2022	Number of residential properties which are billed for refuse removal as at 30 June 2022	All	7b200
TL26	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2022 {(Actual amount spent on projects /Total amount budgeted for capital projects)X100}	% of capital budget spent by 30 June 2022	All	70%
TL36	60% of the water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	% of approved water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL37	Limit unaccounted for water to 22% by 30 June 2022 [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) x 100]	% unaccounted water by 30 June 2022	All	22%
TL38	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	% water quality level	All	90%
TL39	60% of the waste water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	% of approved waste water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL40	60% of the roads and stormwater maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	% of approved roads and stormwater maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	All	60%

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL41	Limit % electricity unaccounted for to 18% by 30 June 2022 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased] x 100]	% of electricity unaccounted for at 30 June 2022	All	18%
TL42	60% of the recreational and swimming pool maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	% of approved recreational areas and swimming pool maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	All	60%
TL43	60% of the electricity maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	% of approved electricity maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL44	70% of approved budget spent by 30 June 2022 for the acquisition of Fleet {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70%
TL45	70% of approved budget spent by 30 June 2022 to install energy saving lights {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70%
TL46	70% of approved budget spent by 30 June 2022 for the development of 12 boreholes in De Aar (Northern scheme) {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	1;2;3;4;5;8	70%
TL47	70% of approved budget spent by 30 June 2022 for the construction of internal Sewer reticulation for Mziwabantu in Britstown {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	7	70%
TL48	70% of approved budget spent by 30 June 2022 for the electrification of stands in De Aar {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	1;2	70%
TL49	70% of approved budget spent by 30 June 2022 for the paving of Street {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70%

Table 157: 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
	2019/20	2020/21
The percentage of a municipality's budget spent on implementing its workplace skills plan	0.09	0

Table 158: National KPIs- Municipal Transformation and Organisational Development

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs **326** (including non-permanent positions) and an approved organogram of **413** 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 159: 2020/21 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 160: 2020/21 EE Targets/Actual by Gender Classification

b) Employment Equity vs. Population

Description	African	Coloured	Indian	White	Total
Population numbers	14 516	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 161: EE Population 2020/21 (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	2	0	0	1	0	0	0	5
Senior management	2	3	0	2	2	1	0	0	10
Professionally qualified and experienced specialists and mid- management	9	1	0	0	8	6	0	0	24
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	12	23	0	3	9	0	0	0	47
Semi-skilled and discretionary decision making	15	35	0	0	8	17	0	0	72
Unskilled and defined decision making	54	69	0	0	15	13	0	0	151
Total permanent	94	133	0	5	43	37	0	0	309
Non- permanent employees	3	2	0	0	8	3	0	1	17
Total	97	135	0	5	51	40	0	1	326

Table 162: Occupational Categories

4.2.2 Vacancy Rate

The approved organogram for the Municipality has 413 positions for the 2020/21 financial year. The actual positions filled are 326. Therefore, 87 positions were vacant at the end of 2020/21, resulting in a vacancy rate of 21% in terms of the organogram.

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 5.18% in 2019/20 to 6.11% in 2020/21.

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
2019/20	328	17	19	5.18%
2020/21	326	13	20	6.11%

Table 163: Employee Turnover Rate

4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analysing and coordinating employee behaviour.

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 2019/20 and 2020/21:

Directorates	2019/20	2020/21
Office of the Municipal Manager	0	0
Corporate Services	0	0
Financial Services	0	0
Infrastructure Services	4	1
Community Services	5	3
Total	9	4

Table 164: 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 2020/21 financial year shows a decrease when compared with the 2019/20 financial year.

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

Department	2019/20	2020/21
Office of the Municipal Manager	92	119
Corporate Services	179	23
Financial Services	255	117
Infrastructure Services	509	396
Community Services	816	558
Total	1 851	1 342

Table 165: 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
Attendance and Punctuality Policy	29 November 2010
Bereavement Policy	17 March 2014
Bursary Policy (Study Aid Policy)	25 June 2015
Cell Phone	21 January 2012
Chronic Illness Policy	29 November 2010
Education, Training and Development Policy	17 July 2014
Employee Health and Wellness Policy	12 March 2020
Employee Dress Code Policy	May 2014
Employment Equity	29 November 2010
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 Policy	12 March 2020
Housing Allowance	29 November 2010
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

Approved policies	
Legal Aid Policy for Councillors and Employees	29 November 2010
Nepotism Policy	29 November 2010
Overtime Policy	12 March 2020
Private Work	29 November 2010
Recruitment Policy	3 September 2015
Scarce Skills	31 November 2012
Sexual Harassment	29 November 2010
Skill Retention Policy	31 November 2012
Smoking Policy	31 December 2012
Staff Statements to the Media	29 November 2010
Study Assistance Policy	25 September 2014
Succession Planning and Career Pathing Policy	17 July 2014
Substance Abuse	11 November 2014
Task Job Evaluation Policy	11 November 2014
Uniform Protective Clothing	27 September 2007
Unpaid Leave	29 November 2010
Whistle Blowing Policy	26 January 2016

Table 166: 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	Number of Employees that received training
MM and S57	Female	0	0
	Male	0	0
Legislators, senior officials and managers	Female	3	0
	Male	2	0
Associate professionals and Technicians	Female	2	0
	Male	10	0
Professionals	Female	0	0
	Male	0	0

Management level	Gender	Number of employees identified for training	Number of Employees that received training
Clerks	Female	10	0
	Male	2	2
Service and sales workers	Female	0	0
	Male	0	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	7	0
Elementary occupations	Female	2	0
	Male	9	0
Sub total	Female	17	0
	Male	30	2
Total		47	2

Table 167: 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	0
	Male	0
Professionals	Female	0
	Male	0
Technicians and associate professionals	Female	0
	Male	0
Clerks	Female	0
	Male	0
Service and sales workers	Female	0
	Male	0
Craft and related trade workers	Female	0
	Male	0

Occupational categories	Gender	Skills programmes & other short courses
		Total
		Actual
Plant and machine operators and assemblers	Female	0
	Male	0
Elementary occupations	Female	0
	Male	0
Sub total	Female	0
	Male	0
Total		0

Table 168: 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 outcome 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	2	3	2
Any other financial officials	2	2	2	2
Supply Chain Management Officials				

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))
Heads of supply chain management units	1	1	1	1
Supply chain management senior managers	1	1	1	1
Total	9	8	9	8

Table 169: 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	
2019/20	86 432	310 935	27.8%
2020/21	92 960	288 887	32.15%

Table 170: Personnel Expenditure

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

Financial year	2019/20		2020/21	
	Actual	Original Budget	Adjusted Budget	Actual
Description	R'000			
Councillors (Political Office Bearers plus Other)				
Salary	4 697	4 285	4 285	3 763
Pension Contributions	45	0	0	42
Medical Aid Contributions	0	0	0	0

Financial year	2019/20	2020/21		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
Motor vehicle allowance	959	1 375	1 375	1 215
Cell phone allowance	18	795	795	663
Housing allowance	0	0	0	0
Other benefits or allowances	0	5	5	0
In-kind benefits	0	29	29	0
Sub Total	5 719	6 489	6 489	5 683
Senior Managers of the Municipality				
Salary	3 718	4 527	4 527	3 273
Pension Contributions	593	598	598	490
Medical Aid Contributions	0	128	128	0
Motor vehicle allowance	1 535	797	797	716
Cell phone allowance	0	201	201	144
Housing allowance	0	0	0	0
Performance Bonus	553	711	711	473
Other benefits or allowances	0	210	210	432
In-kind benefits	0	42	42	0
Sub Total	6 399	7 259	7 259	5 528
Other Municipal Staff				
Basic Salaries and Wages	62 272	59 631	59 631	64 680
Pension Contributions	9 701	10 421	10 421	11 271
Medical Aid Contributions	1 662	3 148	3 148	2 963
Motor vehicle allowance	2 005	1 228	1 228	1 179
Cell phone allowance	0	199	199	181
Housing allowance	0	647	647	571
Overtime	0	2 924	2 924	1 181
Other benefits or allowances	4 393	3 047	3 047	(277)
Sub Total	80 033	81 245	81 245	81 748
Total	88 432	88 462	88 462	87 277

Table 171: Personnel Expenditure

CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2020/21 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 2020/21 financial year:

The table below shows a summary of performance against budgets:

Financial Summary						
R'000						
Description	2019/20	2020/21			2020/21 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	39 480	37 566	37 566	40 167	6.47	6.47
Service charges	129 776	155 683	144 183	140 702	-10.65	-2.47
Investment revenue	1 814	1 656	1 656	2 023	18.17	18.17
Transfers recognised - operational	49 405	51 955	58 840	51 750	-0.40	-13.70
Other own revenue	24 020	41 800	40 680	7 100	-488.70	-472.92
Total Revenue (excluding capital transfers and contributions)	244 494	288 661	282 926	241 743	-19.41	-17.04
Employee costs	86 551	87 751	87 751	86 878	-1.00	-1.00
Remuneration of councillors	5 719	6 488	6 488	5 682	-14.18	-14.18
Depreciation & asset impairment	50 402	10 633	10 633	52 992	79.94	79.94
Finance charges	6 390	2 130	2 130	11 851	82.03	82.03
Materials and bulk purchases	75 273	89 268	85 884	76 661	-16.44	-12.03
Transfers and grants	0	0	0	0	0	0
Other expenditure	92 763	80 391	86 660	101 382	20.70	14.52
Total Expenditure	317 098	276 661	279 546	335 447	17.52	16.66
Surplus/(Deficit)	(72 604)	12 000	3 380	(93 705)	112.81	103.61
Transfers recognised - capital	38 781	19 616	16 716	11 706	-67.57	-42.80
Contributions recognised - capital & contributed assets	0	0	0	4 975	100.00	100.00

Financial Summary						
R'000						
Description	2019/20	2020/21			2020/21 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Surplus/(Deficit) after capital transfers & contributions	(33 824)	31 616	20 096	(77 024)	141.05	126.09
Capital expenditure & funds sources						
Capital expenditure						
Transfers recognised - capital	54 166	19 616	16 716	22 478	12.73	25.63
Public contributions & donations	0	0	0	3 567	100.00	100.00
Borrowing	0	0	0	0	0	0
Internally generated funds	73	12 000	2 000	2 909	-312.44	31.26
Total sources of capital funds	54 238	31 616	18 716	28 954	-9.19	35.36
Financial position						
Total current assets	146 497	127 899	127 899	130 054	1.66	1.66
Total non-current assets	732 477	844 759	831 859	707 585	-19.39	-17.56
Total current liabilities	164 826	64 862	64 862	181 176	64.20	64.20
Total non-current liabilities	73 060	110 198	100 198	92 399	-19.26	-8.44
Community wealth/Equity	641 089	797 598	794 698	561 812	-41.97	-41.45
Cash flows						
Net cash from (used) operating	23 341	21 021	17 960	14 290	-47.10	-25.68
Net cash from (used) investing	(33 025)	(31 406)	(18 506)	(10 390)	-202.26	-78.11
Net cash from (used) financing	(1 187)	11 241	1 241	(80)	14 069.97	1 642.36
Cash/cash equivalents at the year end	6 516	3 421	487	10 335	66.90	95.29
Cash backing/surplus reconciliation						
Cash and investments available	0	3 421	3 421	0	0	0
Application of cash and investments	0	(2 474)	(3 534)	0	0	0
Balance - surplus (shortfall)	0	947	(113)	0	0	0
Asset management						
Asset register summary (WDV)	719 722	838 995	826 095	694 853	-20.74	-18.89
Depreciation & asset impairment	50 402	10 633	10 633	52 992	79.94	79.94
Renewal of Existing Assets	0	15 510	2 610	0	0	0
Repairs and Maintenance	1 192	14 729	14 729	816	-1 704.32	-1 704.32
Free services						
Cost of Free Basic Services provided	0	26 950	26 950	0	0	0
Revenue cost of free services provided	15 038	30 196	30 196	17 017	-77.44	-77.44

Financial Summary						
R'000						
Description	2019/20	2020/21			2020/21 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Households below minimum service level						
Water:	0	0	0	0	0	0
Sanitation/sewerage:	0	0	0	0	0	0
Energy:	0	0	0	0	0	0
Refuse:	0	0	0	0	0	0

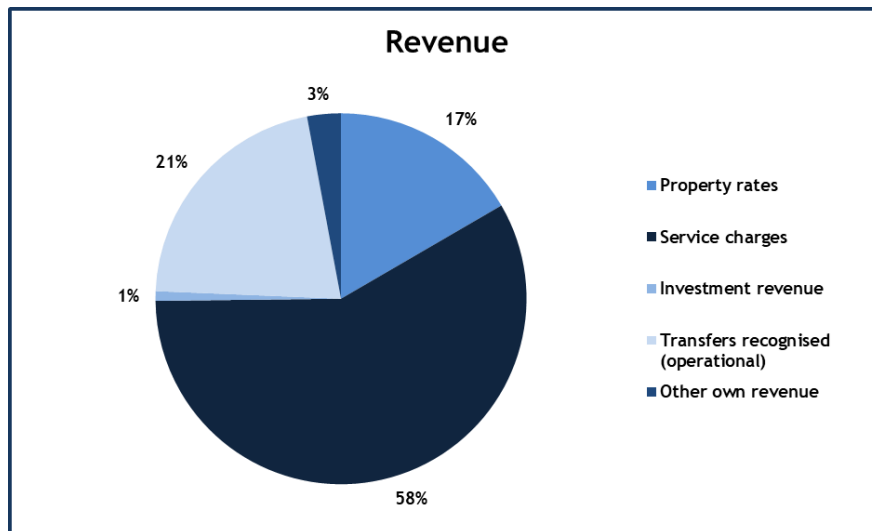
Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 172: Financial Performance 2020/21

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2019/20	260 343	283 273	22 930	9	237 320	317 098	(79 778)	-34
2020/21	299 642	258 423	(41 218)	-14	279 546	335 447	(55 902)	-20

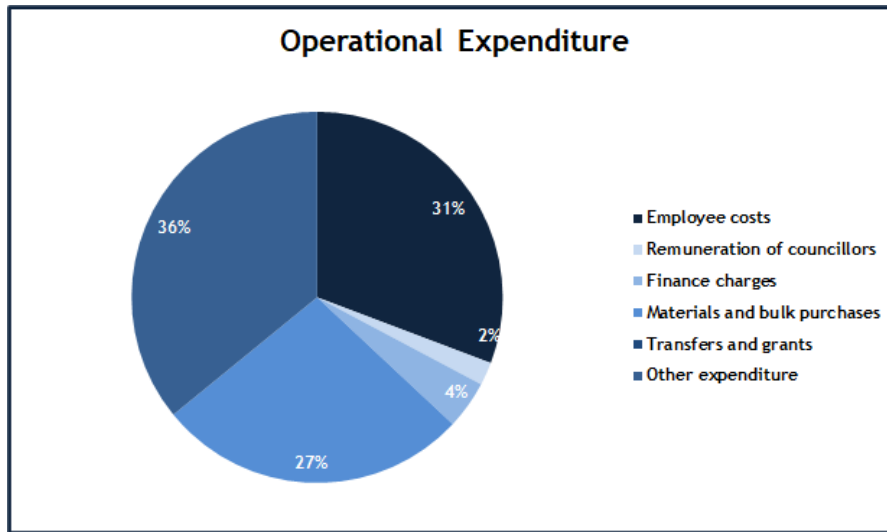
Table 173: Performance Against Budgets

The following graph indicates the various types of revenue items in the municipal budget for 2020/21



Graph 3: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2020/21



Graph 4: Operating Expenditure

5.1.1 Revenue collection by Vote

The table below indicates the Revenue collection performance by Vote:

Vote Description	2019/20	2020/21			2020/21 % Variance	
	Actual (Audited Outcome)	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Vote 1 - Office of the Mayor	10 823	4 644	11 529	5 890	21.15	-95.73
Vote 2 - Municipal Manager	482	611	611	615	0.68	0.68
Vote 3 - Corporate Services	0	121	121	0	0	0
Vote 4 - Finance Service	67 238	57 399	57 199	60 429	5.01	5.35
Vote 5 - Infrastructure Service	176 592	223 888	211 188	173 451	-29.08	-21.76
Vote 6 - Community and Social Services	24 436	21 613	18 993	18 037	-19.83	-5.30
Total Revenue by Vote	279 570	308 277	299 642	258 422	-19.29	-15.95

Table 174: Revenue by Vote

5.1.2 Revenue collection by Source

The table below indicates the revenue collection performance by source for the 2020/21 financial year:

Description	2019/20	2020/21			2020/21 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Property rates	38 685	37 566	37 566	39 420	4.70	4.70
Property rates - penalties & collection charges	795	0	0	747	100.00	100.00
Service Charges - electricity revenue	81 745	79 149	72 149	88 106	10.17	18.11
Service Charges - water revenue	27 707	36 813	36 813	31 917	-15.34	-15.34
Service Charges - sanitation revenue	13 295	25 464	22 764	13 803	-84.48	-64.92
Service Charges - refuse revenue	7 029	14 257	12 457	6 876	-107.35	-81.17
Service Charges - other	0	0	0	0	0	0
Rentals of facilities and equipment	980	910	910	1 237	26.47	26.47
Interest earned - external investments	1 814	717	517	1 182	39.33	56.25
Interest earned - outstanding debtors	1 777	1 656	1 656	2 023	18.17	18.17
Dividends received	0	0	0	0	0	0
Fines	7 909	4 292	1 672	1 288	-233.33	-29.86
Licences and permits	699	2 369	2 369	970	-144.31	-144.31
Agency services	0	0	0	0	0	0
Transfers recognised - operational	49 405	51 955	58 840	51 750	-0.40	-13.70
Other revenue	12 656	33 302	35 002	2 424	-1273.90	-1344.04
Gains on disposal of PPE	0	210	210	0	0	0
Total Revenue (excluding capital transfers and contributions)	244 494	288 661	282 926	241 743	-19.41	-17.04
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 175: Revenue by Source

5.1.3 Operational Services Performance

The table below indicates the Operational services performance for the 2020/21 financial year:

Financial Performance of Operational Services						
Description	2019/20	2020/21			2020/21 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Operating Cost						
Water	22 453	19 201	19 105	28 773	33.27	33.60
Waste Water (Sanitation)	28 023	22 003	22 003	15 887	-38.50	-38.50
Electricity	114 407	96 142	96 142	145 812	34.06	34.06
Waste Management	13 540	18 739	18 739	13 862	-35.19	-35.19
Housing	3 658	2 649	2 649	3 069	13.68	13.68
Component A: sub-total	182 082	158 735	158 639	207 403	23.47	23.51
Roads and Stormwater	10 212	15 055	15 055	19 209	21.62	21.62
Component B: sub-total	10 212	15 055	15 055	19 209	21.62	21.62
Planning and Building Control	12 666	8 507	8 507	5 459	-55.83	-55.83
Local Economic Development	3 901	3 532	3 532	3 716	4.98	4.98
Tourism	28	45	45	24	-85.17	-85.17
Component C: sub-total	16 595	12 084	12 084	9 200	-31.35	-31.35
Libraries	3 822	5 831	5 831	4 330	-34.65	-34.65
Cemeteries	1 567	1 178	1 178	1 076	-9.43	-9.43
Child Care Aged Care Social Programmes	0	0	0	0	0	0
Component D: sub-total	5 389	7 008	7 008	5 407	-29.63	-29.63
Environmental Protection	0	0	0	0	0	0
Component E: sub-total	0	0	0	0	0	0
Traffic Services and Law Enforcement	7 386	8 134	8 134	5 825	-39.63	-39.63
Component F: sub-total	7 386	8 134	8 134	5 825	-39.63	-39.63
Sport and Recreation	2 512	2 801	2 801	3 084	9.16	9.16
Component G: sub-total	2 512	2 801	2 801	3 084	9.16	9.16
Financial Services	40 081	21 795	22 409	26 946	19.12	16.84
Corporate Services	12 792	15 017	15 017	19 283	22.12	22.12
Other	40 049	36 032	38 398	39 092	7.83	1.78
Component H: sub-total	92 922	72 844	75 824	85 321	14.62	11.13
Total Expenditure	317 098	276 661	279 546	335 447	17.52	16.66

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 176: 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	2019/20	2020/21			Variance to Budget
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
Total Operational Revenue	31 566	43 866	43 866	38 958	-12.60
Expenditure:					
Employees	2 799	2 859	2 836	2 980	4.06
Repairs and Maintenance	138	1 499	1 499	266	-464.37
Other	19 516	14 842	14 770	25 527	41.86
Total Operational Expenditure	22 453	19 201	19 105	28 773	33.27
Net Operational (Service) Expenditure	9 113	24 665	24 761	10 185	-142.18

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

Table 177: Financial Performance: Water Services

5.2.2 Waste Water (Sanitation)

Description	2019/20	2020/21			Variance to Budget
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
Total Operational Revenue	21 370	36 790	34 090	25 247	-45.72
Expenditure:					
Employees	5 367	5 699	5 699	5 110	-11.52
Repairs and Maintenance	8	747	747	0	0
Other	22 648	15 558	15 558	10 777	-44.36
Total Operational Expenditure	28 023	22 003	22 003	15 887	-38.50
Net Operational (Service) Expenditure	(6 652)	14 786	12 086	9 360	-57.97

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

Table 178: Financial Performance: Waste Water (Sanitation) Services

5.2.3 Electricity

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	84 490	114 308	109 008	96 910	-17.95
Expenditure:					
Employees	8 209	7 349	7 349	6 879	-6.84
Repairs and Maintenance	1 473	2 605	2 605	94	-2673.72
Other	104 726	86 188	86 188	138 839	37.92
Total Operational Expenditure	114 407	96 142	96 142	145 812	34.06
Net Operational (Service) Expenditure	(29 917)	18 166	12 866	(48 902)	137.15
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 179: Financial Performance: Electricity

5.2.4 Waste Management

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	13 318	21 414	19 614	15 109	-41.73
Expenditure:					
Employees	8 971	8 545	8 545	9 567	10.68
Repairs and Maintenance	62	346	346	29	-1109.14
Other	4 508	9 848	9 848	4 266	-130.85
Total Operational Expenditure	13 540	18 739	18 739	13 862	-35.19
Net Operational (Service) Expenditure	(223)	2 675	875	1 247	-114.41
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 180: Financial Performance: Waste Management

5.2.5 Housing

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	708	52	52	493	89.52
Expenditure:					
Employees	2 207	2 458	2 458	2 240	-9.74
Repairs and Maintenance	0	6	6	0	0
Other	1 451	184	184	829	77.75
Total Operational Expenditure	3 658	2 649	2 649	3 069	13.68
Net Operational (Service) Expenditure	(2 950)	(2 597)	(2 597)	(2 576)	-0.83
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 181: Financial Performance: Housing

5.2.6 Roads and Stormwater

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	31	26	26	22	-19.78
Expenditure:					
Employees	6 275	6 544	6 544	6 512	-0.49
Repairs and Maintenance	29	797	797	0	0
Other	3 909	7 714	7 714	12 696	39.24
Total Operational Expenditure	10 212	15 055	15 055	19 209	21.62
Net Operational (Service) Expenditure	(10,181)	(15,029)	(15,029)	(19,187)	21.67
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 182: Financial Performance: Roads and Stormwater

5.2.7 LED

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	3 486	3 404	3 404	3 637	6.41
Repairs and Maintenance	0	10	10	0	0
Other	415	117	117	80	-47.23
Total Operational Expenditure	3 901	3 532	3 532	3 716	4.98
Net Operational (Service) Expenditure	(3 901)	(3 532)	(3 532)	(3 716)	4.98
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 183: Financial Performance: LED

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

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	568	1 380	1 380	471	-193.06
Expenditure:					
Employees	5 285	4 931	4 931	4 250	-16.00
Repairs and Maintenance	42	45	45	8	-494.46
Other	7 340	3 532	3 532	1 201	-194.03
Total Operational Expenditure	12 666	8 507	8 507	5 459	-55.83
Net Operational (Service) Expenditure	(12 098)	(7 127)	(7 127)	(4 988)	-42.88
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 184: Financial Performance: Planning

5.2.9 Tourism

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	0	0	0	0	0
Repairs and Maintenance	0	10	10	0	0
Other	28	35	35	24	-42.21
Total Operational Expenditure	28	45	45	24	-85.17
Net Operational (Service) Expenditure	(28)	(45)	(45)	(24)	-85.17
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 185: Financial Performance: Tourism

5.2.10 Libraries

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	811	760	760	3	-29451.91
Expenditure:					
Employees	3 629	4 109	4 109	4 009	-2.48
Repairs and Maintenance	7	25	25	12	-105.46
Other	187	1 697	1 697	309	-448.77
Total Operational Expenditure	3 822	5 831	5 831	4 330	-34.65
Net Operational (Service) Expenditure	(3 011)	(5 071)	(5 071)	(4 328)	-17.16
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 186: Financial Performance: Libraries

5.2.11 Cemeteries

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	435	630	630	612	-2.86
Expenditure:					
Employees	1 033	857	857	1 027	16.57
Repairs and Maintenance	9	8	8	0	0
Other	524	313	313	49	-537.70
Total Operational Expenditure	1 567	1 178	1 178	1 076	-9.43
Net Operational (Service) Expenditure	(1 131)	(548)	(548)	(464)	-18.10
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 187: Financial Performance: Cemeteries

5.2.12 Public Safety

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	8 088	5 793	3 173	1 423	-307.21
Expenditure:					
Employees	5 784	5 478	5 478	5 131	-6.76
Repairs and Maintenance	0	243	243	0	0
Other	1 602	2 412	2 412	694	-247.73
Total Operational Expenditure	7 386	8 134	8 134	5 825	-39.63
Net Operational (Service) Expenditure	702	(2 340)	(4 960)	(4 402)	46.84
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 188: Financial Performance: Traffic Services and Law Enforcement

5.2.13 Sport and Recreation

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	16	45	45	3	-1233.26
Expenditure:					
Employees	2 074	1 999	1 999	2 271	11.96
Repairs and Maintenance	30	267	267	5	-5441.22
Other	407	535	535	808	33.78
Total Operational Expenditure	2 512	2 801	2 801	3 084	9.16
Net Operational (Service) Expenditure	(2 495)	(2 756)	(2 756)	(3 080)	10.52
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 189: Financial Performance: Sport and Recreation

5.2.14 Financial Services

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	67 003	57 399	57 199	60 332	4.86
Expenditure:					
Employees	10 869	11 408	11 408	11 381	-0.24
Repairs and Maintenance	752	614	614	679	9.51
Other	28 459	9 772	10 387	14 887	34.35
Total Operational Expenditure	40 081	21 795	22 409	26 946	19.12
Net Operational (Service) Expenditure	26 922	35 605	34 790	33 385	-6.65
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 190: Financial Performance: Financial Services

5.2.15 Corporate Service

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	235	121	121	97	-24.22
Expenditure:					
Employees	8 068	7 531	7 531	8 142	7.52

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Repairs and Maintenance	47	220	220	63	-251.91
Other	4 677	7 266	7 266	11 077	34.40
Total Operational Expenditure	12 792	15 017	15 017	19 283	22.12
Net Operational (Service) Expenditure	(12 558)	(14 896)	(14 896)	(19 185)	22.35
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 191: Financial Performance: Corporate Service

5.2.16 Other

Description	2019/20	2020/21			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	15 853	6 076	12 961	2 062	-194.66
Expenditure:					
Employees	12 493	14 581	14 604	13 741	-6.11
Repairs and Maintenance	22	7 284	3 163	477	-1426.40
Other	27 534	14 167	20 631	24 874	43.04
Total Operational Expenditure	40 049	36 032	38 398	39 092	7.83
Net Operational (Service) Expenditure	(24 196)	(29 956)	(25 437)	(37 030)	19.10
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 192: Financial Performance: Other

5.3 GRANTS

5.3.1 Grant Performance

Description	2019/20	2020/21			2020/21 Variance	
	<i>Actual (Audited Outcome)</i>	Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
	R'000					%
Operating Transfers and Grants						
National Government:	92 789	76 112	76 112	76 112	0.00	0.00
Local Government Equitable Share	44 900	48 465	48 465	48 465	0	0
Finance Management	1 700	1 700	1 700	1 700	0	0
Municipal Systems Improvement	0	0	0	0	0	0

Description	2019/20	2020/21			2020/21 Variance	
	<i>Actual (Audited Outcome)</i>	Budget	Adjust- ments Budget	Actual	Original Budget	Adjust- ments Budget
	R'000				%	
EPWP Incentive	1 220	1 380	1 380	1 380	0	0
Municipal Infrastructure Grant	21 710	19 957	19 957	19 957	0	0
Integrated National Electrification Program	1 500	1 010	1 010	1 010	0	0
Water Services infrastructure Grant	0	3 600	3 600	3 600	0	0
Covid Relief Grant	149	0	0	0	0	0
Regional Bulk Infrastructure Grant	21 610	0	0	0	0	0
Provincial Government:	1 373	450	450	450	0	0
Housing Accreditation	680	450	450	450	0	0
Sport, Arts and Culture (Library Grant)	693	0	0	0	0	0
Total Operating Transfers and Grants	94 162	76 562	76 562	76 562	0	0

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

Table 193: Grant Performance for 2020/21

5.3.2 Conditional Grants

Details	2019/20	2020/21			2020/21 Variance	
	Actual	Budget	Adjusted Budget	Actual	Variance	
	R'000				Budget	Adjusted Budget
					%	
Finance Management Grant	1 700	1 700	1 700	1 700	0.00	0.00
Municipal Systems Improvement	0	0	0	0	0	0
EPWP Incentive	568	1 380	1 380	471	-193.06	-193.06
Municipal Infrastructure Grant	16 387	19 957	19 957	8 522	-134.17	-134.17
Integrated National Electrification Program	1 498	1 010	1 010	490	-106.18	-106.18
Regional Bulk Infrastructure Grant	21 610	0	0	0	0	0
Energy Efficiency and Demand Management Grant	0	3 600	3 600	3 357	-7.22	-7.22
Housing Accreditation	680	450	450	450	0.00	0.00
COVID relief grant	149	0	0	0	0	0
Sport, Arts and Culture (Library Grant)	693	0	0	0	0	0
Total	43 285	28 097	28 097	14 991	-87.43	-87.43

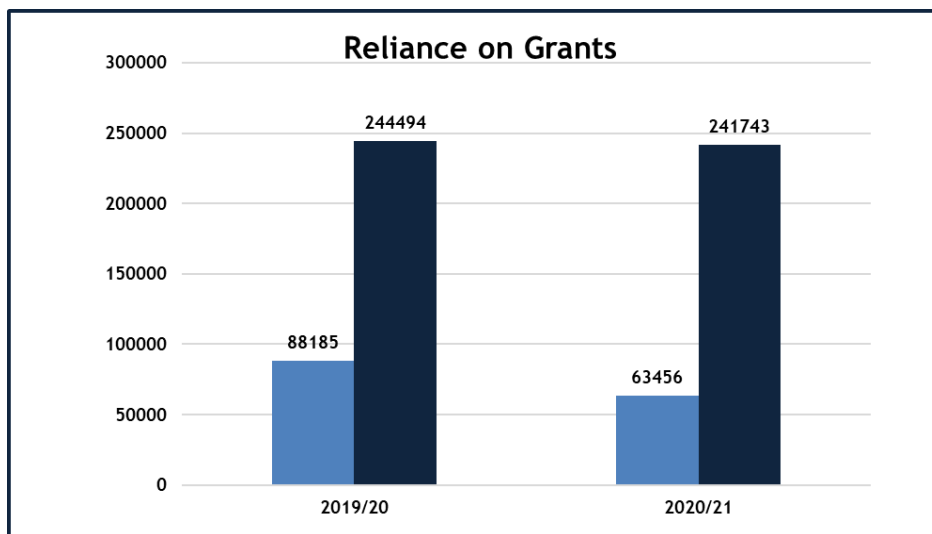
Table 194: Conditional Grant

5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants and subsidies received	Total Operating Revenue	Percentage
	R'000		%
2019/20	88 185	244 494	36.07
2020/21	63 456	241 743	26.25

Table 195: 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	2019/20 R million	2020/21 R million
	21 471	27 753
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 196: Asset 1

Asset 2		
Name	Pipe work-Pipe - sewer-uPVC-110	
Description	Pipe work-Pipe - sewer-uPVC-110	
Asset Type	Reticulation	
Key Staff Involved	Sewerage Services Personnel	
Asset Value as at 30 June 2020	2019/20 R million	2020/21 R million
	0	5 071
Capital Implications	Cost of planned and unplanned repairs and maintenance to ensure the standard of services	
Future Purpose of Asset	Connection of new households to sewerage network	
Describe Key Issues	N/A	
Policies in Place to Manage Asset	Asset Management Policy	

Table 197: Asset 2

Asset 3		
Name	Astro Turf	
Description	Astro Turf	
Asset Type	Outdoor Sport Facilities	
Key Staff Involved	Infrastructure Personnel	
Asset Value as at 30 June 2020	2019/20 R million	2020/21 R million
	4 065	3 659
Capital Implications	Cost of planned and unplanned repairs and maintenance to ensure the standard of services	
Future Purpose of Asset	Connection of new households to sewerage network	
Describe Key Issues	N/A	
Policies in Place to Manage Asset	Asset Management Policy	

Table 198: Asset 3

5.4.2 Repairs and Maintenance

Description	2019/20	2020/21			
	Actual	Original Budget	Adjustment Budget	Actual	Budget variance
		R' 000			
Repairs and Maintenance Expenditure	1 192	14 729	11 096	816	-1259.28

Table 199: Repairs & Maintenance

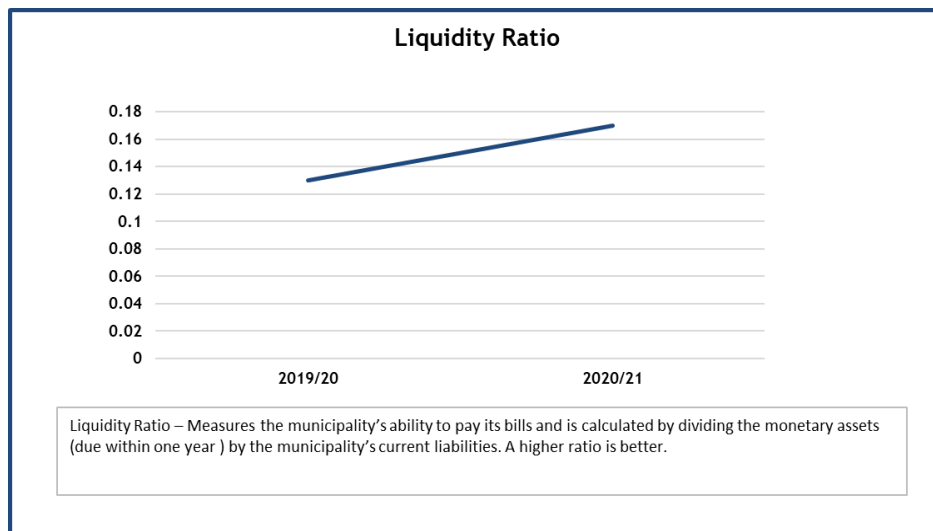
5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

5.5.1 Liquidity Ratio

Description	Basis of calculation	2019/20	2020/21
Current Ratio	Current assets/current liabilities	0.89	0.72
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.72	0.61
Liquidity Ratio	Monetary assets/current liabilities	0.13	0.17

Table 200: 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

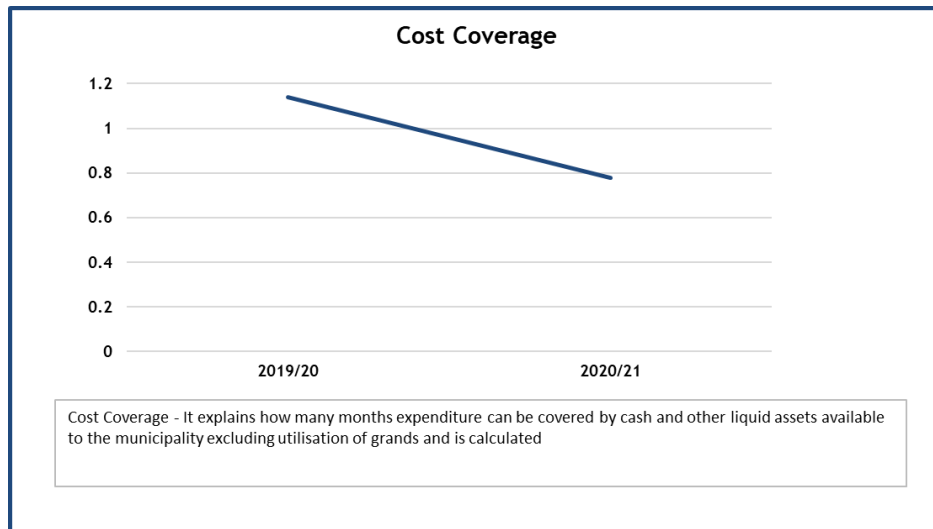
Description	Basis of calculation	2019/20	2020/21
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.14	0.78
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	1.03	1.13
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	1.46	1.20

Table 201: 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:

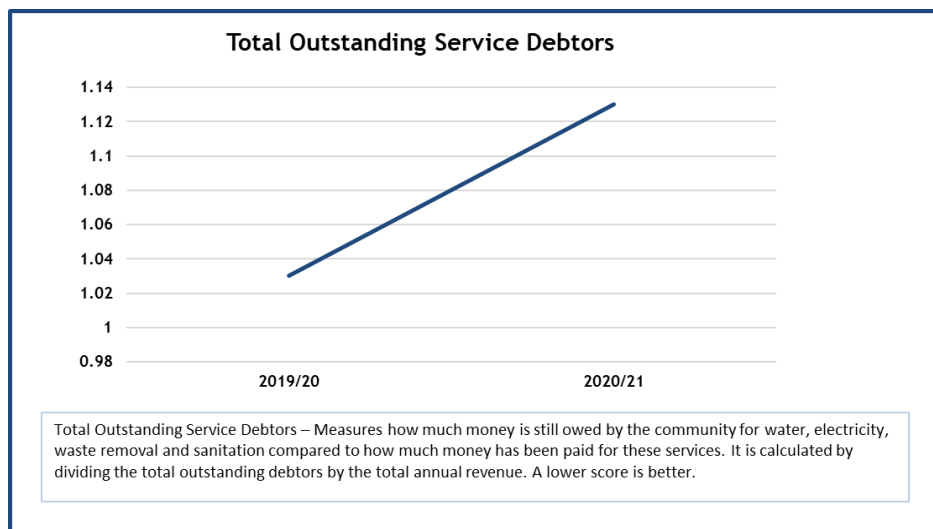


Graph 7: Cost Coverage

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:

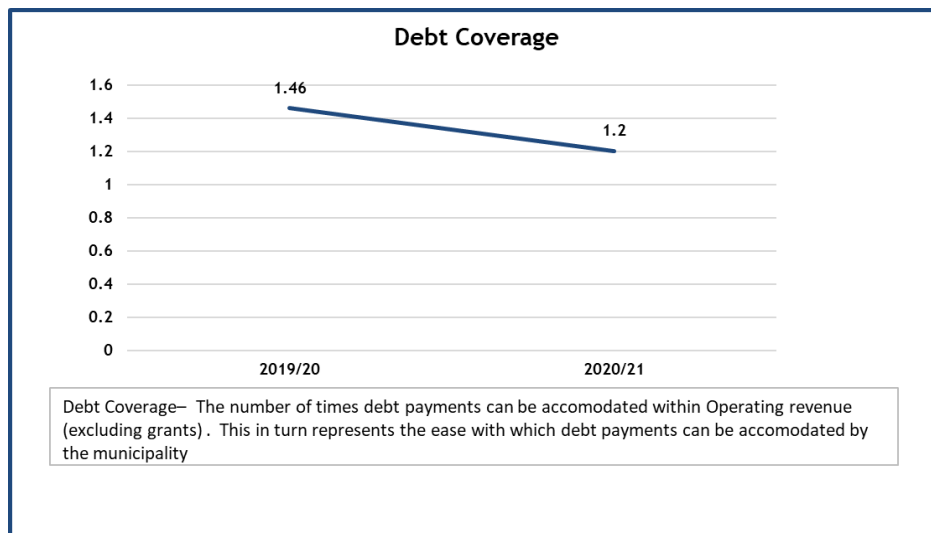


Graph 8: Total Outstanding Service Debtors

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	2019/20	2020/21
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.007	0.001

Table 202: Borrowing Management

5.5.4 Employee costs

Description	Basis of calculation	2019/20	2020/21
Employee costs	Employee costs/(Total Revenue - capital revenue)	35%	36%

Table 203: Employee Costs

The ratio gives an indication of the total percentage paid on employee cost. The ratio increased from 35% in 2019/20 to 36% in 2020/21.

5.5.5 Repairs & Maintenance

Description	Basis of calculation	2019/20	2020/21
Repairs and Maintenance	R&M (Total Revenue excluding capital revenue)	0.49%	0.34%

Table 204: 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 2020/21 financial year:

Description	2019/20	2020/21		
	<i>Audited outcome</i>	Original Budget	Adjustment Budget	Actual Expenditure
Infrastructure - Total	45 148	19 616	16 716	23 945
Infrastructure: Road transport - Total	21 254	12 106	12 106	0
Roads, Pavements & Bridges	305	12 106	12 106	0
Stormwater	20 949	0	0	0
Infrastructure: Electricity - Total	1 279	7 510	4 610	859
Transmission & Reticulation	1 279	7 510	4 610	859
Infrastructure: Water - Total	0	0	0	78
Dams & Reservoirs	0	0	0	78
Infrastructure: Sanitation - Total	0	0	0	5 587
Sewerage purification	0	0	0	5 587
Infrastructure: Other - Total	22 615	0	0	17 422
Waste Management	0	0	0	9 937
Other	22 615	0	0	7 484
Community - Total	10 320	0	0	3 567
Sports fields& stadia	10 320	0	0	3 567
Capital expenditure by Asset Class	73	12 000	2 000	2 909
Other assets	73	12 000	2 000	2 909

Description	2019/20	2020/2120		
	<i>Audited outcome</i>	Original Budget	Adjustment Budget	Actual Expenditure
Specialised vehicles	0	12 000	2 000	1 914
Plant & equipment	7	0	0	41
Computers - hardware/equipment	7	0	0	283
Furniture and other office equipment	59	0	0	672
Total	55 541	31 616	18 716	30 422

Table 205: Capital Expenditure: New Asset Programme

5.6.2 Capital Expenditure: Funding Sources

The table below indicates the capital expenditure by funding source for the 2020/21 financial year:

Capital Expenditure: Funding Sources						
Details	2019/20	2020/21				
	<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	0	12 000	2 000	0	0	0
Public contributions and donations	0	0	0	3 567	0	0
Grants and subsidies	54 166	19 616	16 716	22 478	-14.78	34.47
Own funding	73	0	0	2 909	0	0
Total	54 238	31 616	18 716	28 954	-68.92	-9.19
Percentage of Finance						
External loans	0	38	11	0		
Public contributions and donations	0	0	0	12		
Grants and subsidies	100	62	89	78		
Own funding	0	0	0	10		
Capital Expenditure						
Description	R'000				%	
Water and sanitation	19 483	2 124	191	7 642	-90.99	3892.76
Electricity	2 017	8 572	4 782	4 188	-44.21	-12.42
Housing	0	1 062	1 062	0	0	0
Roads and Stormwater	22 371	13 168	12 168	582	-7.60	-95.22
Other	10 368	6 690	513	16 543	-92.34	3126.44
Total	54 238	31 616	18 716	28 954	-68.92	-9.19
Percentage of Expenditure						

Capital Expenditure: Funding Sources						
Details	2019/20	2020/21				
	<i>Audited outcome</i>	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
Source of Finance						
Description	R'000				%	
Water and sanitation	36	7	1	26		
Electricity	4	27	26	14		
Housing	0	3	6	0		
Roads and stormwater	41	42	65	2		
Other	19	21	3	57		

Table 206: Capital Expenditure by Funding Source

5.6.3 Capital Spending on Largest Capital Projects

Name of Project	2020/21				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Connection of 481 households to the sewer reticulation network in Britstown -Phase 3	7 412	7 412	5 587	(0.03)	(0.03)
Construction of Civil Works and turf for the new synthetic soccer field for De Aar - Merino Park	0	0	3 567	0.10	0.10
Construction of Britstown oxidation ponds	0	0	3 025	0.10	0.10
Energy efficiency demand side management	4 000	3 600	2 920	(0.04)	(0.02)
Upgrading Kwezi Sports Ground in Hanover	2 388	2 388	919	(0.16)	(0.16)
Name of Project - A	Connection of 481 Households to the sewer reticulation network				
Objective of Project	Connection of 481 Households to the sewer reticulation network in Britstown -Phase 3				
Delays	COVID-19 delays				
Future Challenges	The cost of planned & unplanned repairs & maintenance to ensure the standard of service is maintained				
Anticipated citizen benefits	Improved basic services and quality of life				
Name of Project - B	New Synthetic Soccer Field for De Aar - Merino Park				
Objective of Project	Construction of Civil Works and Turf for the New Synthetic Soccer Field for De Aar - Merino Park				
Delays	COVID-19 delays				

Name of Project	2020/21				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Future Challenges	The cost of planned & unplanned repairs & maintenance to ensure the standard of service is maintained				
Anticipated citizen benefits	Improved basic services and quality of life				
Name of Project - C	Construction of Britstown Oxidation Ponds				
Objective of Project	Construction of new WWTW as well as sewer pumpstation in Britstown				
Delays	Project was delayed due to COVID-19				
Future Challenges	The cost of planned & unplanned repairs & maintenance to ensure the standard of service is maintained				
Anticipated citizen benefits	Improved basic services and quality of life				
Name of Project - D	Energy efficiency demand side management				
Objective of Project	Convert Conventional streetlights/high mast to solar energy streetlights to curb Eskom debt				
Delays	No delays				
Future Challenges	The cost of planned & unplanned repairs & maintenance to ensure the standard of service is maintained				
Anticipated citizen benefits	Improved basic services and quality of life				
Name of Project - E	Upgrading Kwezi Sports Ground in Hanover				
Objective of Project	Refurbishment Of Hanover Sports Complex				
Delays	No delays				
Future Challenges	The cost of planned & unplanned repairs & maintenance to ensure the standard of service is maintained				
Anticipated citizen benefits	Improved basic services and quality of life				

Table 207: Capital Spending on Largest Capital Projects

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	2019/20	2020/21		
	<i>Audited Outcome</i>	Original Budget	Adjusted Budget	Actual
	R'000			
Cash flow from operating activities				
Receipts				
Ratepayers and other	127 749	200 983	194 057	151 529
Government - operating	64 852	51 955	58 840	76 562
Government - capital	0	19 616	16 716	0
Interest	4 386	1 898	1 698	3 953
Dividends	0	0	0	0
Payments				
Suppliers and employees	(165 516)	(251 301)	(251 221)	(214 477)
Finance charges	(8 130)	(2 130)	(2 130)	(3 277)
Transfers and Grants	0	0	0	0
Net cash from/(used) operating activities	23 341	21 021	17 960	14 290
Cash flows from investing activities				
Receipts				
Proceeds on disposal of PPE	0	210	210	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	(33 025)	(31 616)	(18 716)	(10 390)
Net cash from/(used) investing activities	(33 025)	(31 406)	(18 506)	(10 390)
Cash flows from financing activities				
Receipts				
Short term loans	0	12 000	2 000	0

Cash Flow Outcomes				
R'000				
Description	2019/20	2020/21		
	<i>Audited Outcome</i>	Original Budget	Adjusted Budget	Actual
	R'000			
Borrowing long term/refinancing	104	102	102	160
Payments				
Repayment of borrowing	(1 290)	(861)	(861)	(241)
Net cash from/(used) financing activities	(1 187)	11 241	1 241	(80)
Net increase/ (decrease) in cash held	(10 870)	856	695	3 819
Cash/cash equivalents at the year begin:	17 386	2 565	(208)	6 516
Cash/cash equivalents at the yearend:	6 516	3 421	487	10 335

Table 208: 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						
2019/20	62 897	83 910	49 695	1 816	121 201	319 519
2020/21	71 853	100 408	57 989	2 208	123 429	355 887
Difference	8 955	16 499	8 294	393	2 228	36 369
% growth year on year	14	20	17	22	2	11

Note: Figures exclude provision for bad debt

Table 209: 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				
2019/20	11 551	10 176	5 770	292 021	319 519
2020/21	9 195	5 563	5 275	335 855	355 887
Difference	(2 356)	(4 614)	(495)	43 833	36 369
% growth year on year	-20	-45	-9	15	11

Note: Figures exclude provision for bad debt.

Table 210: 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	2019/20	2020/21
	R'000	
Financial Leases	241	0
Total	241	0

Table 211: Actual Borrowings

5.10.2 Municipal Investments

Actual Investments		
R'000		
Investment type	2019/20	2020/21
	Actual	
R'000		
Listed Corporate Bonds	28	28
Deposits - Bank	19 408	25 574
Total	19 435	25 602

Table 212: Municipal Investments

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2019/20

6.1 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 form 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	

2019/20	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
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 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	

2019/20	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
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 213: AG Report on Financial Performance 2019/20

COMPONENT B: AUDITOR-GENERAL OPINION 2020/21

6.2 AUDITOR-GENERAL REPORT 2020/21

2020/21	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
FINANCIAL STATEMENTS	
Receivables from Non-exchange (Fines) Information not received	
Information requested not provided	Senior Manager Community Services must ensure that all fines are properly recorded. Management must report on all Fines on a monthly basis that was submitted to the Court and Documentary Proof should be maintained at all times
Cash and Cash equivalent: No supporting documents to support amounts in the AFS	
During the audit of cash and cash equivalents, AGSA could not obtain appropriate supporting evidence for the following bank accounts: Motor registration and Traffic Violation	CFO must ensure that a proper reconciliation for the TVS and Motor Registration account is being maintained and review on a monthly basis by the Manager Financial Services
Revenue from exchange transaction: Recorded in the incorrect period	
During the testing of Revenue from exchange Transaction sale of water AGSA have Identified that one debtor consumption billing included consumption for both May and June as last reading was performed in May 2020, as per the reading card	The Senior Credit control clerk must ensure that all readings are captured in the correct month and they are accurate, and also ensure the reading of meters is performed on monthly basis by meter readers
Validity and Existence of Bank Overdraft	
During the Audit AGSA discovered that the Municipality has a negative bank balance on the Primary bank account, which is disclosed under Current liabilities, the amount disclosed as a bank overdraft is R19 766 673.00 but the amount approved by Council for a bank overdraft is R3 000 000.00 There is a classification issue on the bank overdraft as the amount disclosed exceeds the approved Bank overdraft as per Council Resolution	The CFO must ensure that the consultant discloses all payables under current liabilities instead of bank overdraft
Possible Overstatement of irregular Expenditure due to VAT	
During the audit of irregular expenditure, AGSA noted that irregular expenditure was disclosed inclusive of VAT but the underlying expenditure in the statement of financial performance is recognised exclusive of VAT	The CFO must ensure that the SCM Accountant perform irregular expenditure register on a monthly basis and reviewed by Manager Financial Services to omit such misstatements
Revenue from exchange transaction: Prepaid electricity-GL not agreeing to the vendor reports	

2020/21	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
During the testing of revenue (Prepaid electricity) AGSA identified differences from prepaid electricity was overstated by R642 109.38	Budget Control Accountant must perform monthly prepaid electricity reconciliation, to ensure that the Prepaid electricity report does reconcile with the GL. Management must review and sign off the reconciliation every month
Understatement of the expenditure	
During the execution testing of the outsourced service (Security services), it was noted that the outsource service is material misstated	Accountant Expenditure must perform creditors reconciliation on the monthly basis to ensure that all outstanding creditors invoices are recorded at correct month with correct amounts. The CFO must ensure that the reconciliation is been reviewed by Manager Financial Services then sign it off
PPE Disposal: Incorrect Loss on Disposal of PPE	
While testing disposals on Property, Plant and equipment, the proceeds from disposal was not taken into account	CFO must obtain approval of Council before any obsolete and redundant assets are disposed of
Control deficiencies in the IT environment	
During the planning phase of AGSA the following control deficiencies in the IT environment were identified: 1. Power failures, Hardware failure. ineffective data security administration. inadequate security system. Lack of IT policy. 2. Encryption on sent data. Weak IT control 3. Lack of resources and skills; High volume of calls 4. No approved IT Security policy	Management must establish IT steering committee, develop IT policies and ensure that all IT related issues are reported on a monthly basis, and the policies are approved by council
Assets written off without authorization of the council	
During the audit of property plant and equipment; it was established that the Municipality written off assets without the authorisation of the municipal council, as the executive committee only proposed the assets for approval of Council on 18 August 2021	The CFO must ensure that correct procedures are followed when writing or disposing off of assets. The council must approve the writing off of asset, without approval no writing or disposal of asset must take place
SCM Competitive Bidding: Contract not approved by Council	
During the audit of SCM competitive bidding AGSA identified a tender that imposes a financial obligation on the municipality for more than 3 years. Contrary to the MFMA act, the Municipality failed to adhere to the following: 1. The draft contract was not made public 2. The municipality did not invite the community and other interested parties to submit comments or representations in respect of the proposed contract 3. The Municipality did not adopt a resolution in which the council approves the entire contract	The SCM accountant must ensure all Supply chain regulations are adhered to before any tender can be advertised. No tender must be advertised, or goods procured if SCM requirements are not met. The CFO must also review the documents and approve for publication if all SCM regulation are adhered to
SCM Contract Management- No contract in place	
During the audit of the contract management, AGSA noted that there was no contract in place between the auditee and BVI Consulting Engineers for the 481 sewer housing connections project	SCM accountant must keep contract register and update it on a yearly basis in order to determine all expired contract in time. The CFO must ensure that Manager Financial Service review the register and sign it off
SCM competitive processes not followed	
During the audit of SCM quotation process, it was noted that competitive processes were not followed and no deviation form was provided for deviating from the SCM processes for the below supplier. 1. T6/2021- BVI Consulting	SCM Accountant must ensure all procurement processes are followed and adhered to at all times. Any deviation must be approved before any procurement take place. The CFO must sign all deviation as an approval no deviation must be processed if it is not approved. Management must also make sure all deviations are reported to council on a monthly basis

2020/21	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
SCM Local content was not applied	
It was identified by AGSA that one supplier Luno Electrical minimum threshold for local content was not stipulated in the bid documents	SCM Accountant must ensure all mandatory and regulatory SCM documents are correctly completed and no supplier is awarded a tender if they don't meet the stipulated SCM requirements
CIDB requirements for construction Project not adhered to	
During the Audit of SCM, AGSA have identified that for T6/2021-BVI Consulting a competitive bidding process was not followed, which resulted in the Municipality not adhering to the CIDB requirements by appointed BVI without evaluating the status of BVI with CIDB. Therefore, because a competitive bidding process was not followed, CIDB grading did not take place to ensure that BVI Consulting met the criteria for the project	CFO must investigate the appointment and recommend to the MPAC on the way forward of the appointment
Limitation of scope: Tender documents not provided for audit	
Request for information 18 of 2021 for T6/2016 was issued on 9 September 2021 which was due 13 September 2021 was not submitted	Management must ensure that there is proper record keeping, and documents are kept in a safe place. There must also be a register in place to sign off any document that leave the safe so that it can be easy to trace the document when needed
SCM-Preferential point system not applied for transactions above R30 000	
During the audit of SCM AGSA noted that the preferential point system was not followed	SCM Accountant must ensure that during pre-evaluation process all regulations are adhered to. Management must also review the pre-evaluation before a supplier is awarded
SCM-Deviations not reported to council and not disclosed in the AFS	
During the audit of SCM AGSA identified that certain deviations were not reported to council	Management should ensure that all SCM regulations are adhered to and the deviations are reported to council and recorded in the AFS
SCM quotation process: Three quotations not obtained and no approved deviation	
During the Audit of SCM quotation process, it was noted that 3 quotations were not obtained from certain suppliers and there were no deviations attached to the payment batches	SCM Accountant must ensure at all times all three quotations are obtained, if not a deviation with valid reason must be submitted and be approved. Management must report all the deviation to the council on a monthly basis
Non-compliance identified on Unauthorised, Irregular, Fruitless and wasteful Expenditure	
During the audit, AGSA noted that there was no evidence that the Mayor, MEC for local government and Auditor General were informed in writing of the unauthorized, irregular, fruitless and wasteful expenditure, incurred by the Municipality. It was further noted the accounting officer did not take all reasonable steps to ensure that unauthorized, irregular, fruitless and wasteful expenditure were prevented	Management needs to ensure the suggested corrections as per the audit action plan gets implemented
Understatement of Fruitless and Wasteful Expenditure	
During the audit of Fruitless and Wasteful expenditure for the current year, differences were noted between the amount disclosed in AFS note 47.2 and the auditor's recalculation leading to the understatement of fruitless and wasteful expenditure by an amount of (R 1 111 504.72)	Management must ensure that Fruitless and Wasteful expenditure disclosed in the AFS is disclosed accurately and completely. The CFO and Manager Finance must review the AFS before it is submitted to AGSA
Possible fruitless and wasteful expenditure on the Waterdal project	

2020/21	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
During the audit of PPE, AGSA noted that the Waterdal project relating to electricity (Infrastructure project) was removed from working in progress register as the project was not completed and did not meet the definition of an asset. It was further noted that R 2 798 116.80 was spent on the project and the project was not completed by the supplier. The auditors went to physically verify the project and confirmed that the project was incomplete	Senior Manager Infrastructure must ensure that the project manager do physical verification of the asset and provide photos on the progress of the project before any payment is done. The CFO must ensure no payment is done if the payment certificate is not sign off by Senior Manager Infrastructure
The former CFO changed suppliers bank details to his and approved these payments	
During the performance of audit procedure, AGSA noted that the three payments amounting to R1 125 192.05 were made to The Compensation Fund. The compensation fund is managed by the Department of Labour for any injury on duty. If an employee get injured, contracts any disease or dies while working, him or his dependents can claim from Compensation Fund. The fund pays compensation to permanent and casual workers, trainees and apprentices who are injured or contract a disease in the course of their work and lose income as a result. The Municipality makes monthly payments on behalf of their employees to the fund	The matter has been referred to the Financial Misconduct Board
PERFORMANCE MANAGEMENT	
AOPO: Limitation of scope	
Auditors were unable to obtain sufficient audit evidence for the reported achievements in the annual performance report	Senior Manager Infrastructure must ensure that all documents are filed and kept in a safe place
AOPO: Indicators are not appropriately disclosed	
During the review of the annual performance report, the following indicators were found to not be disclosed and/or presented in accordance with the required standards	Senior Manager must ensure that KPI's are appropriately formulated and adequate Portfolio of Evidence are being kept
During the audit of reported performance information pertaining to the performance indicator: TL49 70% of approved budget spent by 30 June 2021 to install energy saving lights $\{(Actual\ expenditure\ divided\ by\ the\ total\ approved\ budget) \times 100\}$, the reliability of the reported achievement could not be confirmed as there is a difference identified affecting the accuracy of information used to report on the reported target numerator. Numerator for TL49 is not accurate.	Senior Manager must ensure that KPI's are appropriately formulated and adequate Portfolio of Evidence are being kept
AOPO: Reported achievement(s) is not consistent to planned and reported indicator and target and not well defined. A comparison of the SDBIP and the APR (including supporting schedules) was performed and inconsistencies were identified	Senior Manager must ensure that KPI's are appropriately formulated and adequate Portfolio of Evidence are being kept
Difference between the reported achievement and underlying records(audited)	
During the audit of performance information, reported information per underlying records was compared to information presented in the annual performance report for each material indicators. Material misstatements were found between the comparisons performed	Senior Manager infrastructure must ensure that the information captured is at all times accurate and have supporting document to prove the accuracy of the information

2020/21	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
During the audit of reported performance information pertaining to the performance indicator:TL49: 70% of approved budget spent by 30 June 2021 to install energy saving Lights {(Actual expenditure divided by the total approved budget) x 100}, the reliability of the reported achievement could not be confirmed as there is a difference identified affecting the accuracy of information used to report on the reported target numerator	Senior Manager infrastructure must ensure that the information captured is at all times accurate and have supporting document to prove the accuracy of the information
. During the audit of reported performance information pertaining to the performance indicator:TL47: 70% of approved budget spent by 30 June 2021 for the electrification of 18 houses {(Actual expenditure divided by the total approved budget) x 100}, the reliability of the reported achievement could not be confirmed as there is a difference identified affecting the accuracy of information used to report on the reported target denominator. Denominator for TL47 is not accurate	Senior Manager infrastructure must ensure that the information captured is at all times accurate and have supporting document to prove the accuracy of the information
During the audit of reported performance information pertaining to the performance indicator:TL47 70% of approved budget spent by 30 June 2021 for the electrification of 18 houses {(Actual expenditure divided by the total approved budget) x 100}, the reliability of the reported achievement could not be confirmed as there is a difference identified affecting the accuracy of information used to report on the reported target numerator. Numerator for TL47 is not accurate	
During the audit of reported performance information pertaining to the performance indicator:TL49: 70% of approved budget spent by 30 June 2021 to install energy saving Lights {(Actual expenditure divided by the total approved budget) x 100}, the reliability of the reported achievement could not be confirmed as there is a difference identified affecting the accuracy of information used to report on the reported target numerator. Denominator for TL49 is not accurate	Senior Manager infrastructure must ensure that the information captured is at all times accurate and have supporting document to prove the accuracy of the information
Auditors were unable to obtain sufficient audit evidence for the reported achievements in the annual performance report. Indicators are not measurable	Senior Manager infrastructure must ensure all indicators captured for performance information met the SMART CRITEA

Table 214: AG Report on Financial Performance 2020/21

LIST OF ABBREVIATIONS

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

LIST OF TABLES

Table 1: Total Population.....	9	Table 35: Ward 3 Committee Members.....	35
Table 2: Population	9	Table 36: Ward 4 Committee Members.....	35
Table 3: Population per Ward.....	10	Table 37: Ward 5 Committee Members.....	35
Table 4: Gender Statistics.....	10	Table 38: Ward 6 Committee Members.....	36
Table 5: Population Profile	10	Table 39: Ward 7 Committee Members.....	36
Table 6: Total Number of Households	11	Table 40: Ward 8 Committee Members.....	36
Table 7: Municipal Wards.....	12	Table 41: Labour Forum	37
Table 8: Key Economic Activities.....	15	Table 42: Top Ten Risks	39
Table 9: Basic Services Delivery Highlights	16	Table 43: Risk Committee.....	39
Table 10: Basic Services Delivery Challenges	16	Table 44: Strategies.....	40
Table 11: Households with Minimum Level of Basic Services	17	Table 45: Implementation of the Strategies	40
Table 12: Financial Viability Highlights.....	17	Table 46: Members of the Audit Committee.....	41
Table 13: Financial Viability Challenges.....	18	Table 47: Members of the Performance Audit Committee.....	42
Table 14: National KPI's for Financial Viability and Management.....	18	Table 48: Communication Activities	42
Table 15: Opinion Received.....	19	Table 49: Newsletter	43
Table 16: 2020/21 IDP/Budget Process	22	Table 50: Additional Communication Channels Utilised	43
Table 17: Management Control	23	Table 51: Website Checklist.....	44
Table 18: Skills Development.....	23	Table 52: Top Layer SDBIP per Strategic Objectives.....	49
Table 19: Enterprise and Supplier Development.....	23	Table 53: Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties.....	50
Table 20: Cost Containment	24	Table 54: Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor.....	51
Table 21: Committee Members.....	26	Table 55: Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives.....	52
Table 22: COVID-19: Statistical Information.....	26	Table 56: Maintaining a financially sustainable and viable Municipality.....	53
Table 23: Challenges: COVID-19	26	Table 57: Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni Municipality.....	54
Table 24: Address COVID-19 Associated Risks	27	Table 58: Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area.....	54
Table 25: COVID - 19 Communication/ Awareness.....	27	Table 59: Provision of access to all basic services rendered to residents within available resources	58
Table 26: National KPIs - Good Governance and Public Participation Performance.....	28	Table 60: Functional Areas.....	59
Table 27: Council 2020/21	29	Table 61: Water Services Highlights.....	60
Table 28: Executive Committee 2020/21.....	29	Table 62: Water Services Challenges	60
Table 29: Portfolio Committees.....	30		
Table 30: Administrative Governance Structure	31		
Table 31: Intergovernmental Structures.....	33		
Table 32: Joint Projects and Functions.....	33		
Table 33: Ward 1 Committee Members.....	34		
Table 34: Ward 2 Committee Members.....	35		

Table 63: Water Service Delivery Levels: Households.....	61	Table 99: Waste Water (Stormwater) Highlights.....	74
Table 64: Access to Water	61	Table 100: Waste Water (Stormwater) Challenges.....	74
Table 65: Employees: Water Services	62	Table 101: Waste Water (Stormwater) Services Delivery Statistics	75
Table 66: Waste Water (Sanitation) Provision Highlights	63	Table 102: Employees: Waste Water (Stormwater).....	75
Table 67: Waste Water (Sanitation) Provision Challenges	63	Table 103: Planning Highlights.....	76
Table 68: Waste Water (Sanitation) Provision Service Delivery Levels.....	63	Table 104: Planning Challenges.....	76
Table 69: Employees Waste Water (Sanitation) Provision.....	64	Table 105: Applications for Land Use Development	77
Table 70: Capital Expenditure 2020/21: Waste Water (Sanitation) Provision.....	64	Table 106: Additional Performance Town Planning and Building Control	77
Table 71: Electricity Highlights	65	Table 107: Employees: Planning	77
Table 72: Electricity Challenges	65	Table 108: LED Highlights	78
Table 73: Electricity Service Delivery Levels.....	66	Table 109: Challenges LED	79
Table 74: Employees: Electricity Services.....	66	Table 110: Job Creation Through EPWP Projects	79
Table 75: Capital Expenditure 2020/21: Electricity.....	66	Table 111: Highlights: Tourism.....	80
Table 76: Waste Management Highlights.....	67	Table 112: Challenges: Tourism.....	80
Table 77: Waste Management Challenges.....	67	Table 113: Employees: Local Economic Development	81
Table 78: Waste Management Service Delivery Levels	68	Table 114: Libraries Highlights	81
Table 79: Employees: Waste Management.....	68	Table 115: Libraries Challenges	82
Table 80: Housing Needs	69	Table 116: Service Statistics for Libraries	82
Table 81: Highlights: Housing	69	Table 117: Employees: Libraries	83
Table 82: Housing Challenges.....	70	Table 118: Emthanjeni Cemeteries.....	83
Table 83: Households with Access to Basic Housing	70	Table 119: Cemeteries Highlights.....	83
Table 84: Housing Waiting List.....	70	Table 120: Cemeteries Challenges.....	84
Table 85: Houses Built and Sites Services.....	70	Table 121: Service Statistics for Cemeteries.....	84
Table 86: Employees: Housing.....	71	Table 122: Traffic Services Highlights.....	84
Table 87: Free Basic Services to Indigent Households.....	71	Table 123: Traffic Services Challenges.....	85
Table 88: Free Basic Electricity Services to Indigent Households.....	71	Table 124: Service Statistics for Traffic Services.....	85
Table 89: Free Basic Water Services to Indigent Households	72	Table 125: Employees: Traffic Services	85
Table 90: Free Basic Sanitation Services to Indigent Households	72	Table 126: Employees: Law Enforcement.....	86
Table 91: Free Basic Refuse Removal Services to Indigent Households	72	Table 127: Fire Services and Disaster Management Highlights.....	86
Table 92: Roads Highlights.....	72	Table 128: Fire Services and Disaster Management Challenges.....	87
Table 93: Roads Challenges.....	73	Table 129: Service Statistics for Fire Services	87
Table 94: Gravel Road Infrastructure	73	Table 130: Sport and Recreation Highlights.....	87
Table 95: Tarred Road Infrastructure.....	73	Table 131: Sport and Recreation Challenges.....	87
Table 96: Cost of Construction/Maintenance of Roads.....	73	Table 132: Service Statistics for Sport and Recreation.....	88
Table 97: Employees: Roads.....	74	Table 133: Employees: Parks and Cemeteries.....	88
Table 98: Capital Expenditure 2020/21: Roads.....	74	Table 134: Employees: Sport and Recreation	89
		Table 135: Executive and Council Highlights.....	90

Table 136: Executive and Council Challenges	90	Table 161: EE Population 2020/21 (including non-permanent officials)	103
Table 137: Employees: Corporate Services	90	Table 162: Occupational Categories	103
Table 138: Employees: Office of the Municipal Manager	91	Table 163: Employee Turnover Rate.....	104
Table 139: Employees: Technical Services	91	Table 164: Injuries.....	104
Table 140: Employees: Buildings	92	Table 165: Sick Leave	105
Table 141: Financial Services Highlights	93	Table 166: Human Resource Policies and Plans	106
Table 142: Financial Services Challenges	93	Table 167: Skills Matrix.....	107
Table 143: Employees: Financial Services	94	Table 168: Skills Development	108
Table 144: Human Resources Highlights	94	Table 169: Budget Allocated and Spent for Skills Development.....	109
Table 145: Human Resources Challenges	94	Table 170: Personnel Expenditure	109
Table 146: Employees: Human Resources.....	95	Table 171: Personnel Expenditure	110
Table 147: Procurement Services Highlights.....	95	Table 172: Financial Performance 2020/21	113
Table 148: Procurement Services Challenges.....	96	Table 173: Performance Against Budgets	113
Table 149: Service Statistics for Procurement Division	96	Table 174: Revenue by Vote.....	114
Table 150: Statistics of Deviations from the SCM Policy	96	Table 175: Revenue by Source	115
Table 151: 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 . 97		Table 176: Operational Services Performance.....	116
Table 152: Services Delivery Priorities - Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor	97	Table 177: Financial Performance: Water Services	117
Table 153: Services Delivery Priorities - Development and transformation of the institution with the aim of capacitating the Municipality in meeting their objective....	98	Table 178: Financial Performance: Waste Water (Sanitation) Services	117
Table 154: Services Delivery Priorities - Maintaining a financially sustainable and viable Municipality	99	Table 179: Financial Performance: Electricity.....	118
Table 155: Services Delivery Priorities - Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality.....	99	Table 180: Financial Performance: Waste Management.....	118
Table 156: Service Delivery Priorities - Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area.....	99	Table 181: Financial Performance: Housing.....	119
Table 157: Service Delivery Priorities - Provision of access to all basic services rendered to residents within available resources	101	Table 182: Financial Performance: Roads and Stormwater	119
Table 158: National KPIs- Municipal Transformation and Organisational Development.....	102	Table 183: Financial Performance: LED.....	120
Table 159: 2020/21 EE Targets/Actual by Racial Classification.....	102	Table 184: Financial Performance: Planning	120
Table 160: 2020/21 EE Targets/Actual by Gender Classification	103	Table 185: Financial Performance: Tourism	121
		Table 186: Financial Performance: Libraries	121
		Table 187: Financial Performance: Cemeteries	122
		Table 188: Financial Performance: Traffic Services and Law Enforcement.....	122
		Table 189: Financial Performance: Sport and Recreation	123
		Table 190: Financial Performance: Financial Services	123
		Table 191: Financial Performance: Corporate Service	124
		Table 192: Financial Performance: Other	124
		Table 193: Grant Performance for 2020/21	125
		Table 194: Conditional Grant.....	125
		Table 195: Reliance on Grants	126
		Table 196: Asset 1	126

Table 197: Asset 2.....	127
Table 198: Asset 3.....	127
Table 199: Repairs & Maintenance.....	127
Table 200: Liquidity Financial Ratio.....	128
Table 201: Financial Viability National KPAs.....	128
Table 202: Borrowing Management.....	130
Table 203: Employee Costs.....	130
Table 204: Repairs & Maintenance.....	131
Table 205: Capital Expenditure: New Asset Programme.....	132
Table 206: Capital Expenditure by Funding Source.....	133
Table 207: Capital Spending on Largest Capital Projects.....	134
Table 208: Cash Flow.....	136
Table 209: Gross Outstanding Debtors per Service.....	136
Table 210: Service Debtor Age Analysis.....	136
Table 211: Actual Borrowings.....	137
Table 212: Municipal Investments.....	137
Table 213: AG Report on Financial Performance 2019/20.....	140
Table 214: AG Report on Financial Performance 2020/21.....	144

LIST OF GRAPHS

Graph 1: Population by Race.....	9
Graph 2: Top Layer SDBIP per Strategic Objectives.....	49
Graph 3: Revenue.....	113
Graph 4: Operating Expenditure.....	114
Graph 5: Reliance on Grants.....	126
Graph 6: Liquidity Ratio.....	128
Graph 7: Cost Coverage.....	129
Graph 8: Total Outstanding Service Debtors.....	129
Graph 9: Debt Coverage.....	130

Annexure A

Financial Statements

EMTHANJENI

LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2021

AUDITED FINANCIAL STATEMENTS

EMTHANJENI LOCAL MUNICIPALITY

Index

<i>Contents</i>	<i>Page</i>
Approval of the Financial Statements	1
General Information	2
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position	7
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance	8
Statement of Comparison of Budget and Actual Amounts - Cash Flow Statement	9
Accounting Policies	10 - 52
Notes to the Financial Statements	53 - 92
APPENDICES	
A Schedule of External Loans	93
B Segmental Statement of Financial Performance - GFS Classifications	94
C Segmental Statement of Financial Performance - Municipal Votes	95
D Segmental Analysis of Property, Plant and Equipment - GFS Classifications	96
E Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	97
F Appropriation Statements	98-103
G Statement of Remuneration of Management	104-105
H Uniform Financial Ratios and Norms	106-110

EMTHANJENI LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2021, which are set out on pages 1 to 110 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

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

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2022 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits 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.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As a result of the robust financial model applied by the municipality however, the overall going concern and financial position remains relatively unchanged due to continued support by those members of the community who can afford to do so.



I Visser
Municipal Manager

31.8.2021
Date

EMTHANJENI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

GENERAL INFORMATION

NATURE OF BUSINESS

Emthanjeni Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).

JURISDICTION

The Emthanjeni Municipality includes the following areas:

De Aar
Britstown
Hanover

EXECUTIVE MAYOR

ST Sthonga

SPEAKER

MC Kivedo

CHIEF WHIP

R Faul

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Councillor
Executive Councillor

CJ Louw
NP Mkontwana

MUNICIPAL MANAGER

I Visser

CHIEF FINANCIAL OFFICER

MF Manuel

REGISTERED OFFICE

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

ATTORNEYS

Calteaux & Partners
Van Zyl Attorneys

POSTAL ADDRESS:

P.O.Box 42
De Aar
7000

AUDITORS

Office of the Auditor General

PRINCIPLE BANKERS

ABSA Bank Limited

RELEVANT LEGISLATION

Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Systems Amendment Act (Act no 7 of 2011)
Municipal Regulations on Standard Chart of Accounts
Municipal Finance Management Act (Act no 56 of 2003)
Basic Conditions of Employment Act (Act no 75 of 1997)
Municipal Planning and Performance Management Regulations
Remuneration of Public Office Bearers Act (Act no 20 of 1998)

Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

MEMBERS OF THE EMTHANJENI LOCAL MUNICIPALITY

WARD

1
2
3
4
5
6
7
8
Proportional
Proportional
Proportional
Proportional
Proportional
Proportional

COUNCILLOR

RR Faul
D Vanel
NP Mkontwana
PD Van Wyk
WJ Du Plesis
LE Andrews
L Billie
PP Mhlauli
ST Sthonga
MC Kivedo
SJ Hoffman
SP Wales
C Louw
MO Maramba
PN Bushula

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Notes	2021 R	2020 Restated R
ASSETS			
Non-Current Assets		707,584,961	732,477,395
Property, Plant and Equipment	2	694,853,225	719,722,121
Investment Property	3	5,718,600	5,718,600
Intangible Assets	4	25,508	49,711
Heritage Assets	5	6,959,273	6,959,273
Investments	6	28,355	27,690
Current Assets		130,054,304	146,497,255
Inventory	8	26,462,195	54,057,829
Receivables from Exchange Transactions	9	39,436,332	37,777,675
Receivables from Non-exchange Transactions	10	21,387,131	20,582,276
Taxes	19	12,667,044	12,315,371
Cash and Cash Equivalents	11	30,101,602	21,764,106
Total Assets		837,639,265	878,974,650
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		92,398,732	73,060,160
Non-current Provisions	13	67,337,731	51,656,159
Non-current Employee Benefits	14	25,061,001	21,404,001
Current Liabilities		181,176,177	164,825,777
Consumer Deposits	15	2,678,885	2,518,499
Current Employee Benefits	16	14,095,884	13,581,717
Trade and Other Payables from Exchange Transactions	17.1	114,200,519	115,875,718
Trade and Other Payables from Non-Exchange Transactions	17.2	10,119,222	10,151,718
Unspent Transfers and Subsidies	18	20,315,030	7,208,676
Bank overdraft	11	19,766,637	15,248,597
Current Portion of Long-term Borrowings	12	(0)	240,852
Total Liabilities		273,574,909	237,885,937
Net Assets		564,064,355	641,088,715
Capital Replacement Reserve	20	2,252,793	2,252,793
Accumulated Surplus		561,811,562	638,835,922
Total Net Assets and Liabilities		837,639,265	878,974,652

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 R	2020 Restated R
REVENUE			
Revenue from Non-exchange Transactions		109,886,293	139,278,612
Taxation Revenue		40,166,786	39,479,986
Property Rates	21	39,419,873	38,684,593
Property Rates - Penalties imposed and collection charges		746,913	795,393
Transfer Revenue		68,430,844	88,185,307
Government Grants and Subsidies - Capital	22	11,706,049	38,780,574
Government Grants and Subsidies - Operating	22	51,749,597	49,404,733
Contributed Property, Plant and Equipment	23	4,975,198	-
Other Revenue		1,288,663	11,613,319
Actuarial Gains	14	1,000	3,704,665
Fines and Penalties	30	1,287,663	7,908,654
Revenue from Exchange Transactions		148,536,843	143,995,921
Service Charges	25	140,702,374	129,775,535
Operational Revenue	26	2,422,269	8,951,276
Rental from Fixed Assets	27	1,236,966	980,228
Interest Earned - External Investments	28	1,182,337	1,813,555
Interest Earned - Exchange Transactions	29	2,023,361	1,776,613
Licences and Permits	24	969,538	698,713
Total Revenue		258,423,136	283,274,533
EXPENDITURE			
Employee related costs	31	87,328,644	86,551,132
Remuneration of Councillors	32	5,682,471	5,719,058
Contracted Services	33	10,156,067	13,885,866
Depreciation and Amortisation	34	52,992,143	50,401,921
Actuarial Losses	14	2,657,000	-
Finance Costs	35	11,851,357	6,389,597
Bulk Purchases	36	72,890,341	70,126,146
Inventory Consumed	8	3,770,796	5,147,150
Operational Costs	37	29,575,586	29,153,926
Total Expenditure		276,904,405	267,374,796
Operating Surplus/(Deficit) for the Year		(18,481,270)	15,899,736
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	8	(27,230,237)	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	38	(30,807,509)	(40,774,811)
Gains/(Loss) on Sale of Fixed Assets	39	(506,009)	(159,483)
Fair value adjustment		665	(1,519)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	40	-	(8,787,730)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(77,024,360)	(33,823,807)

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Capital Replacement Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 JULY 2019	2,252,793	671,652,535	673,905,328
Correction of Error		(1,007,194)	(1,007,194)
Restated balance	2,252,793	670,645,341	672,898,134
Net Surplus/(Deficit) for the year	-	(37,577,150)	(37,577,150)
Balance at 30 JUNE 2020	2,252,793	633,068,191	635,320,984
Correction of Error	-	5,767,731	5,767,731
Restated balance	2,252,793	638,835,922	641,088,715
Net Surplus/(Deficit) for the year	-	(77,024,360)	(77,024,360)
Balance at 30 JUNE 2021	2,252,793	561,811,562	564,064,355

EMTHANJENI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 R	2020 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Cash receipts from customers		151,880,790	135,270,310
Grants		76,562,000	64,852,228
Interest received		1,182,337	1,813,555
Interest earned - outstanding debtors		2,023,361	1,776,613
Property rates - Interest received		746,913	795,393
Taxes		(351,673)	(7,520,918)
Cash payments			
Employee costs		(93,517,015)	(92,163,988)
Suppliers		(120,959,623)	(73,352,281)
Finance costs		(3,276,758)	(8,129,596)
Net Cash from Operating Activities	43	14,290,332	23,341,315
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(10,390,409)	(33,000,455)
Purchase of Intangible Assets		0	(24,518)
Net Cash from Investing Activities		(10,390,409)	(33,024,973)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		(240,852)	(1,290,332)
Increase/(Decrease) in Consumer Deposits		160,386	103,703
Net Cash from Financing Activities		(80,466)	(1,186,629)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,819,457	(10,870,287)
Cash and Cash Equivalents at the beginning of the year		6,515,508	17,385,795
Cash and Cash Equivalents at the end of the year		10,334,965	6,515,508
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,819,457	(10,870,287)

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
	R	(i.t.o. s28 and s31 of the MFMA)	R	(i.t.o. s31 of the MFMA)	R	R	2021 R	%	
ASSETS									
Current Assets									
Cash	83,384	10,300,945	10,384,329			10,384,329	4,527,512	-56.40%	Additional investment made during year
Call Investment Deposits	10,300,945	(10,300,945)	-			-	25,574,090	0.00%	Budgeted with cash
Consumer Debtors	64,669,719	-	64,669,719			64,669,719	39,436,332	-39.02%	Less billed than expected. Impairment greater than expected.
Other Debtors	6,206	-	6,206			6,206	34,054,175	548629.86%	Less billed than expected. Impairment greater than expected. The municipality does not split budget between exchange and non-exchange
Current Portion of long-term receivables	5,660	-	5,660			5,660	-	-100.00%	No long term receivables for the year
Inventory	52,832,778	-	52,832,778			52,832,778	26,462,195	-49.91%	Write down of land to fair value
Total Current Assets	127,898,692	-	127,898,692	-	-	127,898,692	130,054,304	1.69%	
Non-Current Assets									
Long-term Receivables	1,902	-	1,902			1,902	-	-100.00%	No long term receivables for the year
Investments	29,500	-	29,500			29,500	28,355	-3.88%	
Investment Property	5,725,000	-	5,725,000			5,725,000	5,718,600	-0.11%	
Property, Plant and Equipment	838,803,502	(12,900,000)	825,903,502			825,903,502	694,853,225	-15.87%	Due to under budget of depreciation. Additions recognised that was not budgeted for, resulting in additional depreciation. Landfill site depreciation not budgeted.
Intangible Assets	191,500	-	191,500			191,500	25,508	-86.68%	Less addition purchases than expected budget
Other Non-Current Assets	7,580	-	7,580			7,580	6,959,273	91710.99%	Due to heritage not budgeted
Total Non-Current Assets	844,758,984	(12,900,000)	831,858,984	-	-	831,858,984	707,584,961	-14.94%	
TOTAL ASSETS	972,657,676	(12,900,000)	959,757,676	-	-	959,757,676	837,639,265	-12.72%	
LIABILITIES									
Current Liabilities									
Bank Overdraft	6,992,707	-	6,992,707			6,992,707	19,766,637	0.00%	The municipality budgeted for greater revenue enhancement to pay its creditors. This however
Borrowing	790,726	-	790,726			790,726	(0)	-100.00%	Borrowings settled on year-end
Consumer Deposits	2,659,455	-	2,659,455			2,659,455	2,678,885	0.73%	
Trade and Other Payables	52,335,493	-	52,335,493			52,335,493	144,634,771	176.36%	Slow payment of creditors
Provisions	2,083,242	-	2,083,242			2,083,242	14,095,884	576.63%	Landfill site not budgeted
Total Current Liabilities	64,861,623	-	64,861,623	-	-	64,861,623	181,176,177	179.33%	
Non-Current Liabilities									
Borrowing	11,443,392	(10,000,000)	1,443,392			1,443,392	-	-100.00%	Borrowings settled on year-end
Provisions	98,754,507	-	98,754,507			98,754,507	92,398,732	-6.44%	Due to bonus and leave provision not budgeted
Total Non-Current Liabilities	110,197,899	(10,000,000)	100,197,899	-	-	100,197,899	92,398,732	-7.78%	
TOTAL LIABILITIES	175,059,522	(10,000,000)	165,059,522	-	-	165,059,522	273,574,909	65.74%	
NET ASSETS									
Accumulated Surplus/(Deficit)	797,598,154	(2,900,000)	794,698,154			794,698,154	561,811,562	-29.31%	Net effect of reasons above
TOTAL NET ASSETS	797,598,154	(2,900,000)	794,698,154	-	-	794,698,154	564,064,355	-29.02%	

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
	R	R	R	R	R	R	2021 R	%	
REVENUE									
Property Rates	37,566,489	-	37,566,489			37,566,489	39,419,873	4.93%	Due to settlement of Department of Public Works
Property Rates - Penalties & Collection Charges		-				-	746,913	0.00%	
Service Charges - Electricity Revenue	79,149,392	(7,000,000)	72,149,392			72,149,392	88,105,850	22.12%	Due to pre-paid sales budgeted with other revenue.
Service Charges - Water Revenue	36,813,059	-	36,813,059			36,813,059	31,917,471	-13.30%	More water revenue was anticipated with budget Less sanitation revenue was anticipated with budget
Service Charges - Sanitation Revenue	25,463,709	(2,700,000)	22,763,709			22,763,709	13,803,269	-39.36%	
Service Charges - Refuse Revenue	14,257,149	(1,800,000)	12,457,149			12,457,149	6,875,784	-44.80%	More refuse revenue was anticipated with budget Additional halls rented, due to less stricter COVID measures than expected
Rental of Facilities and Equipment	909,515	-	909,515			909,515	1,236,966	36.00%	
Interest Earned - External Investments	717,274	(200,000)	517,274			517,274	1,182,337	128.57%	Additional investment made during year Slow payment debtors resulting in additional interest
Interest Earned - Outstanding Debtors	1,655,756	-	1,655,756			1,655,756	2,023,361	22.20%	
Fines	4,292,110	(2,620,000)	1,672,110			1,672,110	1,287,663	-22.99%	No camera fines issued during the year Due to COVID 19, not all offices were fully operating
Licenses and Permits	2,368,693	-	2,368,693			2,368,693	969,538	-59.07%	
Agency Services	-	-	-			-	-		
Transfers Recognised - Operational	51,955,000	6,885,000	58,840,000			58,840,000	51,749,597	-12.05%	Library grant not received. Rollover not approved and was deducted from equitable share
Other Revenue	33,302,489	1,700,000	35,002,489			35,002,489	2,423,934	-93.07%	Due to pre-paid sales budgeted with other revenue.
Gains on Disposal of PPE	210,000	-	210,000			210,000	0	-100.00%	Gains not budgeted
Total Revenue (excluding capital transfers and contributions)	288,660,635	(5,735,000)	282,925,635	-	-	282,925,635	241,742,553	(2)	
EXPENDITURE									
Employee Related Costs	87,750,623	-	87,750,623			87,750,623	87,328,644	-0.48%	The municipality budgeted for a greater increase in councillors remuneration, however the amount did not materialise.
Remuneration of Councillors	6,488,323	-	6,488,323			6,488,323	5,682,471	-12.42%	
Debt Impairment	7,754,943	-	7,754,943			7,754,943	30,807,509	297.26%	Due to slow payment of debtors, greater amount was impaired.
Depreciation and Asset Impairment	10,632,741	-	10,632,741			10,632,741	52,992,143	398.39%	Due to under budget of depreciation. Additions recognised that was not budgeted for, resulting in additional depreciation. Landfill site depreciation not budgeted.
Finance Charges	2,129,934	-	2,129,934			2,129,934	11,851,357	456.42%	Not budgeted for finance cost of non-current provisions and employee benefits. Slow payment of creditors resulting in additional finance charges.
Bulk Purchases	74,538,997	-	74,538,997			74,538,997	72,890,341	-2.21%	Less water purchased than expected
Other Materials	14,728,748	(3,383,334)	11,345,414			11,345,414	3,770,796	-66.76%	Due to cost containment measures implemented
Contracted Services	11,224,033	(616,666)	10,607,367			10,607,367	10,156,067	-4.25%	
Other Expenditure	61,412,293	6,885,000	68,297,293			68,297,293	59,462,823	-12.94%	Due to cost containment measures implemented
Loss on Disposal of PPE	-	-	-			-	506,009	#DIV/0!	Losses not budgeted
Total Expenditure	276,660,635	2,885,000	279,545,635	-	-	279,545,635	335,448,160	20.00%	
Surplus/(Deficit)	12,000,000	(8,620,000)	3,380,000	-	-	3,380,000	(93,705,607)	(2)	
Transfers Recognised - Capital Contributed Assets	19,616,000	(2,900,000)	16,716,000			16,716,000	11,706,049	-29.97%	Rollover not approved and was deducted from equitable share
	-	-	-			-	4,975,198	#DIV/0!	Contributed PPE not budgeted
Surplus/(Deficit) after Capital Transfers & Contributions	31,616,000	(11,520,000)	20,096,000	-	-	20,096,000	(77,024,360)	-483.28%	
Taxation		-				-		#DIV/0!	
Surplus/(Deficit) after Taxation	31,616,000	(11,520,000)	20,096,000	-	-	20,096,000	(77,024,360)	-483.28%	
Attributable to Minorities		-				-		#DIV/0!	
Surplus/(Deficit) Attributable to Municipality	31,616,000	(11,520,000)	20,096,000	-	-	20,096,000	(77,024,360)	-483.28%	
Share of Surplus/(Deficit) of Associate		-				-		#DIV/0!	
Surplus/(Deficit) for the year	31,616,000	(11,520,000)	20,096,000	-	-	20,096,000	(77,024,360)	#DIV/0!	

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
	R	R	R	R	R	R	2021 R	%	
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Taxation	30,053,191	-	30,053,191			30,053,191	(351,673)	-100.18%	Actual taxation relating to movement in VAT
Service Charges	137,114,977	(6,005,900)	131,109,077			131,109,077	151,880,790	-31.84%	Due to pre-paid sales budgeted with other revenue.
Other Revenue	33,814,498	(920,000)	32,894,498			32,894,498	1,182,337	-98.91%	Due to pre-paid sales budgeted with other revenue.
Government - Operating	51,955,000	6,885,000	58,840,000			58,840,000	76,562,000	1.33%	Rollover not approved and was deducted from equitable share
Government - Capital	19,616,000	(2,900,000)	16,716,000			16,716,000	-	-100.00%	
Interest	1,898,423	(200,000)	1,698,423			1,698,423	2,770,274	63.11%	Cashflow only include interest on investments
Payments									
Suppliers and Employees	(251,301,110)	80,000	(251,221,110)			(251,221,110)	(214,476,637)	-14.63%	Slow payment of creditors
Finance costs	(2,129,934)	-	(2,129,934)			(2,129,934)	(3,276,758)	53.84%	Slow payment of creditors resulting in additional interest
Net Cash from/(used) Operating Activities	21,021,045	(3,060,900)	17,960,145	-	-	17,960,145	14,290,332	-20.43%	
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	210,000	-	210,000			210,000		-100.00%	Effect of disposal considered against capital assets
Payments									
Capital Assets	(31,616,000)	12,900,000	(18,716,000)			(18,716,000)	(10,390,409)	-44.48%	Additions recognised that was not budgeted for.
Net Cash from/(used) Investing Activities	(31,406,000)	12,900,000	(18,506,000)	-	-	(18,506,000)	(10,390,409)	-43.85%	
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Borrowing long term/refinancing	12,000,000	(10,000,000)	2,000,000			2,000,000	-	-100.00%	No additional loans for the year
Increase/(Decrease) in Consumer Deposits	102,287	-	102,287			102,287	160,386	56.80%	More water and electricity revenue was anticipated with budget
Payments									
Repayment of Borrowing	(861,209)	-	(861,209)			(861,209)	(240,852)	-72.03%	Less repayments than expected as new loans was not taken up
Net Cash from/(used) Financing Activities	11,241,078	(10,000,000)	1,241,078	-	-	1,241,078	(80,466)	-106.48%	
NET INCREASE/(DECREASE) IN CASH HELD									
Cash and Cash Equivalents at the year begin:	2,564,999	(2,773,474)	(208,475)			(208,475)	6,515,508	-3225.32%	
Cash and Cash Equivalents at the year end:	3,421,122	(2,934,374)	486,748	-	-	486,748	10,334,965	2023.27%	Net of reasons listed above

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by the National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.4, on which the municipality was required to transacted for periods after 1 July 2020. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2020 audited amounts are set out in note 41 of the annual financial statements.

1.5. CONSISTENT AND NEW ACCOUNTING POLICIES

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements will be adjusted in accordance with GRAP 3.

The following GRAP standards became effective on 1 April 2020:

- GRAP 18 Segment Reporting
- GRAP 110 Living and non-living resources
- GRAP 34 Separate financial statements
- GRAP 35 Consolidated financial statements
- GRAP 36 Investment in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interest in Other Entities

GRAP 34 - 38 will not have an influence on the operations of the municipality.

Amendments were made to the following GRAP interpretations:

- iGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
- iGRAP 20 Accounting for Adjustments to Revenue

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.6. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.7. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.8. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the final budget amounts and actual amounts are included on the Statement of Budget Comparison.

The municipality considers a variance between the actual and budget of more than 10% of the budgeted value as material, provided that such variance exceeds R1000 000.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.9. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 104 (Revised – April 2020)	<u>Financial Instruments</u> The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. The Municipality might need to revise the categories of financial instruments and the impairment model.	Unknown
Guideline	<u>Landfill sites</u> No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
Guideline	<u>Application of Materiality of Financial Statements</u> The guideline is not authoritative but only encourage. The municipality may have to revise their currently policy on materiality to include additional factors.	Unknown

1.10. RESERVES

1.10.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited or debited, as the case may be, by a corresponding amount when the amounts in the CRR are utilized.

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

1.11. LEASES

1.11.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays,

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. 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.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. 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 de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

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

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources.

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.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

1.16. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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 balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. 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.

(b) *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as employee related cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(d) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end, to a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave, to a maximum of 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. 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 following items will be regarded as Property, plant and equipment rather than investment property:

- Owner-occupied property (including held for future use);
- Owner-occupied property held for development;
- Property occupied by employees for housing;
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;
- Property held by the municipality for strategic purpose

The cost of an item of property, plant and equipment shall be 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 entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by 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 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.

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

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

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.17.3. Depreciation and Impairment

Land is not depreciated as it is regarded as having an unlimited life. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset other than land begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives in years:

Infrastructure

Roads and Stormwater	3 - 80
Electricity	3 - 60
Water	5 - 75
Refuse (landfill sites)	10 - 65
Sewerage	5 - 75

Community

Recreation sites	5 - 60
------------------	--------

Other

Buildings	5 - 100
Office Equipment	3 - 15
Furniture and Fittings	2 - 10
Other Plant and Equipment	2 - 15
Emergency Equipment	2 - 10
Transport Assets	3 - 15

Finance lease assets

Office equipment	2-10
Vehicles	3-5

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The depreciation charge is recognised in the Statement of Financial Performance.

Changes to the useful life of assets and residual value are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.17.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed 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 item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.17.6. Decommissioning and restoration asset

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

The related asset (under cost model) is measured as follows:

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- Changes in the liability, shall be added or deducted from the asset cost;
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.

If the adjustment results in an addition to the cost of an asset, the municipality shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with its impairment policy. Refer to paragraph 1.26 of the policy.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, regardless of whether the Municipality intends to do so or;
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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 never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	3-5

The amortisation charge is recognised in the Statement of Financial Performance

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed 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 sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.18.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.19. INVESTMENT PROPERTY

1.19.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

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.

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 municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases;
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

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 measured at cost.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2. Subsequent Measurement – Fair value model

Subsequent to initial recognition, items of investment property is measured at fair value. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.19.3. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.4. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.20. LIVING AND NON-LIVING RESOURCES

1.20.1. Initial Recognition

Living resources (animals, plants) are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources includes land, water, mineral, oil and gas.

Once the resources it is extracted it is no longer in its natural state and no longer meet definition of a non-living resource. After extraction the principals of GRAP 12 would apply.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

On-going maintenance (city beautification) is not intervening in the management of the physical condition, but is part of an entity's on-going duties and responsibilities.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset;
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.
 - A decision to halt the construction of the asset before it is complete or in a usable condition

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2. Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. 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 recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

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

1.22. INVENTORIES

1.22.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are 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 the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable 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

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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 cost relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead.

1.22.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The cost is determined using the weighted average cost of commodities.

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 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 are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. 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

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.23.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method. Receivables comprise of long-term debtors, consumer debtors and other debtors (excluding rates and fines).

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2. Payables

Financial liabilities consist of trade and other payables. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3. Cash and Cash Equivalents

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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.23.2.4. Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks and public companies are stated at fair value.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3. De-recognition

1.23.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2. Financial Liabilities

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.24. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

1.24.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset and recognition criteria of asset is met.

1.24.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

The municipality considers the following as indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied)
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.24.3. Derecognition

The Municipality derecognises a statutory receivable when:

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

1.24.4. Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables. Over time our understanding and insights as to the requirements of a new standard improves, therefore the municipality is choosing to make use of the transitional provision

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

1.25. REVENUE

1.25.1. Revenue from Non-Exchange Transactions

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.

Revenue from non-exchange transactions is recognised when:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity and;
- the fair value of the asset can be measured reliably.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

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 (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

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

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.25.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- The stage of completion at the reporting date can be measured reliably;

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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 recorded number of refuse points per property.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. The tariff will be based on the type of service and number of sewer connections.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.26. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.27. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to 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 fully within the control of the municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 16 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

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. This was performed per service-identifiable categories across all classes of debtors.

Impairment of Statutory Receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

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

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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. Specifically, 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 are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

The IGRAP 1 amendments did not have any impact on Traffic Fines revenue issued in terms of the current Criminal Proceedings Act system, but will only have an effect on fines issued in terms of the Amended Act (AARTO) that is expected to become effective on 1 July 2021. As the legislation is new, the possible impact cannot at this stage be determined. The legislation itself will significantly increase Traffic Fines revenue based on higher fine amounts being pronounced in Schedule 3 of the Amendment Act.

The iGRAP 20 interpretation is not regarded as having an effect, as the principals of revising revenue (for e.g., incorrect tariff or appeal) is already applied by the municipality

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.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- 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.
- 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.

1.34. EVENTS AFTER REPORTING DATE

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

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.34 HERITAGE ASSETS

1.34.1 Initial Recognition

A 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.

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

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.34.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.34.3 Depreciation and Impairment

Heritage assets are not depreciated

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.34.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.34.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.35. ACCOUNTING BY PRINCIPALS AND AGENTS

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

1.36. TREATMENT OF ADMINISTRATIVE AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.37. BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.38. DISCONTINUED OPERATIONS

Discontinued operation is a component of a municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

Where a significant part of the municipality is disposed, disclosure would be made in the annual financial statements. An asset temporarily taken out of use or change in use, do not qualify as a discontinued operation.

1.39. SEGMENT REPORTING

A segment is an activity of an entity:

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

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

EMTHANJENI MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2.1 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2021

	Cost/Revaluation					Accumulated Impairment				Accumulated Depreciation				Carrying Value		
	Opening Balance	Correction of Error	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation		Disposals	Closing Balance
Infrastructure																
Electrical	204,447,952	-	858,884	3,844,417	-	209,151,254	61,711	-	-	61,711	140,323,444	-	5,027,162	-	145,350,607	63,738,936
Roads	830,780,004	-	-	-	-	830,780,004	1,813,144	-	-	1,813,144	581,246,507	-	18,499,075	-	599,745,582	229,221,278
Sanitation	117,833,521	-	5,586,645	18,598,937	-	142,019,102	-	-	-	77,387,956	-	4,066,498	-	81,454,454	60,564,648	
Solid Waste	39,462,241	-	9,937,185	-	-	49,399,426	3,038	-	-	3,038	15,190,399	-	1,962,650	-	17,153,049	32,243,339
Storm Water	455,119,095	-	-	-	-	455,119,095	4,128,354	-	-	4,128,354	305,124,272	-	9,960,999	-	315,085,271	135,905,471
Water Supply	312,446,987	-	78,068	-	-	312,525,055	-	-	-	-	256,210,535	-	5,437,648	-	261,648,183	50,876,872
WIP	28,881,821	-	5,683,252	(22,443,354)	-	12,321,719	-	-	-	-	-	-	-	-	12,321,719	-
	1,989,971,621	-	22,344,034	(0)	-	2,011,315,655	6,006,247	-	-	6,006,247	1,375,483,113	-	44,954,033	-	1,420,437,146	584,872,262
Community Assets																
Cemeteries/Crematoria	3,131,301	-	-	-	-	3,131,301	70,937	-	-	70,937	2,100,480	-	114,362	-	2,214,842	845,522
Clinics/Care Centres	3,858,703	-	-	-	-	3,858,703	-	-	-	-	2,365,138	-	86,864	-	2,452,002	1,406,701
Fire/Ambulance Stations	2,783,311	-	-	-	-	2,783,311	-	-	-	-	1,697,931	-	58,672	-	1,756,604	1,026,707
Halls	48,193,392	-	-	-	-	48,193,392	-	-	-	-	26,415,009	-	1,063,466	-	27,478,474	20,714,918
Libraries	7,544,273	-	-	-	-	7,544,273	595,194	-	-	595,194	3,813,795	-	145,395	-	3,959,190	2,989,888
Sport and Recreation Facilities - Outdoor Facilities	71,381,564	-	3,567,013	10,320,248	-	85,268,824	1,239,511	-	-	1,239,511	45,363,132	-	2,836,240	-	48,199,372	35,829,942
Taxi Ranks/Bus Terminals	2,473,990	-	-	-	-	2,473,990	622,111	-	-	622,111	775,214	-	62,210	-	837,424	1,014,455
WIP - Community	10,320,248	-	-	(10,320,248)	-	-	-	-	-	-	-	-	-	-	-	-
	149,686,782	-	3,567,013	-	-	153,253,795	2,527,753	-	-	2,527,753	82,530,699	-	4,367,209	-	86,897,908	63,828,134
Land and Buildings																
Land	78,047,702	-	-	-	-	78,047,702	1,738,615	-	-	1,738,615	37,225,640	-	1,512,535	-	38,738,175	37,570,912
Buildings	59,679,886	-	-	-	-	59,679,886	1,738,615	-	-	1,738,615	37,225,640	-	1,512,535	-	38,738,175	19,203,096
Other Assets																
Computer Equipment	2,400,620	-	282,625	-	389,392	2,293,853	43	-	28	15	2,007,919	-	175,779	370,424	1,813,275	480,563
Furniture And Office Equipment	8,053,886	-	671,521	-	254,485	8,470,922	3,037	1,195	1,842	6,244,455	233,524	-	669,831	233,524	6,680,762	1,788,318
Machinery And Equipment	6,360,910	-	41,443	-	601,743	5,800,610	1,578	-	-	1,578	4,823,070	-	522,912	533,584	4,812,398	986,634
Transport Assets	8,422,890	-	1,913,906	-	1,233,046	9,103,750	-	-	-	-	3,855,232	-	540,528	618,411	3,777,350	5,326,400
	25,238,305	-	2,909,495	-	2,478,666	25,669,134	4,658	-	1,223	3,435	16,930,677	-	1,909,050	1,755,942	17,083,785	8,581,915
Leases																
Transport Assets (Lease)	9,497,458	-	-	-	9,497,458	-	-	-	-	-	9,497,458	-	-	9,497,458	-	-
Office Equipment (Lease)	638,998	-	-	-	638,998	-	-	-	-	-	413,884	-	225,114	638,998	-	-
	10,136,456	-	-	-	10,136,456	-	-	-	-	-	9,911,342	-	225,114	10,136,456	-	-
Total	2,252,080,865	-	28,820,542	(0)	12,615,122	2,268,286,285	10,277,272	-	1,223	10,276,049	1,522,081,472	-	52,967,940	11,892,398	1,563,157,013	694,853,223

EMTHANJENI LOCAL MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2.2 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2020

	Cost/Revaluation					Accumulated Impairment				Accumulated Depreciation				Carrying Value		
	Opening Balance	Correction of Error	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation		Disposals	Closing Balance
Infrastructure																
Electrical	203,169,387	-	1,278,566	-	-	204,447,952	-	61,711	-	61,711	-	-	4,776,645	-	140,323,444	64,062,796
Roads	828,491,153	1,984,100	304,750	-	-	830,780,004	-	1,813,144	-	1,813,144	-	155,806	17,303,363	-	581,246,507	247,720,353
Sanitation	104,911,940	-	-	12,921,581	-	117,833,521	-	-	-	-	-	-	3,332,297	-	77,387,956	40,445,564
Solid Waste	39,462,241	-	-	-	-	39,462,241	-	3,038	-	3,038	-	-	2,996,083	-	15,190,399	24,268,804
Storm Water	433,832,745	277,041	20,949,308	-	-	455,119,095	-	4,128,354	-	4,128,354	-	12,709	9,160,241	-	305,124,272	145,866,470
Water Supply	312,747,965	-	-	-	-	312,448,987	-	-	-	-	-	-	5,272,594	300,253	256,210,535	58,236,452
WIP	21,986,452	(1,495,682)	21,312,632	(12,921,581)	-	28,881,821	-	-	-	-	-	-	-	-	-	28,881,821
	1,944,661,883	765,460	43,845,256	0	300,978	1,988,971,621	-	6,006,247	-	6,006,247	1,332,773,628	168,515	42,841,223	300,253	1,375,483,113	607,482,261
Community Assets																
Cemeteries/Crematoria	3,131,301	-	-	-	-	3,131,301	-	70,937	-	70,937	-	-	111,545	-	2,100,480	959,884
Clinics/Care Centres	3,858,703	-	-	-	-	3,858,703	-	-	-	-	-	-	83,697	-	2,365,138	1,493,565
Fire/Ambulance Stations	2,783,311	-	-	-	-	2,783,311	-	-	-	-	-	-	55,778	-	1,697,931	1,085,380
Halls	48,193,392	-	-	-	-	48,193,392	-	-	-	-	-	-	1,013,481	-	26,415,009	21,778,383
Libraries	7,544,273	-	-	-	-	7,544,273	-	595,194	-	595,194	-	-	156,865	-	3,813,795	3,135,284
Sport and Recreation Facilities - Outdoor Facilities	71,637,608	-	-	-	256,044	71,381,564	-	-	-	-	-	-	-	-	-	-
Taxi Ranks/Bus Terminals	2,473,990	-	-	-	-	2,473,990	-	1,239,511	-	1,239,511	-	-	2,419,688	231,380	45,363,132	24,778,921
WIP - Community	-	-	10,320,248	-	-	10,320,248	-	622,111	-	622,111	-	-	77,606	-	775,214	1,076,665
	139,622,578	-	10,320,248	-	256,044	149,886,782	-	2,527,753	-	2,527,753	78,843,420	-	3,918,659	231,380	82,530,699	64,628,330
Other Assets																
Land	78,119,631	-	-	-	71,930	78,047,702	1,484,884	253,730	-	1,738,615	-	-	1,425,066	31,036	37,225,640	39,083,447
Buildings	18,367,816	-	-	-	71,930	18,367,816	-	-	-	-	-	-	-	-	-	18,367,816
	59,751,815	-	-	-	71,930	59,679,886	1,484,884	253,730	-	1,738,615	-	-	1,425,066	31,036	37,225,640	20,715,631
Computer Equipment	2,882,825	12,423	6,884	-	501,513	2,400,620	26,443	-	26,400	43	2,151,307	-	321,450	464,838	2,007,919	392,658
Furniture And Office Equipment	8,361,858	45,529	59,256	-	412,757	8,053,886	59,738	-	56,701	3,037	6,186,761	-	400,545	342,851	6,244,455	1,806,394
Machinery And Equipment	6,453,366	-	6,517	-	98,973	6,360,910	20,727	-	19,149	1,578	4,523,129	-	379,255	79,314	4,823,070	1,536,262
Transport Assets	8,962,543	-	-	-	539,653	8,422,890	196,491	-	196,491	-	3,862,993	-	223,952	231,712	3,855,232	4,567,657
	26,660,592	57,952	72,658	-	1,552,897	25,238,305	303,399	-	298,741	4,658	16,724,190	-	1,325,202	1,118,716	16,930,677	8,302,971
Leases																
Transport Assets (Lease)	9,497,458	-	-	-	-	9,497,458	-	-	-	-	8,994,944	-	502,514	-	9,497,458	-
Office Equipment (Lease)	638,998	-	-	-	-	638,998	-	-	-	-	101,325	-	312,559	-	413,884	225,114
	10,136,456	-	-	-	-	10,136,456	-	-	-	-	9,096,269	-	815,074	-	9,911,342	225,114
Total	2,199,201,140	823,412	54,238,162	0	2,181,849	2,252,080,865	1,788,283	8,787,730	298,741	10,277,272	1,473,269,117	168,515	50,325,223	1,681,384	1,522,081,472	719,722,122

EMTHANJENI LOCAL MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2.3 Property, Plant and Equipment which is in the process of being constructed or developed:	2021 R	2020 R
Infrastructure Assets	12,321,719	28,881,820
Roads	2,660,244	2,083,325
Electricity	3,644,308	315,014
Water Supply	6,017,168	26,483,482
Community Assets		10,320,248
Total Property, Plant and Equipment under construction	12,321,719	39,202,068

2.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:	2021 R	2020 R
Contracted Services	816,307	1,191,690
Total Repairs and Maintenance	816,307	1,191,690

2.5 Assets pledged as security:	2021 R	2020 R
There are no assets pledged as security for liabilities.		

2.6 Impairment losses of Property, Plant and Equipment	2021 R	2020 R
Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:		
Infrastructure	-	6,006,247
Community Assets	-	2,527,753
Other	-	253,730
Total Impairment Losses	-	8,787,730

2.7 Effect of changes in accounting estimates	2021 R	2022 R	2023 R
Change in estimate	2,380,201	3,306,964	4,337,924

The Municipality has reassessed the useful lives and residual values of Property, plant and equipment. This resulted in change in depreciation charge, accumulated depreciation charge and the carrying value of Property, Plant and Equipment. The effect of the change for the current and future periods are disclosed on note 2.7.

2.8 Contractual commitments for acquisition of Property, Plant and Equipment:	2021 R	2020 R
Approved and contracted for:	1,008,897	15,264,848
Infrastructure	1,008,897	15,264,848
Total	1,008,897	15,264,848

3. INVESTMENT PROPERTY	2021 R	2020 R
3.1 Fair value at 1 July	5,718,600	5,718,600
Fair value at 30 June	5,718,600	5,718,600

No revenue income was derived from the property during the financial year.
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.
There are no assets pledged as security for liabilities.
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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.

4. INTANGIBLE ASSETS	2021 R	2020 R
Computer System & Software		
4.1 Net Carrying amount at 1 July	49,711	101,890
Cost	2,227,669	2,203,151
Accumulated Amortisation	(2,177,958)	(2,101,261)
Accumulated Impairment Loss	-	-
Additions		24,518
Amortisation	(24,203)	(76,697)
Disposals	-	-
Net Carrying amount at 30 June	25,508	49,711
Cost	2,227,669	2,227,669
Accumulated Amortisation	(2,202,161)	(2,177,958)
Accumulated Impairment Loss	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
4.2 Material Intangible Assets included in the carrying value:		
<u>Description</u>	<u>Remaining Amorisation Period</u>	<u>Carrying Value</u>
Computer software - Kaspersky	1	8,811
<p>No intangible asset were assed having an indefinite useful life. No expenditure were incurred with regards to research or development cost. There are no internally generated intangible assets at reporting date. There are no intangible assets in process of being constructed or developed. There are no intangible assets whose title is restricted. There age no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.</p>		
5. HERITAGE ASSETS	2021 R	2020 R
Net Carrying amount at 1 July	6,959,273	6,959,273
Cost	6,959,273	6,959,273
Accumulated Impairment Loss	-	-
	-	-
Additions	-	-
Disposals	-	-
Transfers	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net Carrying amount at 30 June	6,959,273	6,959,273
Cost	6,959,273	6,959,273
Accumulated Impairment Loss	-	-
<p>There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.</p> <p>There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.</p> <p>There are no Heritage Assets pledged as security for liabilities.</p> <p>There are no Heritage Assets that are used by the municipality for more than one purpose.</p> <p>No expenditure were incurred to repair and maintain heritage assets.</p>		
6. INVESTMENTS	2021 R	2020 R
Listed	28,355	27,690
Listed Shares	28,355	27,690
Total Investments	28,355	27,690
<p>Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to those shares. The Management of the municipality is of the opinion that the carrying value of investments approximate their fair value.</p>		
7 OPERATING LEASE ARRANGEMENTS	2021 R	2020 R
7.1 The Municipality as Lessor		
Operating Lease Asset	-	-
Reconciliation	2021 R	2020 R
Balance at the beginning of the year		12,015
Correction of Error - note		
Movement during the year		
Lease derecognised		(12,015)
Balance at the end of the year	-	-
<p>At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will pay operating lease income as follows:</p>		
Up to 1 Year		4,542
1 to 5 Years		7,473
More than 5 Years		-
Total Operating Lease Arrangements	-	12,015
8. INVENTORY	2021 R	2020 R
Consumables - Stationary and material	1,323,439	921,657
Land	25,117,887	53,104,359
Water	20,869	31,812
Total Inventory	26,462,195	54,057,829
<p>The municipality recognised only purification costs in respect of non-purchased purified water inventory.</p>		

EMTHANJENI LOCAL MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
8.1 Inventories recognise as an expense during the year:		
Consumables - Stationary and material	1,101,429	1,866,303
Materials and Supplies	2,669,368	3,280,848
Total	3,770,796	5,147,150
Balance previously reported		-
Correction of error		6,314
Reclassification		5,140,837
Restated balance		5,147,150

The cost of water production for the year amounted to R1.26 per kiloliter (2020: R1.2812 per kiloliter)

	2021 R	2020 R
8.2 Inventories written down/reversal due to losses as identified during the annual stores counts:		
Consumables - Stationary and material	(756,235)	-
No inventories were pledged as security for liabilities.		

	2021 R	2020 R
8.3 Inventories written down due to Net realisable value (NRV)		
Land	27,986,472	-
Land was re-measured to lowest of cost and NRV. Properties were identified where fair value was lower and therefore write off was made to fair value		

	2021 R	2020 R
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Electricity	35,362,728	33,552,430
Water	65,045,771	50,357,325
Property Rentals	2,208,398	1,815,592
Waste Management	19,682,657	17,323,635
Waste Water Management	38,306,357	32,371,164
Town Commonage	4,728,797	4,258,747
Total Service Receivables	165,334,708	139,678,892
Less: Provision for Debt Impairment	(125,968,234)	(101,817,484)
Net Service Receivables	39,366,474	37,861,408
Other Receivables	449,764	243,083
Total: Receivables from exchange transactions (before provision)	449,764	243,083
Less: Provision for Debt Impairment	(379,905)	(326,816)
Total: Receivables from exchange transactions (after provision)	69,858	(83,734)
Total Net Receivables from Exchange Transactions	39,436,332	37,777,675
Balance previously reported		38,446,914
Correction of error		(669,240)
Restated balance		37,777,675

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

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

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

	2021 R	2020 R
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	4,197,430	5,571,963
31 - 60 Days	1,618,631	2,696,952
61 - 90 Days	1,512,603	1,673,307
+ 90 Days	28,034,065	23,610,208
Total	35,362,728	33,552,430

	2021 R	2020 R
<u>(Water): Ageing</u>		
Current (0 - 30 days)	2,020,824	2,750,004
31 - 60 Days	1,886,741	1,912,034
61 - 90 Days	1,835,600	1,821,112
+ 90 Days	59,302,606	43,874,175
Total	65,045,771	50,357,325

	2021 R	2020 R
<u>(Property Rentals): Ageing</u>		
Current (0 - 30 days)	64,076	56,901
31 - 60 Days	37,019	29,458
61 - 90 Days	32,805	32,366
+ 90 Days	2,074,498	1,696,867
Total	2,208,398	1,815,592

	2021 R	2020 R
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	503,320	502,157
31 - 60 Days	413,164	445,389
61 - 90 Days	396,837	434,898
+ 90 Days	18,369,336	15,941,191
Total	19,682,657	17,323,635

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R	
<u>(Waste Water Management): Ageing</u>			
Current (0 - 30 days)	976,412	990,835	
31 - 60 Days	828,355	826,704	
61 - 90 Days	794,441	798,576	
+ 90 Days	35,707,149	29,755,049	
Total	38,306,357	32,371,164	
<u>Town Commonage: Ageing</u>			
Current (0 - 30 days)	33,854	33,854	
31 - 60 Days	51,835	33,616	
61 - 90 Days	33,616	33,616	
+ 90 Days	4,609,492	4,157,661	
Total	4,728,797	4,258,747	
<u>(Other): Ageing</u>			
Current (0 - 30 days)	19,075	97,026	
31 - 60 Days	14,065	8,725	
61 - 90 Days	13,669	9,448	
+ 90 Days	402,955	127,884	
Total	449,764	243,083	
<u>(Total): Ageing</u>			
Current (0 - 30 days)	7,814,991	10,002,740	
31 - 60 Days	4,849,809	5,952,878	
61 - 90 Days	4,619,570	4,803,323	
+ 90 Days	148,500,101	119,163,034	
Total	165,784,471	139,921,975	
<u>Summary of Debtors by Customer Classification</u>			
	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2021			
Current (0 - 30 days)	5,130,647	2,039,041	645,302
31 - 60 Days	3,780,320	828,174	241,315
61 - 90 Days	3,619,890	780,796	218,883
+ 90 Days	134,410,192	8,144,872	5,945,037
Sub-total	146,941,050	11,792,884	7,050,537
Less: Provision for Debt Impairment	(116,797,539)	(9,475,683)	(74,917)
Total debtors by customer classification	30,143,511	2,317,201	6,975,620
<u>Summary of Debtors by Customer Classification</u>			
	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2020			
Current (0 - 30 days)	7,691,410	1,552,029	759,300
31 - 60 Days	4,529,173	1,023,870	399,836
61 - 90 Days	3,792,031	573,248	438,045
+ 90 Days	105,761,589	7,067,716	6,333,728
Sub-total	121,774,203	10,216,863	7,930,909
Less: Provision for Debt Impairment	(93,954,133)	(8,190,167)	-
Total debtors by customer classification	27,820,070	2,026,696	7,930,909
<u>Reconciliation of Provision for Debt Impairment</u>			
	<u>2021 R</u>	<u>2020 R</u>	
Balance at beginning of year	102,144,300	80,199,670	
Contribution to provision	21,300,709	19,224,573	
VAT on provision	2,903,130	2,720,057	
Balance at end of year	126,348,139	102,144,300	
	<u>2021 R</u>	<u>2020 R</u>	
The total amount of this provision consist of:			
Services	125,968,234	101,817,484	
Other Debtors	379,905	326,816	
Total Provision for Debt Impairment on Receivables from exchange transactions	126,348,139	102,144,300	

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	241,315	399,836
2+ months past due	6,163,920	6,771,773
	6,405,235	7,171,609

Management determines the payment rate per debtor. Therefore each individual debtor is impaired based on the collection of debt. Government debtors is excluded from the impairment as they are considered to be fully recoverable. The indication of impairment is the non-ability of the debtor to settle their account. Indigent debtors are impaired fully.

Included in the Municipality's Receivables balance are debtors with a carrying amount of R9 468 857 (2020: R9 786 578) 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.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2021 R	2021 R	2021 R
	Gross balance	Provision for impairment	Net balance
10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Rates	71,852,550	(60,444,055)	11,408,496
Fines	115,929,836	(108,271,747)	7,658,089
Payments in advance	291,715	0	291,715
Sundry Deposits	1,419,218	0	1,419,218
Sundry Debtors	609,614		609,614
Total Receivables from non-exchange transactions	190,102,933	(168,715,801)	21,387,131
	2020 R	2021 R	2021 R
	Gross balance	Provision for impairment	Net balance
Rates	62,897,066	(54,334,380)	8,562,686
Fines	115,044,661	(104,679,941)	10,364,720
Payments in advance	292,715	0	292,715
Sundry Deposits	984,042	0	984,042
Sundry Debtors	378,113		378,113
	179,596,597	(159,014,321)	20,582,276
Balance previously reported			20,577,393
Reclassification			4,883
Restated balance			20,582,276

Sundry Deposits are in respect of cash deposits made to Eskom for supply of electricity and cash deposits made to various fuel stations. Included in the total is an amount of R900 000 (2020: R900 000) in respect of a deposit paid to Eskom. The remaining R84 042 (2020: R84 042) is with regards to deposits held by fuel stations and post office.

The fair value of other receivables approximate their carrying value.

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

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

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

	2021 R	2020 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	1,380,067	1,548,213
31 - 60 Days	712,981	4,223,478
61 - 90 Days	655,356	966,795
+ 90 Days	69,104,147	56,158,580
Total	71,852,550	62,897,066

	2021 R	2020 R
<u>(Payments in advance): Ageing</u>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	291,715	292,715
Total	291,715	292,715

	2021 R	2020 R
<u>(Sundry deposits): Ageing</u>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	1,419,218	984,042
Total	1,419,218	984,042

	2021 R	2020 R
<u>(Sundry Debtors): Ageing</u>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	609,614	378,113
Total	609,614	378,113

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Summary of Rates Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2021			
Current (0 - 30 days)	1,234,813	24,695	120,558
31 - 60 Days	577,212	20,454	115,315
61 - 90 Days	527,273	17,212	110,871
+ 90 Days	63,017,328	1,703,302	4,383,517
Sub-total	65,356,625	1,765,664	4,730,261
Less: Provision for Debt Impairment	(59,103,762)	(1,333,163)	(7,129)
Total debtors by customer classification	6,252,863	432,500	4,723,132

Summary of Rates Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2020			R
Current (0 - 30 days)	1,321,592	73,543	153,078
31 - 60 Days	4,001,759	70,032	151,687
61 - 90 Days	747,324	68,795	150,676
+ 90 Days	50,386,759	1,466,500	4,305,321
Sub-total	56,457,434	1,678,870	4,760,762
Less: Provision for Debt Impairment	(52,927,767)	(1,406,613)	-
Total debtors by customer classification	3,529,667	272,257	4,760,762

2021

R

2020

R

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	159,014,321	137,462,206
Contribution to provision	9,701,480	21,552,115
Balance at end of year	168,715,801	159,014,321
	2021	2020
	R	R

Ageing of amounts past due but not impaired

1 month past due	115,315	151,687
2+ months past due	4,494,388	4,455,997
	4,609,703	4,607,684

Management determines the payment rate per debtor. Therefore each individual debtor is impaired based on the collection of debt. Government debtors is excluded from the impairment as they are considered to be fully recoverable. The indication of impairment is the non-ability of the debtor to settle their account. Indigent debtors are impaired fully.

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.

11. BANK ACCOUNTS

2021

R

2020

R

11.1 Cash and Cash Equivalents

Current Accounts	4,524,532	2,353,454
Current Investments	25,574,090	19,407,672
Cash On-hand	2,980	2,980
Total Cash and Cash Equivalents - Assets	30,101,602	21,764,106

2021

R

2020

R

11.2 Liabilities

Bank overdraft	(19,766,637)	(15,248,597)
Total Cash and Cash Equivalents - Liabilities	(19,766,637)	(15,248,597)

2021

R

2020

R

Cash and cash equivalents comprise cash-on-hand, Cash in banks and Investment in Money Markets, net of outstanding bank overdrafts. The carrying amount of these assets approximates their fair value.

Deposits attributable to Unspent Conditional Grants

20,315,027

7,208,676

Bank overdraft facility of R3000 000 exist with ABSA bank

On investment account 20-6219-8906 there is limited cession of R6 160 000 as at 30 June 2021

EMTHANJENI LOCAL MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The municipality has the following bank accounts:

Account Number - (Primary Account):

	2021 R	2020 R
ABSA bank overdraft (primary account) - 185 0000 0081	(19,766,637)	(15,248,597)
ABSA bank - (current account) - 4061 685 162	3,070,009	460,583
ABSA bank - (current account) - 4081 497 012	1,439,878	1,608,868
Standard bank - (current account) - 2803 50007	14,645	284,003
	(15,242,104)	(12,895,143)

The municipality has investments with the following institutions:

Current Investments

	2021 R	2020 R
FNB	301,068	291,270
ABSA	25,080,503	18,929,296
Standard Bank	29,374	29,210
Nedbank	163,145	157,897
	25,574,090	19,407,673

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.3% - 7.72%

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 3.35% to 6.52% per annum.

Details of the bank accounts are as follows:

	2021 R	2020 R
ABSA Bank Limited - De Aar Branch - 185 000 0081 (Primary Account):		
Cash book balance at beginning of year	(15,248,597)	(18,397,223)
Cash book balance at end of year	(19,766,637)	(15,248,597)

Bank statement balance at beginning of year	4,869,921	342,817
Bank statement balance at end of year account	592,310	4,869,921

	2021 R	2020 R
Standard Bank SA Limited - De Aar Branch - 2803 500007		
Cash book balance at beginning of year	284,003	253,098
Cash book balance at end of year	14,645	284,003
Bank statement balance at beginning of year account	283,764	253,098
Bank statement balance at end of year account	14,406	283,764

	2021 R	2020 R
ABSA Bank Limited - De Aar Branch - 4061 685 162		
Cash book balance at beginning of year	460,583	691,405
Cash book balance at end of year	3,070,009	460,583
Bank statement balance at beginning of year	460,583	691,405
Bank statement balance at end of year	9,166	460,583

	2021 R	2020 R
ABSA Bank Limited - De Aar Branch - 4081 497 012		
Cash book balance at beginning of year	1,608,868	676,687
Cash book balance at end of year	1,439,878	1,608,868
Bank statement balance at beginning of year	1,608,868	676,688
Bank statement balance at end of year	1,092,646	1,608,868

The details of Investment accounts are as follows:

	2021 R	2020 R
ABSA Bank Limited - De Aar Branch - Fixed deposit - 2062 198 906		
Cash book balance at beginning of year	9,736,049	9,088,794
Cash book balance at end of year	10,370,839	9,736,049
Bank statement balance at beginning of year	9,736,049	9,088,794
Bank statement balance at end of year	10,370,839	9,736,049

	2021 R	2020 R
ABSA Bank Limited - De Aar Branch - Fixed deposit - 2068 494 239		
Cash book balance at beginning of year	20,954	19,822
Cash book balance at end of year	-	20,954
Bank statement balance at beginning of year	20,954	19,822
Bank statement balance at end of year	-	20,954

	2021 R	2020 R
Nedbank Ltd - De Aar Branch - Call account - 03/7662022900/000001		
Cash book balance at beginning of year	157,897	151,042
Cash book balance at end of year	163,145	157,897
Bank statement balance at beginning of year	155,998	149,143
Bank statement balance at end of year	161,145	155,998

	2021 R	2020 R
Standard Bank of SA Limited - De Aar Branch - Call account- 388910356-002		
Cash book balance at beginning of year	29,210	27,713
Cash book balance at end of year	29,374	29,210
Bank statement balance at beginning of year	29,210	27,713
Bank statement balance at end of year	29,374	29,210

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
First National Bank - De Aar Branch - Call account - 62755965583		
Cash book balance at beginning of year	291,270	184,827
Cash book balance at end of year	948,555	291,270
Bank statement balance at beginning of year	291,270	184,827
Bank statement balance at end of year	301,068	291,270
	2021 R	2020 R
Absa Bank Limited - De Aar Branch - Call deposit - 9325381089		
Cash book balance at beginning of year	2,757,127	24,243,350
Cash book balance at end of year	948,555	2,757,127
Bank statement balance at beginning of year	2,757,127	24,243,350
Bank statement balance at end of year	948,555	2,757,127
	2021 R	2020 R
Absa Bank Limited - De Aar Branch - Call deposit - 9357761647		
Cash book balance at beginning of year	6,415,166	-
Cash book balance at end of year	13,761,109	6,415,166
Bank statement balance at beginning of year	6,415,166	-
Bank statement balance at end of year	13,761,109	6,415,166
	2021 R	2020 R
12. LONG-TERM BORROWINGS		
Capitalised Lease Liability - At amortised cost	-	240,844
Less: Current Portion transferred to Current Liabilities	-	240,844
Capitalised Lease Liability - At amortised cost	-	(240,845)
Total Long-term Borrowings	-	(1)
	2021 R	2020 R
Finance lease loans at amortised cost is calculated at 7.93 % - 26 % interest rate, with the last maturity date of March 2021. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.		
12.1 The obligations under finance leases are scheduled below:		Minimum lease payments
Amounts payable under finance leases:		
Payable within one year		246,754
Payable within two to five years		-
Payable after five years		-
Less: Future finance obligations		(5,909.72)
Present value of finance lease obligations		240,844
The capitalised lease liability consist out of the following contracts:		
	2021 R	2020 R
13. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites		
Total Non-current Provisions	67,337,731	51,656,159
	2021 R	2020 R
13.1 Landfill Sites		
Balance 1 July	51,656,158	55,674,168
Correction of Error - Note		
Increase due to re-measurement	9,937,185	
Increase/(Decrease) due to discounting	5,744,388	(4,018,010)
Expenditure for the year		
Total provision 30 June	67,337,731	51,656,158

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Britstown	Hanover	De Aar
Preliminary and General (Rand)	1,212,046	737,737	10,787,587
Site Clearance and Preparation (R2.95/m ²)	16,598	8,535	197,083
Storm Water Control Measures (Rand)	912,889	744,145	3,151,518
Capping (Rand)	5,313,594	2,770,903	61,880,125
Leachate Management (Rand)	-	-	-
Fencing (Rand)	339,368	296,413	1,144,426
	876,299	719,924	11,999

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Discount Rate used	2021 %	2020 %
Britstown	10.184%	10.11%
Hanover	10.184%	10.11%
De Aar	9.206%	10.11%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

In terms of the licencing of the landfill-sites, the municipality will incur licencing and rehabilitation costs of Rxx (2020: RX) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the government bond rate that is regarded as a risk-free rate and the average Consumer Price Index from May 2020 to May 2021.

Other assumptions:

	Britstown	Hanover	De Aar
Licence type	Class B/G.C:B-	Class B/G.C:B-	G.S:B-
Area (m ²)	14,186	7,295	168,447
Unit cost (R/m ²)	841.83	1,079.33	559.76
Environmental Authorisation (Closure Licence) (Rand)	445,500	445,500	445,500
Technical ROD (Rand)	195,000	195,000	195,000
Install Groundwater Monitoring Boreholes with lockable caps (includes drilling contractor site establishment) (Rand)	250,718	251,184	-
Landscape Architects (Rand)	133,010	133,742	145,500
Water use licence (Rand)	35,000	35,000	35,000
Topographical Survey (Rand)	15,667	15,667	30,667
Contingencies (Rand)	867,079	527,766	7,717,274
Engineering: Professional Fees (Rand)	1,002,442	706,171	6,747,661
Site Supervision (Engineer's Representative) (Rand)	224,750	184,689	1,488,234
Site Supervision (Environmental Control Officer & OHS Agent) (Rand)	95,255	101,303	312,188

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows per expert report:

Location	Estimated	2021 R	2020 R
Britstown	2038/2039	11,935,215	8,117,261
Hanover	2033/2034	7,873,677	5,645,202
De Aar	2038/2039	94,289,762	90,162,766
		114,098,654	103,925,229

14. NON-CURRENT EMPLOYEE BENEFITS

	2021 R	2020 R
Post Retirement Benefits	20,549,001	17,138,001
Long Service Awards	4,512,000	4,266,000
Total Non-current Employee Benefits	25,061,001	21,404,001

Post Retirement Health Care Benefits

	2021 R	2020 R
Balance 1 July	18,462,000	20,904,749
Contribution for the year	488,000	553,970
Increase due to discounting	1,717,000	1,843,719
Expenditure for the year	(1,324,000)	(1,271,296)
Actuarial Loss/(Gain)	2,657,000	(3,569,141)
Total provision 30 June	22,000,000	18,462,001
Less: Transfer of Current Portion to Current Provisions - Note 16	(1,451,000)	(1,324,000)
Balance 30 June	20,549,000	17,138,001

Long Service Awards

	2021 R	2020 R
Balance 1 July	4,871,000	4,702,406
Contribution for the year	497,000	509,917
Increase due to discounting	325,000	357,634
Expenditure for the year	(605,000)	(563,433)
Actuarial Loss/(Gain)	(1,000)	(135,524)
Total provision 30 June	5,087,000	4,871,000
Less: Transfer of Current Portion to Current Provisions - Note 16	(575,000)	(605,000)
Balance 30 June	4,512,000	4,266,000

TOTAL NON-CURRENT EMPLOYEE BENEFITS

	2021 R	2020 R
Balance 1 July	23,333,000	25,607,155
Contribution for the year	985,000	1,063,887
Increase due to discounting	2,042,000	2,201,353
Expenditure for the year	(1,929,000)	(1,834,729)
Actuarial Loss/(Gain)	2,656,000	(3,704,665)
Total employee benefits 30 June	27,087,000	23,333,001
Less: Transfer of Current Portion to Current Provisions - Note 16	(2,026,000)	(1,929,000)
Balance 30 June	25,061,000	21,404,001

EMTHANJENI LOCAL MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	R	R
14.1 Provision for Post Retirement Health Care Benefits		
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	47	44
In-service (employee) non-members	276	285
Continuation members (e.g. Retirees, widows, orphans)	30	28
Total Members	353	357

	2021	2020
	R	R
The liability in respect of past service has been estimated to be as follows:		
In-service members	6,347,000	5,316,000
In-service non-members	-	-
Continuation members (e.g. Retirees, widows, orphans)	15,653,000	13,146,000
Total Liability	22,000,000	18,462,000

	2019	2018	2017
	R	R	R
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
In-service members	6,200,480	7,440,700	19,924,674
In-service non-members	-	-	-
Continuation members	14,704,269	14,464,661	13,879,865
Total Liability	20,904,749	21,905,361	33,804,539

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

- Bonitas
- Key Health
- LA Health
- Samwumed

The Current-service Cost for the ensuing year is estimated to be R616 000 whereas the Interest Cost for the next year is estimated to be R2 042 000.

	2021	2020
	%	%
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9.59%	9.64%
Health Care Cost Inflation Rate	6.54%	5.81%
Net Effective Discount Rate	2.86%	3.62%
ii) Mortality during employment		
SA85-90 table, adjusted for female lives.		
iii) Mortality rates post employment		
The PA 90 ultimate table, rated down by 1 year of age, with a mortality improvement p.a from 2010.		
iv) Normal retirement age		
The normal retirement age for employees is 65 years		
v) Average retirement age		
It has been assumed that in-service members will retire at age 62 for males and females, which then implicitly allows for expected rates of early and ill-health retirement.		
vi) Continuation of membership		
It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.		
vii) Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement		
It has been assumed that 0% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.		
viii) Proportion with a spouse dependant at retirement		
It has been assumed that 60% of eligible employees on a health care arrangement at retirement will have a spouse dependant on their medical aid.		
ix) Withdrawal from Service		

Valuation: 30 June 2021			
Age	Females	Males	
20	9%	9%	
25	8%	8%	
30	6%	6%	
35	5%	5%	
40	5%	5%	
45	4%	4%	
50	3%	3%	
>55	0%	0%	

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	22,000,000	18,462,000
Fair value of plan assets	-	-
	<u>22,000,000</u>	<u>18,462,000</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	<u>22,000,000</u>	<u>18,462,000</u>

	2021 R	2020 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	18,462,000	20,904,749
Total expenses	881,000	1,126,392
Current service cost	488,000	553,970
Interest Cost	1,717,000	1,843,718
Benefits Paid	(1,324,000)	(1,271,296)
Actuarial (gains)/losses	2,657,000	(3,569,141)
Present value of fund obligation at the end of the year	<u>22,000,000</u>	<u>18,462,000</u>
Less: Transfer of Current Portion - Note 16	<u>(1,451,000)</u>	<u>(1,324,000)</u>
Balance 30 June	<u>20,549,000</u>	<u>17,138,000</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2021

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)		
Central Assumptions	6.347	15.653	22.000		
The effect of movements in the assumptions are as follows:					
Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	7.606	17.084	24.690	12%
Health care inflation	-1%	5.344	14.406	19.750	-10%
Discount rate	1%	5.377	14.449	19.826	-10%
Discount rate	-1%	7.579	17.055	24.634	12%
Post-retirement mortality	1 year	6.173	15.062	21.235	-3%
Post-retirement mortality	-1 year	6.519	16.249	22.768	3%
Average retirement age	-1 year	6.964	15.653	22.617	3%
Continuation of membership at retirement	-10%	5.557	15.653	21.210	-4%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)		
Central Assumptions	616,000	2,042,000	2,658,000		
The effect of movements in the assumptions are as follows:					
Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation	1%	751,000	2,300,000	3,051,000	15%
Health care inflation	-1%	512,000	1,826,000	2,338,000	-12%
Discount rate	1%	520,000	2,025,000	2,545,000	-4%
Discount rate	-1%	741,000	2,055,000	2,796,000	5%
Post-retirement mortality	1 year	600,000	1,969,000	2,569,000	-3%
Post-retirement mortality	-1 year	632,000	2,115,000	2,747,000	3%
Average retirement age	-1 year	677,000	2,101,000	2,778,000	5%
Continuation of membership at retirement	-10%	540,000	1,966,000	2,506,000	-6%

	2021 Rm	2020 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	0.873	-0.564
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2019 Rm	2018 Rm	2017 Rm
Liabilities: (Gain) / loss	-0.979	(1.679)	(1.245)
Assets: Gain / (loss)	-	-	-

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

14.2 Provision for Long Service Bonuses		2021	2020
		R	R
The Long Service Bonus plans are defined benefit plans. As at year end the following number of employees were eligible for Long Service Bonuses.		323	329

The Current-service Cost for the ensuing year is estimated to be R519 000 whereas the Interest Cost for the next year is estimated to be R432 000.

	2021	2020
Key actuarial assumptions used:	%	%

i) Rate of interest			
Discount rate	8.98%	7.11%	
General Salary Inflation (long-term)	5.74%	3.81%	
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.07%	3.18%	

ii) Mortality during employment			
SA85-90 ultimate table, adjusted down for female lives.			

iii) Average retirement age			
It has been assumed that male and female employees will retire at age 62			

iv) Normal retirement age			
The normal retirement age for employees is 65 years			

v) Withdrawal rates			
Valuation: 30 June 2021			
Age	Females	Males	
20	9%	9%	
25	8%	8%	
30	6%	6%	
35	5%	5%	
40	5%	5%	
45	4%	4%	
50	3%	3%	
55>	0%	0%	

The amounts recognised in the Statement of Financial Position are as follows:	2021	2020
	R	R
Present value of fund obligations	5,087,000	4,871,000
Fair value of plan assets	-	-
	5,087,000	4,871,000
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	5,087,000	4,871,000

Reconciliation of present value of fund obligation:	2021	2020
	R	R
Present value of fund obligation at the beginning of the year	4,871,000	4,702,406
Total expenses	217,000	304,118
Current service cost	497,000	509,917
Interest Cost	325,000	357,634
Benefits Paid	(605,000)	(563,433)
Actuarial (gains)/losses	(1,000)	(135,524)
Present value of fund obligation at the end of the year	5,087,000	4,871,000
Less: Transfer of Current Portion - Note 16	(575,000)	(605,000)
Balance 30 June	4,512,000	4,266,000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:	2019	2018	2017
	R	R	R
Present value of fund obligations	4,702,406	4,371,640	3,904,046
Total Liability			

Sensitivity Analysis on the Accrued Liability on 30 June 2021	Change	Liability	% change
Assumption			
Central assumptions		5,087,000	
General earnings inflation	1%	5,371,000	6%
General earnings inflation	-1%	4,826,000	-5%
Discount rate	1%	4,817,000	-5%
Discount rate	-1%	5,385,000	6%
Average retirement age	2 yrs	5,587,000	10%
Average retirement age	(2 yrs)	4,423,000	-13%
Withdrawal rates	x2	4,217,000	-17%
Withdrawal rates	x0.5	5,657,000	11%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumptions		519,000	432,000	951,000	
General earnings inflation	1%	556,000	457,000	1,013,000	7%
General earnings inflation	-1%	484,000	408,000	892,000	-6%
Discount rate	1%	488,000	453,000	941,000	-1%
Discount rate	-1%	553,000	407,000	960,000	1%
Average retirement age	2 yrs	569,000	477,000	1,046,000	10%
Average retirement age	(2 yrs)	465,000	372,000	837,000	-12%
Withdrawal Rate	x2	394,000	354,000	748,000	-21%
Withdrawal Rate	x0.5	605,000	483,000	1,088,000	14%

Experience adjustments were calculated as follows:

	2021 Rm	2020 Rm
Liabilities: (Gain) / loss	-21,000	55,476
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2019 Rm	2018 Rm	2017 Rm
Liabilities: (Gain) / loss	131,542	143,660	-16,307
Assets: Gain / (loss)	-	-	-
	2021 R	2020 R	

14.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund is in a sound financial position with a funding level of 100,5% (30 June 2019 - 100,3%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund has a funding level of 100,0% (30 June 2019 - 100,7%)

SALA PENSION FUND

The contribution rate payable is 8,60% by members and 20,78% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2015 - 100%). funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

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 R2445,9 (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.

MUNICIPAL COUNCILLORS 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.

15. CONSUMER DEPOSITS

	2021 R	2020 R
Electricity	19,126	19,126
Water	2,659,759	2,499,373
Total Consumer Deposits	2,678,885	2,518,499

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts. 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.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
16. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	608,715	678,118
Staff Bonuses	2,849,436	2,727,852
Staff Leave	8,611,733	8,246,747
Current Portion of Non-Current Provisions	2,026,000	1,929,000
Current Portion of Post Retirement Benefits - Note 14	1,451,000	1,324,000
Current Portion of Long-Service Provisions - Note 14	575,000	605,000
Total current employee benefits	14,095,884	13,581,717
Balance previously reported		1,929,000
Reclassification		11,652,717
Restated balance		13,581,717

The movement in current employee benefits are reconciled as follows:

	2021	2020
16.1 Performance Bonuses		
Balance at beginning of year	678,118	660,152
Transfer from non-current	-	-
Contribution to current portion	403,346	17,966
Expenditure incurred	(472,749)	-
Balance at end of year	608,715	678,118

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

	2021 R	2020 R
16.2 Staff Bonuses		
Balance at beginning of year	2,727,852	2,640,224
Contribution to current portion	121,584	87,628
Expenditure incurred	-	-
Balance at end of year	2,849,436	2,727,852

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

	2021 R	2020 R
16.3 Staff Leave		
Balance at beginning of year	8,246,747	7,475,297
Contribution to current portion	364,986	771,450
Expenditure incurred	-	-
Balance at end of year	8,611,733	8,246,747

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

	2021 R	2020 R
17.1 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Salary control	20,758	-
Eskom Creditor	88,865,909	85,215,988
Payments received in advance	6,663,952	7,550,821
Retentions	631,074	3,933,334
Sundry creditors	8,197,260	7,290,482
Sundry deposits	165,091	363,804
Trade Payables	9,656,475	11,521,288
Total Trade Payables	114,200,519	115,875,718
Balance 30 June - Current Trade and Other Payables from Exchange Transactions	114,200,519	115,875,718
Balance previously reported		127,171,169
Reclassification		(11,647,835)
Correction of error		352,384
Restated balance		115,875,718

Payables are being recognised net of any discounts.

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.

Sundry deposits is relating to hire of community halls.

The carrying value of trade and other payables approximates its fair value.

	2021 R	2020 R
17.2 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Payments received in advance	1,555,050	1,997,445
Other creditors	8,564,172	8,154,273
Total trade payables	10,119,222	10,151,718

Payables are being recognised net of any discounts.

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.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
18. UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Transfers and Subsidies	20,315,027	7,208,672
National Government Grants	19,082,927	5,976,572
Provincial Government Grants	1,232,100	1,232,100

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised. 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.

Amount available in short term investment deposits	25,574,090	19,407,672
Available Cash for Unspent Conditional Grants and Receipts	25,574,090	19,407,672

See Note 22 for the reconciliation of Grants from Government. Refer to Appendix "E" for more detail on Conditional Grants

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

	2021 R	2020 R
19. TAXES		
Net VAT (Payable)/Receivable	12,667,044	12,315,371

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

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.

	2021 R	2020 R
20. NET ASSET RESERVES		
RESERVES	2,252,793	2,252,793
Capital Replacement Reserve	2,252,793	2,252,793
Total Net Asset Reserve and Liabilities	2,252,793	2,252,793

The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

	2021 R	2020 R
21. PROPERTY RATES		
Valuations - 1 JULY 2020		
Rateable Land and Buildings		
Business and Commercial Property	308,962,000	311,627,000
Farm Properties	2,544,961,000	2,658,957,000
Industrial Property	18,343,000	18,343,000
Municipal Properties	319,876,000	202,731,000
Public Benefit Organisations	11,575,000	11,575,000
Public Service Infrastructure Properties	42,231,000	41,395,000
Residential Properties	1,240,676,000	1,241,621,000
Small Holdings	41,127,400	39,423,000
State-owned Properties	328,321,000	328,321,000
Multiple Purposes	16,638,000	16,638,000
Other Categories	84,937,000	65,540,000
Total Property Rates	4,957,647,400	4,936,171,000

Actual

	2021 R	2020 R
Rateable Land and Buildings	42,579,233	41,801,915
Business and Commercial Property	17,402,876	4,933,112
Residential Properties	18,227,836	31,228,564
State-owned Properties	6,948,521	5,640,239
Less: Revenue Forgone	(3,159,360)	(3,117,322)
Total Assessment Rates	39,419,873	38,684,593

Balance previously reported		38,685,708
Correction of error		(1,115)
Restated balance		38,684,593

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 5 years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate

Residential	0.0129	0.0123
Vacant land	0.0384	0.0366
Business and commercial	0.0187	0.0178
Agricultural	0.0032	0.0031
PSI	0.0187	0.0229
State-owned	0.0223	0.0213
Municipal Properties	0.0000	0.0000
Church	0.0129	0.0123
Industrial	0.0236	0.0225
Public benefit organisations	0.0032	0.0031

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.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential	The first R28 000 on the valuation is exempted.
Farm Properties	10% rebate (on application)

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
22. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies - Operating	51,749,597	49,404,733
National: Equitable Share	48,465,000	44,899,883
National: Financial Management Grant	1,700,000	1,700,000
National: Municipal Infrastructure Grant	1,134,597	1,282,850
National: COVID relief grant	-	149,000
Provincial Housing Accreditation	450,000	680,000
Provincial: Sport, Arts and Culture (Library Grant)	-	693,000
Government Grants and Subsidies - Capital	11,706,048	38,780,577
National: Integrated National Electrification Programme Grant	489,863	1,497,800
National: Municipal Infrastructure Grant	7,387,831	15,104,403
National: Energy Efficiency and Demand Management Grant	3,357,455	-
National: Expanded Public Works Programme Integrated Grant	470,900	568,374
National: Regional Bulk Infrastructure Grant (RBIG)	-	21,610,000
Total Government Grants and Subsidies	63,455,645	88,185,310
	2021 R	2020 R

Included in above are the following grants and subsidies received:

Unconditional

Equitable Share	48,465,000	44,899,883
Provincial Housing Accreditation	450,000	680,000
	27,647,000	48,582,000

Conditional

National: Financial Management Grant	1,700,000	1,700,000
National: Municipal Infrastructure Grant	19,957,000	21,710,000
National: COVID relief grant	1,010,000	149,000
National: Integrated National Electrification Programme Grant	-	1,500,000
National: Expanded Public Works Programme Integrated Grant	1,380,000	1,220,000
National: Energy Efficiency and Demand Management Grant	3,600,000	-
National: Regional Bulk Infrastructure Grant (RBIG)	-	21,610,000
Provincial: Sport, Arts and Culture (Library Grant)	-	693,000
Total Government Grants and Subsidies	76,562,000	94,161,883

	2021 R	2020 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	48,465,000	44,899,883
Executive and Council	-	149,000
Community and social services	-	693,000
Finance and administration	1,700,000	1,700,000
Road transport	8,993,327	16,955,627
Waste water management	-	21,610,000
Housing	450,000	680,000
Energy sources	3,847,318	1,497,800
Total Government Grants and Subsidies	63,455,645	88,185,310

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

	2021 R	2020 R
22.1 National Grants		
Opening balance	5,976,573	28,077,555
Correction of Error	-	-
Grants received	76,112,000	92,788,883
Repaid to National Revenue Fund	-	(28,077,555)
Conditions met - Own Income	(1,643,731)	-
Conditions met - Operating	(51,315,797)	(48,031,733)
Conditions met - Capital	(10,046,117)	(38,780,577)
Conditions still to be met	19,082,928	5,976,573
	2021 R	2020 R
22.2 Provincial Grants		
Opening balance	1,232,100	1,232,100
Correction of Error	-	-
Grants received	450,000	1,373,000
Conditions met - Operating	(450,000)	(1,373,000)
Conditions still to be met	1,232,100	1,232,100
	2021 R	2020 R
22.3 National: Equitable Share		
Grants received	48,465,000	44,899,883
Conditions met - Operating	(48,465,000)	(44,899,883)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services for the geographical area concerned.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
22.4 National: Financial Management Grant		
Grants received	1,700,000	1,700,000
Conditions met - Operating	(1,700,000)	(1,700,000)
Conditions still to be met	-	-
<i>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)</i>		
	2021 R	2020 R
22.5 Provincial: Sports, Arts and Culture (Library Grant)		
Grants received	-	693,000
Conditions met - Own Income	-	(693,000)
Conditions still to be met	-	-
<i>This grant was allocated for the upgrading of library equipment and operating expenses.</i>		
	2021 R	2020 R
22.6 Provincial: Housing Accreditation		
Grants received	450,000	680,000
Conditions met - Operating	(450,000)	(680,000)
Conditions still to be met	-	-
<i>The grant was utilised for COVID expenditure</i>		
	2021 R	2020 R
22.7 National: Expanded Public Works Programme		
Opening balance	651,626	-
Grants received	1,380,000	1,220,000
Conditions met - Own Income	(27,981)	-
Conditions met - Capital	(442,919)	(568,374)
Conditions still to be met	1,560,726	651,626
<i>This grant was used for the upgrading of Roads facilities.</i>		
	2021 R	2020 R
22.8 National: Integrated National Electrification Grant		
Opening balance	2,200	-
Grants received	1,010,000	1,500,000
Conditions met - Own Income	(63,895)	-
Conditions met - Operating	(16,200)	-
Conditions met - Capital	(409,767)	(1,497,800)
Conditions still to be met	522,337	2,200
<i>This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries.</i>		
	2021 R	2020 R
22.9 National: Municipal Infrastructure Grant		
Opening balance	5,322,747	175,447
Grants received	19,957,000	21,710,000
Transfer to equitable share	-	-
Repaid to National Revenue Fund	-	(175,447)
Conditions met - Own Income	(1,113,926)	-
Conditions met - Operating	(1,134,597)	(1,282,850)
Conditions met - Capital	(6,273,904)	(15,104,403)
Conditions still to be met	16,757,320	5,322,747
<i>The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas</i>		
	2021 R	2020 R
22.10 Provincial: Department of Education		
Opening balance	1,232,100	1,232,100
Correction of Error	-	-
Conditions still to be met	1,232,100	1,232,100
<i>For the construction of athletics fields</i>		
	2021 R	2020 R
22.11 National: Regional Bulk Infrastructure Grant (RBIG)		
Opening balance	-	25,079,589
Grants received	-	21,610,000
Repaid to National Revenue Fund	-	(25,079,589)
Conditions met - Capital	-	(21,610,000)
Conditions still to be met	-	-
<i>This grant was utilised in the construction of a oxidation pond in Britstown</i>		
	2021 R	2020 R
22.12 National: Water Services Infrastructure Grant (WSIG)		
Opening balance	-	2,822,519
Repaid to National Revenue Fund	-	(2,822,519)
Conditions still to be met	-	-
<i>The Water Services Infrastructure Grant was used for rehabilitation of boreholes as well as for sewer projects.</i>		

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
22.13 National: Covid Relief Grant		
Opening balance	-	-
Grants received		149,000
Conditions met - Operating		(149,000)
Conditions still to be met	-	-
<i>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.</i>		
	2021 R	2020 R
Opening balance	-	-
Grants received	3,600,000	
Conditions met - own income	(437,929)	
Conditions met - Capital	(2,919,526)	
Conditions still to be met	242,545	-
<i>The grant was for utilised for streetlights.</i>		
	2021 R	2020 R
22.15 Total Grants		
Opening balance	7,208,673	29,309,655
Correction of Error	-	-
Grants received	76,562,000	94,161,883
Repaid to National Revenue Fund	-	(28,077,555)
Conditions met - own income	(1,643,731)	-
Conditions met - Operating	(51,765,797)	(49,404,733)
Conditions met - Capital	(10,046,117)	(38,780,577)
Conditions still to be met/(Grant expenditure to be recovered)	20,315,028	7,208,673
	2021 R	2020 R
Unspent Conditional Government Grants and Receipts	20,315,027	7,208,672
Unpaid Conditional Government Grants and Receipts	-	-
Total	20,315,027	7,208,672
	2021 R	2020 R
23. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Contributed PPE	4,975,198	-
Total Contributed Property, Plant and Equipment	4,975,198	-
	2021 R	2020 R
24. LICENCES AND PERMITS		
Road and Transport	969,538	698,713
Total Licences and Permits	969,538	698,713
	2021 R	2020 R
25. SERVICE CHARGES		
Electricity	88,105,850	81,744,508
Service Charges	88,826,585	82,360,867
Less: Revenue Forgone	(720,735)	(616,359)
Water	31,917,471	27,707,163
Service Charges	36,133,944	31,891,725
Less: Revenue Forgone	(4,216,474)	(4,184,562)
Waste Management	6,875,784	7,029,121
Service Charges	11,753,106	11,154,172
Less: Revenue Forgone	(4,877,322)	(4,125,051)
Waste Water Management	13,803,269	13,294,743
Service Charges	21,008,230	19,407,217
Less: Revenue Forgone	(7,204,961)	(6,112,473)
Total Service Charges	140,702,374	129,775,535
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
Balance previously reported		131,299,585
Reclassification		(1,125,934)
Correction of error		(398,116)
Restated balance		129,775,535
	2021 R	2020 R
26. OPERATIONAL REVENUE		
Building Plan Approval	91,171	63,801
Cemetery and Burial	612,465	435,424
Drainage Fees	16,070	13,576
Removal of Restrictions	37,057	71,768
Sale of Goods	59,915	846,903
Sundry income	1,587,121	7,509,044
Valuation Services	18,470	10,760
Total Sales of Goods and Rendering of Services	2,422,269	8,951,276
Balance previously reported		2,643,452
Reclassification		915,168
Correction of error		5,392,656
Restated balance		8,951,276

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
27. RENTAL FROM FIXED ASSETS		
Property, Plant and Equipment	1,236,966	980,228
Total Rental from Fixed Assets	1,236,966	980,228
Balance previously reported		775,239
Reclassification		210,766
Correction of error		(5,777)
Restated balance		980,228
	2021 R	2020 R
28. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	90,964	435,908
Investments	1,091,373	1,377,647
Total Interest Earned - External Investments	1,182,337	1,813,555
	2021 R	2020 R
29. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Long-term receivables	-	500
Outstanding billing debtors	2,023,361	1,776,112
Total Interest Earned - Outstanding Receivables	2,023,361	1,776,613
	2021 R	2020 R
30. FINES		
Penalties for Consumers	1,045,789	7,735,363
Traffic fines	241,873	173,290
TOTAL FINES	1,287,663	7,908,654
	2021 R	2020 R
31. EMPLOYEE RELATED COSTS		
Acting Allowance	69,711	168,302
Basic Salaries and Wages	62,652,290	60,420,985
Bargaining council	38,127	36,656
Bonuses	5,175,465	4,865,033
Cell Phone Allowance	324,562	336,618
Group Insurance	47,198	50,624
Housing Allowances	571,429	242,679
Medical Aid Contributions	2,962,462	2,752,497
Motor Vehicle Allowance	1,895,366	1,902,254
Overtime	1,250,318	3,756,032
Payments in lieu of leave	1,107,025	1,218,687
Pension and UIF Contributions	11,270,910	10,691,932
Performance bonus	(69,403)	17,966
Standby Allowances	977,184	861,712
Post retirement obligations	(944,000)	(770,842)
Current Service Cost - Long Service Awards - Note 14.2	(108,000)	(53,516)
Current Service Cost - Medical - Note 14.1	(836,000)	(717,326)
Total Employee Related Costs	87,328,644	86,551,132
Balance previously reported		86,450,071
Reclassification		322,641
Correction of error		(221,580)
Restated balance		86,551,132
KEY MANAGEMENT PERSONNEL		
The Municipal Manager are appointed on a fixed five year contract. The Directors accountable to the municipal manager are permanently employed.		
	2021 R	2020 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager - I Visser		
Basic Salary	823,593	835,240
Bonus	68,633	66,763
Cell Phone Allowance	60,000	60,000
Contributions, Medical, Pension Funds and UIF	150,060	147,003
Motor Vehicle Allowance	172,705	169,176
Other benefits and allowances	178,781	175,127
Performance Bonus	195,063	200,330
Total	1,648,835	1,653,640
	2021 R	2020 R
Remuneration of the Chief Financial Officer - MF Manuel		
Basic Salary	896,100	298,042
Bonus	74,675	-
Contributions, Medical, Pension Funds and UIF	1,813	595
Motor Vehicle Allowance	204,696	68,232
Other benefits and allowances	1,456	388
Total	1,178,740	367,257
MF Manuel was appointed as Chief Financial Officer from March 2020.		

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
Remuneration of the Chief Financial Officer - MR Ludwick		
Basic Salary	-	155,743
Bonus	-	25,556
Cell phone Allowance	-	12,000
Contributions, Medical, Pension Funds and UIF	-	13,531
Motor Vehicle Allowance	-	52,675
Other benefits and allowances	-	78,970
Payments in lieu of leave	-	29,441
Performance Bonus	-	115,542
Total	-	483,458

MR Ludwick was Chief Financial Officer from July 2019 to October 2019.

	2021 R	2020 R
Remuneration of the Chief Financial Officer - JP Jack		
Acting Allowance	-	30,097

JP Jack acted as Chief Financial Officer between November 2019 to March 2020.

	2021 R	2020 R
Remuneration of Director: Corporate Services - TW Msengana		
Basic Salary	585,000	614,560
Bonus	48,750	48,750
Cell Phone Allowance	36,000	36,000
Motor Vehicle Allowance	150,000	150,000
Other benefits and allowances	98,138	97,966
Contributions, Medical, Pension Funds and UIF	164,110	157,206
Performance Bonus	147,031	118,378
Total	1,229,029	1,222,860

	2021 R	2020 R
Remuneration of Director: Community and Development Services - M Joka		
Basic Salary	508,056	520,936
Bonus	42,338	40,571
Cell Phone Allowance	36,000	36,000
Contributions, Medical, Pension Funds and UIF	146,018	143,152
Motor Vehicle Allowance	144,000	144,000
Other benefits and allowances	90,526	84,587
Performance Bonus	130,655	107,139
Total	1,097,593	1,076,386

	2021 R	2020 R
Remuneration of Director: Infrastructure and Housing Services - MLV Owies		
Basic Salary	65,020	259,578
Bonus	27,092	-
Cell Phone Allowance	3,000	12,000
Contributions, Medical, Pension Funds and UIF	149	595
Motor Vehicle Allowance	14,738	58,714
Other benefits and allowances	10,038	39,980
Payments in lieu of leave	28,089	0
Total	148,126	370,868

	2021 R	2020 R
Remuneration of Acting Director: Infrastructure - W Lubbe		
Acting Allowance	4,018	-
Total	4,018	-

The director acted for the period August 2020 to April 2021.

	2021 R	2020 R
Remuneration of Director: Infrastructure - L Thiso		
Basic Salary	129,000	-
Cell Phone Allowance	9,000	-
Contributions, Medical and Pension Funds	27,321	-
Motor Vehicle Allowance	29,400	-
Other benefits and allowances	26,668	-
Total	221,389	-

The director was appointed from 1 April 2021.

32. REMUNERATION OF COUNCILLORS	2021 R	2020 R
Total Remuneration of Councillors		
Annual Remuneration	3,763,359	3,835,551
Telephone Allowance	662,300	666,000
Travelling	1,214,821	1,172,449
Pension and UIF Contributions	41,990	45,058
Total	5,682,471	5,719,058
Remuneration of Councillor - ST Sthonga		
Annual Remuneration	604,550	611,010
Telephone Allowance	44,400	44,400
Travelling	201,517	195,058
Pension and UIF Contributions	6,566	7,254
Total	857,033	857,722

Remuneration of Councillor - MC Kivedo		
Annual Remuneration	483,640	488,807
Telephone Allowance	44,400	44,400
Travelling	161,213	156,046
Pension and UIF Contributions	5,290	5,481
Total	694,543	694,733
Remuneration of Councillor - CJ Louw		
Annual Remuneration	252,946	240,175
Telephone Allowance	44,400	44,400
Travelling	84,315	76,675
Pension and UIF Contributions	2,724	2,842
Total	384,385	364,091
Remuneration of Councillor - NP Mkontwana		
Annual Remuneration	252,946	255,648
Telephone Allowance	44,400	44,400
Travelling	84,315	81,613
Pension and UIF Contributions	2,787	3,014
Total	384,448	384,674
Remuneration of Councillor - RR Faul		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	63,773	61,729
Pension and UIF Contributions	2,150	2,379
Total	301,641	301,870
Remuneration of Councillor - WJ du Plessis		
Annual Remuneration	191,318	193,362
Travelling	44,400	44,400
Tools of trade	63,773	61,729
Pension and UIF Contributions	1,774	1,972
Total	301,265	301,463
Remuneration of Councillor - PD van Wyk		
Annual Remuneration	191,318	193,362
Travelling	44,400	44,400
Tools of trade	62,917	62,585
Pension and UIF Contributions	2,161	2,382
Total	300,796	302,729
Remuneration of Councillor - LE Andrews		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	62,917	62,585
Pension and UIF Contributions	2,232	2,382
Total	300,867	302,729
Remuneration of Councillor - SJ Hoffman		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	62,917	62,585
Pension and UIF Contributions	2,137	2,382
Total	300,772	302,729
Remuneration of Councillor - L Billie		
Annual Remuneration	245,525	248,149
Telephone Allowance	44,400	44,400
Travelling	81,842	79,219
Pension and UIF Contributions	2,778	2,937
Total	374,544	374,705
Remuneration of Councillor - MO Maramba		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	62,917	62,585
Pension and UIF Contributions	2,376	2,636
Total	301,011	302,983
Remuneration of Councillor - PP Mhualali		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	62,917	62,584
Pension and UIF Contributions	2,137	2,382
Total	300,772	302,728
Remuneration of Councillor - D Vanel		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	63,773	61,729
Pension and UIF Contributions	2,150	2,379
Total	301,641	301,870
Remuneration of Councillor - SP Wales		
Annual Remuneration	47,830	-
Telephone Allowance	11,100	-
Travelling	15,943	-
Pension and UIF Contributions	1,369	-
Total	76,241	-

SP Wales was appointed as new councillor from May 2021.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Remuneration of Councillor - HJ Rust

Annual Remuneration	154,061	251,501
Telephone Allowance	29,600	44,400
Travelling	16,000	24,000
Pension and UIF Contributions	971	2,004
Total	200,631	321,905

HJ Rust was a councillor till February 2021.

Remuneration of Councillor - PN Bushula

Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	63,773	61,729
Pension and UIF Contributions	2,390	2,633
Total	301,880	302,124

In-kind Benefits

Councillors may utilise official council transportation when engaged in official duties. The Mayor has use of a council owned vehicle for official duties.

	2021 R	2020 R
33. CONTRACTED SERVICES	3,691,255	4,225,601
Consultants and Professional Services	2,855,676	2,520,486
Consultants and Professional Services: Business and Advisory: Accounting and Auditing	20,193	10,621
Consultants and Professional Services: Business and Advisory: Audit Committee	-	1,514,735
Consultants and Professional Services: Business and Advisory: Business and Financial Management	58,617	46,500
Consultants and Professional Services: Business and Advisory: Medical Examinations	137,920	64,688
Consultants and Professional Services: Laboratory Services: Water	618,849	68,570
Consultants and Professional Services: Legal Cost: Legal Advice and Litigation	2,689,972	4,277,430
Contractors	58,554	17,200
Contractors: Catering Services	-	1,302,435
Contractors: Electrical	760,451	848,226
Contractors: Employee wellness	58,962	87,740
Contractors: Maintenance of Buildings and Facilities	628,779	932,267
Contractors: Maintenance of Equipment	128,565	171,683
Contractors: Maintenance of Unspecified Assets	1,054,660	917,879
Contractors: Prepaid Electricity Vendors	3,774,840	5,382,835
Outsourced Services	243,421	182,629
Outsourced Services: Driver Licence Cards	227,493	536,654
Outsourced Services: Internal Auditors	205,100	1,128,428
Outsourced Services: Personnel and Labor	3,098,826	2,752,827
Outsourced Services: Security Services	-	782,298
Outsourced Services: Traffic Fines Management	-	-
Total Contracted Services	10,156,067	13,885,866
Balance previously reported		7,570,114
Reclassification note		6,105,573
Correction of error		210,179
Restated balance		13,885,866
	2021 R	2020 R
34. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	52,967,940	50,325,224
Intangible Assets	24,203	76,697
Total Depreciation and Amortisation	52,992,143	50,401,921
Balance previously reported		50,051,061
Reclassification note		0
Correction of error		350,859
Restated balance		50,401,921
	2021 R	2020 R
35. FINANCE COSTS		
Finance leases	788,212	76,658
Non-current Provisions	5,744,388	(4,018,010)
Non-current Employee Benefits	2,042,000	2,201,353
Overdue creditors	3,249,978	8,120,832
Overdraft Facilities	26,780	8,764
Total Finance Costs	11,851,357	6,389,597
Balance previously reported		3,923,099
Reclassification		2,201,353
Correction of error		265,145
Restated balance		6,389,597
	2021 R	2020 R
36. BULK PURCHASES		
Electricity	71,826,730	67,610,105
Water	1,063,612	2,516,041
Total Bulk Purchases	72,890,341	70,126,146

Bulk purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the Municipal are for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from various sources.

Refer to note on material losses for loss on electricity and water

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
37. OPERATIONAL COSTS		
Achievements and Awards	-	7,331
Advertising, Publicity and Marketing	96,003	132,801
Audit Fees	3,463,230	3,199,953
Bank Charges, Facility and Card Fees	683,422	1,042,103
Cleaning Services	127,950	158,698
Deeds	289,416	11,373
Digging of graves	66,100	281,472
Drivers Licences and Permits	99,856	85,478
Entertainment	3,660	14,368
Hire Charges	2,805,200	4,146,519
Insurance excess	1,781,983	1,473,073
Licences	164,028	225,543
Municipal Services	9,551,510	5,435,199
Printing, Publications and Books	590,035	742,524
Professional Bodies, Membership and Subscription	886,817	1,060,786
Skills Development Fund Levy	618,894	617,033
Storage of Files (Archiving)	213,500	-
System Access and Information Fees	-	74,992
Telephone Costs	1,721,246	1,469,444
Travel and Subsistence	344,130	1,320,018
Uniform and Protective Clothing	13,646	1,026,891
Ward Committee	269,000	310,500
Electricity	2,688,220	2,406,189
Wet Fuel	3,117,739	3,911,638
Total Operational Costs	29,575,586	29,153,926
Balance previously reported		38,596,280
Reclassification		(10,065,743)
Correction of error		623,389
Restated balance		29,153,926
	2021 R	2020 R
38. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions - Note 9	21,300,709	19,222,695
Receivables from Non-exchange Revenue - Note 10	9,506,800	21,552,115
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	30,807,509	40,774,811
	2021 R	2020 R
39. GAINS/ (LOSS) ON SALE OF FIXED ASSETS		
Property, Plant and Equipment	506,009	159,483
Total Gains/ (Loss) on Sale of Fixed Assets	506,009	159,483
	2021 R	2020 R
40. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS		
Property, Plant and Equipment	-	8,787,730
	2021 R	2020 R
41. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA		

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. New mSCOA Charts are issued annually, resulting into an annual reclassification of items in the financial statements. The reclassification of 2019 audited amounts can be summarised as follows:

Statement of Financial Position	Balance previously reported	Adjustments	Restated Balance
Accumulated Surplus/(Deficit)	636,328,177	1	636,328,178
Non-current Provisions	51,656,159	(0)	51,656,159
Non-current Employee Benefits	21,404,001	-	21,404,001
Consumer Deposits	2,518,499	0	2,518,499
Current Employee Benefits	1,929,000	11,652,717	13,581,717
Trade and Other Payables from Exchange Transactions	127,171,169	(11,647,835)	115,523,334
Trade and Other Payables from Non-Exchange Transactions	10,151,718	-	10,151,718
Unspent Transfers and Subsidies	7,208,676	0	7,208,676
Cash and Cash Equivalents	21,972,581	(0)	21,972,581
Current Portion of Long-term Liabilities	240,852	(0)	240,852
Property, Plant and Equipment	720,720,520	(1)	720,720,519
Investment Property	5,718,600	-	5,718,600
Intangible Assets	49,711	0	49,711
Heritage Assets	6,959,273	-	6,959,273
Investments	27,690	(0)	27,690
Inventory	54,057,829	(0)	54,057,829
Receivables from exchange transactions	38,446,914	0	38,446,914
Receivables from non-exchange transactions	20,577,393	4,883	20,582,276
Taxes	12,258,796	0	12,258,796
Cash and Cash Equivalents	21,764,106	(0)	21,764,106
	-	2	2

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	38,685,708	0	38,685,708
Property Rates - Penalties imposed and collection charges	795,393	0	795,393
Government Grants and Subsidies - Capital	-	38,780,574	38,780,574
Government Grants and Subsidies - Operating	88,185,311	(38,780,578)	49,404,733
Contributed Property, Plant and Equipment	-	-	-
Actuarial Gains	-	3,704,665	3,704,665
Fines, Penalties and Forfeits	7,908,654	(0)	7,908,654
Service Charges	131,299,585	(1,125,934)	130,173,651
Sales of Goods and Rendering of Services	2,643,452	915,168	3,558,620
Rental from Fixed Assets	775,239	210,766	986,005
Interest Earned - External Investments	1,813,555	0	1,813,555
Interest Earned - Exchange Transactions	1,776,613	(0)	1,776,613
Licences and Permits	698,713	0	698,713
Operational Revenue	-	-	-
Employee related costs	86,450,071	322,641	86,772,712
Remuneration of Councillors	5,719,058	(0)	5,719,058
Bad Debts Written Off	-	-	-
Contracted Services	7,570,114	6,105,573	13,675,687
Depreciation and Amortisation	50,051,061	0	50,051,061
Actuarial Losses	-	-	-
Finance Costs	3,923,099	2,201,353	6,124,452
Bulk Purchases	70,126,146	0	70,126,146
Inventory Consumed	-	5,140,837	5,140,837
Operating Leases	-	-	-
Transfers and Subsidies	-	-	-
Operational Costs	38,596,280	(10,065,743)	28,530,537
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	-	-	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(40,774,811)	0	(40,774,811)
Gains/(Loss) on Sale of Fixed Assets	(159,484)	1	(159,483)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	(8,787,730)	(0)	(8,787,730)
Profit/(Loss) on Fair Value Adjustments	(1,519)	(0)	(1,519)
Net Surplus/(Deficit) for the year	(37,577,150)	(0)	(37,577,150)
		2021	2020
		R	R
42. CORRECTION OF ERROR IN TERMS OF GRAP 3			
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:			
			2020
			R
42.1 Property, Plant and Equipment			
Balance previously reported			720,720,520
30-Jun-20			
First time recognition Property, Plant and Equipment 30 June 2020			(8,946)
Project identified as fruitless and wasteful - classified to expenditure			(1,302,435)
Correction of error - donated asset 2020			(74,056)
Correction of error -transfer asset 2020			(267,858)
30-Jun-19			57,952
First time recognition Property, Plant and Equipment 30 June 2019			(1,495,682)
Project identified as fruitless and wasteful - classified to expenditure			2,092,627
Restated Balance			719,722,123
			2020
			R
42.2 Receivables from Exchange Transactions			
Balance previously reported			38,446,914
Correction on debtors reconciliation performed			(648,022)
Correction as result on bank reconciliation			(21,217)
Restated Balance			37,777,675
			2020
			R
42.3 Taxes			
Balance previously reported			12,258,796
Correction on debtors reconciliation performed			57,436
Correction as result on bank reconciliation			(861)
Restated Balance			12,315,371
			2020
			R
42.4 Trade and Other Payables from Exchange Transactions			
Balance previously reported			115,523,334
Correction as result on bank reconciliation			352,384
Restated Balance			115,875,718
			2020
			R
42.5 Cash and Cash Equivalents			
Balance previously reported			21,972,581
Correction as result on bank reconciliation			(6,723,983)
Restated Balance			15,248,597

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		2020 R
42.6	Accumulated Surplus/(Deficit) - 1 JULY 2019	636,328,178
	First time recognition Property, Plant and Equipment 30 June 2020	(8,946)
	Project identified as fruitless and wasteful - classified to expenditure 30 June 2020	(1,302,435)
	Correction of error - donated asset 2020	(74,056)
	Correction of error-transfer asset 2020	(287,858)
	First time recognition Property, Plant and Equipment 30 June 2019	57,952
	Project identified as fruitless and wasteful - classified to expenditure 30 June 2019	(1,495,682)
	Correction of error - donated asset 2019	2,092,627
	Correction on debtors reconciliation performed	(402,648)
	Correction as result on bank reconciliation	6,161,583
	Total	641,088,715

42.7 **Changes to Statement of Financial Performance**

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Balance previously reported	Adjustments	Restated Balance
Revenue			
Property Rates	38,685,708	(1,115)	38,684,593
Property Rates - Penalties imposed and collection charges	795,393	0	795,393
Government Grants and Subsidies - Capital	38,780,574	-	38,780,574
Government Grants and Subsidies - Operating	49,404,733	-	49,404,733
Contributed Property, Plant and Equipment	-	-	-
Actuarial Gains	3,704,665	-	3,704,665
Fines and Penalties	7,908,654	-	7,908,654
Service Charges	130,173,651	(398,116)	129,775,535
Operational Revenue	3,558,620	5,392,656	8,951,276
Rental from Fixed Assets	986,005	(5,777)	980,228
Interest Earned - External Investments	1,813,555	-	1,813,555
Interest Earned - Exchange Transactions	1,776,613	-	1,776,613
Licences and Permits from Exchange Transactions	698,713	-	698,713
Operational Revenue	-	-	-
Total	278,286,884	4,987,649	283,274,533
Expenditure			
Employee related costs	86,772,712	(221,580)	86,551,132
Remuneration of Councillors	5,719,058	-	5,719,058
Bad Debts Written Off	-	-	-
Contracted Services	13,675,687	210,179	13,885,866
Depreciation and Amortisation	50,051,061	350,859	50,401,921
Actuarial Losses	-	-	-
Finance Costs	6,124,452	265,145	6,389,597
Bulk Purchases	70,126,146	-	70,126,146
Inventory Consumed	5,140,837	6,314	5,147,150
Operating Leases	-	-	-
Transfers and Subsidies	-	-	-
Operational Costs	28,530,537	623,389	29,153,926
Total	266,140,491	1,234,305	267,374,796
Gains and Losses			
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	-	-	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(40,774,811)	-	(40,774,811)
Gains/(Loss) on Sale of Fixed Assets	(159,483)	-	(159,483)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	(8,787,730)	-	(8,787,730)
Profit/(Loss) on Fair Value Adjustments	(1,519)	-	(1,519)
Total	(49,723,544)	-	(49,723,544)
Net Surplus/(Deficit) for the year	(37,577,151)	3,753,343	(33,823,807)

43. **RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**

	2021 R	2020 R
Surplus/(Deficit) for the year	(77,024,360)	(33,823,807)
Adjustments for:		
Depreciation	52,992,143	50,401,921
Loss/(Gain) on Sale of Fixed Assets	506,009	159,483
Fair value adjustment investments	(665)	1,519
Impairment Loss/(Reversal of Impairment Loss) - Receivables	30,807,509	40,774,811
Impairment Loss/(Reversal of Impairment Loss) - Fixed assets	-	8,787,730
Finance cost	26,780	5,851,585
Contribution to provisions - Non-Current Provisions	5,744,388	(4,018,010)
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	2,656,000	(3,704,665)
Movement in employee benefits	2,129,167	(3,598,463)
Contributed Property, Plant and Equipment	(4,975,198)	-
Inventory written off/reversal	27,230,237	-
Operating Surplus/(Deficit) before changes in working capital	40,092,009	60,832,104
Changes in working capital	(25,801,678)	(37,490,794)
Increase/(Decrease) in Trade and Other Payables Exchange (note 1)	(4,977,457)	44,668,161
Increase/(Decrease) in Trade and Other Payables Non-exchange	(32,496)	721,869
Increase/(Decrease) in Taxes	(351,673)	(7,520,918)
(Increase)/Decrease in Inventory	(390,838)	(352,565)
Increase/(Decrease) in Consumer Deposits	184,442	103,703
(Increase)/Decrease in Receivables from Exchange Transactions	(23,027,690)	(29,372,595)
(Increase)/Decrease in Receivables from Non-Exchange Transactions	(10,311,655)	(23,638,985)
(Increase)/Decrease Investments	(665)	1,519
Increase/(Decrease) in Unspent Transfers and Subsidies	13,106,354	(22,100,983)
Cash generated/(absorbed) by operations	14,290,331	23,341,310

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
44. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 11	4,524,532	2,353,454
Call Deposits and Investments - Note 11	25,574,090	19,407,672
Cash Floats - Note 11	2,980	2,980
Bank Overdraft - Note 11	(19,766,637)	(15,248,597)
Total cash and cash equivalents	10,334,965	6,515,508

	2021 R	2020 R
45. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 11	10,334,965	6,515,508
Less:	32,982,071	19,524,043
Unspent Transfers and Subsidies - Note 18	20,315,027	7,208,672
VAT - Note 19	12,667,044	12,315,371
Net cash resources available for internal distribution	(22,647,106)	(13,008,535)
Allocated to:		
Capital Replacement Reserve - Note 20	(2,252,793)	(2,252,793)
Resources available for working capital requirements	(24,899,899)	(10,755,742)

	2021 R	2020 R
46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 12	-	240,844
Used to finance property, plant and equipment - at cost	-	(240,844)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Annuity loans at amortised cost is calculated at 7.95 - 26% interest rate, with last maturity date of 31 March 2021. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.

	2021 R	2020 R
47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
47.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	116,423,528	53,535,579
Unauthorised expenditure current year - operational	76,601,230	62,887,949
Unauthorised expenditure current year - capital	11,272,089	-
Written off by Council	-	-
Unauthorised expenditure awaiting authorisation	-	-
	204,296,847	116,423,528

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2021 R	2020 R
<i>Actual vs Budgeted spending</i>	<i>None</i>	87,873,319	62,887,949
		87,873,319	62,887,949

The overspending of the Budget per municipal vote can be summarised as follows:

	2021 Actual R	2021 Final Budget R	2021 Variance R	2021 Unauthorised R
Unauthorised expenditure current year - operating				
Vote 1 - Office of the Mayor	22,687,448	22,126,984	560,464	560,464
Vote 2 - Municipal Manager	2,031,987	3,001,672	(969,705)	-
Vote 3 - Finance	38,061,219	29,618,790	8,442,429	8,442,429
Vote 4 - Corporate Services	8,167,720	7,192,998	974,722	974,722
Vote 5 - Community and Social Services	43,264,413	62,995,077	(19,730,664)	-
Vote 6 - Infrastructure	221,233,729	154,610,114	66,623,615	66,623,615
	335,446,496	279,545,635	55,900,861	76,601,230
Unauthorised expenditure current year - capital				
Vote 1 - Office of the Mayor	29,464	-	29,464	29,464
Vote 2 - Municipal Manager	-	-	-	-
Vote 3 - Finance	4,480,708	-	4,480,708	4,480,708
Vote 4 - Corporate Services	-	-	-	-
Vote 5 - Community and Social Services	44,830	1,349,087	(1,304,257)	-
Vote 6 - Infrastructure	24,128,830	17,366,913	6,761,917	6,761,917
	28,683,833	18,716,000	9,967,833	11,272,089

	2021 R	2020 R
47.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	15,680,142	4,956,980
Fruitless and wasteful expenditure current year	89,618	7,903,594
Prior fruitless and wasteful expenditure discovered current year	-	2,798,118
Written off by Council	-	21,450
Fruitless and wasteful expenditure awaiting condonement	-	-
	15,769,759	15,680,142

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Fruitless and wasteful expenditure can be summarised as follow:

	2021 R	2020 R
Incident		
<i>Interest paid on creditors overdue accounts</i>	-	7,903,594
<i>SARS penalties and interest</i>	89,618	-
<i>Expenditure incurred Waterfall project - services not completed</i>	-	2,798,118
	89,618	10,701,712

47.3 **Irregular expenditure**

Reconciliation of irregular expenditure:

	2021 R	2020 R
Opening balance	78,681,310	27,140,394
Irregular expenditure identified current year	9,628,128	51,540,916
Written off by Council	-	-
Irregular expenditure awaiting further action	88,309,438	78,681,310

Irregular expenditure can be summarised as follow:

	2021 R	2020 R
Incident		
<i>Quotation process not followed</i>	-	192,557
<i>Valid/no contracts in place for service providers & non-compliance SCM regulations</i>	9,628,128	7,372,853
<i>Irregularities resulting from Bid Adjudication committee not being properly constituted</i>	-	43,975,506
	9,628,128	51,540,916

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies for expenditure.

Irregular expenditure is disclosed inclusive of VAT

48. **ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

48.1 **Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)**

	2021 R	2020 R
Opening balance	524,066	524,066
Council subscriptions	1,019,840	864,979
Amount paid - current year	(713,888)	(864,979)
Balance unpaid (included in creditors)	830,018	524,066

48.2 **Audit fees - [MFMA 125 (1)(c)]**

	2021 R	2020 R
Opening balance	3,476,600	2,777,833
Current year audit fee	4,221,911	2,968,435
Amount paid - current year	(588,846)	(1,986,181)
Amount paid - previous year	(2,361,723)	(283,487)
Balance unpaid (included in creditors)	4,747,942	3,476,600

48.3 **VAT - [MFMA 125 (1)(c)]**

	2021 R	2020 R
VAT	12,667,044	12,315,371
Closing balance	12,667,044	12,315,371

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

48.4 **PAYE,SDL and UIF - [MFMA 125 (1)(c)]**

	2021 R	2020 R
Opening balance	-	-
Current year payroll deductions	12,057,607	12,473,376
Amount paid - current year	(12,057,600)	(12,473,376)
Balance unpaid (included in creditors)	7	-
Balance previously reported	-	17,468
Levies revised	-	(17,468)
Restated balance	-	-

48.5 **Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]**

	2021 R	2020 R
Opening balance	19,589,615	18,488,482
Current year payroll deductions and Council Contributions	-	-
Amount paid - current year	(19,589,615)	(18,488,482)
Balance unpaid (included in creditors)	-	-

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

48.6 **Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2021:

	2021 R	2020 R
	Outstanding more than 90 days	Outstanding more than 90 days
RR Faul	-	2,426
D Vanel	4,829	1,759
NP Mkontwana	203	-
PD Van Wyk	-	3,543
WJ Du Plessis	-	-
LE Andrews	-	-
L Billie	-	9,014
PP Mhlauli	4,464	-
ST Sthonga	-	-
MC Kivedo	-	3,904
SJ Hoffman	-	-
SP Wales	1	-
C Louw	-	-
MO Maramba	10,022	-
PN Bushula	-	-
HJ Rust	0	-
Total Councillor Arrear Consumer Accounts	19,519	20,646

48.7

Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

30 JUNE 2021

	Amount	Single Supplier	Type of Deviation		Emergency
			Impossible	Impractical	
Jul-20	39,885	24,685	-	-	15,200
Aug-20	152,685	29,505	6,557	69,897	46,726
Sep-20	126,825	-	27,399	18,464	80,962
Oct-20	35,857	32,621	-	3,236	-
Nov-20	232,683	6,000	26,270	11,348	189,065
Dec-20	-	-	-	-	-
Jan-21	6,000	6,000	-	-	-
Feb-21	9,703	-	-	9,703	-
Mar-21	32,480	32,480	-	-	-
Apr-21	60,950	-	-	-	60,950
May-21	-	-	-	-	-
Jun-21	17,825	-	-	17,825	-
	714,893	131,291	60,225	130,473	392,904

30 JUNE 2020

	Amount	Single Supplier	Type of Deviation		Emergency
			Impossible	Impractical	
Jul-19	-	-	-	-	-
Aug-19	125,614	42,050	11,910	71,654	-
Sep-19	116,496	19739.75	51,529	45,227	-
Oct-19	175,421	-	21,643	76,527	77,250
Nov-19	49,224	5,520	-	43,704	-
Dec-19	-	-	-	-	-
Jan-20	291,381	20,979	-	270,381	-
Feb-20	139,370	-	4,490	54,386	80,494
Mar-20	17,271	-	-	17,271	-
Apr-20	654,345	117,781	17,500	-	519,065
May-20	23,192	-	-	23,192	-
Jun-20	313,751	2047	2,264	144,639	164,800
	1,906,044	208,116	109,337	746,982	841,608

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Range of Deviations approved by Municipal Manager

	Total Deviations	2020/21 Amounts
Deviations between 0 - 2000	15	80,295
Deviations between 2001 - 10 000	21	634,598
Deviations between 10 001 - 200 000	-	-
Deviations greater than 200 001	-	-
	36	714,893

48.8 **Material losses**

Electricity distribution losses

	2021 R	2020 R
Units purchased (Kwh)	59,700,003	56,375,147
Units lost during distribution (Kwh)	7,636,295	8,240,374
Percentage lost during distribution	12.79%	14.62%
Distribution loss (Rand Value)	10,027,047	9,882,591

Inisitive by Engineering to inspect meters to reduce the amount of meter tampering.

	2021 R	2020 R
Water distribution losses		
Units purchased (ml)	3,113,807	1,629,349
Units lost during distribution (ml)	496,645	685,719
Percentage lost during distribution	15.95%	42.09%
Distribution loss (Rand Value)	625,773	878,574

Faulty meters and leakages are replaced/repared as soon as they are reported.

The municipality provides water services to indigent consumers. Consumptions used by indigent consumers are more than the free 6kl water they received. No action was taken to recover the additional consumptions from indigent consumers and based on history, outstanding amounts are not paid by indigent consumers.

48.9 <u>Other non-compliance</u>	2021 R	2020 R
----------------------------------	-----------	-----------

MFMA Section 15

Expenditure was not only incurred in terms of an approved budget and within the limits of the amounts approved for the different votes in an approved budget.

MFMA Section 32(4)

Report pertaining to unauthorised, irregular, fruitless and wasteful expenditure have not been submitted to all relevant parties.

MFMA Section 62

Reasonable steps were not taken to prevent irregular, fruitless and wasteful and unauthorised expenditure

MFMA Section 64

Non-compliance with systems to be placed with regards to revenue management

MFMA Section 65(2)

Adequate management, accounting and information system was not in place which accounted for creditors and pay within 30 days

MFMA Section 71

Monthly reports not submitted timeously to Provincial Treasury

MFMA section 75

Non-compliance with information to be placed on the municipalities website

MFMA Section 112

The supply chain management policy did not comply with the Prescribed Framework

VAT Act

Not all returns were submitted timeously to SARS

49. FINANCIAL RISK MANAGEMENT	2021 R	2020 R
--------------------------------------	-----------	-----------

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

	2021 R	2020 R
The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follows:		
0.5% (2021: 0.5%) Increase in interest rates	(136,693)	31,497
0.5% (2021: 0.5%) Decrease in interest rates	136,693	(31,497)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours 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.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 9 and 10 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 %	2021 R	2020 %	2020 R
Non-exchange Receivables				
Rates	38.14%	71,852,550	88.38%	62,897,066
Fines	61.54%	115,929,836	10.76%	7,658,089
Other	0.32%	609,614	0.86%	609,614
	100.00%	188,392,000	100.00%	71,164,769
Exchange Receivables				
Electricity	21.33%	35,362,728	23.98%	33,552,430
Water	39.24%	65,045,771	35.99%	50,357,325
Property Rentals	1.33%	2,208,398	1.30%	1,815,592
Waste Management (refuse)	11.87%	19,682,657	12.38%	17,323,635
Waste Water Management (Sewerage)	23.11%	38,306,357	23.14%	32,371,164
Town Commage	2.85%	4,728,797	3.04%	4,259,747
Other	0.27%	449,764	0.17%	243,083
	100.00%	165,784,471	100.00%	139,921,975

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 9 and 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2021 %	2021 R	2020 %	2020 R
Non-exchange Receivables				
Rates	35.83%	60,444,055	34.17%	54,334,380
Fines	64.17%	108,271,747	65.83%	104,679,941
	100.00%	168,715,801	100.00%	159,014,321
Exchange Receivables				
Electricity	21.54%	27,214,440	21.21%	21,660,349
Water	38.81%	49,040,164	33.53%	34,251,679
Waste Management (refuse)	12.12%	15,319,367	14.20%	14,506,934
Waste Water Management (Sewerage)	21.84%	27,589,294	24.80%	25,326,826
Property Rentals	1.66%	2,100,617	1.75%	1,759,690
Town Commonage	3.72%	4,704,351	4.22%	4,312,007
Other	0.30%	379,923	0.32%	326,816
	100.00%	126,348,157	98.28%	102,144,300

The provision for bad debts could be allocated between the different categories of receivables (excl. fines) as follow:

	2021 %	2021 R	2020 %	2020 R
National and Provincial Government	0.00%	7,129	0.00%	-
Industrial and Business	5.79%	10,808,846	6.13%	9,596,780
Residential	94.21%	175,901,301	93.87%	146,881,900
	100.00%	186,717,277	100.00%	156,478,680

No bad debt were written off during the year

Ageing of amounts past due but not impaired are as follow:

	2021	Exchange Receivables	Non-exchange Receivables
1 month past due		241,315	115,315
2+ months past due		6,163,920	4,494,388
		6,405,235	4,609,703
2020			
1 month past due		399,836	151,687
2+ months past due		6,771,773	4,455,997
		7,171,609	4,607,684

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from Exchange Transactions	165,784,471	139,680,190
Receivables from Non-Exchange Transactions	74,173,097	64,551,936
Cash and Cash Equivalents	30,098,622	21,761,126
	270,056,190	225,993,252

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2021				
Trade and Other Payables	114,200,519	-	-	-
	114,200,519	-	-	-
		Between 1 and 5 years	Between 5 and 30 years	More than 10 years
2020				
Long-term Liabilities				-
Trade and Other Payables	115,875,718	-	-	-
	115,875,718	-	-	-

50. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

50.1 Financial Assets

Classification

Investments

Listed Investments	Financial Instruments at fair value	28,355	27,690
--------------------	-------------------------------------	--------	--------

		2021 R	2020 R
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	35,362,728	33,552,430
Water management	Financial Instruments at amortised cost	65,045,771	50,357,325
Property Rentals	Financial Instruments at amortised cost	2,208,398	1,815,592
Waste Management	Financial Instruments at amortised cost	19,682,657	17,323,635
Waste Water Management	Financial Instruments at amortised cost	38,306,357	32,371,164
Town commage	Financial Instruments at amortised cost	4,728,797	4,258,747
Other receivables from exchange transactions	Financial Instruments at amortised cost	449,764	243,083
Receivables from Non-Exchange Transactions			
Sundry debtors	Financial Instruments at amortised cost	609,614	378,113
Sundry deposits	Financial Instruments at amortised cost	1,419,218	984,042
		2021 R	2020 R
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	4,527,512	2,356,434
Call Deposits	Financial Instruments at amortised cost	25,574,090	19,407,672

Total Financial Assets

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

Receivables from Exchange Transactions	Electricity	35,362,728	33,552,430
Receivables from Exchange Transactions	Water management	65,045,771	50,357,325
Receivables from Exchange Transactions	Property Rentals	2,208,398	1,815,592
Receivables from Exchange Transactions	Waste Management	19,682,657	17,323,635
Receivables from Exchange Transactions	Waste Water Management	38,306,357	32,371,164
Receivables from Exchange Transactions	Town commage	4,728,797	4,258,747
Receivables from Exchange Transactions	Other receivables from exchange transactions	449,764	243,083
Receivables from Non-Exchange Transactions	Sundry debtors	609,614	378,113
Receivables from Non-Exchange Transactions	Sundry deposits	1,419,218	984,042
Cash and Cash Equivalents	Bank Balances	4,527,512	2,356,434
Cash and Cash Equivalents	Call Deposits	25,574,090	19,407,672
		197,914,905	163,048,235

Financial Instruments at fair value:

Investments	Listed Investments	28,355	27,690
		28,355	27,690

Total Financial Assets

		197,914,905	163,048,235
--	--	--------------------	--------------------

50.2 Financial Liabilities

Classification

Long-term Liabilities

Capitalised Lease Liability	Financial Instruments at amortised cost	-	240,844
-----------------------------	---	---	---------

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		2021 R	2020 R
Trade and Other Payables			
Eskom creditor	Financial Instruments at amortised cost	88,865,909	85,215,988
Payments in advance	Financial Instruments at amortised cost	8,219,002	9,548,267
Retentions	Financial Instruments at amortised cost	631,074	3,933,334
Sundry creditors	Financial Instruments at amortised cost	8,197,260	7,290,482
Sundry deposits	Financial Instruments at amortised cost	165,091	363,804
Trade payables	Financial Instruments at amortised cost	9,656,475	11,521,288
		2021 R	2020 R
Current Portion of Long-term Liabilities			
Capitalised Lease Liability	Financial Instruments at amortised cost	-	240,845
		2021 R	2020 R
Cash and Cash Equivalents			
Bank Overdraft	Financial Instruments at amortised cost	19,766,637	15,248,597
		2021 R	2020 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:			
Long-term Liabilities	Capitalised Lease Liability	-	240,844
Current portion of Long-term liabilities	Capitalised Lease Liability	-	240,845
Trade and Other Payables	Eskom creditor	88,865,909	85,215,988
Trade and Other Payables	Payments in advance	8,219,002	9,548,267
Trade and Other Payables	Retentions	631,074	3,933,334
Trade and Other Payables	Sundry creditors	8,197,260	7,290,482
Trade and Other Payables	Sundry deposits	165,091	363,804
Trade and Other Payables	Trade payables	9,656,475	11,521,288
Cash and Cash Equivalents	Bank Overdraft	19,766,637	15,248,597
		135,501,447	133,603,450
		2021 R	2020 R

51. STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

		2021 R	2020 R
Taxes			
VAT Receivable		12,667,044	12,315,371
Receivables from Non-Exchange Transactions		187,782,386	177,941,727
Rates		71,852,550	62,897,066
Fines		115,929,836	115,044,661
Total Statutory Receivables (before provision)		200,449,430	190,257,098
Less:	Provision for Debt Impairment	(168,715,801)	(159,014,321)
Total Statutory Receivables (after provision)		31,733,629	31,242,777

Statutory Receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No 89 of 1991)
Rates	- Municipal Properties Rates Act (No 6 of 2004)
Fines	- Criminal Procedures Act

Statutory receivables are initially measured at transaction value, and subsequently at cost.

	2021 R	2020 R
(Rates): Ageing		
Current (0 - 30 days)	1,380,067	1,548,213
31 - 60 Days	712,981	4,223,478
61 - 90 Days	655,356	966,795
+ 90 Days	69,104,147	56,158,580
Total	71,852,550	62,897,066
	2021 R	2020 R
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	159,014,321	137,462,206
Contribution to provision	9,701,480	21,552,115
Reversal of provision	-	-
Balance at end of year	168,715,801	159,014,321

Property Rates: Management determines the payment rate per debtor. Therefore each individual debtor is impaired based on the collection of debt. Government debtors is excluded from the impairment per the debt control policy of the municipality. The indication of impairment is the non-ability of the debtor to settle their account.

Fines: Fines are impaired per individual fine based on collection of debt. The indication of impairment is the non-ability of the debtor to settle their account.

Ageing of amounts past due and impaired:

	2021 R	2020 R
1 month past due	401,772	3,424,434
2+ months past due	59,604,088	50,223,427
	60,005,860	53,647,861

Management base the consideration past due and impaired on the rate debtor's payments. Per the debt control policy of the municipality past due and impaired include the category of residential, industrial & commercial and other debtors. Government debtors are not impaired.

EMTHANJENI LOCAL MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	115,315	151,687
2+ months past due	4,494,388	4,455,997
	4,609,703	4,607,684

Management base the consideration on the debtor's payments. Per the debt control policy government debtors are not impaired as it is viewed that they are obliged to pay and therefore included in the category past due and not impaired

	2021 R	2020 R
<u>Interest Received from Statutory Receivables</u>		
Taxes	-	-
Traffic fines	-	-
Rates	746,913	795,393
	746,913	795,393

Interest is levied at a rate determined by the council on outstanding rates amounts.

	2021 R	2020 R
52. IN-KIND DONATIONS AND ASSISTANCE		
The municipality did not receive any in-kind donations or assistance during the year under review.	-	-

	2021 R	2020 R
53. PRIVATE PUBLIC PARTNERSHIPS		
Council has not entered into any private public partnerships during the financial year.	-	-

	2021 R	2020 R
54. CONTINGENCIES		
Emthanjeni // Hamsa Consulting – Northern Cape High Court		
The litigation is in relation to capital project for the supply and install on grid streetlights. At the 30 June 2021 the litigation was still under way and therefore outcome was still uncertain.		
Emthanjeni//Luvacon Civils		
The litigation is in relation to capital project for the implementation of boreholes. At the 30 June 2021 the litigation was still under way and therefore outcome was still uncertain.		
Emthanjeni/Various farmers		
There is a brewing dispute between the Municipality and various land owners about the extraction of water by the Municipality from farms. It is foreseen that these land owners may institute legal claims against the Municipality in due course. At 30 June 2021 the possible claim amount could not be measured with certainty.		
Emthanjeni//GIBB Engineering and Architecture		
The litigation is in relation to capital project for capital project - Stormwater phase 2. A demand letter was received on 25 June 2021, for the settlement of an outstanding balance, the matter however was not settled yet at 30 June 2021.	206,352	

	2021 R	2020 R
55. RELATED PARTIES		
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		

	Rates - Levied 1 July 2020- 30 June 2021	Service charges - Levied 1 July 2020- 30 June 2021	Other - Levied 1 July 2020- 30 June 2021	Outstanding Balance - 30 June 2021	Provision for impairment - 30 June 2021
Year ended 30 JUNE 2021					
Councillors					
<i>D Vanel</i>	142	6,759	-	4,902	237
<i>NP Mkontwana</i>	1,838	5,682	12,930	3,210	642
<i>PD Van Wyk</i>	969	7,902	-	1,365	241
<i>WJ Du Plessis</i>	10,449	13,799	6,788	600	-
<i>L. Billie</i>	-	5,485	13,114	-	-
<i>PP Mhlauli</i>	-	4,768	5,813	6,482	-
<i>ST Sthonga</i>	3,126	5,797	13,464	-	-
<i>SJ Hoffman</i>	465	5,894	-	-	-
<i>SP Wales</i>	-	653	16	5	5
<i>CJ Louw</i>	258	3,695	1	0	-
<i>MO Maramba</i>	5,916	7,365	-	1,395	-
<i>PN Bushula</i>	-	2,443	508	10,465	10,465
<i>HJ Rust</i>	7,524	5,191	7,919	0.01	0.01
	30,686	75,433	60,553	28,424	11,590
Year ended 30 JUNE 2020					
Municipal Manager and Section 57 Employees					
<i>I Visser Municipal Manager</i>	11,017	7,366	4,510	918	-
<i>MF Manu Director: Financial services</i>	14,350	13,256	1,566	340	136
<i>TW Msen Director: Corporate services</i>	1,766	1,308	334	-	-
<i>HM Joka Director: Community services</i>	2,617	18,364	9,995	4,749	1,900
<i>W Lubbe Director: Infrastructure and Technical Services</i>	12,671	20,096	49	-	-
	42,421	60,390	16,455	6,007	2,036

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Rates - Levied 1 July 2019- 30 June 2020	Service Charges - Levied 1 July 2019 - 30 June 2020	Other - Levied 1 July 2019 - 30 June 2020	Outstanding Balance - 30 June 2020	Provision for impairment - 30 June 2020
Year ended 30 JUNE 2020					
Councillors					
RR Faul	369	4,745	-	-	-
D Vanel	135	7,810	-	6,935	3,468
NP Mkontwana	1,747	6,942	11,067	7,759	-
PD Van Wyk	923	8,317	-	6,309	2,339
WJ Du Plessis	9,952	15,770	5,883	5,509	1,371
LE Andrews	172	6,172	-	1,386	597
L Bille	-	5,782	7,134	10,592	3,910
PP Mhlauli	(0)	5,265	5,058	6,456	-
ST Sthonga	2,977	7,231	11,670	13,666	3,693
MC Kivedo	2,091	9,145	1,804	5,044	4,329
SJ Hoffman	443	6,553	-	5	3
SP Wales	-	-	-	310	4
CJ Louw	246	4,073	-	91	18
MO Maramba	5,634	7,992	-	1,312	-
PN Bushula	-	-	-	7,163	7,163
HJ Rust	8,598	6,095	11,432	4,834	-
	33,286	101,893	54,046	77,371	26,893
Year ended 30 JUNE 2020					
Municipal Manager and Section 57 Employees					
I Visser Municipal Manager	10,493	7,795	13,200	-	0
MF Manu Director: Financial services	3,858	3,154	-	2,369	-
MR Ludw Director: Financial services	3,470	3,340	20	-	-
JP Jack Director: Financial services	3,465	5,841	1,974	9,504	664
HM Joka Director: Community services	2,719	16,714	8,595	50,362	46,674
MJV Owk Director: Infrastructure and Technical Services	11,403	26,524	2,649	3,829	649
BS Swa	5,265	15,779	-	303	303
	40,672	79,148	26,439	66,368	48,090

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Councillors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

55.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 13 to the Annual Financial Statements.

55.3 Compensation of related parties

The compensation of related parties is set out in note 31 and 32 to the Annual Financial Statements.

55.4 Other related party transactions

Councillors and/or management of the municipality had relationships with business during the financial period as indicated below:

No purchases was made from them during the financial year and prior year.

2020/2021 financial year

Company Name	Amount	Interest
Ncedis Bakery Primary Co-Operative	-	PP Mhlauli is a director
Rehoboth Joan Wertheim Centre	-	W Wales is a director
The Rise of Empire	-	H Joka is a director
Dirathata	-	L Thiso is a director

2019/2020 financial year

Company Name	Amount	Interest
Stonga Farming	-	S.Sthonga (mayor) is a director
M and M Labour Solutions	-	MO Maramba (councillor) is a director
Ncedisa Bakery Primary Co-operative Limited	-	PP Mhlauli (councillor) is a director
Qala Kancini Consultants	-	PN Bushula (councillor) is a director
Active Women Enterprise	-	PN Bushula (councillor) is a director
Likuye Ilemba	-	PN Bushula (councillor) is a director
Siyathemba Social Projects Development	-	I Visser (Municipal Manager) is a director
Chartered institute of government finance audit and risk officers	-	MF Manuel (CFO) is a director
Qala Kancini Consultants	-	MF Manuel (CFO) is a director

2021
R

2020
R

EMTHANJENI LOCAL MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

56. FINANCIAL SUSTAINABILITY

Management is of the opinion that will municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio decreased to 0.72 from 0.89 in the prior year.

The municipality have budgeted for a surplus of R20 096 000 for the 2020/2021 financial year. The municipality is also budgeting for positive cash flows during 2021/2022 and 2022/2023 amounting to R58 730 166 and R71 347 272 respectively.

The municipality had an actual deficit R77 024 359 for the current year.

The average debtors' payment days increased to 708 days from 344 days.

The average creditors payment period is 334 days (2020: 354 days).

The municipality is experiencing difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceeds the current assets with R51 121 872 (2020: R18 328 522).

A bank overdraft facility is utilised amounting to R3000 0000

The municipality is in had a positive bank balance with ABSA to an amount of R592 310 (2020 - R4 869 921 in arrears) as per bank statement.

The bank balance as per the cash book (primary account) for the current year is (R19 766 636) and (R15 248 597) (2020).

There was a increase of R3 819 457 in cash and cash equivalents for the current year and decrease R10 517 989 for the prior year, as per cashflow statement.

The municipality has call investment deposits for the current year of R25 574 089 and R19 407 672 (2020)

Unless sustainable job creation is achieved, the municipality will not be able to function as a going concern without Government Grants and Subsidies.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

57. EVENTS AFTER REPORTING PERIOD

No events after the reporting date were identified by management that will effect the operations of the municipality or the results of those operations significantly.

58. PRINCIPAL/AGENT AGREEMENTS

Agent in arrangement

The municipality (agent) collects licencing fees on behalf of the Provincial Department of Transport and Public Works (principal). The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end are included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

There was not a change in the significant terms and conditions from the prior year. No significant risks were noted as the municipality only collects monies on behalf of the Provincial Department of Transport and Public Works, as part of its existing service at the Traffic Department.

	2021	2020
	R	R
Compensation received for agency activities		
Commission	606,676	383,961
Total Compensation received	606,676	383,961

EMTHANJENI LOCAL MUNICIPALITY

REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

59 REPORTABLE SEGMENTS REPORT FOR THE YEAR ENDED 30 JUNE 2021

For management purposes, the municipality is organised and operates in key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

Management receives on a monthly basis a C Schedule that provides actual amounts at that time per both the department and function.

The key functional segments comprise of:

PRIMARY SEGMENTS - Municipal Function

- Vote 1 - Office of the Mayor
- Vote 2 - Municipal Manager
- Vote 3 - Finance
- Vote 4 - Corporate Services
- Vote 5 - Community and Social Services
- Vote 6 - Infrastructure

SECONDARY SEGMENTS

Mascoa Functional Segments identified	Aggregation	Aggregation	Reportable Segment	Types of Goods/Services delivered
• Governance and Administration	Executive and council	Aggregated	Governance and Administration	Supporting service departments
	Finance and administration	Aggregated	Governance and Administration	Supporting service departments
	Internal audit	Aggregated	Governance and Administration	Supporting service departments
• Community and public safety	Community and social services	Aggregated	Community and public safety	Library services, Community halls rentals and recreation centers
	Sport and recreation	Aggregated	Community and public safety	Library services, Community halls rentals and recreation centers
	Public safety	Aggregated	Governance and Administration	Supporting service departments
	Health services	Aggregated	Governance and Administration	Supporting service departments
	Housing services	Aggregated	Governance and Administration	Supporting service departments
• Economic and environmental services	Planning and development	Individually Reported	Economic and environmental services	Building plans
	Road transport	Aggregated	Governance and Administration	Supporting service departments
	Environmental protection services	Aggregated	Governance and Administration	Supporting service departments
• Trading services	Energy sources	Individually Reported	Energy sources	Electricity services
	Water management	Individually Reported	Water management	Water management
	Waste water management	Individually Reported	Waste water management	Waste water management
	Waste management service	Individually Reported	Waste management service	Waste management service
• Other	Abattoirs	Aggregated	Governance and Administration	Supporting service departments
	Air Transport	Aggregated	Other	Airfield Rental
	Forestry	Aggregated	Governance and Administration	Supporting service departments
	Licensing and Regulation	Aggregated	Other	Licensing
	Markets	Aggregated	Governance and Administration	Supporting service departments
	Tourism	Aggregated	Other	Tourism

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does not have segment information per assets and liabilities. The cost to develop this would be excessive, therefore per GRAP standard it is not disclosed.

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. The Cost to develop this separately would be excessive.

EMTHANJENI LOCAL MUNICIPALITY

PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Vote 1 - Office of the Mayor	Vote 2 - Municipal Manager	Vote 3 - Finance	Vote 4 - Corporate Services	Vote 5 - Community and Social Services	Vote 6 - Infrastructure	Total
	R	R	R	R	R	R	
SEGMENT REVENUE							
External revenue from exchange transactions							
Service Charges - Electricity Revenue	-	-	-	-	-	(88,105,850)	(88,105,850)
Service Charges - Water Revenue	-	-	-	-	-	(31,917,471)	(31,917,471)
Service Charges - Sanitation Revenue	-	-	-	-	(6,875,784)	-	(6,875,784)
Service Charges - Refuse Revenue	-	-	-	-	-	(13,803,269)	(13,803,269)
Rental of Facilities and Equipment	(794,496)	-	(6,433)	-	(436,036)	-	(1,236,966)
Interest Earned - External Investments	-	-	(1,177,801)	-	(4,536)	-	(1,182,337)
Interest Earned - Outstanding Debtors	-	-	(746,913)	-	(253,644)	(1,769,717)	(2,770,274)
Licences and Permits	-	-	-	-	(362,862)	(606,676)	(969,538)
Other Revenue	(1,649,489)	-	(109,641)	-	(624,559)	(38,580)	(2,422,269)
Gains	(1,000)	-	-	-	-	-	(1,000)
External revenue from non-exchange transactions							
Fines	-	-	-	-	(1,045,789)	(241,873)	(1,287,663)
Property rates	-	-	(39,419,873)	-	-	-	(39,419,873)
Agency Services	-	-	-	-	-	-	-
Transfers Recognised - Operational	(3,446,467)	(615,290)	(18,968,401)	-	(8,433,431)	(20,286,008)	(51,749,597)
Total Segment Revenue (excluding capital transfers and contributions)	(5,891,452)	(615,290)	(60,429,062)	-	(18,036,641)	(156,769,443)	(241,741,888)
SEGMENT EXPENDITURE							
Employee Related Costs	2,234,015	1,907,915	12,910,322	6,612,976	31,688,285	31,975,132	87,328,644
Remuneration of Councillors	5,682,471	-	-	-	-	-	5,682,471
Debt Impairment	-	-	6,109,674	-	4,804,151	19,893,683	30,807,509
Depreciation and Asset Impairment	217,488	-	6,310,720	72,344	2,201,817	44,189,775	52,992,143
Finance Charges	7,882,659	-	3,461,344	-	57,297	450,057	11,851,357
Bulk Purchases	-	-	-	-	-	72,890,341	72,890,341
Other Materials	440,016	14,350	8,694	19,617	793,952	2,494,168	3,770,796
Contracted Services	945,121	-	6,484,763	966,262	229,813	1,530,107	10,156,067
Transfers and Grants	-	-	-	-	-	-	-
Other Expenditure	4,781,334	109,701	2,775,702	496,521	3,489,098	47,810,467	59,462,823
Losses	505,344	-	-	-	-	-	505,344
Total Segment Expenditure	22,688,448	2,031,967	38,061,219	8,167,720	43,264,413	221,233,729	335,447,496
Surplus/(Deficit)							
Transfers Recognised - Capital	-	-	-	-	-	(11,706,049)	(11,706,049)
Contributions Recognised - Capital	-	-	-	-	-	-	-
Contributed Assets	-	-	-	-	-	(4,975,198)	(4,975,198)
Surplus/(Deficit) for the year	16,796,996	1,416,677	(22,367,843)	8,167,720	25,227,771	47,783,038	77,024,360

EMTHANJENI LOCAL MUNICIPALITY
SECONDARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Community and public safety	Economic and environmental services	Trading services				Other	Governance and Administration	Unallocated	Total
			Energy Sources	Water Management	Waste water management	Waste management services				
	R	R	R				R	R	R	R
SEGMENT REVENUE										
External revenue from exchange transactions	(1,388,684)	-	(88,776,190)	(32,570,162)	(14,266,024)	(7,125,761)	-	(5,156,934)	-	(149,284,756)
Service Charges - Electricity Revenue	-	-	(88,105,850)	-	-	-	-	-	-	(88,105,850)
Service Charges - Water Revenue	-	-	-	(31,917,471)	-	-	-	-	-	(31,917,471)
Service Charges - Sanitation Revenue	-	-	-	-	-	(6,875,784)	-	-	-	(6,875,784)
Service Charges - Refuse Revenue	-	-	-	-	(13,803,269)	-	-	-	-	(13,803,269)
Rental of Facilities and Equipment	(396,727)	-	-	-	-	-	(840,239)	-	-	(1,236,966)
Interest Earned - External Investments	(4,536)	-	-	-	-	-	(1,177,801)	-	-	(1,182,337)
Interest Earned - Outstanding Debtors	-	-	(670,340)	(652,692)	(446,685)	(249,978)	(750,579)	-	-	(2,770,274)
Licences and Permits	(362,862)	-	-	-	-	-	(606,676)	-	-	(969,538)
Other Revenue	(624,559)	-	-	-	(16,070)	-	(1,781,640)	-	-	(2,422,269)
Gains	-	-	-	-	-	-	(1,000)	-	-	(1,000)
External revenue from non-exchange transactions	(1,045,789)	-	(3,158,869)	(6,387,542)	(10,981,470)	(7,983,431)	-	(62,900,031)	-	(92,457,132)
Fines	(1,045,789)	-	(241,873)	-	-	-	-	-	-	(1,287,663)
Property rates	-	-	-	-	-	-	(39,419,873)	-	-	(39,419,873)
Transfers Recognised - Operational	-	-	(2,916,996)	(6,387,542)	(10,981,470)	(7,983,431)	(23,480,158)	-	-	(51,749,597)
Total Segment Revenue (excluding capital transfers and contributions)	(2,434,473)	-	(91,935,060)	(38,957,704)	(25,247,494)	(15,109,192)	-	(68,056,965)	-	(241,741,888)
SEGMENT EXPENDITURE										
Employee Related Costs	19,880,930	7,887,166	7,329,127	2,980,148	5,110,355	9,567,226	34,573,693	-	-	87,328,644
Remuneration of Councillors	-	-	-	-	-	-	5,682,471	-	-	5,682,471
Debt Impairment	3,397,125	-	4,887,906	13,014,681	1,991,097	714,985	6,801,715	-	-	30,807,509
Depreciation and Asset Impairment	212,346	376,645	23,343,368	6,770,506	3,722,007	1,965,780	16,601,490	-	-	52,992,143
Finance Charges	53,513	-	211,864	38,928	195,482	3,784	11,347,787	-	-	11,851,357
Bulk Purchases	-	-	71,826,730	1,063,612	-	-	-	-	-	72,890,341
Other Materials	618,752	8,763	1,422,170	308,002	218,313	175,200	1,019,597	-	-	3,770,796
Contracted Services	142,546	13,119	1,148,591	265,667	-	87,267	8,498,876	-	-	10,156,067
Transfers and Grants	-	-	-	-	-	-	-	-	-	-
Other Expenditure	2,028,701	889,871	35,642,439	4,331,348	4,649,849	1,347,501	10,573,114	-	-	59,462,823
Losses	-	-	-	-	-	-	505,344	-	-	505,344
Total Segment Expenditure	26,333,913	9,175,564	145,812,194	28,772,892	15,887,103	13,861,743	95,604,087	-	-	335,447,496
Surplus/(Deficit)										
Transfers Recognised - Capital	-	(3,828,356)	(489,863)	-	-	-	(7,387,831)	-	-	(11,706,049)
Contributions Recognised - Capital	-	-	(4,975,198)	-	-	-	-	-	-	(4,975,198)
Surplus/(Deficit) for the year	23,899,439	5,347,208	48,412,073	(10,184,812)	(9,360,392)	(1,247,449)	20,159,292	-	-	77,024,360

APPENDIX A
EMTHANJENI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021

EXTERNAL LOANS	Reg No.	Rate	Supplier	Loan Number	Maturity date	Balance at 30 JUNE 2020	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2021
LONG-TERM LOANS										
LEASE LIABILITY										
Tshimolong Technologies (folder machine)	Di380	7.93% - 26%		Di380	01/09/2020	11,422	-	-	(11,422)	-
Digi Copiers	Various	10.00%		Various	01/03/2021	229,422	-	-	(229,422)	-
Total Lease Liabilities						240,844	-	-	(240,844)	-
TOTAL EXTERNAL LOANS						240,844	-	-	(240,844)	-

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
			Governance and Administration			
11,304,493	8,840,808	2,463,685	Executive and council	6,505,742	23,409,151	(16,903,409)
67,237,660	52,873,075	14,364,585	Finance and administration	60,429,062	46,228,939	14,200,123
			Community and Public Safety			
2,281,697	17,653,838	(15,372,140)	Community and social services	1,004,904	14,717,560	(13,712,656)
18,373	4,660,206	(4,641,834)	Sport and recreation	6,861	5,353,063	(5,346,202)
8,110,393	7,857,466	252,927	Public safety	1,422,709	6,263,290	(4,840,581)
708,114	3,658,492	(2,950,378)	Housing	492,976	3,068,757	(2,575,781)
832	5,245	(4,413)	Health	824	25,397	(24,573)
			Economic and Environmental Services			
568,767	16,567,445	(15,998,678)	Planning and development	3,828,356	9,175,564	(5,347,208)
15,519,638	21,650,806	(6,131,168)	Road transport	8,016,191	21,560,579	(13,544,388)
			Trading Services			
85,987,467	114,406,978	(28,419,512)	Energy sources	97,400,121	145,812,194	(48,412,073)
53,144,453	22,453,208	30,691,245	Water management	38,957,704	28,772,892	10,184,812
21,370,442	28,022,771	(6,652,330)	Waste water management	25,247,494	15,887,103	9,360,392
13,317,539	13,540,051	(222,512)	Waste management	15,109,192	13,861,743	1,247,449
-	1,203,286	(1,203,286)	Other	-	1,310,264	(1,310,264)
279,569,868	313,393,675	(33,823,807)		258,422,136	335,446,496	(77,024,360)

APPENDIX C
EMTHANJENI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021
MUNICIPAL VOTES CLASSIFICATIONS

2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
10,822,875	7,891,880	2,930,996	Office of the Mayor	5,890,452	22,687,448	(16,796,996)
481,618	2,152,214	(1,670,596)	Municipal Manager	615,290	2,031,967	(1,416,677)
67,237,660	44,586,598	22,651,062	Finance	60,429,062	38,061,219	22,367,843
-	8,286,477	(8,286,477)	Corporate Services	-	8,167,720	(8,167,720)
24,436,116	47,370,053	(22,933,937)	Community & Social Services	18,036,641	43,264,413	(25,227,771)
176,591,598	203,106,453	(26,514,855)	Infrastructure	173,450,691	221,233,729	(47,783,038)
279,569,868	313,393,675	(33,823,807)	Sub Total	258,422,136	335,446,496	(77,024,360)
			Less Inter-Departmental Charges			
279,569,868	313,393,675	(33,823,807)	Total	258,422,136	335,446,496	(77,024,360)

APPENDIX D
EMTHANJENI LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT 30 JUNE 2021
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation				Accumulated Impairment		Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Closing Balance	Opening Balance	Depreciation	Disposals		Closing Balance
Executive & Council	14,239,790	2,665	-	135,969	14,106,486	-	-	997,096	217,488	132,760	1,081,823	13,024,663
Finance & Admin	234,615,025	4,480,708	-	1,027,083	238,068,650	4,266,367	4,266,367	125,367,051	6,383,064	917,651	130,832,464	102,969,819
Planning & Development	12,582,132	1,913,906	-	9,538,218	4,957,820	-	-	11,678,146	376,645	9,537,521	2,517,271	2,440,549
Health	4,940	29,799	-	-	34,739	-	-	3,384	3,668	-	7,052	27,687
Community & Social Services	2,399,866	44,830	-	165,626	2,279,070	-	-	1,865,570	164,309	156,716	1,873,163	405,907
Housing	1,431,713	-	-	81,056	1,350,657	-	-	809,880	23,691	59,598	773,972	576,685
Public Safety	735,025	-	-	55,092	679,934	-	-	577,798	21,082	51,948	546,932	133,001
Sport & Recreation	930,110	-	-	497,475	432,635	-	-	609,216	26,954	250,968	385,202	47,433
Waste Management	40,480,755	9,937,185	-	535,329	49,882,611	3,038	3,038	15,677,643	1,965,780	260,648	17,382,776	32,496,798
Waste Water Management	113,398,322	5,586,645	18,598,937	3,269	137,580,634	-	-	76,054,450	3,722,007	2,987	79,773,470	57,807,164
Road Transport	435,711,172	581,519	-	441,815	435,850,877	3,474,430	3,474,430	291,546,719	9,970,649	399,732	301,117,636	131,258,811
Water	373,252,289	2,055,107	(22,443,354)	30,459	352,833,583	2,023,683	2,023,683	263,277,416	6,770,506	28,637	270,019,285	80,790,615
Electricity	1,037,149,692	4,188,178	3,844,417	103,731	1,045,078,556	505,096	505,096	735,751,633	23,343,368	94,456	759,000,545	285,572,915
Other	55,574	-	-	-	55,574	-	-	48,086	2,932	-	51,018	4,557
	2,266,986,408	28,820,542	(0)	12,615,122	2,283,191,827	10,272,614	10,272,614	1,524,264,087	52,992,143	11,893,621	1,565,362,608	707,556,604

APPENDIX E
EMTHANJENI LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 July 2020	Correction of Error	Restated Balance 1 July 2020	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT Transferred to Revenue	Balance 31 June 2021
<u>National Government Grants</u>								
National Equitable Share	-	-	-	48,465,000	(48,465,000)	-	-	-
National: Financial Management Grant	-	-	-	1,700,000	(1,700,000)	-	-	-
National: Municipal Infrastructure Grant	5,322,747	-	5,322,747	19,957,000	(1,134,597)	(6,273,904)	(1,113,926)	16,757,320
National: Integrated National Electrification Programme Grant	2,200	-	2,200	1,010,000	(16,200)	(409,767)	(63,895)	522,337
National: Energy Efficiency and Demand Management Grant	-	-	-	3,600,000	-	(2,919,526)	(437,929)	242,545
National: Expanded Public Works Programme Integrated Grant	651,625	-	651,625	1,380,000	-	(442,919)	(27,981)	1,560,725
Total National Government Grants	5,976,572	-	5,976,572	76,112,000	(51,315,797)	(10,046,117)	(1,643,731)	19,082,927
<u>Provincial Government Grants</u>								
Provincial Housing Accreditation	-	-	-	450,000	(450,000)	-	-	-
Provincial: Department of Education	1,232,100	-	1,232,100	-	-	-	-	1,232,100
Total Provincial Government Grants	1,232,100	-	1,232,100	450,000	(450,000)	-	-	1,232,100
Total Grants	7,208,672	-	7,208,672	76,562,000	(51,765,797)	(10,046,117)	(1,643,731)	20,315,027

APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Description	2020/2021								2019/2020			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	37,566	-	37,566	39,420	-	1,853	4.9%	4.9%				38,685
Service charges	155,683	(11,500)	144,183	140,702	-	(3,481)	-2.4%	-9.6%				129,776
Investment revenue	2,373	(200)	2,173	3,206	-	1,033	47.5%	35.1%				3,590
Transfers recognised - operational	51,955	6,885	58,840	51,750	-	(7,090)	-12.1%	-0.4%				49,405
Other own revenue	41,083	(920)	40,163	6,665	-	(33,498)	-83.4%	-83.8%				23,039
Total Revenue (excluding capital transfers and contributions)	288,661	(5,735)	282,926	241,743	-	(41,183)	14.6%	-16.3%				244,494
Employee costs	87,751	-	87,751	87,329	-	(422)	-0.5%	-0.5%	-	-	-	86,551
Remuneration of councillors	6,488	-	6,488	5,682	-	(806)	-12.4%	-12.4%	-	-	-	5,719
Depreciation & asset impairment	10,633	-	10,633	52,992	42,359	42,359	398.4%	398.4%	-	-	-	59,190
Finance charges	2,130	-	2,130	11,851	9,721	9,721	456.4%	456.4%	-	-	-	6,390
Materials and bulk purchases	89,268	(3,383)	85,884	76,661	76,661	(9,223)	-10.7%	-14.1%	-	-	-	75,273
Transfers and grants	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Other expenditure	80,391	6,268	86,660	100,932	-	14,273	16.5%	25.6%	-	-	-	83,976
Total Expenditure	276,661	2,885	279,546	335,448	33,209	55,903	20.0%	21.2%	-	-	-	317,098
Surplus/(Deficit)	12,000	(8,620)	3,380	(93,706)	-	(97,086)	-2872.4%	-880.9%				(72,604)
Transfers recognised - capital	19,616	(2,900)	16,716	11,706	-	(5,010)	-30.0%	-40.3%				38,781
Contributions recognised - capital & contributed assets	-	-	-	4,975	-	-	-	-				-
Surplus/(Deficit) after capital transfers & contributions	31,616	(11,520)	20,096	(77,024)	-	(102,096)	-483.3%	-343.6%				(33,824)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) for the year	31,616	(11,520)	20,096	(77,024)	-	(102,096)	-483.3%	-343.6%				(33,824)
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	19,616	(2,900)	16,716	11,706	-	(5,010)	-30.0%	-40.3%				38,781
Public contributions & donations	-	-	-	4,975	-	4,975	0.0%	0.0%				-
Borrowing	-	-	-	-	-	-	0.0%	0.0%				-
Internally generated funds	-	-	-	-	-	-	#DIV/0!	#DIV/0!				-
Total sources of capital funds	19,616	(2,900)	16,716	-	-	(35)	-100.0%	-100.0%				38,781
Cash flows												
Net cash from (used) operating	21,021	(3,061)	17,960	14,290	-	(3,670)	-20.4%	-32.0%				23,341
Net cash from (used) investing	(31,406)	12,900	(18,506)	(10,390)	-	8,116	-43.9%	-66.9%				(33,025)
Net cash from (used) financing	11,241	(10,000)	1,241	(80)	-	(1,322)	-106.5%	-100.7%				(1,187)
Cash/cash equivalents at the year end	856	(161)	695	10,335	-	9,640	1386.6%	1107.2%				6,516

APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2020/2021								2019/2020			
	Original Budget	Budget Adjustments (I.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	62,775	6,685	69,460	66,935		(2,526)	-3.64%	-4.02%				78,542
Executive and council	5,255	6,885	12,140	6,506		(5,635)	-46.41%	-107.22%				11,304
Finance and administration	57,520	(200)	57,320	60,429		3,109	5.42%	5.41%				67,238
Internal audit	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Community and public safety	7,560	(2,620)	4,940	2,927		(2,012)	-40.74%	-26.62%				11,119
Community and social services	1,670	-	1,670	1,005		(665)	-39.81%	-39.81%				2,282
Sport and recreation	45	-	45	7		(38)	-84.77%	-84.77%				18
Public safety	5,793	(2,620)	3,173	1,423		(1,751)	-55.17%	-30.22%				8,110
Housing	52	-	52	493		441	854.01%	854.01%				708
Economic and environmental services	14,053	-	14,053	11,845		(2,209)	-15.72%	-15.72%				16,088
Planning and development	13,486	-	13,486	3,828		(9,658)	-71.61%	-71.61%				569
Road transport	567	-	567	8,016		7,449	1312.78%	1312.78%				15,520
Trading services	223,888	(12,700)	211,188	176,715		(34,474)	-16.32%	-15.40%				173,820
Electricity	121,818	(8,200)	113,618	97,400		(16,218)	-14.27%	-13.31%				85,987
Water	43,866	-	43,866	38,958		(4,908)	-11.19%	-11.19%				53,144
Waste water management	36,790	(2,700)	34,090	25,247		(8,842)	-25.94%	-24.03%				21,370
Waste management	21,414	(1,800)	19,614	15,109		(4,505)	-22.97%	-21.04%				13,318
Other	-	-	-	-		-	0.00%	0.00%				-
Total Revenue - Standard	308,277	(8,635)	299,642	258,421		(41,220)	-13.76%	-13.37%				279,569
Expenditure - Standard												
Governance and administration	55,973	6,885	62,858	69,638	-	6,780	10.8%	12.1%	-	-	-	61,714
Executive and council	18,244	6,885	25,129	23,409	-	(1,720)	-6.8%	-9.4%	-	-	-	8,841
Finance and administration	36,812	-	36,812	46,229	-	9,417	25.6%	25.6%	-	-	-	52,873
Internal audit	917	-	917	-	-	(917)	-100.0%	-100.0%	-	-	-	-
Community and public safety	31,698	(1,047)	30,651	29,403	-	(1,249)	-4.1%	-3.9%	-	-	-	33,830
Community and social services	14,042	-	14,042	14,718	-	676	4.8%	4.8%	-	-	-	17,654
Sport and recreation	5,021	-	5,021	5,353	-	332	6.6%	6.6%	-	-	-	4,660
Public safety	9,804	(1,047)	8,757	6,263	-	(2,494)	-28.5%	-25.4%	-	-	-	7,857
Housing	2,654	-	2,654	3,069	-	415	15.6%	15.6%	-	-	-	3,658
Health	176	-	176	-	-	(176)	-100.0%	-100.0%	-	-	-	-
Economic and environmental services	30,167	-	30,167	30,736	-	569	1.9%	1.9%	-	-	-	38,218
Planning and development	12,039	-	12,039	9,176	-	(2,863)	-23.8%	-23.8%	-	-	-	16,567
Road transport	18,128	-	18,128	21,561	-	3,432	18.9%	18.9%	-	-	-	21,651
Trading services	157,563	(2,953)	154,610	204,334	-	49,724	32.2%	31.6%	-	-	-	178,423
Electricity	96,572	(430)	96,142	145,812	-	49,670	51.7%	51.7%	-	-	-	114,407
Water	20,152	(1,047)	19,105	28,773	-	9,668	50.6%	48.0%	-	-	-	22,453
Waste water management	22,433	(430)	22,003	15,887	-	(6,116)	-27.8%	-27.3%	-	-	-	28,023
Waste management	18,406	(1,047)	17,359	13,862	-	(3,498)	-20.1%	-19.0%	-	-	-	13,540
Other	1,260	(1,260)	-	1,335	-	-	#DIV/0!	0.0%	-	-	-	1,208
Total Expenditure - Standard	276,661	1,625	278,286	335,446	-	57,160	20.5%	20.7%	-	-	-	313,393
Surplus/(Deficit) for the year	31,616	(10,260)	21,356	(77,024)	-	(98,380)	-460.7%	-311.2%	-	-	-	(33,824)

**APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Vote Description	2020/2021								2019/2020			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Office of the Mayor	4,644	6,885	11,529	5,890		-	0.0%	0.0%				10,823
Vote 2 - Municipal Manager	611	-	611	615		-	0.0%	0.0%				482
Vote 3 - Finance	57,399	(200)	57,199	60,429		-	0.0%	0.0%				67,238
Vote 4 - Corporate Services	121	-	121	-		-	0.0%	0.0%				-
Vote 5 - Community & Social Services	21,613	(2,620)	18,993	18,037		-	-	-				24,436
Vote 6 - Infrastructure	223,888	(12,700)	211,188	173,451		-	-	-				176,592
Total Revenue by Vote	308,277	(8,635)	299,642	258,422		-	0.0%	0.0%				279,570
Expenditure by Vote to be appropriated												
Vote 1 - Office of the Mayor	15,242	6,885	22,127	22,687	560	-	0.0%	0.0%	-	-	-	7,892
Vote 2 - Municipal Manager	3,002	-	3,002	2,032	-	-	0.0%	0.0%	-	-	-	2,152
Vote 3 - Finance	29,619	-	29,619	38,061	8,442	-	0.0%	0.0%	-	-	-	44,587
Vote 4 - Corporate Services	7,193	-	7,193	8,168	975	-	0.0%	0.0%	-	-	-	8,286
Vote 5 - Community & Social Services	64,042	(1,047)	62,995	43,264	-	-	0.0%	0.0%	-	-	-	47,370
Vote 6 - Infrastructure	157,563	(2,953)	154,610	221,234	66,624	-	0.0%	0.0%	-	-	-	203,106
Total Expenditure by Vote	276,661	2,885	279,546	335,446	76,601	-	0.0%	0.0%	-	-	-	313,394
Surplus/(Deficit) for the year	31,616	(11,520)	20,096	(77,024)		-	0.0%	0.0%				(33,824)

APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Description	2020/2021						2019/2020					
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	37,566		37,566	39,420		1,853	4.9%	4.9%				38,685
Service charges - electricity revenue	79,149		72,149	88,106		15,956	22.1%	20.2%				81,745
Service charges - water revenue	36,813		36,813	31,917		(4,896)	-13.3%	-13.3%				27,707
Service charges - sanitation revenue	25,464		22,764	13,803		(8,960)	-39.4%	-35.2%				13,295
Service charges - refuse revenue	14,257		12,457	6,876		(5,581)	-44.8%	-39.1%				7,029
Rental of facilities and equipment	910		910	1,237		327	36.0%	36.0%				980
Interest earned - external investments	717		517	1,182		665	128.6%	92.7%				1,814
Interest earned - outstanding debtors	1,656		1,656	2,770		1,115	67.3%	67.3%				2,572
Fines, penalties and forfeits	4,292		1,672	1,288		(384)	-23.0%	-9.0%				7,909
Licences and permits	2,369		2,369	970		(703)	-42.0%	-29.7%				699
Transfers and subsidies	51,955		58,840	51,750		51,750	#DIV/0!	99.6%				49,405
Other revenue	33,302		35,002	(24,806)		(83,646)	-142.2%	-251.2%				12,656
Gains on disposal of PPE	210		210	(506)		(35,508)	-101.4%	-16908.8%				
Total Revenue (excluding capital transfers and contributions)	288,661	-	282,926	214,006		(70,381)	-32.9%	-24.4%				244,494
Expenditure By Type												
Employee related costs	87,751		87,751	87,329		(422)	-0.5%	-0.5%				86,551
Remuneration of councillors	6,488		6,488	5,682		(806)	-12.4%	-12.4%				5,719
Debt impairment	7,755		7,755	30,808	23,053	23,053	297.3%	297.3%				40,775
Depreciation & asset impairment	10,633		10,633	52,992	42,359	42,359	398.4%	398.4%				59,190
Finance charges	2,130		2,130	11,851	9,721	9,721	456.4%	456.4%				6,390
Bulk purchases	74,539		74,539	72,890		(1,649)	-2.2%	-2.2%				70,126
Other materials	14,729		11,345	3,771		(7,575)	-66.8%	-51.4%				5,147
Contracted services	11,224		10,607	10,156		(451)	-4.3%	-4.0%				13,886
Transfers and grants	-		-	-		-	#DIV/0!	#DIV/0!				-
Other expenditure	61,412		68,297	32,233		(36,065)	-52.8%	-58.7%				29,315
Loss on disposal of PPE	-		-	-		-	#DIV/0!	#DIV/0!				-
Total Expenditure	276,661	-	279,546	307,712	75,133	28,166	10.1%	10.2%				317,098
Surplus/(Deficit)	12,000	-	3,380	(93,706)		(97,086)	-2872.4%	-809.0%				(72,604)
Transfers recognised - capital	19,616		16,716	11,706		(5,010)	-30.0%	-25.5%				38,781
Contributions recognised - capital	-		-	4,975		4,975	#DIV/0!	#DIV/0!				-
Contributed assets	-		-	-		-	#DIV/0!	#DIV/0!				-
Surplus/(Deficit) after capital transfers & contributions	31,616	(11,520)	20,096	(77,024)		(97,120)	-483.3%	-307.2%				(33,824)
Taxation	-		-	-		-	#DIV/0!	#DIV/0!				-
Surplus/(Deficit) after taxation	31,616	(11,520)	20,096	(77,024)		(97,120)	-483.3%	-307.2%				(33,824)
Attributable to minorities	-		-	-		-	#DIV/0!	#DIV/0!				-
Surplus/(Deficit) attributable to municipality	31,616	(11,520)	20,096	(77,024)		(97,120)	-483.3%	-307.2%				(33,824)
Share of surplus/ (deficit) of associate	-		-	-		-	#DIV/0!	#DIV/0!				-
Surplus/(Deficit) for the year	31,616	(11,520)	20,096	(77,024)		(97,120)	-483.3%	-307.2%				(33,824)

APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Vote Description	2020/2021								2019/2020			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Office of the Mayor	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 3 - Finance	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 4 - Corporate Services	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 5 - Community & Social Services	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 6 - Infrastructure	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Capital multi-year expenditure	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Single-year expenditure												
Vote 1 - Office of the Mayor	-	-	-	29	1	29	#DIV/0!	#DIV/0!	-	-	-	6
Vote 2 - Municipal Manager	-	-	-	-	2	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 3 - Finance	1,062	(1,062)	-	4,481	4,237	4,481	#DIV/0!	422%	-	-	-	10,337
Vote 4 - Corporate Services	1,062	(1,062)	-	-	243	-	#DIV/0!	0%	-	-	-	-
Vote 5 - Community & Social Services	18,478	(17,129)	1,349	45	49	(1,304)	-97%	-7%	-	-	-	25
Vote 6 - Infrastructure	11,014	6,353	17,367	24,129	24,154	6,762	39%	61%	-	-	-	43,870
Capital single-year expenditure	31,616	(12,900)	18,716	28,684	28,687	9,968	53%	32%	-	-	-	54,238
Total Capital Expenditure - Vote	31,616	(12,900)	18,716	28,684	28,687	9,968	53%	32%	-	-	-	54,238
Capital Expenditure - Standard												
Governance and administration	2,124	(2,124)	-	4,483	4,483	4,483	#DIV/0!	211%	-	-	-	10,343
Executive and council	-	-	-	3	3	3	#DIV/0!	#DIV/0!	-	-	-	6
Finance and administration	2,124	(2,124)	-	4,481	4,481	4,481	#DIV/0!	211%	-	-	-	10,337
Community and public safety	3,186	(2,028)	1,158	75	75	(1,083)	-94%	-34%	-	-	-	25
Community and social services	1,062	(1,062)	-	45	45	45	#DIV/0!	4%	-	-	-	25
Sport and recreation	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Public safety	1,062	(966)	96	-	-	(96)	-	-	-	-	-	-
Housing	1,062	-	1,062	-	-	(1,062)	-	-	-	-	-	-
Health	-	-	-	30	30	30	-	-	-	-	-	-
Economic and environmental services	14,548	(2,059)	12,489	2,495	1,593	(9,994)	-80%	-69%	-	-	-	22,371
Planning and development	1,380	(1,059)	321	1,914	1,593	1,593	496%	115%	-	-	-	-
Road transport	13,168	(1,000)	12,168	582	-	(11,586)	-95%	-88%	-	-	-	22,371
Trading services	11,758	(6,689)	5,069	21,767	17,292	16,698	329%	142%	-	-	-	21,500
Electricity	8,572	(3,790)	4,782	4,188	-	(594)	-12%	-7%	-	-	-	2,017
Water	1,062	(871)	191	2,055	1,864	1,864	974%	175%	-	-	-	19,192
Waste water management	1,062	(1,062)	-	5,587	5,587	5,587	526%	526%	-	-	-	291
Waste management	1,062	(966)	96	9,937	9,841	9,841	927%	927%	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	31,616	(10,001)	18,716	28,821	23,442	10,105	54%	32%	-	-	-	54,238
Funded by:												
National Government	19,616	(2,900)	16,716	22,478	-	5,762	34%	29%	-	-	-	54,166
Provincial Government	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Transfers recognised - capital	19,616	(2,900)	16,716	22,478	-	5,762	34%	29%	-	-	-	54,166
Public contributions & donations	-	-	-	3,567	-	3,567	-	-	-	-	-	-
Borrowing	12,000	(10,000)	2,000	-	-	(2,000)	-	-	-	-	-	-
Internally generated funds	-	-	-	2,909	-	2,909	#DIV/0!	#DIV/0!	-	-	-	73
Total Capital Funding	31,616	(12,900)	18,716	28,954	-	10,238	55%	32%	-	-	-	54,238

APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
CASH FLOWS

Description	2020/2021							2019/2020
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	30,053	–	30,053	151,529	121,476	404.2%	404.2%	127,749
Service charges	137,115	(6,006)	131,109	–	(131,109)	-100.0%	-100.0%	–
Other revenue	33,814	(920)	32,894	–	(32,894)	-100.0%	-100.0%	–
Government - operating	51,955	6,885	58,840	76,562	17,722	30.1%	47.4%	64,852
Government - capital	19,616	(2,900)	16,716	–	(16,716)	-100.0%	-100.0%	–
Interest	1,898	(200)	1,698	3,953	2,254	132.7%	108.2%	4,386
Payments								
Suppliers and employees	(251,301)	80	(251,221)	(214,477)	36,744	-14.6%	-14.7%	(165,516)
Finance charges	(2,130)	–	(2,130)	(3,277)	(1,147)	53.8%	53.8%	(8,130)
Transfers and Grants	–	–	–	–	–	#DIV/0!	#DIV/0!	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	21,021	(3,061)	17,960	14,290	–	-20.4%	-32.0%	23,341
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	210	–	210	–	(210)	0.0%	0.0%	–
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	(31,406)	12,690	(18,716)	(10,390)	8,326	-44.5%	-66.9%	(33,025)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(31,196)	12,690	(18,506)	(10,390)	–	-43.9%	-66.7%	(33,025)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	0.0%	0.0%	–
Borrowing long term/refinancing	12,000	(10,000)	2,000	–	(2,000)	0.0%	0.0%	–
Increase (decrease) in consumer deposits	102	–	102	160	58	0.0%	0.0%	104
Payments								
Repayment of borrowing	(861)	–	(861)	(241)	620	-72.0%	-72.0%	(1,290)
NET CASH FROM/(USED) FINANCING ACTIVITIES	11,241	(10,000)	1,241	(80)	–	-106.5%	0.0%	(1,187)
NET INCREASE/ (DECREASE) IN CASH HELD	856	–	695	3,819				(10,870)
Cash/cash equivalents at the year begin:	2,565	(2,773)	(208)	6,516				17,386
Cash/cash equivalents at the year end:	3,421	(2,934)	487	10,335	9,848	2023.3%	202.1%	6,516

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2021

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
Mayor						
Sthonga ST	22,386	604,550		245,917	6,566	857,033
Speaker						
Kivedo MC	-	483,640		205,613	5,290	694,543
Councillors						
HJ Rust	20,634	154,061		45,600	971	200,631
WJ Du Plessis	31,036	191,318		108,173	1,774	301,265
PD Van Wyk	8,871	191,318		107,317	2,161	300,796
LE Andrews	-	191,318		107,317	2,232	300,867
SJ Hoffman	6,359	191,318		107,317	2,137	300,772
L Billie	18,599	245,525		126,242	2,778	374,544
RR Faul	-	191,318		108,173	2,150	301,641
MO Maramba	13,280	191,318		107,317	2,376	301,011
PP Mhlauli	10,581	191,318		107,317	2,137	300,772
D Vanel	6,901	191,318		108,173	2,150	301,641
CJ Louw	3,954	252,946		128,715	2,724	384,385
PN Bushula	2,951	191,318		108,173	2,390	301,880
NP Mkontwana	20,451	252,946		128,715	2,787	384,448
SP Wales	669	47,830		27,043	1,369	76,241
Total for Councillors	166,672	3,763,359	-	1,877,121	41,990	5,682,471
Municipal Manager						
Visser I	22,893	823,593	263,696	411,486	150,060	1,648,835
Chief Financial Officer						
Manuel MF	29,172	896,100	74,675	206,152	1,813	1,178,740
Director: Community Services						
Joka HM	30,976	508,056	172,993	270,526	146,018	1,097,593
Director: Corporate Services						
Msengana TW	3,408	585,000	195,781	284,138	164,110	1,229,029
Director: Infrastructure and Technical Services						
L Thiso	-	129,000		65,068	27,321	221,389
Owies MJV		65,020	27,092	55,865	149	148,126
W Lubbe	32,816	4,018				4,018
Total for Senior Managers	119,266	3,010,787	734,237	1,293,235	489,470	5,527,729
Total for Management	285,937	6,774,147	734,237	3,170,356	531,460	11,210,200

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
Mayor						
Sthonga ST	21,877	611,010		239,458	7,254	857,722
Speaker						
Kivedo MC	13,041	488,807		200,446	5,481	694,733
Councillors						
HJ Rust	26,125	251,501		68,400	2,004	321,905
WJ Du Plessis	31,604	193,362		106,129	1,972	301,463
PD Van Wyk	9,240	193,362		106,985	2,382	302,729
LE Andrews	6,344	193,362		106,985	2,382	302,729
SJ Hoffman	6,996	193,362		106,985	2,382	302,729
L Billie	12,916	248,149		123,619	2,937	374,705
RR Faul	5,114	193,362		106,129	2,379	301,870
MO Maramba	13,626	193,362		106,985	2,636	302,983
PP Mhlauli	10,322	193,362		106,984	2,382	302,728
D Vanel	7,945	193,362		106,129	2,379	301,870
CJ Louw	4,319	240,175		121,075	2,842	364,091
PN Bushula	-	193,362		106,129	2,633	302,124
NP Mkontwana	19,756	255,648		126,013	3,014	384,674
Total for Councillors	189,226	3,835,550	-	1,838,448	45,058	5,719,057
Municipal Manager						
Visser I	31,488	835,240	267,093	404,303	147,003	1,653,640
Chief Financial Officer						
Ludwick MR	6,830	155,743	141,098	173,086	13,531	483,458
Jack JP	11,280	30,097				30,097
Manuel MF	7,013	298,042	-	68,620	595	367,257
Director: Community Services						
Joka HM	28,028	520,936	147,710	264,587	143,152	1,076,386
Director: Corporate Services						
Msengana TW	-	614,560	167,128	283,966	157,206	1,222,860
Director: Infrastructure and Technical Services						
Owies MJV	40,576	259,578	-	110,694	595	370,868
Total for Senior Managers	125,215	2,714,197	723,029	1,305,256	462,082	5,204,564
Total for Management	314,441	6,549,748	723,029	3,143,704	507,140	10,923,621



Annexure 2
Interpretation of results

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
	# In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced

Template for Calculation of Uniform Financial Ratios and Norms

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION	
" R 000 "							
1. FINANCIAL POSITION							
A. Asset Management/Utilisation							
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) × 100	10% - 20%	Total Operating Expenditure	9%	Please refer to page 2 of MFMA Circular No.71	Capital Expenditure: PPE (note 2) + Investment Property (note 3) + Intangible Assets (note 4) + Heritage Assets (note 6)
				Taxation Expense	276,904,405		
				Total Capital Expenditure	28,820,542		
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	0%	PPE, Investment Property and Intangible Impairment	1%	Please refer to page 3 of MFMA Circular No. 71	Accumulated Impairment: PPE (note 2) + Investment Property (note 3) + Intangible Assets (note 4)
				PPE at carrying value	10,276,049		
				Investment at carrying value	694,853,225		
				Intangible Assets at carrying value	5,718,600		
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure/ Property, Plant and Equipment and Investment Property (Carrying value) × 100	8%	Total Repairs and Maintenance Expenditure	0%	Please refer to page 4 of MFMA Circular No. 71	Repairs & maintenance (note 2.6) & (note 3.3)
				PPE at carrying value	816,307		
				Investment Property at Carrying value	694,853,225		
				5,718,600			

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION										
B. Debtors Management																
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year Reports, IDP and AR	95%	<table border="1"> <tr> <td>Gross Debtors closing balance</td> <td>355,887,404</td> </tr> <tr> <td>Gross Debtors opening balance</td> <td>161,309,106</td> </tr> <tr> <td>Bad debts written Off</td> <td>-</td> </tr> <tr> <td>Billed Revenue</td> <td>183,382,573</td> </tr> </table>	Gross Debtors closing balance	355,887,404	Gross Debtors opening balance	161,309,106	Bad debts written Off	-	Billed Revenue	183,382,573	<p>-6%</p> <p><i>Please refer to page 5 of MFMA Circular No. 71</i></p> <p>Gross debtors: Receivables from exchange (note 10) and non-exchange transactions (note 11)</p> <p>Billed revenue: Property rates (note 24)+ Interest earned non: exchange transactions + Fines +Service charges (note 28) + Rental of fixed assets (note 30) + Interest earned: Exchange (note 32)</p>		
Gross Debtors closing balance	355,887,404															
Gross Debtors opening balance	161,309,106															
Bad debts written Off	-															
Billed Revenue	183,382,573															
2	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off/Provision for Bad debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%	<table border="1"> <tr> <td>Consumer Debtors Bad debts written off</td> <td>-</td> </tr> <tr> <td>Consumer Debtors Current bad debt Provision</td> <td>-126,348,139</td> </tr> </table>	Consumer Debtors Bad debts written off	-	Consumer Debtors Current bad debt Provision	-126,348,139	<p>0%</p> <p><i>Please refer to page 5 of MFMA Circular No. 71</i></p> <p>Consumer debtors: Receivables from exchange (note 10) - Service receivables</p>						
Consumer Debtors Bad debts written off	-															
Consumer Debtors Current bad debt Provision	-126,348,139															
3	Net Debtors Days	((Gross Debtors - Bad debt Provision) / Actual Billed Revenue) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 days	<table border="1"> <tr> <td>Gross debtors</td> <td>355,887,404</td> </tr> <tr> <td>Bad debts Provision</td> <td>-295,063,940</td> </tr> <tr> <td>Billed Revenue</td> <td>183,382,573</td> </tr> </table>	Gross debtors	355,887,404	Bad debts Provision	-295,063,940	Billed Revenue	183,382,573	<p>1,296 days</p> <p><i>Please refer to page 6 of MFMA Circular No. 71</i></p> <p>Receivables from exchange (note 10) and non-exchange transactions (note 11)</p> <p>Billed revenue: Property rates (note 24)+ Interest earned non: exchange transactions + Fines +Service charges (note 28) + Rental of fixed assets (note 30) + Interest earned: Exchange (note 32)</p>				
Gross debtors	355,887,404															
Bad debts Provision	-295,063,940															
Billed Revenue	183,382,573															
C. Liquidity Management																
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In year Reports and AR	1 - 3 Months	<table border="1"> <tr> <td>Cash and cash equivalents</td> <td>30,101,602</td> </tr> <tr> <td>Unspent Conditional Grants</td> <td>20,315,030</td> </tr> <tr> <td>Overdraft</td> <td>19,766,637</td> </tr> <tr> <td>Short Term Investments</td> <td>-</td> </tr> <tr> <td>Total Annual Operational Expenditure</td> <td>276,904,405</td> </tr> </table>	Cash and cash equivalents	30,101,602	Unspent Conditional Grants	20,315,030	Overdraft	19,766,637	Short Term Investments	-	Total Annual Operational Expenditure	276,904,405	<p>0 Month</p> <p><i>Please refer to page 7 of MFMA Circular No. 71</i></p>
Cash and cash equivalents	30,101,602															
Unspent Conditional Grants	20,315,030															
Overdraft	19,766,637															
Short Term Investments	-															
Total Annual Operational Expenditure	276,904,405															
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1	<table border="1"> <tr> <td>Current Assets</td> <td>130,054,304</td> </tr> <tr> <td>Current Liabilities</td> <td>181,176,177</td> </tr> </table>	Current Assets	130,054,304	Current Liabilities	181,176,177	<p>0.72</p> <p><i>Please refer to page 7 of MFMA Circular No. 71</i></p>						
Current Assets	130,054,304															
Current Liabilities	181,176,177															
D. Liability Management																
1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost(Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%	<table border="1"> <tr> <td>Interest Paid</td> <td>26,780</td> </tr> <tr> <td>Redemption</td> <td>-240,844</td> </tr> <tr> <td>Total Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td>Taxation Expense</td> <td>-</td> </tr> </table>	Interest Paid	26,780	Redemption	-240,844	Total Operating Expenditure	276,904,405	Taxation Expense	-	<p>0%</p> <p><i>Please refer to page 8 of MFMA Circular No. 71</i></p> <p>Note 38: Finance cost (long-term borrowings and bank overdraft) Redemption as per Annexure A</p>		
Interest Paid	26,780															
Redemption	-240,844															
Total Operating Expenditure	276,904,405															
Taxation Expense	-															
2	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non current Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%	<table border="1"> <tr> <td>Total Debt</td> <td>273,574,909</td> </tr> <tr> <td>Total Operating Revenue</td> <td>258,423,136</td> </tr> <tr> <td>Operational Conditional Grants</td> <td>51,749,597</td> </tr> </table>	Total Debt	273,574,909	Total Operating Revenue	258,423,136	Operational Conditional Grants	51,749,597	<p>132%</p> <p><i>Please refer to page 9 of MFMA Circular No. 71</i></p>				
Total Debt	273,574,909															
Total Operating Revenue	258,423,136															
Operational Conditional Grants	51,749,597															

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION																						
E. Sustainability																												
1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank overdraft + Short Term Investment + Long Term Investment - Unspent grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%	<table border="1"> <tr><td>Cash and cash Equivalents</td><td>-443%</td></tr> <tr><td>Bank Overdraft</td><td>30,101,602</td></tr> <tr><td>Short Term Investment</td><td>19,766,637</td></tr> <tr><td>Long Term Investment</td><td>-</td></tr> <tr><td>Unspent Grants</td><td>-</td></tr> <tr><td>Net Assets</td><td>20,315,030</td></tr> <tr><td>Share Premium</td><td>564,064,355</td></tr> <tr><td>Share Capital</td><td>-</td></tr> <tr><td>Revaluation Reserve</td><td>-</td></tr> <tr><td>Fair Value Adjustment Reserve</td><td>-</td></tr> <tr><td>Accumulated Surplus</td><td>561,811,562</td></tr> </table>	Cash and cash Equivalents	-443%	Bank Overdraft	30,101,602	Short Term Investment	19,766,637	Long Term Investment	-	Unspent Grants	-	Net Assets	20,315,030	Share Premium	564,064,355	Share Capital	-	Revaluation Reserve	-	Fair Value Adjustment Reserve	-	Accumulated Surplus	561,811,562	Please refer to page 9 of MFMA Circular No. 71
Cash and cash Equivalents	-443%																											
Bank Overdraft	30,101,602																											
Short Term Investment	19,766,637																											
Long Term Investment	-																											
Unspent Grants	-																											
Net Assets	20,315,030																											
Share Premium	564,064,355																											
Share Capital	-																											
Revaluation Reserve	-																											
Fair Value Adjustment Reserve	-																											
Accumulated Surplus	561,811,562																											
2. FINANCIAL PERFORMANCE																												
A. Efficiency																												
1	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure)/Total Operating Revenue	Statement of Financial Performance, Budget, In-Year reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Asset	= or > 0%	<table border="1"> <tr><td>Total Operating Revenue</td><td>-7%</td></tr> <tr><td>Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)</td><td>258,423,136</td></tr> <tr><td>Total Operating Expenditure</td><td>276,904,405</td></tr> <tr><td>Taxation Expense</td><td>-</td></tr> </table>	Total Operating Revenue	-7%	Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)	258,423,136	Total Operating Expenditure	276,904,405	Taxation Expense	-	Please refer to page 10 of MFMA Circular No. 71														
Total Operating Revenue	-7%																											
Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)	258,423,136																											
Total Operating Expenditure	276,904,405																											
Taxation Expense	-																											
2	Net Surplus /Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure/Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	0% - 15%	<table border="1"> <tr><td>Total Electricity Revenue</td><td>-50%</td></tr> <tr><td>Total Electricity Expenditure</td><td>97,400,121</td></tr> <tr><td></td><td>145,812,194</td></tr> </table>	Total Electricity Revenue	-50%	Total Electricity Expenditure	97,400,121		145,812,194	Please refer to page 10 of MFMA Circular No. 71 C schedule - M12 - C2/App F2																
Total Electricity Revenue	-50%																											
Total Electricity Expenditure	97,400,121																											
	145,812,194																											
3	Net Surplus /Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%	<table border="1"> <tr><td>Total Water Revenue</td><td>26%</td></tr> <tr><td>Total Water Expenditure</td><td>38,957,704</td></tr> <tr><td></td><td>28,772,892</td></tr> </table>	Total Water Revenue	26%	Total Water Expenditure	38,957,704		28,772,892	Please refer to page 11 of MFMA Circular No. 71 C schedule - M12 - C2/App F2																
Total Water Revenue	26%																											
Total Water Expenditure	38,957,704																											
	28,772,892																											
4	Net Surplus /Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%	<table border="1"> <tr><td>Total Refuse Revenue</td><td>8%</td></tr> <tr><td>Total Refuse Expenditure</td><td>15,109,192</td></tr> <tr><td></td><td>13,861,743</td></tr> </table>	Total Refuse Revenue	8%	Total Refuse Expenditure	15,109,192		13,861,743	Please refer to page 12 of MFMA Circular No. 71 C schedule - M12 - C2/App F2																
Total Refuse Revenue	8%																											
Total Refuse Expenditure	15,109,192																											
	13,861,743																											
5	Net Surplus /Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= or > 0%	<table border="1"> <tr><td>Total Sanitation and Water Waste Revenue</td><td>37%</td></tr> <tr><td>Total Sanitation and Water Waste Expenditure</td><td>25,247,494</td></tr> <tr><td></td><td>15,887,103</td></tr> </table>	Total Sanitation and Water Waste Revenue	37%	Total Sanitation and Water Waste Expenditure	25,247,494		15,887,103	Please refer to page 12 of MFMA Circular No. 71 C schedule - M12 - C2/App F2																
Total Sanitation and Water Waste Revenue	37%																											
Total Sanitation and Water Waste Expenditure	25,247,494																											
	15,887,103																											
2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI	<table border="1"> <tr><td>CPI</td><td>-9%</td></tr> <tr><td>Total Revenue (Previous)</td><td>2%</td></tr> <tr><td>Total Revenue (Current)</td><td>283,274,533</td></tr> <tr><td></td><td>258,423,136</td></tr> </table>	CPI	-9%	Total Revenue (Previous)	2%	Total Revenue (Current)	283,274,533		258,423,136	Please refer to page 15 of MFMA Circular No. 71 June 2019 yly (STATSSA)														
CPI	-9%																											
Total Revenue (Previous)	2%																											
Total Revenue (Current)	283,274,533																											
	258,423,136																											
3	Revenue Growth (%) - Excluding capital grants	(Period under review's Total Revenue Excluding capital grants- previous period's Total Revenue excluding capital grants) / previous period's Total Revenue excluding capital grants) x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= CPI	<table border="1"> <tr><td>CPI</td><td>15%</td></tr> <tr><td>Total Revenue Ext.Capital (Previous)</td><td>2%</td></tr> <tr><td>Total Revenue Ext.Capital (Current)</td><td>244,493,959</td></tr> <tr><td></td><td>246,717,087</td></tr> </table>	CPI	15%	Total Revenue Ext.Capital (Previous)	2%	Total Revenue Ext.Capital (Current)	244,493,959		246,717,087	Please refer to page 15 of MFMA Circular No. 71 June 2019 yly (STATSSA)														
CPI	15%																											
Total Revenue Ext.Capital (Previous)	2%																											
Total Revenue Ext.Capital (Current)	244,493,959																											
	246,717,087																											

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION														
D. Expenditure Management																				
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days	<table border="1"> <tr> <td></td> <td>46 days</td> </tr> <tr> <td>Trade Creditors</td> <td>18,484,809</td> </tr> <tr> <td>Contracted Services</td> <td>10,156,067</td> </tr> <tr> <td>Repairs and Maintenance</td> <td>816,307</td> </tr> <tr> <td>General expenses</td> <td>33,346,383</td> </tr> <tr> <td>Bulk Purchases</td> <td>72,890,341</td> </tr> <tr> <td>Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)</td> <td>28,820,542</td> </tr> </table>		46 days	Trade Creditors	18,484,809	Contracted Services	10,156,067	Repairs and Maintenance	816,307	General expenses	33,346,383	Bulk Purchases	72,890,341	Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	28,820,542	Trade creditors: Note 19: Trade Payables + Retentions+Sundry Creditors) General expenses: Operational cost + Inventory consumed
	46 days																			
Trade Creditors	18,484,809																			
Contracted Services	10,156,067																			
Repairs and Maintenance	816,307																			
General expenses	33,346,383																			
Bulk Purchases	72,890,341																			
Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	28,820,542																			
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%	<table border="1"> <tr> <td></td> <td>111%</td> </tr> <tr> <td>Irregular, Fruitless and Wasteful and Unauthorised Expenditure</td> <td>308,376,044</td> </tr> <tr> <td>Total Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td>Taxation Expense</td> <td>-</td> </tr> </table>		111%	Irregular, Fruitless and Wasteful and Unauthorised Expenditure	308,376,044	Total Operating Expenditure	276,904,405	Taxation Expense	-	Please refer to page 16 of MFMA Circular No. 71						
	111%																			
Irregular, Fruitless and Wasteful and Unauthorised Expenditure	308,376,044																			
Total Operating Expenditure	276,904,405																			
Taxation Expense	-																			
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%	<table border="1"> <tr> <td></td> <td>34%</td> </tr> <tr> <td>Employee/personnel related cost</td> <td>87,328,644</td> </tr> <tr> <td>Councillors Remuneration</td> <td>5,862,471</td> </tr> <tr> <td>Total Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td>Taxation Expense</td> <td>-</td> </tr> </table>		34%	Employee/personnel related cost	87,328,644	Councillors Remuneration	5,862,471	Total Operating Expenditure	276,904,405	Taxation Expense	-	Please refer to page 17 of MFMA Circular No. 71				
	34%																			
Employee/personnel related cost	87,328,644																			
Councillors Remuneration	5,862,471																			
Total Operating Expenditure	276,904,405																			
Taxation Expense	-																			
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%	<table border="1"> <tr> <td></td> <td>3.67%</td> </tr> <tr> <td>Contracted Services</td> <td>10,156,067</td> </tr> <tr> <td>Total Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td>Taxation Expense</td> <td>-</td> </tr> </table>		3.67%	Contracted Services	10,156,067	Total Operating Expenditure	276,904,405	Taxation Expense	-	Please refer to page 17 of MFMA Circular No. 71						
	3.67%																			
Contracted Services	10,156,067																			
Total Operating Expenditure	276,904,405																			
Taxation Expense	-																			
E. Grant Dependency																				
1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + Borrowings) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-Year reports and AR	None	<table border="1"> <tr> <td></td> <td>10%</td> </tr> <tr> <td>Internally generated funds</td> <td>2,909,495</td> </tr> <tr> <td>Borrowings</td> <td>-</td> </tr> <tr> <td>Total Capital Expenditure</td> <td>28,820,542</td> </tr> </table>		10%	Internally generated funds	2,909,495	Borrowings	-	Total Capital Expenditure	28,820,542	Please refer to page 18 of MFMA Circular No. 71 C schedule - M12 - C5/App F5						
	10%																			
Internally generated funds	2,909,495																			
Borrowings	-																			
Total Capital Expenditure	28,820,542																			
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information) Budget, IDP, In-Year reports and AR	None	<table border="1"> <tr> <td></td> <td>10%</td> </tr> <tr> <td>Internally generated funds</td> <td>2,909,495</td> </tr> <tr> <td>Total Capital Expenditure</td> <td>28,820,542</td> </tr> </table>		10%	Internally generated funds	2,909,495	Total Capital Expenditure	28,820,542	Please refer to page 18 of MFMA Circular No. 71 C schedule - M12 - C5/App F5								
	10%																			
Internally generated funds	2,909,495																			
Total Capital Expenditure	28,820,542																			
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	Own Source Revenue (Total revenue - Government grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including agency services) x 100	Statement Financial Performance, Budget, IDP, In-Year reports and AR	None	<table border="1"> <tr> <td></td> <td>77%</td> </tr> <tr> <td>Total Revenue</td> <td>258,423,136</td> </tr> <tr> <td>Government grant and subsidies</td> <td>63,455,646</td> </tr> <tr> <td>Public contributions and Donations</td> <td>4,975,198</td> </tr> <tr> <td>Capital Grants</td> <td>11,706,049</td> </tr> </table>		77%	Total Revenue	258,423,136	Government grant and subsidies	63,455,646	Public contributions and Donations	4,975,198	Capital Grants	11,706,049	Please refer to page 18 of MFMA Circular No. 71				
	77%																			
Total Revenue	258,423,136																			
Government grant and subsidies	63,455,646																			
Public contributions and Donations	4,975,198																			
Capital Grants	11,706,049																			

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION						
3. BUDGET IMPLEMENTATION												
1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports and AR	95% - 100%	<table border="1"> <tr> <td>Actual Capital Expenditure</td> <td>1,645</td> </tr> <tr> <td>Budget Capital Expenditure</td> <td>28,820,542</td> </tr> <tr> <td></td> <td>18,716,000</td> </tr> </table>	Actual Capital Expenditure	1,645	Budget Capital Expenditure	28,820,542		18,716,000	Please refer to page 19 of MFMA Circular No. 71 C schedule - M12 - C2/App F5
Actual Capital Expenditure	1,645											
Budget Capital Expenditure	28,820,542											
	18,716,000											
2	Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%	<table border="1"> <tr> <td>Actual Operating Expenditure</td> <td>99%</td> </tr> <tr> <td>Budget Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td></td> <td>279,545,635</td> </tr> </table>	Actual Operating Expenditure	99%	Budget Operating Expenditure	276,904,405		279,545,635	Please refer to page 20 of MFMA Circular No. 71 C schedule - M12 - C2/App F4
Actual Operating Expenditure	99%											
Budget Operating Expenditure	276,904,405											
	279,545,635											
3	Operating Revenue Budget Implementation Indicator	Actual Operating Revenue / Budget Operating Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%	<table border="1"> <tr> <td>Actual Operating Revenue</td> <td>91%</td> </tr> <tr> <td>Budget Operating Revenue</td> <td>258,423,136</td> </tr> <tr> <td></td> <td>282,925,635</td> </tr> </table>	Actual Operating Revenue	91%	Budget Operating Revenue	258,423,136		282,925,635	Please refer to page 20 of MFMA Circular No. 71 C schedule - M12 - C2/App F4
Actual Operating Revenue	91%											
Budget Operating Revenue	258,423,136											
	282,925,635											
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budget Service Charges and Property Rates Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%	<table border="1"> <tr> <td>Actual Service Charges and Property Rates Revenue</td> <td>99%</td> </tr> <tr> <td>Budget Service Charges and Property Rates Revenue</td> <td>180,122,247</td> </tr> <tr> <td></td> <td>181,749,798</td> </tr> </table>	Actual Service Charges and Property Rates Revenue	99%	Budget Service Charges and Property Rates Revenue	180,122,247		181,749,798	Please refer to page 21 of MFMA Circular No. 71 C schedule - M12 - C2/App F4
Actual Service Charges and Property Rates Revenue	99%											
Budget Service Charges and Property Rates Revenue	180,122,247											
	181,749,798											

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 2021, the 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 notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the 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 2021, and its financial performance and cash flows for the year then ended in accordance with 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, 2020 (Act No. 4 of 2020) (Dora).

Basis for qualified opinion

Bank Overdraft

3. 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 R19 766 637 in note 11 to the financial statements. Since the cash and cash equivalents balance is included in the determination of net increase in cash and cash equivalents reported in the statement of cash flows, I was unable to determine whether cash flows from operating activities were accurate and complete.

Receivables from non-exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence that receivables from non-exchange transactions for the current year had been properly accounted for, due to the status of accounting records. I was unable to confirm trade and other receivables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade and other receivables stated at R115 929 836 in note 9 of the financial statements. Since the trade and other receivables 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 any adjustments were necessary.

Service Charges

5. The entity incorrectly accounted for revenue relating to the prior financial year in the current financial year. Revenue from exchange transactions is therefore overstated in the annual financial statements. Consequently, revenue from exchange transaction is overstated by an amount of R3 444 086. This also has an impact on the deficit for the period and on the accumulated deficit.

Cash and cash equivalent

6. I was unable to obtain sufficient appropriate audit evidence that cash and cash equivalents for the current year had been properly accounted for, due to the status of accounting records. I was unable to confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to cash and cash equivalents stated at R30 101 602 in note 11 of the financial statements. Since the cash and cash balance is included in the determination of net increase in cash and cash equivalents reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary

Inventory

7. The municipality did not recognise all items of inventory in accordance with GRAP 12, Inventory. Land registered in the name of the municipality was not recognised as inventory, as according to the deed search performed, the land belongs to the municipality. Consequently, inventory is understated. I could not determine the correct value and the extent of land held as it was impractical to do so.

Irregular expenditure

8. The municipality did not include irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. This was due to payments made in contravention of the supply chain management requirements, which resulted in irregular expenditure of R9 628 128 (2020: R51 540 916). In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in the notes to the financial statements as sufficient appropriate audit evidence was not provided. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R88 309 438(2020: R78 681 310) in the financial statements.

Context for the opinion

9. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
10. 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.

11. 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 financial sustainability

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.
13. I draw attention to note 56 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 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 56, these events or conditions, along with the other matters as set forth in note 56, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern

Emphasis of matters

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

Restatement of corresponding figures

15. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the municipality at, and for the year ended 30 June 2021.

Material impairment – trade debtors

16. As disclosed in note 9 and 10 to the financial statements, material impairments of R295 063 940 were incurred as a result of provision for impairment of receivables from exchange and non-exchange transactions.

Material underspending on conditional grants

17. As disclosed in the Grants and subsidies disclosure, the municipality materially underspent the conditional grants by R19 082 927.

Material losses – electricity

18. As disclosed in note 48.8 to the financial statements, material electricity losses of R59 700 003 (2020: R56 375 147) was incurred, which represents 12.79% (2020: 14.62%) of total electricity purchased.

Other matters

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

Unaudited disclosure notes

20. 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

21. The supplementary information set out on appendix A to H 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

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

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

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

24. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Introduction and scope

26. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
27. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality’s approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
28. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the municipality’s annual performance report for the year ended 30 June 2021:

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

29. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
30. The material findings on the usefulness and reliability of the performance information of the selected objectives are as follows:

Objective 7: Provision of access to all basic services rendered to residents within the available resources

Various indicators

31. The reported indicators and targets did not agree with the planned indicators and targets as per the approved in the service delivery agreement.

Indicator Number	Description as per the SDBIP	Description as per the APR	Inconsistencies identified in reported achievement
TL23	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 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	Achievement reported is not based on the number of households but the levies per household The reported achievement includes business properties and not limited to only households as stated in the description.
TL24	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 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	Achievement reported is not based on the number of households but the levies per household The reported achievement includes business properties and not limited to only households as stated in the description.
TL25	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 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	The reported achievement includes business properties and not limited to only households as stated in the description.
TL26	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 formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2021	The reported achievement includes business properties and not limited to only households as stated in the description.

Various indicators

32. The measures taken to improve performance against target were not reported in the annual performance report for the indicators listed below:

Indicator number	Indicator description	Planned target	Reported achievement
------------------	-----------------------	----------------	----------------------

TL40	Limit unaccounted for water to less than 22% by 30 June 2021 [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) x 100]	22%	15,20%
TL44	Limit electricity unaccounted for to 18% by 30 June 2021 [(Number of electricity units sold) / (number of electricity units purchased) x 100]	18%	12.79%

Various indicators

33. 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
TL24	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	10220
TL44	TL44: Limit electricity unaccounted for to 18% by 30 June 2021 [(Number of electricity units sold) / (number of electricity units purchased) x 100]	12.79%
TL47	70% of approved budget spent by 30 June 2021 for the electrification of 18 houses {(Actual expenditure divided by the total approved budget) x 100}	42.18%

Various indicators

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

Indicator number	Indicator description	Reported achievement
TL18	60% of the maintenance budget of waste management spent by 30 June 2021 ((Actual expenditure divided by the approved budget)*100)	102,14%
TL39	60% of the water maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	51,37%
TL42	60% of the waste water maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	100%
TL43	60%of the roads and stormwater maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)X100)	81,84%
TL46	60% of the electricity maintenance budget spent by 30 June 2021 ((Actual expenditure divided by the approved budget)x100)	63%

Other matter

35. I draw attention to the matter below.

Achievement of planned targets

36. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 29 to 32 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements and annual reports

39. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets and disclosure items identified by the auditors in the submitted financial

statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

40. Reasonable steps were not taken to prevent irregular expenditure amounting to R9 628 128, 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 contracts that were not in place with suppliers of goods and services.
41. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R89 618, as disclosed in note 47.2 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.
42. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R87 873 319, as disclosed in note 47.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused overspending on votes.

Strategic planning and performance management

43. 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

44. 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.
45. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). This non-compliance was identified in the procurement processes for the Connection of 481 Households to the sewer reticulation network in Britstown - Phase 3
46. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2). This non-compliance was identified in the procurement processes for the Connection of 481 Households to the sewer reticulation network in Britstown - Phase 3
47. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43. This non-compliance was identified in the procurement processes for the Connection of 481 Households to the sewer reticulation network in Britstown - Phase 3

48. 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. Similar non-compliance was also reported in the prior year.

Consequence management

49. 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.
50. Irregular expenditure and fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA

Other information

51. 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.
52. 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.
53. 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.
54. 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, 58. 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

55. 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..
56. Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

57. Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities
58. Management did not establish and implement an IT governance framework that supports and enables the business, delivers value and improves performance.
59. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
60. Management did not implement controls over daily and monthly processing and reconciling of transactions.
61. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
62. Management did not review and monitor compliance with applicable legislation.
63. Management did not ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with legislation.
64. Management did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively

Material irregularities

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

Material irregularities identified during the year

66. The material irregularity identified is as follows:

Eskom accounts not paid within 30 days

67. Eskom invoices received during the period 1 April 2019 to 29 March 2020, for bulk electricity were not all not paid within the prescribed 30 day period, in contravention of section 65(2)(e) of the MFMA. The non-compliance resulted in a financial loss in the form of interest of R4 352 443 being levied and paid to the supplier on the outstanding balances.
68. The accounting officer was notified of the material irregularity on 7 June 2021. The accounting officer instituted an investigation into the matter and the investigation was completed on 5 July 2021. The outcome of the investigation stated that officials could not be held responsible for the non-compliance that occurred and the financial loss suffered by the municipality, and therefore no disciplinary steps need to be taken in accordance with

the policies of the municipality. This was due to unfunded annual budgets, low collection rates and the municipality being in financial distress.

69. The municipality entered into a payment arrangement with Eskom in October 2020. The municipality adhered to the payment arrangement and therefore reduced the interest payable on the account. The municipality reduced and stopped the losses and I have concluded that appropriate actions are being taken to address the material irregularity. I will follow up during my next audit that the preventative measures in place stopped any further losses and therefore ensured that the material irregularity does not re-occur.

Material irregularities in progress

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

Other reports

71. In addition to the investigations relating to material irregularities I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or, my findings on the reported performance information or compliance with legislation.
72. The Directorate for Priority Crime Investigation (Hawks) is investigating allegations of irregularities where banking details of suppliers were changed before payment was processed. These proceedings were in progress at the date of this report.

Auditor General
Kimberley

9 December 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 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 provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.